MANUF. – IRON, Steel, ENGINEERING &
Metall. Ind. (189 D)

1995

AFRICAN CABLES (189D)

Tightly held

FM

This share gained 130c to 450c and earnings rose, though marginally, in 1994 for the first time in four years But, before getting carried away, a realistic assessment of these achievements is called for

Demand for power cables during the year was marginally less than in the previous year. Chairman Clive Parker attributes this to the still depressed mining industry and "lack of infrastructural development" Also,

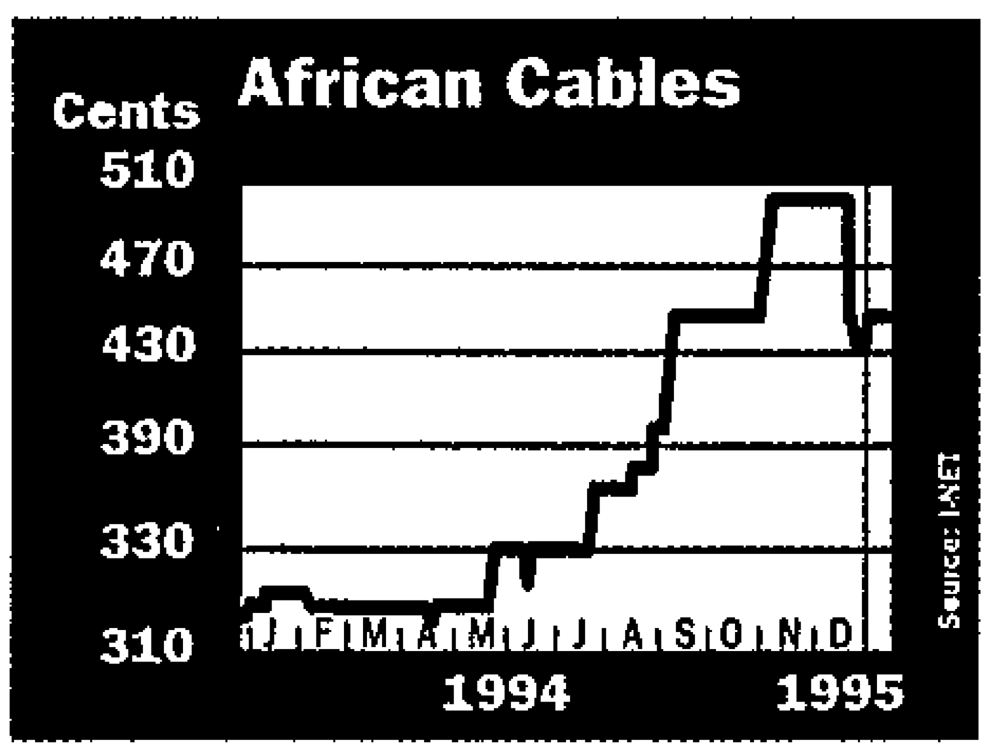
Activities: *Makes electrical cables and related products*
Control: *Reunert and Siemens through Afcab Holdings (82,3%)*
Chairman: *C C Parker MD P J Muller*
Capital structure: *39,5m ords Market capitalisation R178m*
Share market: *Price 450c Yields. 2,7% on dividend, 6,4% on earnings, p e ratio, 15,6, cover, 2,4 12-month high, 500c, low, 320c Trading volume last quarter, 2 800 shares*

Year to Sept 30	'91	*'92	'93	'94
ST debt (Rm)	16,6	4,7	4,1	2,6
LT debt (Rm)	nil	0,03	0,01	nil
Debt equity ratio	0,18	—	—	—
Shareholders' interest	0,67	0,67	0,74	0,70
Int & leasing cover	15,1	155	—	—
Return on cap (%)	13,2	22,2	11,6	7,9
Turnover (Rm)	172	‡248	247	233
Pre-int profit (Rm)	18,2	‡28,6	17,8	13,5
Pre-int margin (%)	7,6	10,8	7,0	5,8
Earnings (c)	47,0	‡45,4	26,3	28,8
Dividends (c)	22	‡21,6	12	12
Tangible NAV (c)	388	274	288	305

* 15-month trading period ‡ Annualised

a significant leap in the volume of imported cables is affecting the local market.

Fortunately, African Cables is in a positive cash position Last year, net interest received climbed comfortably Along with a lower tax charge, this was responsible for a 9% increase in EPS against a 6% decline in turnover with operating profit down by almost a quarter Management focused on



cost-savings and evidence of this is found in the value-added statement Though the number of employees has risen by only 20 to 978, salaries, wages and other employment costs were cut by 14%.

This year's prospects look rosier Manufacturing machinery at the Vereeniging factory is to be upgraded Capital expenditure of R41m has been approved — the major portion will be financed by cash resources and the balance by borrowings At year-end, African Cables owed only R2,6m and its bank balance stood at R12,5m, so the balance sheet is strong

The new equipment is for the manufacture of products related to the mass electrification programme and the upgrading of existing machinery Parker says this will result in "increased productivity and reduced raw material and production costs" Most of the equipment will become operational later this year Though the financial benefits will be evident only in 1996, "turnover and profitability are expected to improve this year"

An important reservation about the share is tradeability Less than 1% of the equity "floats freely." Reneurt and Siemens hold 82,3% through Afcab Holdings Two other large holders, which haven't changed their stakes in years, have 17,1% This leaves only 237 000 shares to dictate price movement In the fourth quarter of last year, the price rose 10% to its 500c annual high on trade of just 2 800 shares

On fundamentals, the share looks fully priced The 15,6 p.e matches the Electronics sector average. *Kate Rushton*

Supalek enjoys super six months as sales rise

SELLO MOTLHABAKWE

ELECTRONICS company Supalek, recently appointed sole distributor of brown goods for Korean company Daewoo Electronics, increased net income 195% to R1,6m for the six months to October on increased market share (189B)

Turnover recorded a hefty rise to R43,8m, with net interest sharply up at R413 000 from the previous R115 000 Pre-tax income was R2,4m (R954 000) The tax bill doubled to R873 000 (R405 000) BD 27/1/95

Director Atha Zachas said the dividend was passed to accommodate the group's expansion and recapitalisation plans

The group's net asset value a share was 42,2c The balance sheet indicated long-term liabilities had dropped to R310 000 from the previous R651 000.

Zachas said the strong performance was attributable to the Kenwood audio division Its new range of hi-fi products had gained immediate acceptance among upmarket audio enthusiasts, he said

In the lower end of the market, the company's Cortina brand of audio material had continued to gain market share

It had improved turnover 78% compared with the same period in 1993

In the past three months the company had entered the rapidly expanding low-cost, affordable colour and monochrome TV market

Most sales were under private labels through major retailers

With the company's activity level up 67%, the improvement in profit was the result of enhanced margins and tight cost control

Control of the company had been secured by Hong Kong-based Gold Fortune Development on September 14 last year

In terms of an agreement reached then, Gold Fortune granted the Daewoo-Amic joint venture an option to acquire 51% of the company, he said

The option had not been exercised yet, but it could be in the near future

Zachas said the link with Daewoo Electronics would further strengthen Supalek in the television and audio industry The effect of the Daewoo dealership was expected to be reflected in sales within six months

Eskom's announcement of higher electrification targets had reinforced future growth prospects.

Other prospects included the possibility of the local manufacture of brown goods, Zachas said

Persetel leads the pack on electronics sector

SELLO MOTLHABAKWE

NEWLY listed Persetel Holdings drew most investor attention on the JSE's electronics sector in the past year, an analyst said this week

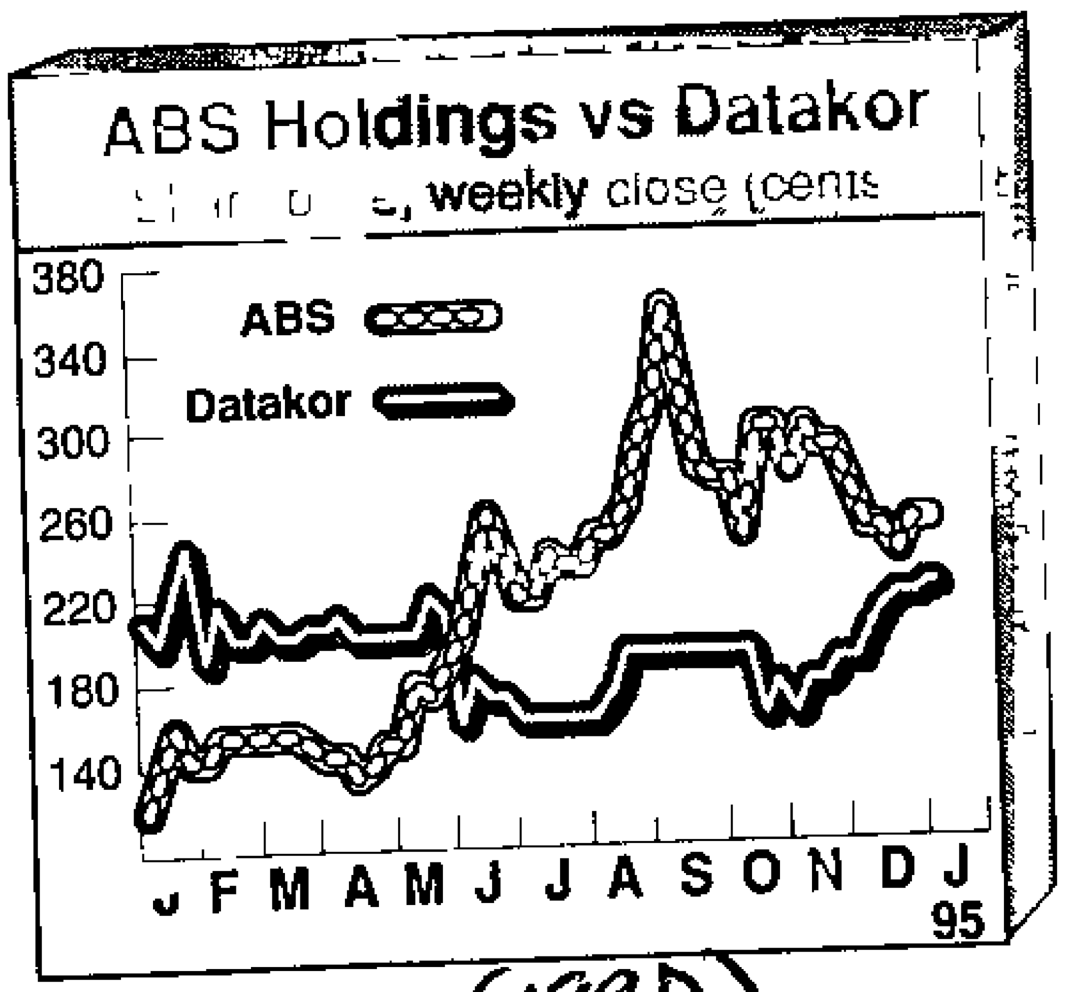
Developments concerning Persetel related to Persetech's delisting last year in favour of Persetel, led by the Roux Marnitz consortium

Barlows, which owned 58% of Persetech, had sold 29% to the Marnitz consortium, believing the company would be better served by experienced management The consortium had hived off a sizeable portion of the company and retained core operations Persetel Holdings' prospects improved, with the share price at R4 this week from R3,20 when it listed

The company was likely to perform well over the next three to four years, the analyst said It had a price to earnings ratio of 12,8 yesterday, about three points below the electronic sector average of 15,3

Dimension Data (Didata) and Q-Data also turned in good performances At the close of trade yesterday Didata's PE ratio stood at 23,3 The share price was R20, having touched R22,59 over the past year

Q-Data's PE was at 26, while that of Datakor, being restructured by Mercedes Information Technogies (MIT) executive Jeremy Ord, stood at 25,6 The counter traded at R2,20 this week



(189D)

Datakor's PE ratio of 25,8 was well above competitor ISG's PE ratio of 17,1

Siltek, which had a cross section of information technology products such as networks, software, Hulett-Packard packages and distribution, was at a PE ratio of 15,3 The share yesterday traded at R17 after last year's high of R18

The analyst said blue chip company Reunert was not as highly rated as Didata or Q-Data It had a PE ratio of 20,3

The analyst discounted claims that Reunert's share was overrated, saying it had attracted foreign investor interest which afforded it a high rating The company's business units should do well with the take-off of reconstruction and development programme projects, which were likely to lift profit by up to 21%

The analyst said the Altron group of companies had performed below expectations and the group seemed to be out of favour with institutions Altron's PE ratio was 17,6 yesterday But the group could be turning the corner, especially with good returns from subsidiary Powertech, which had a PE ratio of 20,5

The group's market capitalisation was among the highest in the sector at above the R1bn mark This compared well with Reunert's, which was also in excess of that mark

Tardy performers in the sector included SPL, ABS, Autodek and Femcotec

The analyst said shares of only about 10 companies in the sector were "interesting"

The rest, with individual market capitalisations of about R500m, were tightly held and seldom traded

Institutions also tended not to trade in them as they were unlikely to gain the volumes required to make purchases worthwhile Half the sector comprised ompanies with a market capitalisation of R100m and less

Fine-tuned performance from Supalek

(189D) CT 27/1/95

By MAGGIE ROWLEY
Deputy Business Editor

IMPROVING consumer demand and the launch of new products coupled with higher margins and tight cost controls helped electronics group Supalek put in a fine-tuned performance for the six months to end October lifting earnings 195,6% over the corresponding period the previous year on a 67% increase in turnover

Turnover at R43,7m (R26m) for the first six months which almost equated sales for the full financial year to end April 1994, was boosted in particular by the strong performance of its flagship brand, the Kenwood division which saw a number of new hi-fi products successfully launched during the reporting period

In addition, the Cortina brand continued to gain market share at the lower end of the market lifting turnover 78% over the previous year

Profit before tax and interest was up at R2,9m (R1m) with net interest rising 259% to R413 000 A 115% hike in the tax bill resulted in earnings of R1,6m (R549 000) equal to 5c (1,7c) a share

The interim dividend has been passed in view of the company's expansion programme and the need to recapitalise, say the directors

Financial director Atha Zachas said the company's growth in the past had been constrained by its relatively narrow product range which had now been expanded During the last three months of the financial year, the company entered the rapidly expanding television market targeted at the low cost/affordable segment of the market which was reflecting rapid growth as a result of Eskom's electrification programme

A feasibility study with the view to manufacturing televisions locally was currently being conducted, he said

In September last year, the controlling interest of Supalek passed from Anbeeco to Hong Kong-based Gold Fortune which in turn gave Daewoo Amic an option to acquire 51% of its shareholding by September this year

Zachas said indications were that Daewoo Amic would exercise this option which would see a restructuring of the balance sheet and a substantial capital injection into the company to help finance its expansion programme and to reduce its gearing

BERZACK/VOLTEX

Linked to housing

(189D)

FM 6/2/95

Voltex:
Activities: *Makes and distributes electrical equipment*
Control: *Berzack Brothers 38,7%*
Joint Chairmen: *M C Berzack and S H Illman*
Capital structure: *300m ords Market capitalisation R705m*
Share market: *Price 235c Yields 2,5% on dividend, 6,4% on earnings, p e ratio, 15,6, cover, 2,5 12-month high, 250c, low, 130c Trading volume last quarter, 1,1m shares*

Year to June 30	'92	'93	'94
ST debt (Rm)	45,3	4,8	8,9
LT debt (Rm)	86,8	114,1	115,4
Debt equity ratio	0,24	0,22	0,27
Shareholders' interest	0,61	0,58	0,52
Int & leasing cover	2,44	2,59	4,40
Return on cap (%)	13,6	14,6	11,1
Turnover (Rm)	923	1 006	1 050
Pre-int profit (Rm)	98,9	95,2	81,3
Pre-int margin (%)	10,7	9,5	7,7
Earnings (c)	17,65	16,5	15,1
Dividends (c)	6,75	6,75	5,95
Tangible NAV (c)	78,1	57,2	58,1

Berzack:
Activities: *Controls Voltex Other interests include distribution of machinery equipment and supplies to the clothing industry*
Control: *Bivec 50,3%*
Chairman: *M C Berzack*
Capital structure: *26,5m ords Market capitalisation R278m*
Share market: *Price 1 050c Yields 2,6% on dividend, 7,0% on earnings, p e ratio, 14,4, cover, 2,7 12-month high, 1 225c, low, 695c Trading volume last quarter, 451 000 shares*

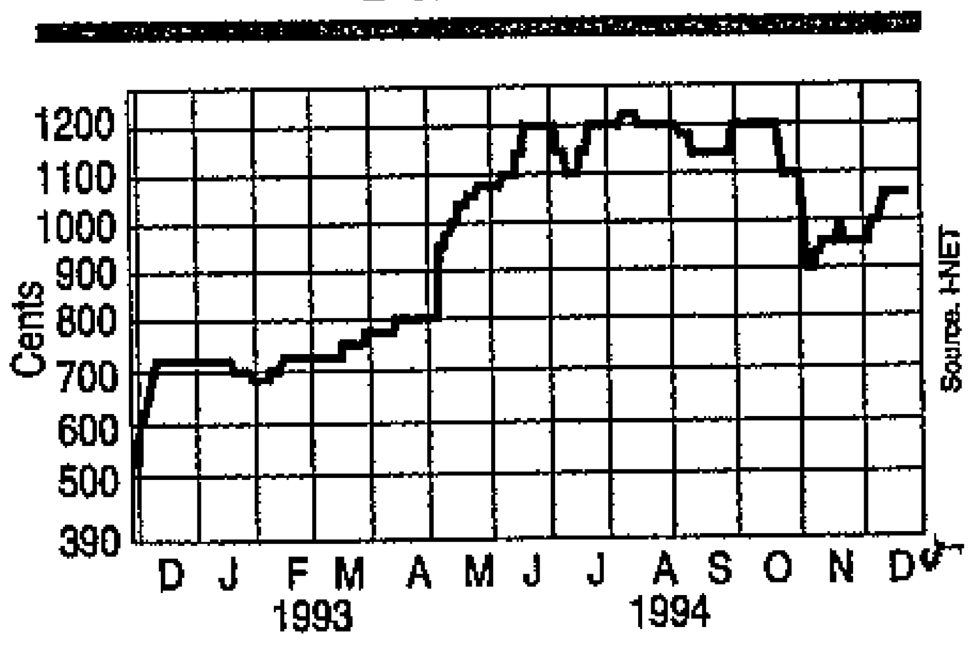
Year to June 30	'91	'92	'93	'94
ST debt (Rm)	18,7	15,0	12,0	14,9
LT debt (Rm)	9,6	56,1	53,8	37,0
Debt equity ratio	0 08	0 16	0 16	0,08
Shareholders' interest	0,83	0,75	0,77	0,90
Int & leasing cover	683	9,8	5,0	5,4
Return on cap (%)	11,2	9,3	10,8	4,6
Turnover (Rm)	100	109	113	115
Pre-int profit (Rm)	41,0	42,3	47,2	33,5
Pre-int margin (%)	38,9	40,9	41,7	29,2
Earnings (c)	139	108	87	73
Dividends (c)	55	40	32,5	27,5
Tangible NAV (c)	1 114	626	649	1 820

Clearly, there are investors out there who believe in Voltex, Berzack and holding company Bivec, aside from the occasional hic-cup, the share prices climbed steadily in 1994 The apparent progress now being made towards mass housing and electrification programmes — and the potential resultant boost for the group's products — supports this bullish view.

Berzack

Sadly, the income statements of these companies have yet to produce the goods Berzack's EPS fell from 86,8c to 73c in 1994 and Voltex's from 16,5c to 15,1c Berzack's fortunes for the year will largely mirror those of Voltex, Voltex is the operating company in the pyramid Voltex's halved net financial charges, which stemmed from aggressive working capital management, resulted in lower borrowings for much of the year The same applied to Berzack, whose interest payments fell from

Berzack



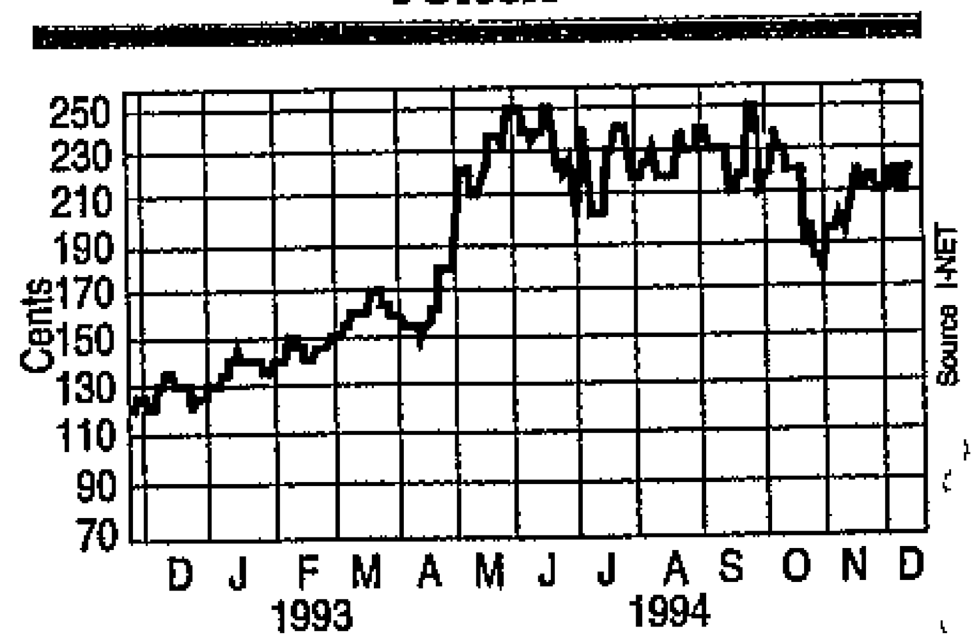
R9,5m to R6,2m

However, Voltex's year-end borrowings were affected by the acquisition in May of Sanlic International (which supplies the locksmith and security-related industries), gearing rose to 27% Berzack's gearing halved to 8% though

A marked improvement in turnover in May and June caused Voltex's accounts receivable to rise almost a third and stock by 11% over the previous year The taxman also played his part Voltex's effective tax rate was 30% (1994 17%) including the 5% reconstruction levy

There is, however, one area on the income statement that raises some questions Included in a R22,3m extraordinary item is an after-tax amount of R11,7m This represents "a loss on foreign currency transactions undertaken contrary to group policy and without the authority of the directors" Details are not disclosed but, says joint chairman Myron Berzack, "appropriate steps are being contemplated and, where considered expedient, Voltex will institute action in an attempt to recover any monies due"

Voltex



Berzack says this year's growth prospects are encouraging, especially as there has been "increased growth in operating income to September" He does not comment on the margins Voltex's margins fell in 1994 from 9,9% to 7,7% Net finance costs are expected to rise marginally due to the increasing interest rates and expected higher working capital

Voltex's price fell from 220c to 175c in October when negotiations with Bidvest fell through (Bidvest was to have acquired a 57% stake in holding company Bivec, gaining an effective 38% in Voltex) Apparently, Bidvest walked away when Berzack didn't accept the 181c a share offer Still, Voltex stock has recovered to 240c, proving that the counter may hold more potential than Bidvest was prepared to concede *Kate Rushton*

Delta Electrical turns up power

(189D) Star 16/2/95

BY JOHN SPIRA

Delta Electrical Industries reports a 27 percent increase in earnings to 73,4c share in the year to December 27

Dividends for the year make 29c (27,5c) to yield 2,2 percent at the ruling price

The earnings increase compares favourably with the 24 percent turnover improvement to R451 million

The company notes that trading in the second half reflected an encouraging upturn, with per share earnings also benefiting from the purchase of an additional 29,7 percent holding in Delta EMD and from a reduced tax charge

Short-term borrowings increased R5 million to R22,9 million owing to volume-driven working capital requirements and two small acquisitions

While earnings are the highest in the company's history, they need to be seen against the background of a fairly static performance over the past several years and the demanding fundamentals at the current share price

The shares have softened since the middle of last year following a steep advance in the preceding nine months.

At the same time, the heightened buoyancy in the second half promises further gains in the current financial year.

Delta sees 'encouraging upturn'

(189D)

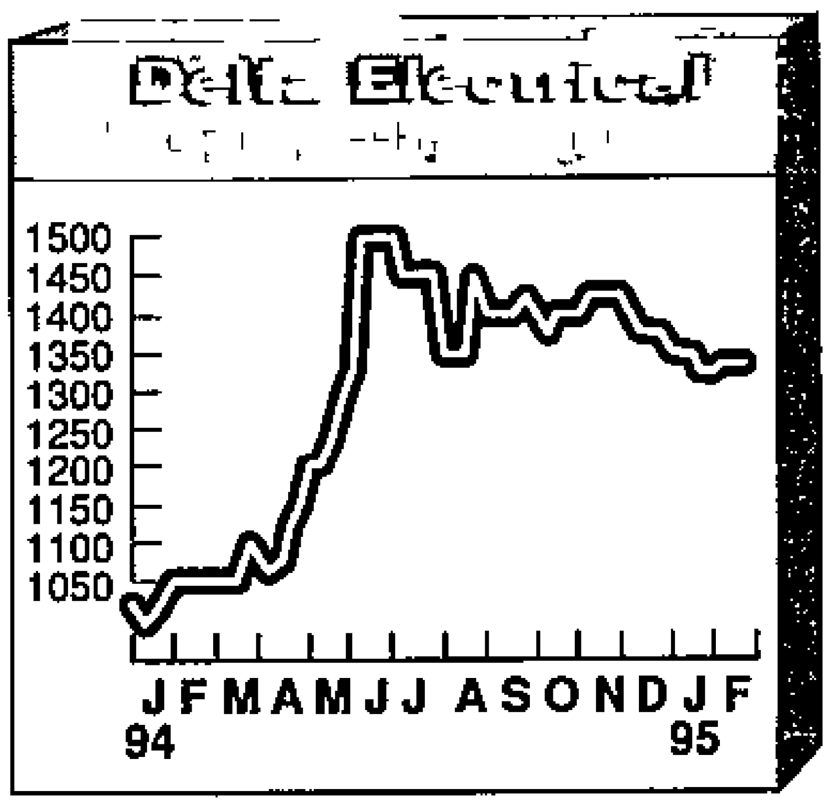
ROBYN CHALMERS

ELECTRICAL manufacturing and distribution group Delta Electrical Industries posted a 31% rise in attributable income to R31,5m (R24m) for the year to December

MD Eben van Zyl said trading in the second half of the year reflected an encouraging upward turn, leading to a 24% rise in turnover to R451,2m (R364,3m previously)

Operating income rose 14% to R54,5m (R47,8m), but a significant rise in interest paid of R2,8m (R941 000) left pre-tax income only 10% higher at R51,7m (R46,8m)

The group posted a 27% increase in earnings to 73,4c (58c) a share Van Zyl said earnings a share benefited from the purchase of the additional



29,7% holding in electrolytic manganese dioxide supplier Delta EMD and from a reduced tax charge

Directors declared a final dividend of 19c, taking the total dividend to 29c against 27,5c previously Extraordinary items of R781 000 related to goodwill written off

Short-term borrowings increased R5m to R22,8m

BD 16/2/95

Van Zyl said this was attributable to volume-driven working capital requirements and two small acquisitions made during the year

Delta disposed of its cable manufacturing business, excluding related debtors and creditors, to Aberdare Cables for approximately R16m, with effect from January 30

Van Zyl said the transaction had no effect on the results for the review period. Had the disposal been effective throughout that period, the effect on earnings a share would have been immaterial and the group's net tangible asset value would have risen about 5c

Business Report

ADE clinches UK export deal

(1890)

ATLANTIS Diesel Engines (ADE) has signed a contract to supply R30m worth of components annually for the next three years to Perkins Engines of England

This will bring ADE's total exports to nearly R100m in 1995

Roger Warren, purchasing director of Perkins Engines in the UK, said the contract signalled a new and strong partnership between Perkins and ADE

"It builds on the good quality and supply foundation laid over preceding years" CT 16/2/95

Fritz Korte, ADE's MD, said "ADE's export business is one of the company's fastest growing areas as our quality and ability to meet lead times are being recognised internationally

"This contract covers both a renewal of existing business and new business, such as cylinder blocks for the Perkins 1000 series engine

"ADE will supply 40 000 cylinder blocks each year, 15 000 cast and machined cylinder heads, and up to 15 000 machined crankshafts

"Nearly half the blocks will also be machined "

The Perkins Group supplies engines to more than 600 manufacturers of original equipment throughout the world

Restructuring pays off at Control Instruments

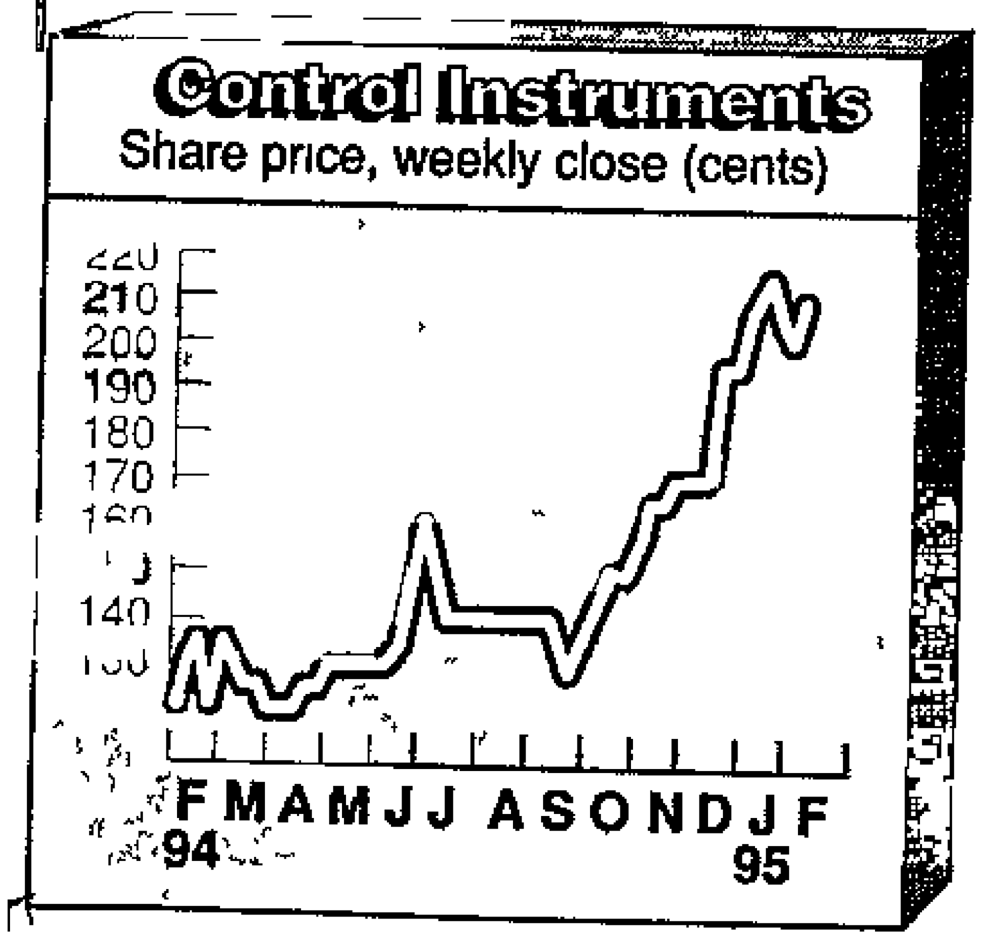
(189D)

ELECTRONICS group Control Instruments almost doubled attributable earnings to R5,3m (R2,7m) for the six months ended December as the benefits of a restructuring programme, started three years ago, began to filter through

Turnover soared 82% to R89,3m and operating income rose to R6,3m against R3,6m previously The interest bill was pared down to R639 000 (R815 000), leaving pre-tax income of R5,6m (R2,8m)

Earnings rose to 7,4c (3,7c) a share and an interim dividend of 2c was declared compared with 1c previously.

Group MD Richard Friedman said the improved results were internally generated as the effects of the restructuring pro-



ROBYN CHALMERS

gramme began to materialise

Substantial amounts of money had been invested in upgrading production facilities, computer systems and productivity improvement programmes

Friedman said further restructuring was to be undertaken in certain parts of the group's business, particularly in those areas closely allied to the automotive manufacturing industry.

He said the group's subsidiaries put in strong performances in all areas of business, particularly the vehicle and fleet management systems, where sales exceeded expectations. BD 17/2/95

Last year the group was picked by Swedish telecommunications company Ericsson as the agent for its range of mobile telephone products Friedman said demand for the Ericsson mobile handsets sold by the group's subsidiary, CI Cellular, had outstripped supply of these units

He said, automotive electronics for vehicle manufacturers and Shurlok vehicle anti-theft electronics also recorded good volume growth. These were, however, lower than expected due to last year's strike in the automotive industry.

The group's share closed 10c or 5% higher at 210c on the JSE yesterday, near their annual high of 215c touched on January 24 They hit a yearly low of 120c on February 25 last year

Grintek expects growth to slow

(189D) Star 23/2/95

■ BY CHARLOTTE MATHEWS

Electronics group Grintek lifted earnings in the six months to December 1994 by 33 percent to R17,1 million but expects the rate of growth in the second half of the year will be lower.

According to figures released yesterday, turnover lifted 18 percent to R877,5 million and operating profit grew by 10 percent to R39,9 million

A 60 percent surge in income from investments to R6,8 million, mainly because of a larger contribution from Q Data, was partly offset by a higher interest charge but the bottom line was boosted by income from associates which surged to R2,4 million from R331 000 previously.

After an extraordinary charge of R8,1 million, slightly below 1993's R9,5 million charge, arising mainly from goodwill written off, earnings a share were 8,4c (6,6c) A dividend of 1,7c (1,4c) a share was declared.

Grintek director Tony Mitchell said the goodwill write-off arose mainly from Siltek's acquisition of shares from executives of a number of subsidiary companies, whereas in 1993 it arose on acquisitions. Such transactions would be ongoing for Siltek.

Grinaker Electronics, which specialises in electronics communications, lifted turnover by 13 percent to R148 million but pre-tax profit dropped by 40 percent to R2,5 million as new orders were delayed

A higher effective tax rate as it loses GEIS benefits makes it unlikely that Grinaker Electronics will better 1993/94's profits in the current year.

Mitchell said the overall effect of Grinaker Electronics' substantially higher tax rate on Grintek's tax liability will be only three or four percentage points

Siltek, an information technology company, recently reported earnings a share 25 percent higher at 53c.

Grintek chairman Jack Saulez said the group's trading in the second half of the financial year is likely to be better than the first half but lower income from investments and the higher tax rate would result in reduced growth compared with the first half

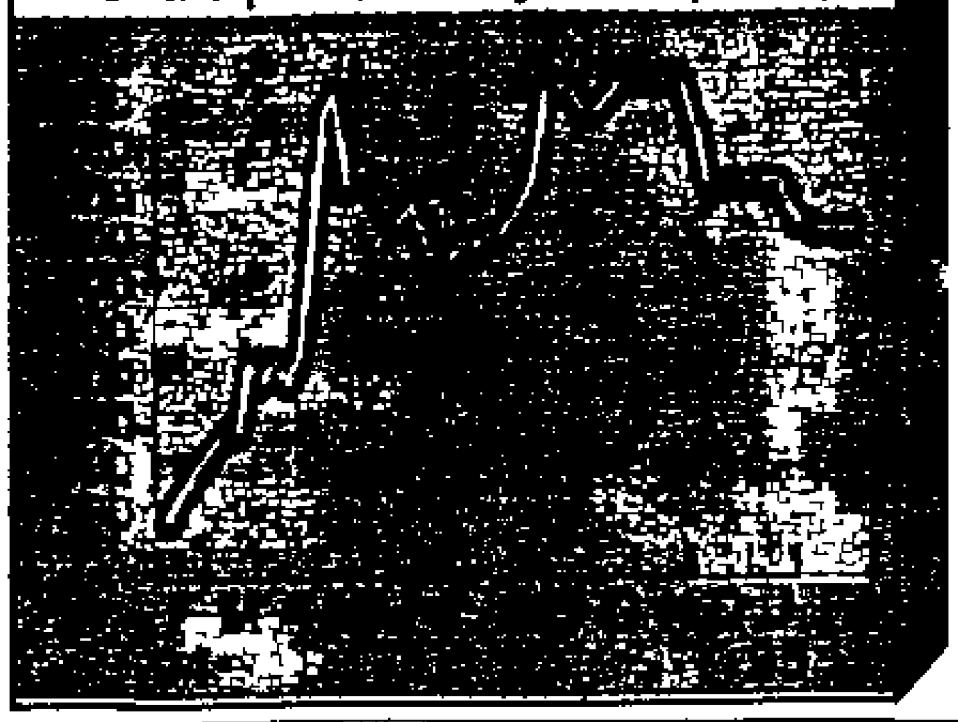
Grinaker posts strong growth

BD 23/2/95

ROBYN CHALMERS

Grinaker Holdings

Share price, weekly close (cents)



ANGLOVAAL's construction and electronics group Grinaker Holdings has raised attributable earnings a third to R18,6m (R14,2m) for the six months to December on the back of strong performances by subsidiaries. (189D) (32)

The group increased turnover 29% to [illegible]on. The operating profit margin declined to 3,2% from 3,5%, but improved income from investments and a reduction in interest paid contributed to a 28% rise in pre-tax profit to R58,9m. A reduction in the effective tax rate and improved earnings

☐ To Page 2

Grinaker (189D) (32) BD 23/2/95

☐ From Page 1

by associated companies saw after-tax profit rise 34% to R38,8m.

The group posted earnings of 53,1c (40,7c) a share and directors declared an interim dividend of 8c (6c).

Chairman Jan Robbertze said the results of a joint venture company in Zimbabwe, which had previously been accounted for on a cash remitted basis, had been proportionately consolidated. Comparative figures had been restated.

Grinaker Construction was one of the group's strongest performers, continuing the turnaround it achieved during the previous year. Turnover rose 43% to R836m and pre-taxed profits rose 55% to R14,2m.

Robbertze said Grinaker Construction had been active on the Alusaf and Columbus projects, which were now nearing completion. "While a significant volume of work has been secured, including toll road undertakings and several major building contracts, additional work is needed to utilise the company's resources fully."

Listed Grintek, the holding company of Grinaker Electronics and Siltek, increased earnings 33% to R17,1m on the back of an 18% rise in turnover to R877,4m.

Grinaker Electronics, specialising in electronic communications, posted a 13% rise in turnover to R148,4m, but pre-tax profit dipped to R2,5m (R4,2m).

Robbertze said the decrease was due to delays in new orders which were expected to replace export contracts completed last year. However, he said good new orders had been received in December which would improve the company's workload.

Computer company Siltek turned in another strong performance, raising turnover a fifth to R729,1m and increasing earnings 25% to 53c a share.

Robbertze said Siltek subsidiaries experienced continued pressure on margins, but this was countered by improved operating efficiencies and reduced overheads.

Of group prospects, Robbertze said earnings in the second half would rise, but the rate of increase would not match that of the first six months.

DELTA ELECTRICAL (189D)

Charged up

FM 24/2/95

Delta isn't "just another electronics concern" While fellow electronic sector listings concentrate on the bits and bytes of networking, Delta concerns itself with the rewinding of electric motors, transformers and rotating equipment, as well as the manufacture and distribution of high-grade electrolytic manganese dioxide used in the modern high performance dry cell battery

Take heed, results are a mouthful too Operating income increased 14% last year while EPS — up 27% — also benefited from a reduced tax charge and the purchase of the additional 29,7% holding in electrolytic manganese operation Delta EMD

Short-term borrowings increased by more than R5m to R22,9m during the year Gearing rose to 16,8% (1993 10%) and interest paid almost tripled to R2,8m MD Evan van Zyl says this was all due to "volume-driven working capital requirements" — particularly stock — "and two small acquisitions" (The purchases were Richards Bay Rewinds, a small electrical repairer and A&A Engineering, a mechanical repair company.)

He says borrowings have not fallen much since year-end However, a cash injection is in the pipeline, last month Delta sold the businesses of Delta Cables to Aberdare Cables — excluding related debtors and creditors — for R16m "Aberdare approached us and, as cabling is not part of our core business, we sold" Had the disposal been effective for the year, earnings would have been unchanged and NAV would have risen about 5c — less than 2%

As the economy improves, so companies are looking to use their spare capacity This is noticeable in the increased demand for Delta's mechanical and electrical repair work The full impact of the Delta EMD purchase will be felt this year Real earnings and turnover growth is therefore expected again in 1995

Though the share gained R2,85 to R13,35 in 1994, earnings (5,5%) and dividend (2,2%) yields have remained little changed for a number of years Sound financial management and growth prospects, internally and by acquisition, suggest the share deserves its premium rating *Kate Rushton*

(1891D)

GRINAKER/GRINTEK/SILTEK

Building for the future

FM 3/3/95

Construction and electronics may seem strange bedfellows to the casual glance, but the partnership has served Grinaker Holdings well

During the lean years, the (unlisted) construction subsidiaries were supported by the electronics arm, Grintek and its operating subsidiaries Siltek and Grinaker Electronics Interim results indicate the balance is shifting as the construction industry picks up

"In a good year, we would expect an equal contribution from both," says MD Jack Saulez "We have outperformed the contruction specialists because of our diversification"

Holdings' turnover for the half-year to December 1994 is up by 29% a year ago, attributable income has risen 31% and EPS are up 30%

Grinaker's conservative write-down policy is reflected in its stated NAV of nearly R7 a share; at R14,80, the shares trade at a premium of over 100% to NAV Considering the construction recovery has been slow, with RDP funds held up by procedural logjams in government, the share may appear overvalued

A different perspective is gained by calculating NAV on market value for listed investments instead of book value NAV then rises to R18,54 a share and the trading premium becomes a discount of 20%

CONSTRUCTIVE GAINS

Grinaker Holdings

Six months to	Dec 1993	Jun 1994	Dec 1994
Turnover (Rm)	[illegible]	[illegible]	[illegible]
Operating income (Rm)	[illegible]	74,8	[illegible]
Attributable (Rm)	14,2	30,7	[illegible]
Earnings (c)	[illegible]	87,8	[illegible]
Dividends (c)	[illegible]	20,0	[illegible]

Saulez considers this approach undervalues the unlisted investments, so the true NAV may be even higher

The balance sheet is solid, with gearing halved over 1994 to 14,5% For this, Grinaker can pat itself on the back, because things have been tough in the construction industry. Construction spending is now 40% of its 1980 value in real terms, a contraction of 4% a year for the past 15 years The construction industry is relatively unconcentrated, the six largest groups handling only 45%-50% of total business Grinaker's share is about 7%-8%

A Grinaker strength is its adaptability As long as money is spent somewhere in the industry, the building and construction divisions will be able to take advantage

Margins are low in the industry, around 2%-3%, and this limits the scope for bidding on contracts "There is no room for a big mistake," says Saulez Grinaker is willing to bid on the grounds that, though not the biggest, it is among the best. It tends to do better on complex contracts

On the computer side, the top six firms have a market share of 70%-80% and competition is much stiffer. The Grintek subsidiaries operate in niche markets, of which their share is about 50%, with higher margins and higher risk

Siltek has been the group money-spinner over the past few years and is still performing well The computer distribution businesses have been consolidated into Distribution Dynamics and the group will "achieve very significant savings" thereby. It is the biggest, and intends to become the most efficient, computer distributor Saulez expects it to be competitive in a year or so, once the reorganisation has settled in.

Growth should continue in the near future, assuming the RDP funds and fixed investment pump more money into the economy On the private construction side, Saulez says, people are holding back, waiting for government to move. He is confident matters will improve. But when?

Investors who buy now could still catch these shares poised for an upswing in profits. But the question is which investment to make — in Grinaker Holdings, which offers construction and electronics and a p·e of 11, in Grintek's broad range of electronics (p e of 11,6), or in computers through Siltek (p e 13,4). Holdings looks attractive and less risky.

Margaret-Anne Halse

TECHNICAL GAINS

Grintek

Six months to	Dec 1993	Jun 1994	Dec 1994
Turnover (Rm)	740,6	[illegible]	[illegible]
Operating income (Rm)	[illegible]	[illegible]	[illegible]
Attributable (Rm)	12,6	[illegible]	17,1
Earnings (c)	[illegible]	14,9	[illegible]
Dividends (c)	1,4	[illegible]	1,7

Beleaguered Cullinan sells off land

(189D) CT(BR) 8/3/95

By Charlotte Mathews
Investment Editor

Electrical, engineering and industrial ceramics group Cullinan Holdings reported an attributable loss of R22,3 million (R8,8 million) for the six months to December 1994 which includes a R12,7 million loss from Cullinan Refractories, sold to Iscor in November 1994

The figures for the comparative period in 1993 have been restated in line with the new reporting format and group policy for transparent and consistent disclosure, the directors said

Turnover fell to R161,9 million from R220,5 million, partly as a result of the disposal of operations.

Thus became an operating loss of R16,3 million (1993: R1,4 million loss), accelerating to a pre-tax loss of R21,3 million (R7,9 million) after higher interest paid Gearing was sharply up at 231,7 percent from 103,6 percent previously

A loss of 153,6c was made against a restated 60,7c a share loss

Cullinan's continuing operations reported a marginal attributable loss for the period

Denge Power Projects made a R4 million operating loss and the precision engineering division made a R3,8 million loss

The electrical division made a R2 million operating profit, the brick division made R1,5 million and industrial porcelain made R1,2 million

Cullinan's loss in the year to June 1994 was attributed, among other factors, to weak management controls

Chairman Alan Clark said in September that the senior management structure would be reviewed and some divisions sold to reduce borrowings and costs

Some of these steps have since been taken. The major portion of Cullinan's industrial land was sold to Old Mutual for R30 million, which will reduce borrowings substantially and increase equity by the R20 million profit made on the disposal

If this sale had been in place for the full six months the attributable loss would have been limited to 0,7c a share

Negotiations to sell Denge Power Projects are at an advanced stage and if they are successful should be concluded by the end of June 1995, Clark said

Interest-bearing liabilities on the balance sheet were reflected at R108,9 million at the end of December

This should be reduced to R35 million by the end of June or shortly afterwards since the proceeds from the sale of Cullinan Refractories were only received on January 3

The major disposals had enabled the group to reduce risk, scale down the corporate infrastructure, decentralise and focus on its remaining divisions, all of which had worthwhile earnings prospects.

No more disposals were planned, Clark said

Cullinan should largely recoup the losses made in the first half in the second part of the financial year

Cullinan shares closed unchanged at 350c yesterday from a high of 550c in May but were above their 300c low at the end of February

Triad bailout plan comes to nothing

Citizen 17/3/95 (189D)

Collapsed Border television manufacturer Triad Electronics has lost both buy-out offers which investors had hoped would save the Fort Jackson-based company

One of the company's court-appointed liquidators, Les Cohen, confirmed that one of the proposed buyers had missed a second surety bond deadline on Wednesday and the second was itself liquidated last week.

However, it was rumoured that a third company, believed to be based in Beijing, had expressed interest

"We have heard of a third offer being formulated, reportedly from a foreign investor, but we're still waiting to see what this entails," Cohen said.

Triad was placed under provisional liquidation and its Fort Jackson plant shut down late last year after running up debts of more than R32-million, leaving 400 employees without jobs

Triad managing director Monty Dersley and financial director Eugene Hofmeyr were subsequently charged in the Mdantsane Magistrate's Court with reckless trading and fraud.

Subsequent to provisional liquidation, Triad's liquidators received two buy-out offers, from Tafelberg Nywerhede and Rowa International.

The Department of Customs and Excise, as Triad's prime secured creditor, was able to choose between the offers and opted for Tafelberg, subject to Tafelberg posting a R2,5-million surety bond — Sapa

New electronics giant is born

CT(BR) 22/3/95 (189D)

The new group will be a major force with electronics sales of R800 million a year and 2 700 employees

By Audrey D'Angelo and Charlotte Mathews
Business Report Staff

In a merger creating South Africa's third largest electronics group with sales of R800 million a year and 2 700 employees, Sankorp announced yesterday it would combine Plessey Tellumat (SA) and Tek Electronics into a single group under the control of Condura Investment Corporation, to be named Plescorp

The chairman of Plescorp will be J J M van Zyl, currently chairman of Plessey Tellumat and a director of Sankorp and Sanlam Its chief executive will be John Temple, MD of Plessey Tellumat and a director of Condura

Yesterday Sankorp continued to negotiate on the future of Datakor, its information technology business headed by Jeremy Ord and held through Mercedes Information Technologies

Temple said it was intended to keep Plescorp and Sankorp's information technology interests separate

Although there was very little overlap between the two groups, there could be some co-operation in certain areas such as PABX and data communications

Sankorp also has a beneficial holding of between 25 and 30 percent in Siemens

Plescorp will have four core activities, following the recent restructuring of Plessey Tellumat into three key businesses — Plesman, Plesgem and Plestel

Plesman, headed by MD John van Zyl, includes the factory at Retreat, Cape Town, research and development and all management support services

Plesgem, under MD Alan Roy, includes all general electronics, mining and defence interests and operates mainly from Plumstead, Cape Town

Plestel, under MD Rob Shaw, includes all telecommunication activities It is building a new head office in Midrand

Tek Corporation, including Tek Electronics, will be Plescorp's fourth core operation

Tek, headed by MD Gavin Thomson, manufactures and distributes Telefunken TVs, cable TV decoders and Pioneer audio equipment Its factory is in East London

About R500 million of Plescorp's expected sales of R800 million in the year to March 1995 will be contributed by Plessey Tellumat, while the remainder will be contributed by Tek Corporation

Of Plessey Tellumat's sales, R350 to R400 million will be derived from its telecommunications activities, which embrace both PABX and cellular telephone operations

Temple said Plescorp was already active in world markets It had a foothold in 25 countries and intended to grow export volumes to about 20 percent of turnover from the current 10 percent

It would continue to build joint ventures in focused markets or projects

These included Marpless Communications Technologies, a joint venture with the R160 billion Japanese trading house, Marubeni Corporation

Marpless was formed to launch products from NEC Corporation, Japan's largest telecommunications manufacturer, into the SA market

Plessey Tellumat is investing more than R20 million in producing rural communications systems developed by NEC

Temple said the group was already exporting large quantities of cable TV decoders to Europe and expected this market to grow

It was also selling decoders to Multichoice, which was expanding throughout Africa, and was exporting radio transmitters , PABX telephone switchboards and prepayment electricity meters

The Sankorp statement did not mention any plans to list Plescorp, but an announcement in this regard could be made soon

Grey imports put pressure on the electronics industry

BD 23/3/95 (189D)

Reports by
MELANIE SERGEANT

SPIRALLING grey marketing is placing many players in SA's electronics industry at the crossroads, with threats of massive factory closures.

A delegation of top industry representatives is scheduled to meet Finance Minister Chris Liebenberg tomorrow to discuss the problem.

The Radio and Television Distributors Association's Frans Jordaan says it is premature to discuss the meeting. "The problem has been growing worse, and we will revisit various areas which we have addressed to government over the years," he says

One industry source says that apart from posing a threat to local manufacturers, grey marketing is probably costing government up to R1,5bn a year in lost revenues.

The Customs Department has openly acknowledged that it is able to check the contents of only a small percentage of containers reaching SA, because it is badly understaffed.

Philips SA chairman Bruce MacKenzie says: "Government has laws in place, and it is now time to police them effectively."

Industry players are being forced to reassess their positions — even to consider closure of their operations — which could include factories.

The grey market goods are evading taxes via various methods. Some goods are consigned to other Common Customs Union countries and do not reach their destinations but are sold in SA — without duties having been paid. Other goods are misrepresented on documentation so lower taxes are payable.

The goods cover a wide spectrum, with VCR and audio equipment featuring strongly, along with other products where tariff protection is very high — or where lots of physically small but high value items can be packed into the least possible space.

MacKenzie says: "Government needs to realise that legitimate business cannot continue to trade because of these irregularities"

One option would be to transfer the right of importation directly to dealers. This would leave the high profile "good citizen" corporations out of the equation and dealers could choose whether or not to take illegal loopholes. In efforts to compete against the low-priced grey market products reaching SA, it is believed that some major players in the market have already opted for this method.

DELTA ELECTRICAL (189D) FM 31/3/95

Moving energetically

Activities: *Manufacture, repair and distribution of industrial electrical equipment and components*
Control: *Delta SA 47,8%*
Chairman: *N A Bury MD E W van Zyl*
Capital structure: *44,4m ords Market capitalisation R543,9m*
Share market: *Price 1 225c Yields 2,4% on dividend, 5,9% on earnings, p e ratio, 16,7, cover, 2,5 12-month high, 1 500c, low, 1 050c Trading volume last quarter, 1,6m shares*

Year to December 27	'91	'92	'93	'94
ST debt (Rm)	11,7	1,6	17,7	22,9
Debt equity ratio	0,14	—	0,10	0,13
Shareholders' interest	0,55	0,58	0,61	0,61
Int & leasing cover	50,2	141,4	50,8	19,6
Return on cap (%)	30,3	28,5	23,6	22,4
Turnover (Rm)	313,6	334,2	364,3	451,2
Pre-int profit (Rm)	47,6	49,6	47,8	54,5
Pre-int margin (%)	15,2	14,8	13,1	12,1
Earnings (c)	62,8	59,8	58,0	73,4
Dividends (c)	27,5	27,5	27,5	29,0
Tangible NAV (c)	176	202	246	314

Delta Electrical's annual report makes excellent bedtime reading Apart from being short and to the point, the consistently good results it presents will soothe the mind of the otherwise harried shareholder

Turnover is up 24% on 1993 to R451,2m and has risen for the fifth successive year Operating income at R54,5m for 1994 grew by 14% after a dip in 1993 The operating margin has been declining steadily, however, the 1994 figure of 12,1% is down about 8% (1993 13,1%)

Chairman Nathan Bury attributes the drop to the strategy of increasing share in some key markets by a deliberate — but temporary — sacrifice of margin However, the group hopes to reap overall benefits from the move later

Attributable income rose 31% to R31,5m (1993 R24m), pushing EPS up 26% to 73,4c This growth is impressive, especially as share capital increased 7% with 3m shares issued to pay for an additional 29,7% holding in subsidiary Delta EMD

Two other acquisitions were made in 1994 mechanical repair specialist A&A Engineering for R3,2m, and electrical repair shop Richards Bay Rewinds, for just under R1m

Short-term debt is up 30% About half of it is an Industrial Development Corp loan, but the group has no long-term debt, a positive cash flow and R3m in the bank Receipt of the R16m that was realised from the sale of the Delta Cables operation in February 1995 will reduce borrowings further

Activities are in four main sectors In 1994, repairs and services contributed 15% of income and took 20% of capital employed, industrial products contributed 29% of income and took 31% of capital employed, manufacturing contributed 56% and took 45%, and investments contributed 5% and took 3%

Good management and careful growth through suitable acquisitions have stood Delta in good stead through the recession The share is trading about midway between its 12-month high and low, on a multiple of 16,7 As its industrial markets recover on the back of fixed investment growth, Delta should be able to draw further value from its already solid assets *Margaret Anne Halse*

Altron betters a stunning performance

(189D) CT (BR) 1/12/95

The overall winner of the State President's Export Awards last year, Allied Electronics Corporation in the Altech group, improved its performance still further by:

□ Exporting to 71 countries instead of only 53,

□ Pushing up the rand value of exports to R194-million from R165-million and exporting 11,25% of manufactured output;

□ Exporting I-Mine software for the coal mining industry to the US, Poland and Greece,

□ Increasing expenditure on research to R175 million a year

Says a spokesman for the company. "Altron offers a wide range of locally developed products and systems for exports in the fields of electronics, electrical engineering, telecommunications, information technology and electronics for mining

Products developed for the RDP have been in demand in Africa and the Pacific Rim

They include

□ Rurtel radio-based point to multi-point telecommunications systems,

□ Containerised GSM cellular phone shops,

□ Low-cost, pre-payment stored value meters, or budget energy controllers, for electricity metering and payment,

□ Mass-education training systems to address literacy and other challenges,

□ Truck driver simulators,

□ Low and intermediate power voltage power cables for reticulation of electricity to rural areas, and

□ Low-cost street lighting.

During 1994-95, the company took on an additional 220 black employees, of whom 19 are now in senior management, 67 in middle management and the remainder in technical supportive, administrative or supervisory positions

Three highly qualified black sales people are promoting exports of power transformers and switchgear into Africa

The mining and technology division is current employing an additional 500 people in its new R60-million factory

Not only did Altron win a merit award in the manufacturing sector (a previous overall winner has to wait four years to be in the reckoning again), but also an award for promoting an export culture

Lower duties fail to stem illegal imports

(189D) BD 5/12/95

Nicole Mordant

CONSUMER electronic goods distributors are demanding that all duties on imported electronic goods be slashed, claiming that the recent duty cut failed to stem the flow of smuggled goods.

Although the 40% import surcharge fell away in October, distributors said duties were still high enough to allow smugglers to undercut legal players. Illegal products commanded up to 90% of the SA audio market and 75% of the video market

"It has become impossible to sell these goods at a profit," Philips SA commercial director Steve O'Hagan said

"The removal of the surcharge has failed to have any impact on the illegal import market. Illegal importers have no overheads, such as advertising, credit control and claims."

Smuggling had cut the company's video and audio sales to R10m this year from more than R50m a few years ago, forcing it to downgrade its VCR and audio divisions from core to service divisions

Imported consumer electronic goods are subject to two types of duties — a staggered customs duty designed to protect SA manufacturers from cheap imports, and a free-on-board 37,5% excise duty.

Before October 1 goods were also subject to a 40% surcharge, resulting in duties on hi-fis peaking at 135%, car and portable audio equipment at above 120% and VCRs at more than 100% Market sources said smuggling was attractive at a margin of 7%

Daewoo CE Mike Bosworth said the illegal market in TV sets, VCRs and hi-fis had virtually disappeared since the abolition of the surcharge, but Panasonic warned that smuggling would remain as long as duties were in place.

"Remove the duties and you remove the incentive for smuggling," Panasonic MD Alan Coward said. "The higher the duty the bigger the illegal market."

Sharp Electronics's distributor Seartec blamed the flow of illegal imports on understaffing among customs & excise officials The department said only 1% of imported goods were inspected on entry

Nu-World's share price rises as fortune continues to smile

By Llewellyn Jones

CT (BR) 14/12/95 (1890)

Johannesburg — The appliances group Nu-World Holdings has had its short-term debt rating upgraded to A3 from B and has, for the first time, been accorded a long-term debt rating of BBB by international credit rating agency IBCA

This upgrade moves the group into the investment-grade category and indicates there is a low expectation of investment risk, with adequate capacity for the timely repayment of principal and interest

IBCA analyst Alex Abraham said Nu-World, which currently accounts for approximately 50 percent of the total domestic small electric appliance market, was well positioned to benefit from significant growth expected within the sector

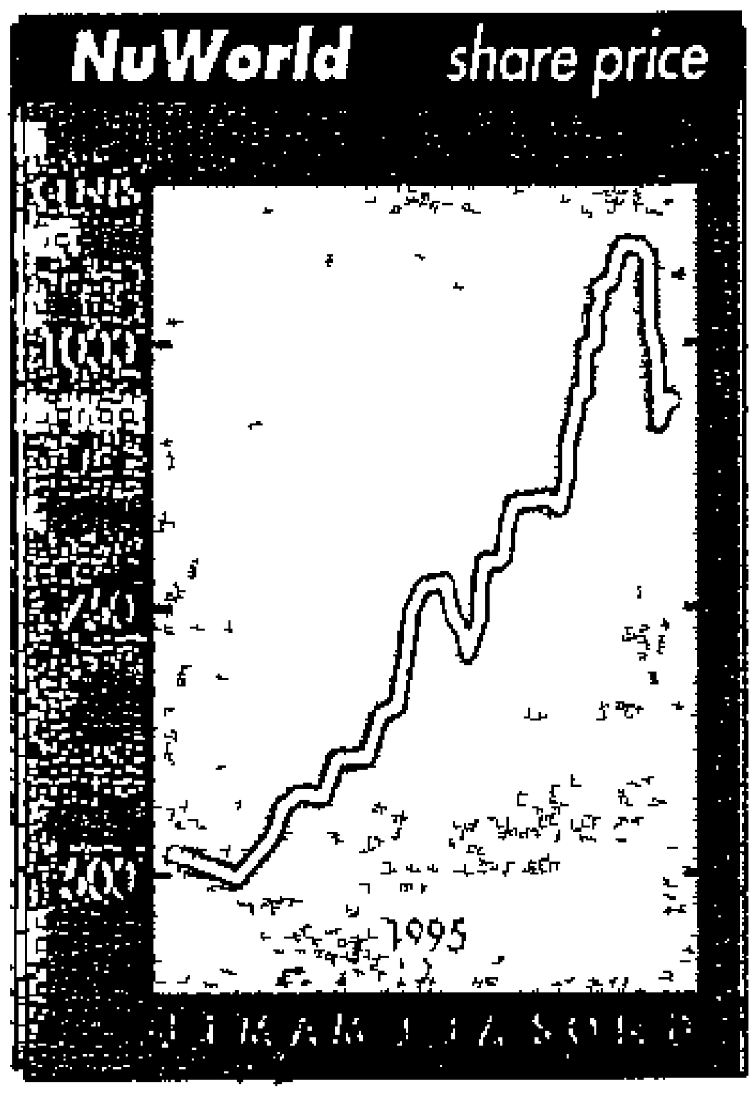
The domestic market is expected to grow by up to 50 percent by the year 2000, boosted by Eskom's electrification programme and reconstruction and development programme spin-offs

The removal of the surcharge on white and brown goods would heighten competition from imported goods, but to counter this and ensure competitiveness and continued growth, Nu-World has been focussing on its productivity and adjusting its product mix from a 70 30 split between manufactured and imported goods to a 50 50 split

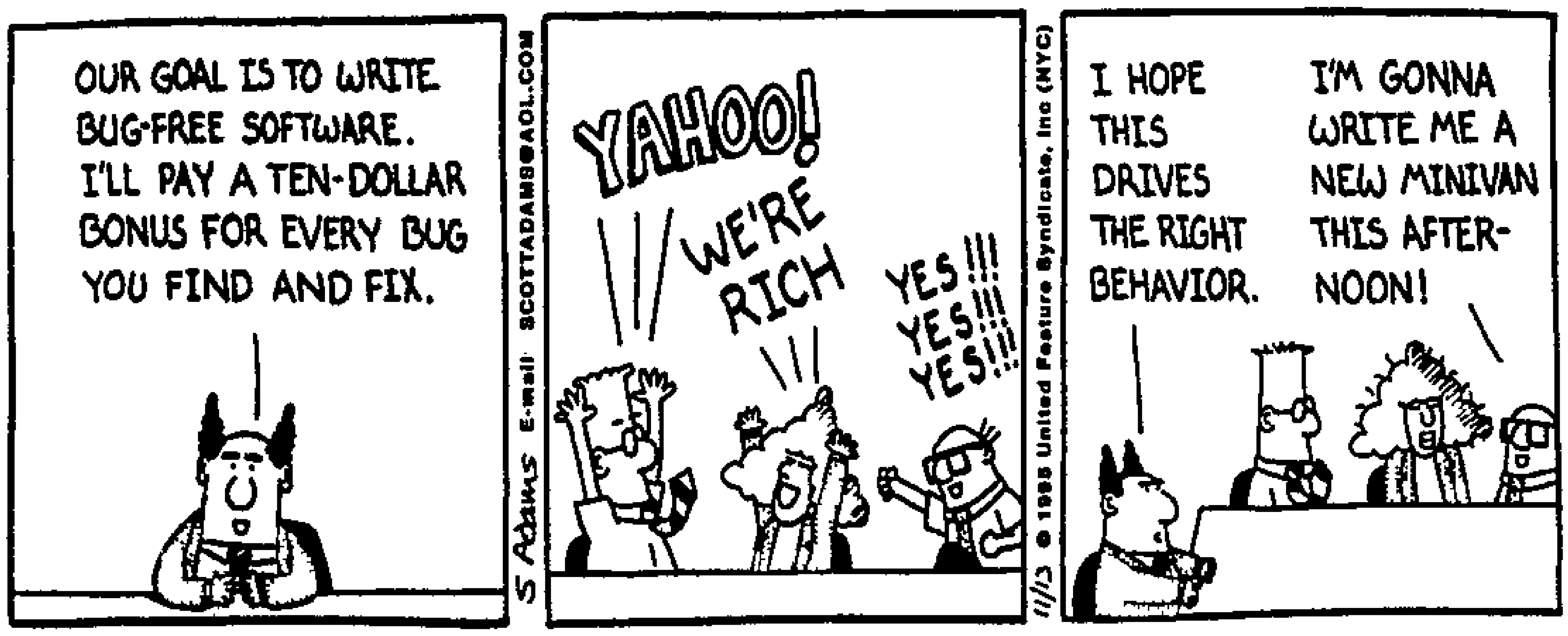
The growth in export sales is also providing a much needed diversification away from its concentration in South Africa

The group showed a 53 percent increase in earnings for the year to August, and could be expected to maintain this performance following the completion of a new factory for the group by the IDC which will increase capacity by 30 percent.

Nu-World's share price reflects much of this good fortune with a climb from a low of 509c in January to R11 last month. However, another analyst said Nu-World, with a price-earnings ratio of 30 times, was unable to maintain that level, the second highest in the sector behind Didata and way above the industry average He said Nu-World was tightly held, seldom traded and was, he believed, fully priced at its current 950c.



DILBERT By Scott Adams



Philips's Johannesburg TV plant to close down

(189D) BD 18/12/95

Paul Vecchiatto

PHILIPS SA was to close its Johannesburg television assembly plant, putting 200 people out of work, chairman Bruce MacKenzie said at the weekend

MacKenzie blamed a high-costs/low-productive workforce, an unstable political climate, the drop in tariffs and surcharge duties, grey marketing and economies of scale

"We have considered all possible options concerning assembly of TV sets and the only alternative left is closure," said MacKenzie "We have not had any response from the unions involved, but we will negotiate retrenchment Some of the workers may be placed in other divisions However, the majority will lose their jobs"

MacKenzie said now that it was no longer a requirement to assemble TVs in SA in order to be able to sell them here, true economies of scale were starting to show themselves A fully manufactured TV set arriving from Singapore and landed in Johannesburg would still cost R250 less than one coming from the same factory in a knock-down kit format.

"At least 500 000 to one-million sets need to be produced by a factory annually for it to be a viable proposition and to compete against the rest of the world." Presently the plant was running at about 50% capacity assembling 60 000 TV sets a year

Dolf van den Bergh, director of umbrella body the Consumer Electronics' Association, said he was surprised at Philips's decision. He estimated there were 500 000 sets manufactured locally.

He said with the electrification programme the market for TV sets was growing quickly. One of the first items a newly electrified household tended to buy was a TV set

Comment: Page 6

Sales of electronic goods soar due to reduced duties

BD 20/12/95 (189D)

Paul Vecchiatto

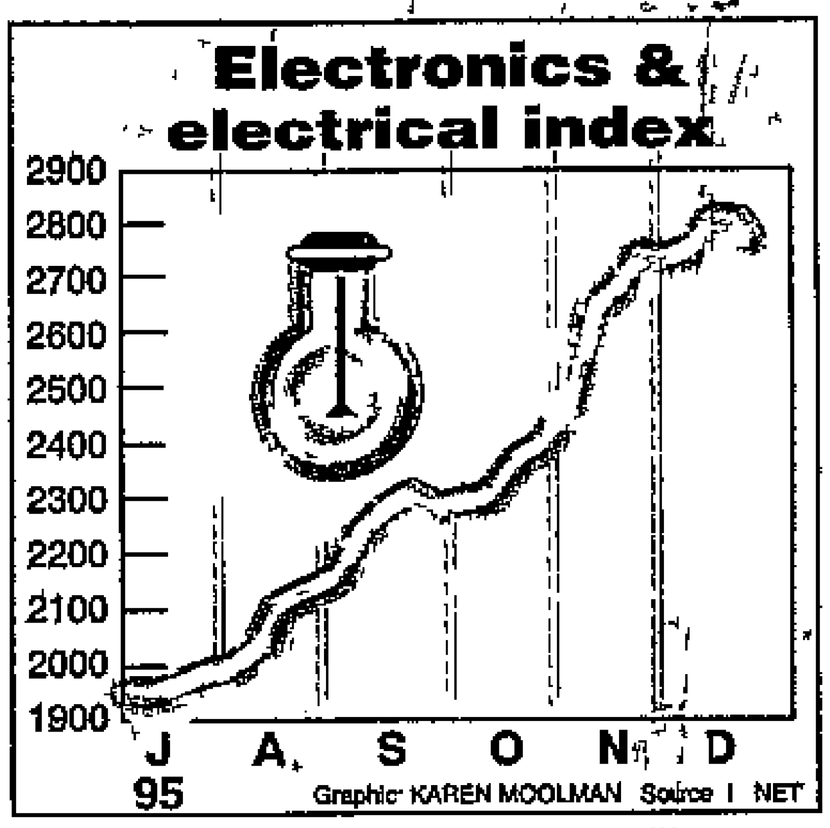
THE scrapping of the import surcharge and reduced duties have triggered strong demand for cheaper electronic goods, but some retailers warn that smuggled goods have depressed margins and will knock their final Christmas figures.

A snap survey showed that retailers had experienced festive season sales growth of at least 20% in electronic goods compared with last year

Games Stores MD Dan Barrett said sales this year had surged by 94% as prices on hi-fis, compact disc players and microwaves had dropped between 20% and 40% as the removal of the import surcharge and the lowering of duties took effect

Other retailers such as Pick 'n Pay and Stan's Super Stores reported growth of 20%, but were still waiting for their Christmas sales figures to come in

Pick 'n Pay audiovisual department GM Robin Monthe said "Reports from our stores are that unit volumes are up, but the reduction in prices means we have to sell more to make the same revenue as last year"



His views were echoed by Stan's Super Store executive buyer Mike Davidson, who said "Smuggled goods are affecting our business

"Some companies, by not paying import duties, are selling systems for less than the distributors are able to sell them to us for

"Indications are that our sales will increase 20% this year over last, but we will only know in January if it was merely an increase in the sale of units or a real revenue increase."

The reduction in surcharge duties had narrowed the gap between official suppliers and smugglers and many of these would be put out of business if duties continue to drop, he said

A spokesman for Audio Vision, part of the listed Hicor group, said consumers were not afraid of paying for large luxury home audio visual systems

"We have sold a record number of luxury home audio visual systems and our sales of high-priced midrange systems has also increased"

All the retailers surveyed said customers were using more credit this year

The incidence of credit card purchases remained about the same as last year, but the rate of higher purchase and charge card purchases had increased

Samsung considers R200m TV tube investment for SA

(189D) BD 20/12/95

Paul Vecchiatto

KOREAN electronics group Samsung would consider investing $200m to establish a television tube factory in SA, the company said yesterday.

Samsung SA MD Brian Cape said the company intended to build eight new colour picture tube plants worldwide in the next five years SA's market would be able to support a plant producing a million units a year

The go-ahead would hinge on suitable supply-side incentives from SA's government Rival plans by Amic's joint venture with Daewoo would have to be shelved, he said.

Amic's plans have been on hold for 18 months pending clarity from government on investment incentives Amic said yesterday the plans would be scrapped if government failed to provide suitable answers by April.

Cape said: "The local market will be worth between 550 000 and 580 000 colour television sets next year." He expected demand to increase to approximately 1-million by 2003

The plant — which would take three years to establish — would allow Samsung SA and other local manufacturers to export televisions

Amic said it had shifted its demands to government from import tariffs to supply-side incentives. Director Laurie Olivier said a decision was needed by April The opportunity would be lost unless construction started by July

Tubes accounted for half the cost of television sets It was cheaper to import assembled sets than to import parts for local assembly, Olivier said

Samsung's proposals emerged just days after Phillips SA warned that it would close its Johannesburg plant, blaming high costs and an unstable political climate. However, Samsung said the workforce at its Northwest assembly plant was as productive as its Korean staff, given the right training

The plant assembles more than 100 000 sets each year

(189D) FM 22/12/95

TV MANUFACTURING

Philips pulls the plug

Philips SA's decision to close its TV factory is a harsh lesson to local companies relying on protective tariffs those who are unable to compete on the global stage will not survive

The closure of the 20-year-old Martindale, Johannesburg, plant has been on the cards for almost a year Because it's no longer a requirement to assemble TVs in SA to be able to sell them here, true economies of scale are beginning to show

Constituting no more than a small "screwdriver" assembly plant, Martindale was inefficient by local and international standards Running at about 50% capacity and assembling less than 70 000 units a year, it consistently accumulated losses over the past six years It's not surprising, therefore, that Netherlands-based parent Philips NV — which is undergoing major restructuring — pulled the plug

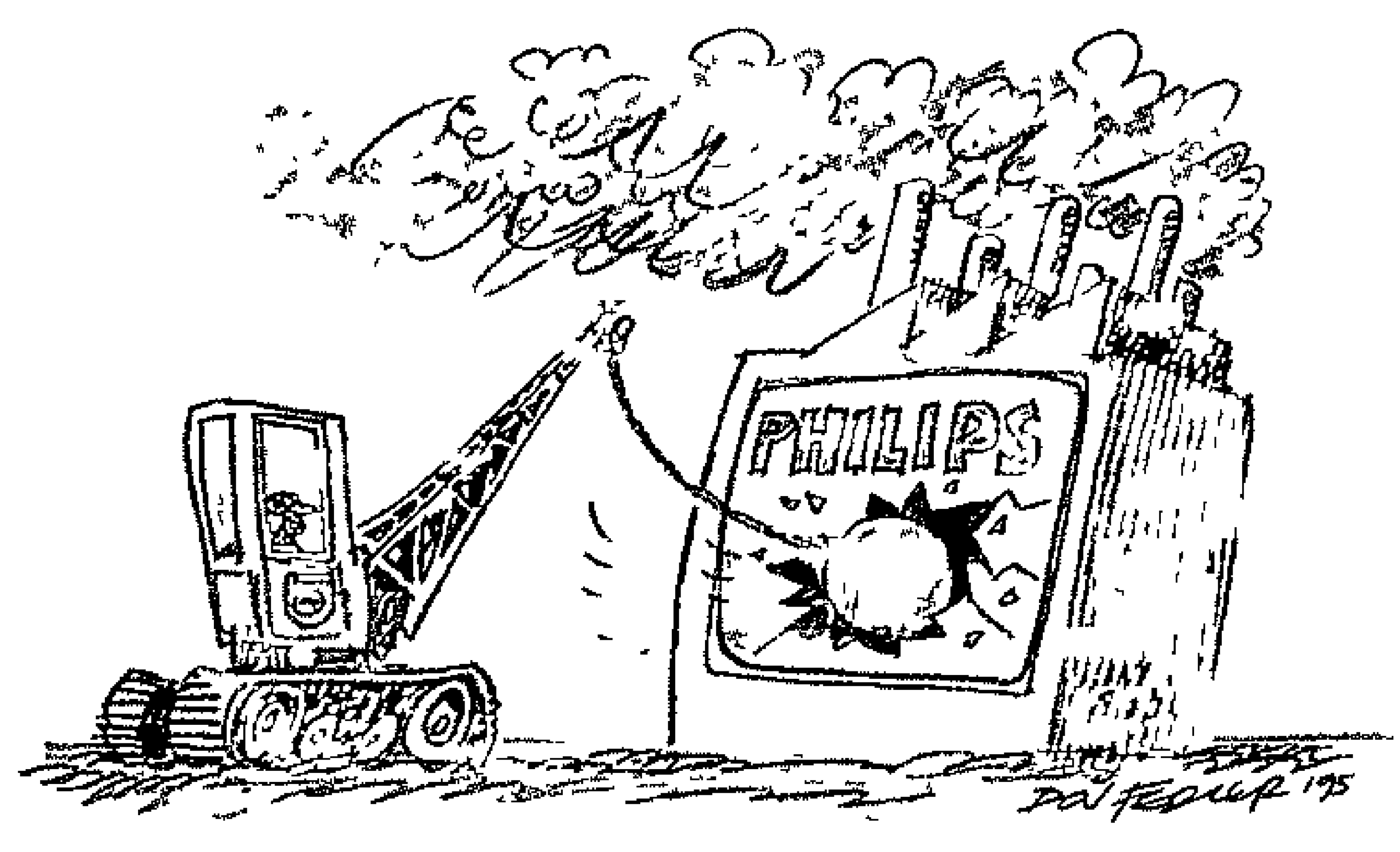
Employing around 200 staff, the local plant has been hit by excessive local production, high wage costs, grey marketing, economies of scale and the dismantling of previous protective import duties, says Philips chairman Bruce MacKenzie He says television over-capacity in SA is around 100%

In October, protective duties were reduced from 60% to 40% This will drop to 25% by September 1997

Exacerbating the precarious position of local manufacturers is a thriving smuggling industry which makes foreign TV sets available at low prices "We have to obtain a consensus with the unions," says MacKenzie Some staff may be relocated to another Philips plant in Germiston

"I don't believe television manufacturing was ever justified in SA No local value is added as almost all the components are imported," says MacKenzie He maintains that at least 500 000 to 1m sets need to be produced annually for local and export markets for a plant to be viable

Current local production of colour TV sets is only 450 000 units a year This is expected to reach 1m units by 2000



Philips intends to continue supplying the local market by importing fully assembled sets from its Singapore plant

Companies such as Panasonic, Tek (which makes Telefunken), Tedelex (Tedelex and Sony brand) Samsung (which bought Etron) and Supalek/Daewoo will continue to assemble sets for the mass consumer market "We are not planning to close our TV plant," says Panasonic marketing director Martin Maddox 'We know of no other company considering this"

Mike Tiffin MD of associate company Reunert Consumer & Commercial Manufacturing says Panasonic subsidises the TV assembly operation by manufacturing airconditioners and decoders This is not unusual — most of the other TV assemblers also manufacture other products at their plants Most also import TV sets for the high-end premium market

Philips' reasons for closing its local plant will, no doubt also be of concern to other local manufacturers Yet Anglo American Industrial Corp (Amic) and Korean industrial giant Daewoo have not scrapped their plan to build a R650m colour TV tube factory Construction may proceed if government announces attractive supply side incentives, says Amic director Laurie Olivier He expects a detailed incentive package to be released with government's Budget in March

Analysts say the Philips closure could be the catalyst that may spur Amic into setting up the TV colour tube facility, combined with an expanded TV set assembly line They add that Amic/Daewoo may see the Philips closure as a "window of opportunity" and view it as a potential base for exports into Indian Rim countries and Africa

Meanwhile, Samsung is believed to be considering its own local picture tube plant It may invest US$200m if governmnet offers suitable supply side incentives and the Amic/Daewoo plant doesn't go ahead

The Amic/Daewoo plant has come under criticism from the Industrial Development Corp Panasonic and Philips They maintain the plant is a folly, based on old and noncompetitive technology Olivier denies opponents claims that the plant will be based on old technology "Most of the plants which have gone up in the past three years are based on the same technology" ■

PERSONAL COMPUTERS

Games people play

All work and no play makes a personal computer a dull toy Owners of multimedia PCs probably don t need an introduction to the current top 10 selling games — they're already addicted

But for those who still think PCs are used for running word-processors and spreadsheets here follows software retail chain *Software Connection*'s best sellers in the run-up to Christmas

- ❑ Mortal Kombat Digital Kung Fu action game requiring dextrous fingers to headbutt and gouge the eyes out of the bad guys Strictly for testosterone crazed adolescents who can t spell combat,
- ❑ Lion King Activity Centre A game which has been spun-off from the recent Disney movie,
- ❑ Rebel Assault II Gamers slip into the X-wing cockpit of Star Wars' hero Luke Skywalker From cinema to computer screen has been a natural transition for the Star Wars series — who hasn t dreamed of dogfights in deep space If you d rather fight on the side of the Empire buy Tie Fighter,
- ❑ The Dig Like cryptic crosswords computer adventure games are an acquired taste Judging by the number of pleas for help posted to the Internet game forums, The Dig is a particularly tough mystery to crack,
- ❑ Warcraft II Strategic wargames are a recent entrant on computer game shelves Drawing on the milieu created by Tolkien in *The Lord of the Rings* players take the part of medieval lords balancing the income generated by peasants with the cost of improving their armies,
- ❑ Fifa 96 A computer simulation for people who find watching soccer on TV too passive Part of its appeal stems from the

Amalgamated Appliances set to become household name

(189D) CT (BR) 3/10/95

BY SHIRLEY JONES
STAFF WRITER

With attention focused on Malbak's corporate controversies recently, it is easy to miss the miraculous turnaround at the Durban-based Amalgamated Appliances

This company, which has up to now been everything but the shining light in the Malbak stable, was turning in losses of at least R1 million a month 18 months ago

But instead of certain closure of the Pinetown plant and drastic rationalisation of its Johannesburg operation, comes a R10 million investment in a new Westmead factory This factory will house not only the revitalised Durban operation, but the recently relocated Johannesburg factory

Amalgamated Appliances is almost certain to reflect an annualised turnover of just under R140 million in the near future These gains are also expected to be sustained into the next financial year The company's refreshingly down-to-earth management concedes that Amalgamated Appliances was pulled up from the most unlikely quarter — its labour force

A petition from workers facing certain retrenchment challenged shareholders to give them one more chance This final opportunity delivered what many thought impossible — not just a profitable company, but a productivity ideal which other companies in the group would do well to emulate

The ambitions of the workforce have been realised not only in the new R10 million Westmead plant which will be commissioned in February next year, but in a further investment of R3,5 million for the development of products likely to carry some of the world's premier brand names into South Africa, as well as strategic export markets

At the same time, Amalgamated Appliances is making a concerted effort to recapture lost local market share The company has about a third of the country's household appliance market

The reception is likely to be a positive, one considering that the return rate on products has been significantly reduced For example, on one product alone this fell from 12 percent two years ago to just 2 percent now

Amalgamated Appliances products, which include heaters, hot plates, kettles, electric frying pans and irons, carry brand names ranging from Haz (aimed at the mass market), to Pineware, Tedelex and Salton (which offer added value) and ultimately Rowenta (pitched against premium quality imports)

The company, was formed through a fifty-fifty joint venture between loss making Lion Appliances and Tedelex subsidiary, Haz, in January 1992

The operation which comprised three factories in Swaziland, Durban and Johannesburg, and had separate sales forces and conflicting products, remained under Lion's control until Malbak took over in November 1993

Wally Solomon, the managing director, admits assets were out of control, factories overstaffed and unproductive and the operation as a whole unfocused and active in too many areas, producing too wide a range of products It had little hope of meeting sales forecasts, he says

The complete company overhaul which followed saw a major rationalisation of the workforce early last year Core activities were identified and non-core activities outsourced As a result, plastic moulding and metal pressing divisions were sold off and the entire asset base reviewed

According to Solomon, the Durban factory was a major part of the problem It's closure was to follow that of the Swaziland plant and culminate in the consolidation of the entire operation in Johannesburg

"We took some pain reducing labour and right-sizing the company early last year, but product output has gone through the roof," says Solomon

Although Solomon, Frank Thompson, the deputy managing director, and Arnold Crous, the manufacturing director, are careful not to make Amalgamated Appliances' Cinderella story sound too good to be true, they are unashamedly enthusiastic about what the company is achieving

In Solomon's words "The essence of the story is that this is a factory with a heartbeat There is a constant focus on product development and quality and cost Communication is high on the list of objectives There is a joint definition of productivity as a state of mind, a collective will to improve and a general belief in the human desire to do better"

Thompson says "The productivity focus is not imposed by management It is something which has emanated from the workers We believe this is an environment where people feel good about themselves The battle for survival has forged a whole new approach to tackling opportunities We are growing a spirit of wanting to do better

"Our miracle is communication orientated We have managed to break through the management-worker interface We can no longer claim the co-operation of the workforce Nowadays it is participation"

This goes beyond simple profit participation and bonus schemes As a result, volumes have increased to levels where suppliers are battling to keep track

In one particularly memorable anecdote, a staffer elected by the workforce spent a day with one particularly problematic supplier "She identified five to six crucial weaknesses The result was a better supplier," says Thompson

He says there are no supervisors on the shop floor "We have problem solvers instead Self-discipline makes this unnecessary This company boasts a flat and informal structure We train people to think for themselves and don't crack whips"

However, on the other side of the Amalgamated Appliances utopia, market forces are cracking whips

According to Solomon, Amalgamated Appliances is facing a number of crucial challenges Not least among these is a reduction of import surcharges on some of its products from October 1

Although this will sharpen competition from low-cost importers, Solomon believes that a company which focuses only on its own backyard will have little future "The only way to thrive in the South African market is to be world competitive We intend focusing on exports and designing acceptable products for all markets," he says

Bringing down actual product prices is one thing, but the biggest rand savings lie in curbing operation costs, says Thompson Amalgamated Appliances has stepped up production to the point where it can match worldwide production standards Now the factory itself is an obstacle

Thompson explains that the present factory grew eccentrically and although its throughput is in the order of 8 000 products a day, the restraining factor is "an absurd amount of material handling"

The new factory is 40 percent larger, but this is not the crucial issue

The new factory's open plan layout allows for the design of product lines to achieve optimal product flow and appropriate levels of automation

Another goal is the development of single operator workstations Thompson says trials have shown that Amalgamated Appliances could operate at 35 percent above international benchmarks on the production floor

Thompson says when it comes down to crude price comparisons, Amalgamated Appliances is not competitive He says although companies in the People's Republic of China are almost unbeatable, it is unlikely they ever will or want to compete "We have to try to develop other characteristics which offer extra value — appliances which are more modern, offer greater quality are more adaptable to customer requirements and a reliable source of supply

"This means we won't have to slash prices, just keep them keen"

When it comes to international benchmarking, subcontracting is a crucial issue According to Thompson, in many industries, brand name does not necessarily signify that the particular product is manufactured in the recognised country of origin

He says Amalgamated Appliances is currently investigating developing production lines for a number of recognisable brand names, including one of German origin, three to four from Britain and one or two which hail from America and Australia

Designed specifically for overseas markets, these use the same standard equipment but allow for different levels of features, adding cost and value in relation to specific markets

Amalgamated Appliances has come up with a new clothes iron which sports features such as optional sole plates which can be changed according to its export destination From a manufacturing point of view, the average 24 screws an iron has been reduced to just two with the advent of clip together components

There's also a new-age kettle with features such as simmer control, slow boil, illuminated switches and a filter to appeal primarily to the British and American markets

Amalgamated Appliances also intends pushing up imports of own brands Thompson says Pineware is already a well-known brand in Africa and has an established franchise network He says there is immense growth potential and the company is looking to further grow its export network into the hinterlands to the north and the Indian Ocean Islands

Another lucrative market, says Thompson, is to be found in European markets and in the United States where household appliances are sold as throwaway items He says although this market is very cost conscious, there are specific safety and quality parameters Amalgamated Appliances has done well in this area and is looking to further growth

Despite this sudden growth and the coming on line of the new factory, Amalgamated Appliances does not expect to significantly increase its staff of 206 in the short term But, given recent achievements and future prospects, Thompson, for one, is prepared to consider the possibility of doubling volume output and increasing staff "within a few short years"

PRESSING ON *Wally Solomon, the chief of Amalgamated Appliances*

CHALLENGES *The deputy managing director of Amalgamated Appliances, Frank Thompson, discusses quality control with Malie Naicker*

TUNED IN *David Buthon, left, who co-ordinated the project, shows some of the wind-up radios to guests, including Lynda Chalker, Britain's minister for overseas development* PHOTO ANDREW BROWN

Wind-up radios now on stream

(189D) CT(BR) 12/10/95

By Audrey D'Angelo
Cape Business Editor

Billions of the wind-up radios now being manufactured in Cape Town — which operate without batteries or a mains electricity supply — will be sold worldwide, Dorian Wharton-Hood, the deputy chairman of Liberty Life, said yesterday

Initially they will not be sold in South Africa because protective import duties on the components used will price them out of the range of South Africans who need them, Wharton-Hood said

The Liberty Foundation has contributed R1 million for distance learning using the radio and Wharton-Hood was among leading businesspeople and diplomats who yesterday attended the formal opening of the BayGen factory, where they are made

The Kagiso Investment Trust contributed R500 000 to development costs and the British Ministry of Overseas Development R1 million

BayGen's chief executive, Rory Stear, said that the factory was "largely owned by six organisations for the disabled in South Africa, through Disability Employment Concerns"

Most of the workforce of 40 are disabled people

The factory was formally opened yesterday by Lynda Chalker, the British minister of overseas development Stressing the importance of radio communication, she said her department would buy the first 3 million units for non-government organisations, such as the Red Cross

Stear said he hoped the radio would be sold in South Africa at about R250 a unit from the middle of next year

Plessey sparks with solid profits rise

(1896)

ARG 28/10/95

Business Reporter

NEWLY-listed electronics group Plessey lifted shareholders' profits by 49 percent from R17,7 million to R26,5 million in the six months to September and earnings a share from 14,4c to 21,6c

The group is on track to achieve its forecasts for the year ended March

Turnover grew 22,5 percent from R380 million to R466 million, with operating income up six percent to R48 million (R45,3 million)

Results to be published Monday show that after investment income of R934 000 and net interest of R3,4 million — reflecting the positive cash position ahead of last month's listing — pre-tax income was 33 percent better at R42,5 million (R31,7 million)

The proposed sale of Astec Holdings, which in turn owns cellular service provider Astec Communications, to Astec International, has not materialised

Instead, Plessey has acquired Astec Continental's share This will enable Plessey to pursue its intention, set out in the pre-lising prospectus, of disposing of Astec

Plessey chief executive John Temple said the 22 percent increase in group turnover was in line with the growth forecast in the prospectus

The group's strategic focus was to achieve more than 50 percent of sales from telecommunication products and services, with the balance coming from dominating niche professional and consumer electronic markets in South Africa and internationally, he said.

The Plessey board remains confident that the pre-listing forecast earnings of 39,6c a share for the full year to March would be achieved

The interim earnings of 21,6c a share represented 54,5 percent of the full-year forecast, Dr Temple said Because of the nature of Plessey business, profits did not necessarily accrue evenly during the year.

He said the first dividend after last month's listing would be for the year to March and would be payable next July This has been forecast at 12c

Group policy would be to declare one dividend a year in June payable in July and to maintain dividend cover of about three times

Further overseas business was likely to arise in the Muslim former Soviet Republics through Plessey's Malaysian partners, Dr Temple said

Plessey already manages a $1,5 billion project in Malaysia and supplies broadcast components to clients in China.

Strong debut for Plessey

(189D) ST(BT)29/10/95

By JEREMY WOODS

PLESSEY, the newly listed electronics group, has increased earnings 50% to 21,6c a share for the six months to September in its maiden set of results as a quoted company

Turnover increased by 22% to R466-million and the group increased attributable income to R26,5-million, up from R17,7-million, despite margins being under pressure in the consumer and professional electronics markets

Chief executive John Temple said the 22% increase in turnover was in line with the growth forecast in the pre-listing prospectus

"The strategic focus is still to achieve more than 50% of sales from telecommunications products and services, with the balance coming from dominating niche professional and consumer electronics markets in South Africa and internationally "

Dr Temple said the board remained confident the pre-listing forecast earnings of 39,6 cents a share for the full year would be achieved

"The interim earnings of 21,6 cents a share represents 54,5% of the full-year forecast Because of the nature of Plessey's business, profits don't necessarily accrue evenly during the year "

Dr Temple said the first dividend would be for the year to March, payable next July This has been forecast at 12 cents a share

The proposed sale of Astec Holdings, which owns cellular service provided Astec Communications, did not materialise Plessey, which has a stake in Astec, subsequently increased its holding and now plans to sell the entire company

Plessey to manufacture NEC systems

(1890)CT(MR)31/10/95

BY MAGGIE ROWLEY

Cape Town — In a multi-million rand deal, newly listed Plessey is to start manufacturing rural communications systems developed by one of Japan's largest telecommunications manufacturers, NEC, at its plant in Retreat, Cape Town

In terms of the deal, NEC is supplying equipment to Plessey and has been training its engineers and workers in the technology — NEC's Digital Radio Multiple Access Subscriber System — which is expected to boost the telecommunications infrastructure in rural areas of the country Plessey and NEC won a R15 million government tender to supply the rural communications systems

John van Zyl, Plessey's financial director, said it was making an investment of more than R20 million to set up the production facility at its Retreat plant, with the first units due to come off the production line in February

He said the units would be initially targeted at the South African market, but it was possible they would look to the exporting, in conjunction with NEC, at a later stage

The agreement with NEC stems from a joint venture between Plessey, formerly Plessey Tellumat, set up in May 1993 with Marubeni, the $160 billion Japanese trading house The joint venture company, Marpless Communications Technologies, was formed to launch NEC telecommunication products into the South Africa market and during last year's elections, Marpless supplied tens of millions of rands worth of digital radio systems to Telkom to ensure effective communications at polling stations in rural areas

NEC confirmed it had agreed to transfer radio technology to Plessey and train its engineers and workers in exchange for a transfer fee of between ¥20 million and ¥40 million

Grinaker turns to Malaysia for long-term growth in earnings

Robyn Chalmers (1840) BD 2/11/95

CONSTRUCTION and electronics group Grinaker Holdings has identified Malaysia as one of the key international markets into which it will expand over the next few years, says international operations director Geoff Skeen

Skeen said Malaysia had shown high levels of development and construction in a relatively politically stable environment

"We are making good progress in establishing business relationships with Malaysian companies, some of which are actively looking for their own opportunities in SA.

"Our own efforts will now focus on Malaysia, with the longer term opportunities being throughout Southeast Asia "

Grinaker Construction and its 50% black-owned subsidiary Nare-Grinaker recently linked up with Malaysian company Landmarks Berhad to form a consortium to build low-cost housing units in SA.

Skeen said that while Grinaker was committed to implementing work initiated in terms of the reconstruction and development programme, it had to look at the big markets outside SA for meaningful long-term growth.

"There are sound, long-term strategic reasons for developing our international capacity, not least of which is earnings growth "

Skeen said the group had made good progress in African markets, with Grinaker Construction Zimbabwe having a strong record

Rehm-Grinaker in Mauritius had also produced good growth, and had shown the group's management how to operate in a foreign environment by making use of local participation Grinaker has also moved to establish operations in Namibia and Botswana.

Grinaker Construction MD Bean Bornheimer said international undertakings were contributing significantly to turnover

COMPANIES

Jobs can go if Gentech shuts plant

BD 7/11/95

Beatrix Payne

(189D)

CONSUMER appliance manufacturer Gentech is poised to close its East London manufacturing plant, putting about 150 jobs on the line

Chairman Peter Watt said yesterday that the plant, which manufactured floor care products and front-loading washing machines, produced just less than 30% of goods sold by the group in financial 1994

Gentech's refrigeration plant in Isithebebe in KwaZulu-Natal would not be affected

'The effect of the plant's closure on earnings would be compensated for by an increase in the resale of imported goods. "If you do the sums it doesn't pay us to manufacture locally," he said

CE David Evans said the group was restructuring operations and would restrict manufacturing in favour of imports and resale The recent 15% fall in duties on imported appliances meant it was cheaper to import finished goods

The restructuring aimed to return Gentech to profitability after it reported a R13,5m deficit for the six months to end-August It would be completed by the end of the financial year and the group would be back in the black by the beginning of financial 1997, he said

The group was negotiating the closure of the plant with Numsa

"Unless some solution can be found we will have little option other than to close it," he said

Manufacturers were being squeezed by unchanged raw material costs and a fall in retail prices. Transport costs posed an additional problem as the East London plant was far from the main markets in Gauteng

Thebe buys into technology group

BD 8/11/95 (189D)

Amanda Vermeulen

THEBE Investments has taken a 5% stake in technology group Altron for R82m, gaining 9,61-million shares in the group at a hefty discount to yesterday's closing price

The unlisted Thebe, with interests running from publishing to property and gaming, has been offered participating preference shares in Altron at 850c a share, against yesterday's 940c close, and two seats on Altron's board It will also have the option of doubling its stake

Thebe said merchant banker FirstCorp would go to the capital markets to fund the deal for Thebe

Thebe would also restructure into three operational divisions — industrial holdings, leisure and entertainment, and financial services — which would be listed separately in 1998

The financial services company houses Citizen Bank, which recently concluded the acquisition of Bank of Transkei

Thebe's aviation business, SA Express, is currently not being incorporated into any of the three divisions

Under the Altron deal, a new Thebe subsidiary would receive participating preference shares, giving it voting rights and equal participation in Altron's earnings and dividends

Thebe MD Vusi Khanyile and attorney Ismail Ayob would be appointed to Altron's board, while former National Sorghum Breweries executive director Israel Skosana would become an alternate director Altron chairman Bill Venter would sit on Thebe's board

Khanyile said technology was an important arena for black business, as

Continued on Page 2

Thebe

(189D) BD 8/11/95

Continued from Page 1

equal participation in the economy was dependent on access to information technology and telecommunications.

Thebe already had a stake in the computer industry and, through its leisure and entertainment subsidiary Moribo, was involved in broadcasting

Venter said the black empowerment group — which started out three years ago as the ANC's investment company — would have first option on any greenfields ventures undertaken by Altron. "This agreement will be vitally important to Thebe's growth and should lead to further joint ventures

Altron — which counted Allied Technologies, Fintech and Power Technologies among its operations — lifted earnings to R53m from R47m for the six months to August on sales up to R2,3bn from R1,9bn. On Altron's market capitalisation yesterday, a 5% stake in the group was worth R44,6m

Venter said the deal was significant as the first major deal in which a black company had invested at holding company level.

NEW LINKS *Bill Venter and Vusi Khanyile* PHOTO JOHN WOODROOF

Thebe Investment to buy 5% of Altron equity

(189D) CT (BR) 8/11/95

By John Spira

Johannesburg — In an R81,7 million deal, Thebe Investment is to acquire 5 percent of the equity of leading technology group Allied Electronic (Altron).

Altron will privately place with Thebe 9,61 million participating preference shares of 850c each, which qualify for equal participation in Altron's earnings and dividends.

FirstCorp will finance an undisclosed portion of the transaction.

Thebe will become one of the larger minority shareholders in Altron and will be represented on the Altron board by Ismail Ayob and Vusi Khanyile, who will have access to information on Altron group activities and participation in discussions on group strategic issues Bill Venter, Altron's chairman, will join the Thebe board

Khanyile, Thebe's executive chairman, says his group has always aspired to be a player in the technological arena, and that Thebe may in future decide to increase its Altron stake to 10 percent.

Venter believes it is the first time in South Africa that an emergent company has linked up with a large corporation at holding company level.

"I hope it sends a signal to South Africa's corporate kings — one which will persuade them to create true black empowerment; to allow partnership with emerging business to be meaningfully developed.

"Of particular importance is that Altron and Thebe share many of the same values and objectives As two truly South African enterprises, this partnership epitomises the vision of our newly democratised nation as it moves forward into an enlightened and highly promising future"

Thebe also will have first option to participate jointly in Altron's future green field ventures

Reunert group boosted by telecommunications revamp

BD 15/11/95 (1890)

Beatrix Payne

ELECTRONICS and engineering group Reunert benefited from improved demand and the consolidation of its telecommunications operations to lift attributable earnings 33% to just over R200m in the year to end-September

CE Tony Ellingford said turnover rose 35% to R4,7bn on an even performance from most operations, but an increase in illegal imports of electronic goods during the year had squeezed margins to 7,8% (8,1%) Operating profit grew 30% to R368,5m

Net interest received fell 77% to R4,6m after cash and short term investments eased to R275,8m (R375,8m) due to larger working capital requirements

The tax bill amounted to R124,3m (R126,3m) after the group's tax rate declined to 33% (41%) following the abolition of the 5% levy, together with the effect of secondary tax on companies and the capitalisation award

Share earnings were 32% ahead at 104,2c on a 1% rise in the number of shares in issue to 191,9-million Total dividends rose to 36c (27c), and the group said it would again make a capitalisation share award

The group spent R165m of an allocated R250m in capital expenditure (capex). Ellingford said the balance would be allocated over the next six months.

Total debt rose to R265m (R89m), lifting gearing to 27%.

Earnings growth was likely to be maintained at current levels.

Ellingford said the restructured telecommunications division had pushed its attributable earnings 82% to R52m Its contribution to group profit rose to 26% from 19% the previous year

The electrical division raised bottom-line earnings 18% to R64m despite poor performances from African Cables and Electrical Motor Manufacturing Company Its contribution to total profits fell to 32% (36%)

The commercial division, comprising Panasonic, Nashua and Airomatic, saw earnings rise 22% to R44m, 22% (24%) of the total.

Despite military cutbacks, the defence and allied division profit rose 27% to R40m, but its group contribution fell to 20% (21%)

Reunert's income rises 33%

(1890)

By Fiona Leney

CT(BR) 15/11/95

Johannesburg — Reunert, the electronics and electrical engineering group, turned in annual results in line with forecasts yesterday, posting a 33 percent rise in attributable income to R200 million (R150,4 million)

The directors said it had been a year of good growth in all divisions Profit in the telecommunications division, restructured to face increasing competition, soared 82 percent to R52 million

Chairman Clive Parker said the division moved ahead strongly in the financial year ended September 30, and the group's chief executive, Tony Ellingford, said last year's restructuring had paid handsomely in terms of efficiency and profitability

Turnover rose 35 percent to R4,7 billion, on which operating profit of R368,5 million was made, up 30 percent from last year

A big increase in turnover in the low margin sector of consumer products, squeezed overall margins down to 7,8 percent from 8,1 percent, a factor aggravated by poor performances at Electrical Motor Manufacturing Company and African Cables Parker blamed African Cables' disappointing performance on competition from cheaper imports

Earnings for ordinary shares rose 32 percent to 104,2c (79c) a share, with the number of shares in issue rising only 1 percent

Alternative

Like last year, the group is to make a capitalisation share award Shareholders will be entitled to choose a cash alternative of 25c a share instead Thus, with an interim dividend of 11c, makes a total dividend of 36c (27c) for the year

The group's cash resources were eaten into by a large increase in working capital requirements as stock holding was built up to meet expected demand early in the new financial year Additional expenditure of R165 million on capital items also contributed to a sharp drop in interest income to R4,6 million (R20 million) Total debt grew to R265 million (R89 million)

Thus had been foreseen last year when the group signalled its intention to use its substantial cash holdings to fund capital investment, and cash balances had been expected to grow appreciably in spite of continued investment

Parker said that he saw continued growth in the group, albeit at lower levels

See picture page 21

Altron stake worth more than money, says Thebe

ST 19/11/95 (BT) (189D)

By MARCIA KLEIN

THEBE Investments' R81,7-million acquisition of 5% of technology group Altron is "not such a big deal", according to Vusi Khanyile, Thebe's chairman

"What is important is the relationship and the strategic alliance created by the 5% shareholding," he said

"We came to the conclusion nine months ago that we needed to have a presence in technology We identified telecommunications and information technology (where we already have a modest presence through Bhekisizwe Computer systems), and talked to a range of players We could have either linked with different players in different fields or found a strong player with a range of technologies so that we don't hop around" For that reason, Altron became attractive

Mr Khanyile said Thebe, which was formed in 1992 and has since grown into a group with annualised turnover of more than R250-million, has a two-pronged strategy It buys into mature companies, like Altron, but at the same time is also involved in starting up grassroots companies "We want the portfolio to be a good mixture of the two"

VUSI KHANYILE

He said a memorandum of understanding recently signed with Malaysian resources corporation Berhad was merely a strengthening of its position in financial services

"But Altron represents a different emphasis and is in line with our focus on building up the industrial area of investment" The Altron investment will fall into Thebe Industrial Holdings, the group's industrial arm which also has interests in property, healthcare and education Thebe has three other major divisions — Alliance Airline, Moribo (gaming, movies, sports and travel) and Thebe Financial Holdings, which holds its banking and insurance interests

Some of its investments, like Citizen Bank, are already listed Thebe would consider listing individual companies or divisions

Another option is to list Thebe itself, but only if there is some special value the investor could access through the holding company

"We are open to any of these possibilities If the underlying company or division has matured enough to list on its own, we would list it," said Mr Khanyile

"We are under no pressure to list, we are taking the cautious route When we take a company or a division to the JSE, we are asking the public to invest hard-earned income so we need to have a track record We want the public to have an informed expectation"

Commenting on how the group is funded, Mr Khanyile said "We try not to gear up at the holding-company level On the whole Thebe is ungeared When we look at a specific project, we have to ensure that it is bankable on its own merits If not, we walk away from it The risk profile of one project has no bearing on another."

He was reticent about details, but said Thebe has sourced funding locally and offshore, particularly for acquiring aircraft for Alliance

In the medium term, Mr Khanyile "would like to see Thebe establish itself as a viable business entity that will have left its teething problems behind it"

Within five years he would hope that a few of the significant divisions would have done so well that Thebe has taken them to the JSE Through Moribo, Thebe was interested in playing a role in developing tourism

There is speculation that Israel Skosana, who has resigned as managing director of National Sorghum Breweries, would work full-time at Thebe

Mr Khanyile said Skosana "is a director on the main board and has an ongoing involvement with the group Whether this is escalated to full-time remains to be seen"

Kopp to sell 80% stake

CT(BR)23/11/95 (189D)

By Charlotte Mathews

Johannesburg — Kopp Electronics is selling 80 percent of its shares to multinational Avnet in a deal that values Kopp at R36 million and will be followed by the delisting of the company, the firm said yesterday

The deal was struck at 324c a share The shares gained 25c on the JSE yesterday to close at 325c

"I believe the offer price represents an attractive premium over the net worth of the company, particularly in view of the current pressures facing distributors of electronics components, in both the local and international markets," chairman Albert Kopp said

Distribution in the global electronics industry has undergone a change in the past few years, he said The market is dominated by a few multinational groups Major manufacturers have shown a preference for allying themselves with major distributors, which could potentially affect Kopp's overseas supplier relationships and make it more difficult to acquire new suppliers

Avnet has distribution agreements with most of the leading component suppliers in the world, bringing opportunities for growth for the company, Kopp said

The remaining 20 percent of the shares will be retained by the Kopp family, which controls the company now Kopp will remain on the board as the managing director

The deal is subject to shareholder and regulatory approval

KOPP ELECTRONICS (1890)

Room for growth

FM 24/11/95

Activities: *Manufactures, imports and distributes electronic and electrical components*
Control: *Directors 68%*
Chairman: *A Kopp*
Capital structure: *11,1m ords Market capitalisation R30,5m*
Share market: *Price 275c Yields 3,6% on dividend, 21,3% on earnings, p e ratio, 4,7, cover, 27,5 12-month high, 300c, low, 125c Trading volume last quarter, 364 200 shares*

Year to June 30	**'92**	**'93**	**'94**	**'95**
ST debt (Rm)	0,5	—	0,03	2,9
LT debt (Rm)	1,2	0,9	1,2	1,0
Debt equity ratio	0,23	0,04	0,14	n/a
Shareholders' interest	0,57	0,58	0,46	0,52
Int & leasing cover	3,7	5,1	10,2	16,6
Return on cap (%)	13,7	12,6	14,4	38,2
Turnover (Rm)	32,4	32,1	44,0	64,2
Pre-int profit (Rm)	1,7	1,7	2,8	10,6
Pre-int margin (%)	5,4	5,4	6,4	16,5
Earnings (c)	6,0	7,7	12,4	58,7
Dividends (c)	2,5	3,0	4,0	10
Tangible NAV (c)	67	75	82	130

Even without the R1,1m capital profit from the disposal of a subsidiary, Kopp had a prosperous post-election period In the year to June 30, pre-interest profit jumped 279% on a 46% sales increase EPS rose almost fourfold

Group financial manager Trevor Dalton attributes the widening operating margins partly to Kopp's relatively stable infrastructure, which minimises overhead costs He says greater business confidence resulted in higher sales across the board, particularly in the cellphone market

Kopp's manufacturing subsidiary Automated Systems Manufacturing (ASM) was sold to the Swedish telecoms company Ericsson on June 30 for R5,7m ASM supplies power equipment to the telecoms market and became a prime supplier to Vodacom and MTN Due to realignments within the telecoms market, management thought ASM's "excellent performance" last year wasn't sustainable

Profit from the disposal and firm control of working capital effectively eliminated gearing A firmer grip has also been taken of the debtors' book

Dalton says Kopp's product mix has remained fairly static over the years Sales are divided equally between its remaining two divisions — Kopp Electronics and Advanced Semiconductor Devices (ASD)

Recently, however, the semiconductor division has expanded rapidly (semiconductors are integral components of microchips) Last year, ASD was awarded a distributorship for Motorola semiconductors — Motorola makes a broad range of semiconductor components

Last year the share price almost doubled, climbing from 145c to 285c But in this industry, with a concentrated focus, a healthy set of accounts and the p e ratio at 4,9 substantially lower than the sectoral average (16,7), there's probably still room for growth *Michelle Joubert*

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Shining light in the electronics industry

(189D)

WM(BM) 7-13/7/95

Jacques Magliolo

DESPITE growing local and international competition in the electronics market, Johannesburg Stock Exchange-listed Log-Tek produced enviable results for its financial year to end-April 1995

Earnings per share climbed by a spectacular 138 percent to 57,5 cents a share and a dividend of 17 cents (1994 eight cents) was declared. This is a turnaround from 1993 when no dividend was paid.

During the past fiscal year, the group pushed its turnover up by 44 percent to R60,9-million and operating profits up by 50 percent to R6,2-million These figures translate into an attributable profit of R2,7-million, which is an increase of 135 percent.

Log-Tek chief executive officer Harry Spain says. "Our philosophy in terms of organic growth is simple To expand the group we make full use of the knowledge we have gained in our existing markets to use in the larger commercial customer based markets"

This was highlighted during this past fiscal year Despite a substantial increase in the number of public holidays and country-wide labour unrest, Log-Tek managed to improve productivity and efficiency Its 1995 operating margin rose to 10,1 percent from last year's 9,7 percent

Log-Tek chairman Tony Behrmann confirms that improving profit margins has been an objective of the group He says "The profit attributable to shareholders exceeded the budget due to continued emphasis on client requirements and on productivity and margins"

The results are impressive, particularly in view of problems incurred in the industry In the past five years, growth in the local electronics market has been anything but exciting. While the 1980s saw strong growth in home computer sales, a decline in economic activity and substantial cuts in defence spending quickly dampened the electronics sector

Market experts suggest that to navigate through these difficult times electronics companies have relied heavily on strong management capabilities For Log-Tek this was never in question as its directors are also majority shareholders This is best highlighted in the group's financial profile, which shows strong cash inflow, substantially reduced debt equity and a higher net tangible asset value per share

Behrmann says that the sale of the group's head office was completed in April and the net cash inflow was used to reduce interest bearing debt, which now stands at 115 percent compared to last year's crippling 350 percent Yet the sale of this asset has not reduced the value of net tangible assets, which now stands at 115,2 cents (1994· 67,6 cents)

Two questions stand out in the minds of investors and market experts alike will the group continues to impress and will the share price maintain its recent upward momentum? The share has climbed from 1994's 200 cents a share to its present 600 cents, which is an increase of 200 percent On future prospects for Log-Tek, investors need only look at the ventures and market potential being developed

The future does look bright. Log-Tek has started developing software for healthcare products and directors say the company will continue to develop new products in this area In addition, Quickcut Pre Press, which provides users with direct access to extensive libraries of products and other images on a centralised database, is now able to operate without assistance from the company's head office

PRICES SLASHED BY UP TO 50%

EXCLUSIVE

'Grey market' threat

CT 10/7/95
(189D)

MAJOR SUPPLIERS of electronic goods are considering scaling down their audio and VCR divisions in the face of what they consider unfair competition from grey importers **CLAIRE BISSEKER** reports.

A PRICE WAR has broken out in South Africa's audio and video equipment markets following a surge in the promotion of "grey products" that has seen the prices of many hi-fi, video and camera ranges plummet by as much as 50%

Consumers are snapping up the cheaper products, and some of the major authorised suppliers, such as Philips SA, are considering "scaling down" their audio and VCR divisions in the face of this new competition

Grey market goods are direct-imports of genuine products that by-pass the official agent and authorised dealers Often they are smuggled into the country, avoiding customs duties and tariffs

While the "grey importers" are breaking the law, it is perfectly legal to buy and sell the goods once they are in the country

But the consumer must be told, because often the grey products do not have the manufacturer's guarantee and after-sales service

Philips SA estimates that smuggled goods make up more than 75% of the consumer electronics market

Many major distributors have employed full-time detectives to try to catch illegal importers, some of whom they claim have links with the Chinese triads and the Mafia

Customs and Excise says it does not have the manpower to check more than two percent of the containers entering the country

An alleged grey importer told the Cape Times he would find it very difficult to explain how he landed hi-fi equipment cheaper than the official agents, who import directly from the parent factory in the Far East or America

Grey products are sold by regular retailers who have hitherto been under no obligation to disclose to consumers that the official agents could refuse to service the equipment

However, most reputable electronics multi-nationals will honour warranties even when the goods have been bought abroad or on the grey market

Frank and Hirsch, sole agents for Aiwa service grey products because "it would damage our brand name to have them serviced by back-room technicians with the incorrect parts"

This means the consumer can benefit from slashed prices with little additional risk

Sony agent Tedelex flatly refuses to service grey goods, but a spokesman admitted that grey Sony parts were obtainable

Guarantees

Mr Mick Kirby, who retails grey hi-fi equipment at the Hi-Fi Corporation warehouse in Goodwood at rock-bottom prices, offers guarantees of up to two years

He is selling the Sony 411 mini hi-fi system for R1 395 — although the cost price from the official agent to the retailer is R1 799 The normal retail price is R2 698

"If people ask, we tell them it is a grey and that Sony won't service it, but we have our own technicians and in most cases Sony parts will be used," he said

GREY MARKET ELECTRONIC GOODS SLASH NORMAL RETAIL PRICES

PRODUCT	[illegible]	[illegible]	[illegible] grey goods	[illegible] grey goods
Sony 411 Mini Hi-Fi System. Double Tape Deck CD Player	R 1 395	R 2 698	R 1 303	48%
Aiwa Mini Hi-Fi System Radio, Tape Deck CD Player	R 1 899	R 2 499	R 600	24%
600 Watts Sony FH/70 CD Player, Radio Double Tape Deck	R 2 599	R 2 999	R 400	13%
1000 Watts Sony FH/80 CD Player, Double Tape Deck, Radio	R 2 899	R 3 499	R 600	17%
Hitachi VCR 328 Full remote	R 1 199	R 1 599	R 400	25%
Nikon Camera F90 X Single Lens Reflex Fully Automatic	R 8 376	R 8 676	R 300	3%
Nikon Zoom Lens 25mm - 300mm	R 4 425	R 4 825	R 400	8%

Graphic Matthys Moss Cape Times

Last week the Business Practices Committee launched a consumer code for electronics to protect the consumer against what it called the harmful effects of grey products

Under the new code sellers of grey products can face imprisonment, termination of their businesses or a R200 000 fine for failing to inform consumers that they may be forfeiting the manufacturer's guarantee and after-sales service

Tedelex said South Africa was a prime target for grey audio equipment because import taxes were well over 100%

A lesser grey market exists in camera equipment Individual items are usually brought in through suburban post offices where a 20% import tax applies

Licensed importers have to pay 58% import taxes on camera equipment

Frank and Hirsch, sole agent for Nikon, estimates that up to 80% of single-lens reflex cameras entering the country are grey imports

Nikon product manager Mr Trevor Pole said grey importers could land a FX90 Nikon camera for R4 277, including the 20% import tax, and make a 100% profit reselling it for R8 376 and still undercut normal retailers by several hundred rand

"If a grey Nikon camera breaks we have to repair it free of charge because it carries a world-wide warranty It is totally unfair," he said

Import taxes 'hurt honest dealers'

CT 11/7/95 (189D)

CLAIRE BISSEKER

SOUTH Africa is claimed to be the most profitable destination in the world for smugged electronic goods because import taxes of more than 100% discriminate against honest importers

The Radio and TV Distributors' Association said yesterday high import taxes of about 130% for audio equipment and 106% for VCRs encouraged smuggling

They were reacting to a Cape Times report yesterday that "grey" goods were flooding the SA market— sometimes selling at 50% less than legally imported equipment

"The higher the import duty the more incentive there is to smuggle," said spokesman Mr Dolf van den Berg "The honest man cannot sell his product . Our members are struggling "

The 40% surcharge on audio equipment will be scrapped on October 1 and the government is committed to scaling down customs duties on audio equipment to 20% by January 1999

But it may be too little, too late for some legitimate businesses who are scaling down because they cannot compete with smuggled goods

Some retailers contacted yesterday said they were regarded as "sharks" by consumers who accused them of overcharging

They said high import taxes, coupled with the inability of Customs and Excise to enforce payment, had seen smuggled goods take over about 75% of the local consumer electronics market.

The Radio and TV Distributors' Association is petitioning the government to reduce import duties on audio equipment to 10% as it believes this would remove the incentive to smuggle

Lower import taxes would also enable local retailers to reduce their prices and compete equally with smugglers

TV industry turnaround: The South African television manufacturing industry achieved a complete turnaround in sales in the past three months, according to an industry representative Philips' total sales were expected to be more than 50 000 units this year, said Steve O'Hagan, sound and vision director of Philips He said previously full warehouses were empty and production schedules had to be adjusted to meet burgeoning demand Worldwide demand for colour television sets in the year to March rose 8,4 percent from the preceding year to 104,29 million sets, Toshiba said in Tokyo The demand for the year ending next March was expected to increase 5,5 percent, said Toshiba

(189D) CT(BR) 13/7/95

Joint venture could benefit SA industry

CT (BR) 25/7/95 (1890)

STAFF WRITER

The establishment of a joint venture in South Africa between RCG Moody International, the multi-national consulting and technical services organisation, and FPH Consulting Services, could benefit the petrochemical, industrial and mining heavy-equipment sectors and project engineering concerns

Moody International SA will extend the multi-national organisation's operations into Africa and open up the services of the group's global network to South African companies

Moody International is represented in more than 50 countries and is authorised to issue international listing accreditation in terms of the ISO 9000 system

Rennie van Wyk, a director at FPH Consulting Services, said that this could be vital to local companies seeking to export to other parts of the world, particularly Europe

Overseas

He said Moody International's extensive inspection and expediting network meant that overseas companies involved in projects in South Africa could obtain internationally accepted quality control and expediting services anywhere in the world

By placing an order for such services in South Africa, machinery, materials or components produced in countries such as Germany, China or Sweden could be approved to the client's own specifications or to the highest of international standards

Similarly, the South African joint venture was staffed and equipped, through FPH Consulting Services, as an accredited SABS-listed inspection authority to supply the same level of service in southern Africa to importers of South African produced goods

REUNERT/AFRICAN CABLES

Unknotting shareholders

(189D)

After nearly two years of negotiations with its partners, Reunert has agreed to restructure its power and telecommunications interests. FM 14/7/95

At the centre is African Cables, currently owned by Reunert and Siemens through unlisted Afcab Holdings (82,3%), GEC (9,6%) and various minority shareholders (8,1%). African Cables owns Rosslyn Cables which makes telecoms cable, Bell low-voltage cable and mains power cable. GEC and Reunert effectively own unlisted ATC which manufactures telecoms cable. It is the only maker of glass fibre optics in SA.

African Cables will sell Rosslyn Cables, intact except for its mains power cable division, to ATC and will keep Rosslyn's power cable division. ATC will pay R30m for Rosslyn, R16m in cash and the rest in ATC shares. African Cables will acquire a 21% interest in ATC. In turn, GEC will sell its 9,6% in African Cables to Afcab Holdings and retain a smaller interest in ATC.

The reason for this complex reshuffling resides in production. The reorganisation is based on two different types of manufacturing process Copper telecoms cable and the low-voltage PVC cable both use high-volume continuous-flow processes, whereas the heavy-gauge power cable is made in discontinuous batch lots By combining the efforts of Rosslyn and ATC production will be more efficient and the company will reap economies of scale

Reunert executive director and new African Cables MD Glyn Riley says Rosslyn can also be kept as a going concern. Rosslyn will step up the number of shifts working in the telecommunications cable division, improving efficiency and absorbing excess labour from the mains division

African Cables will benefit from the transferred mains volumes and will share in ATC's improved profits through its 21% shareholding A R41m capex programme will upgrade its manufacturing plant and information systems and streamline its productivity.

The redivision sounds simple and logical. Why the protracted delay in implementation? Riley says shareholdings of the various holders were very different and took time to resolve. "Enter the lawyers," he smiles

The upshot was to give Afcab 91,9% of the equity in African Cables. At this stage it seemed logical to management to offer to buy out minority shareholders and delist the company "It is costly to be listed when you have so few shareholders" says Riley. "And it makes good commercial business sense not to be when the business is a strategic one." African Cables is important to Reunert's involvement in SA's mass electrification programme, in which GEC and Siemens are both partners and competitors.

The offer to minorities is controversial as it was made at 460c/share when the market price was 560c. The offer price is based on a valuation by SCMB, whose director Bernard Katz says the bank used the "capitalisation of earnings approach" — that is, sustainable earnings times an appropriate p:e multiple. Prevailing circumstances which affect value, such as market conditions and earnings profile, were taken into account.

A few years ago, minorities refused an offer of 625c when there was a change of control at African Cables. Katz says "circumstances have deteriorated since then and over 90% of the minority shareholders have indicated their acceptance of the offer of 460c."

Katz thinks the market share price of 560c at the time of the offer was unrealistic. "This share hardly trades. In 1994, fewer than 21 000 shares (0,05% of issued share capital) traded over the year and in the first six months of 1995 only 27 000 shares changed hands. The market price doesn't reflect true value." NAV stands at 305c and the share seems fairly rated at 460c. EPS and operating margin have been depressed over the past few years, owing to the recession and underinvestment in its assets.

Of the three cable companies in the market, African Cables produced the worst results yet its price rose when those of the others fell. Katz will not comment on why the price rose; Riley suggests it was affected by market rumour rather than value

The restructuring may indeed benefit African Cables, but if it is delisted the public will see the results only indirectly, through Reunert. *Margaret-Anne Halse*

Altron unveils Mass-Ed

Sello Motlhabakwe (1890) BD 26/7/95

ELECTRONICS group Altron yesterday unveiled a personal computer-based mass education system, Mass-Ed, developed by ISIS Information Systems which could have significant effect on the future of education and training locally and in southern Africa.

The system, which was demonstrated in Pretoria to select members of the arts, culture, science and technology ministry, including Minister Ben Ngubane, was in the final refinement phase.

Altron subsidiary Altech CE Peter Wilson says the system comprises a central PC, a television monitor, a VCR, large screen and individual keypads.

It is designed to specifically address the chronic shortage of teachers as well as the vast number of people requiring an education. The system allows for tutoring of up to 100 candidates through the television monitor.

Ngubane said his department had an interest in technology-based education systems and had about R70m set aside to cultivate such products

Nu-World sees turnover rise (1890)

SELLO MOTLHABAKWE

ELECTRICAL appliance manufacturer and distributor Nu-World Industries lifted profit after tax 64,5% to R1,52m in the six months ended February with the help of a lower tax rate and accelerated plant and machinery allowances

Turnover rose 53,4% to R72,6m, while net operating income increased 40,2% to R3m BD 3/4/95

Interest paid amounted to R1,4m from R989 000 The tax bill was down 49,1% to R148 000, leaving income after tax up 64,5% to R1,5m Earnings a share were 48% higher at 10,8c (7,3c) The dividend was passed

The company said earnings a share had increased because of the higher number of shares in issue after a capitalisation award for the year to August

The acquisition of a distributorship from Japan's JVC company early this year had yet to affect the bottom line The company planned a formal launch of JVC products, which included VCRs, hi-fis, video cameras, motor sound systems and televisions, in early May

Exports during the past three years had gone up an annual average of 40% These were mainly to the UK, Europe, Middle East, Australasia and Africa.

A new electrical components factory supported by the Industrial Development Corporation would come on stream in Wynberg, Johannesburg, during May

Prospects included continued investment in top rate technology, robotics and engineering A recruitment and restructuring exercise to boost growth had begun

The JVC range of products was expected to affect sales in the current financial year, picking up just before the Christmas season

BACKGROUND & ANALYSIS

Top brands scramble for a slice of local computer sales

(189D) CT(BR) 6/4/95

Stand by for more choice, better pricing and better support as big names make an all-out assault on the market

BY ROSS HERBERT

STAFF WRITER

The South African computer market, long stifled by high prices and slow adoption of the latest technology, is being hit with a wave of big-name foreign competitors which believe they will reshape the local industry

This week Hewlett-Packard (HP), which has been represented exclusively by Siltek's High Performance Systems, announced its intention to expand distribution and select a second distributor for its printer products

Compaq Computer, the world's leading personal computer supplier, is setting up marketing and distribution channels and vowing to put up a stiff fight on price

Silicon Graphics, Novell, Intel and Unisys have announced their return or recommitment to South Africa in the past week, bringing nearly the full stable of international computer players here

"I'm delighted they are coming back More choice means more competition, better pricing and better support Pricing in South Africa has been fundamentally out of line with Europe and the United States," said Mike Jarvis, general manager of information technology at First National Bank

Sanctions and high tariffs have driven prices of name-brand goods well above international levels, leaving the personal computer market dominated by second-tier brands

The price difference between big-name PC brands and the cheapest second-tier brands has fallen from over 50 percent two years ago to 15 to 20 percent, according to Marek Vaygelt, a PC market researcher at BMI

HP and Compaq said they intend to fight more aggressively on price in South Africa Both will follow a two-fold strategy of driving down their prices while loading machines with more new technology They believe if they can drive the price difference with no-name brands to 10 percent they can grab significant market share

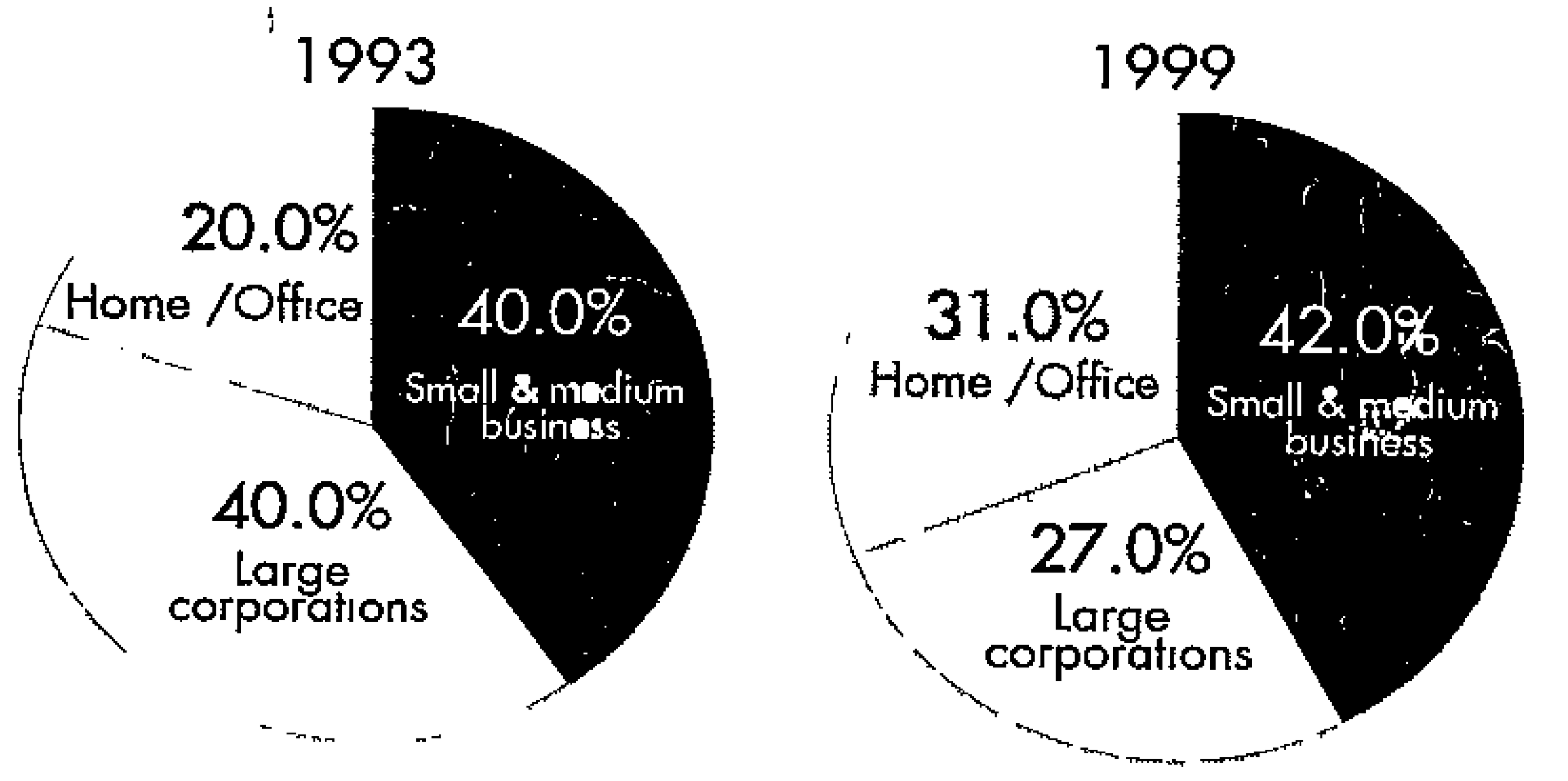
HP said it plans to push computers loaded with features to small businesses who can't afford secretaries for telephone answering and faxing

Compaq also promised to deliver better technology and next week will announce a spate of Pentium-class PCs at consumer-home-office prices that will be bundled with 20 software packages, speakers, quadruple-speed CD-Rom disk drives and a three-year warranty South African prices haven't been set, but US prices range from $1 700 to $2 000

In the past, pricing and feature availability varied widely around the world But HP and Compaq have adopted a policy of global availability of all products with stocks available in South Africa on the day products are announced

Watch for more retail sales BMI estimated the South African PC market will grow at about 14 percent through 1997

World personal computer sales (% market share)



GRAPHIC ABEL MUSHI SOURCE HEWLETT-PACKARD BMI

Jasco Electronics plans to expand in niche markets

BD 10|4|95 (1890)

SAMANTHA SHARPE

STRONG operating income and healthy performances from subsidiaries helped investment holdings company Jasco Electronics post a 15% increase in attributable income to R6,9m in the year to February.

The company's turnover rose 13% to R105,94m. Turnover from the sale of loss-making subsidiary Pascom was not included in the figure, which would otherwise have reflected organic growth of 26%.

Operating income soared 38% to R12,72m, but a 152% increase in the company's tax charge to R3,27m — the result of full utilisation of assessed losses — watered down the attributable income figure. This translated to a 14% rise in earnings to 23,7c a share and a one-third increase in the dividend to 8c a share.

Jasco MD Peter Rush said the company was operating in several niche markets with high growth potential which would facilitate an earnings increase in the current financial year.

"Jasco manages a diversified and balanced portfolio of operations. Under prevailing conditions shareholders can look forward to further growth in earnings"

Subsidiary The SA Scientific Group, which supplies laboratory equipment, notched up a 40% gain in operating profits, with exports in Africa up 30%

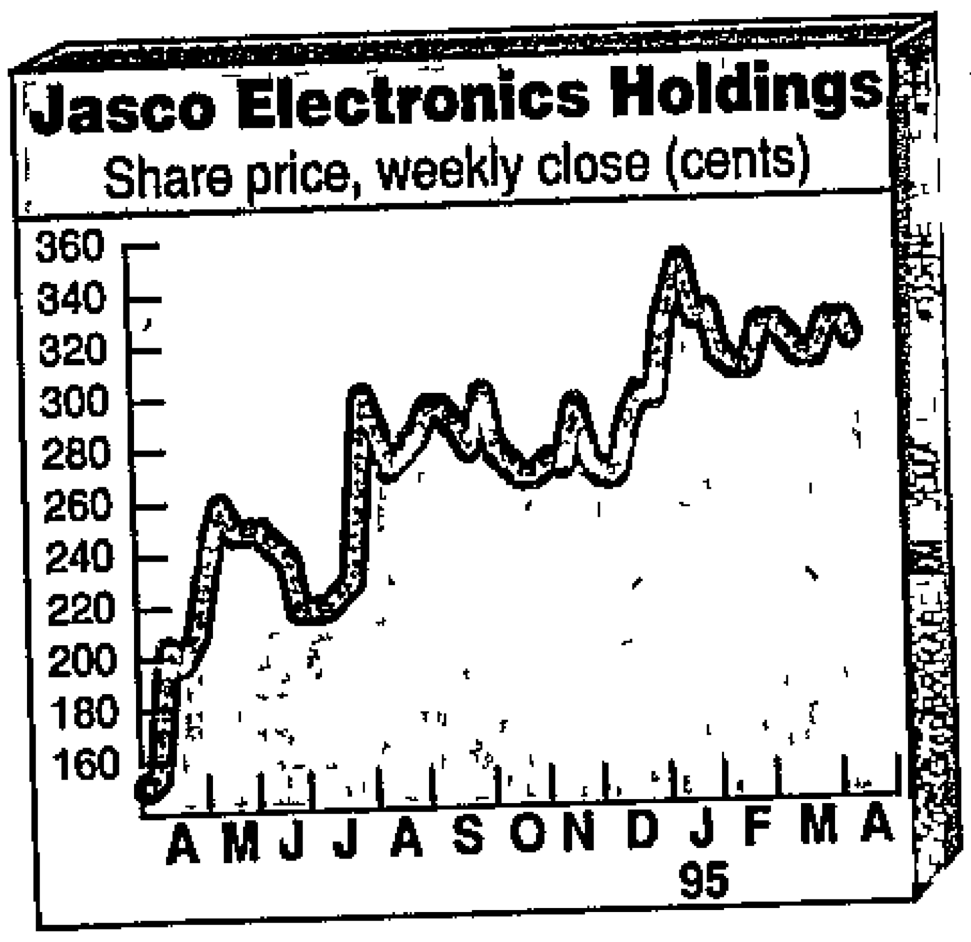
Special Cables, which supplies electrical components used in domestic appliances, had also shown substantial sales and profit growth, Rush said This was partly due to the positive effect that the Eskom electrification programme was having on domestic appliance demand.

The development of the telecommunications infrastructure in southern Africa helped Jasco International exceed its 1995 budgeted trading results

However, Measuretech, a company marketing high technology measurement equipment, had a "relatively disappointing" trading year, with outside shareholders' interest falling to R71 000 from R323 000 as a result

But Measuretech had started the new financial year with a healthy order book and was expected to see a dramatic improvement in its profitability.

Rush said the company's supplier of radio paging systems, Jasco Skypage, had seen "excellent" results. It had set up business in Zimbabwe and had already met with considerable success



TECHNOLOGY

By ZILLA EFRAT

Altron leads the way in SA's export drive

ST(BT)28/5/95(1890)

COMMODITIES exports are booming, but many SA producers of high-tech products have far to go before they take the foreign market by storm Not so for the Altron group

Its exports have jumped from less than R8-million in 1990 to R181-million in its financial year to February this year

Its product range has grown from "commodities" like batteries to more sophisticated products such as electronic systems and telecommunications software

It is now tendering for major turnkey telecommunications and electrical projects worth hundreds of millions of rands

The group, last year's overall winner of the President's Award for Export Achievement, sells 17% of its manufactured output abroad

Harold Serebro, chairman of the Altron Group's export council, says exports are running more than 200% ahead of budget in the current financial year One of Altron's subsidiaries has its order books full for the next 18 months and another for the next 11 months

In recent years Altron's engineers have developed 179 new products, some unique for niche markets

The group, with annual local sales approaching R4-billion, has spent about R250-million developing products and services for the reconstruction and development programme

These specialised products are suited to conditions in developing countries, a factor which has made Africa and Asia Altron's largest markets.

The group exports to 65 countries worldwide and broke into eight new markets over the past financial year Its fastest growing markets are the Gulf states and Britain.

Altron budgets about R140-million a year on research and development. Technology development always takes place with a view to export.

Dr Serebro says its major European principals, Alcatel and Asea Brown Boveri, in recognition of its quality and expertise have provided subcontracting export work.

Altron subsidiary Powertech is making transformers for ABB, exported to the Philippines and Africa Alcatel has also realised the telecommunications software design capabilites of associate Altech.

The two companies have formed a joint venture and have established a software development centre in Boksburg for global exports. In the past financial year the venture's exports were R60-million — up from about R18-million the previous year

Subsidiary Fintech's successful export thrust of locally developed software packages for the coal- and gold-mining industries has created opportunities in Europe and the US

The Altron group has benefited from being certified by the World Bank, the International Monetary Fund and departments of telecommunications across Africa This means it can tender for any of their projects

Recognition of its cable products in Britain have made that country its second largest export market and has led to lucrative spinoffs in Hong Kong and other Asian markets A flood of inquiries in the lighting, energy and instrumentation arena is boosting the value of Altron's forward export order book.

Dr Serebro says the foundations for Altron's export success was laid about five years ago when the group established a purchasing council to reduce the cost of goods sold by at least 3%

Using its huge purchasing power, the group has negotiated the supply of high quality raw materials, both locally and internationally, at competitive prices and with reliable delivery times

This has helped it become a low cost producer of quality products and systems which have become globally acceptable. The strong focus on material price management helped control costs and wastage and enhanced productivity

This resulted in the formation by Bill Venter, Altron's chairman, of an export council

Altron has a freight company called Aeromaritime International Management Services which further enhances its worldwide products delivery

It is also strengthening its network of international agents and has published a 340-page manual of its products It has a company rule that all export inquiries must be responded to within 24 hours

Altron also looks at buying companies with export potential with a view to turning them into export entities

Altron's target is to export 25% of its total manufactured output and its attention has turned to developing methods to overcome the loss in margin support from the gradual removal of the general export incentive scheme, or Geis. The plan is to improve quality, productivity and design and provide superior after-sales service.

GOING PLACES Harold Serebro and Peter Watt, deputy chairman of Altron Picture HERBERT MABUZA

Strong results from Altron

CT(BR) 9/5/95

By Ross Herbert

(189 D) Staff Writer

Allied Electronics (Altron) yesterday announced strong results for the year ended February 28, with turnover up 20 percent to R3,89 billion and attributable earnings up 18 percent to R122,6 million.

Pleased with the turnaround at several of the group's units, chairman Bill Venter said the group would be looking for significant acquisitions this year, worth between R2 billion and R3 billion

Venter said the company's restructuring actions of the past two years were over and he was positive about future growth prospects in all major units Exports reached a record high of 17 percent of manufactured output, principally in car batteries, industrial lighting systems, power equipment and cabling

Earnings per share were 127,7c, split evenly between ordinary shares and participating preference shares, up 17,5 percent over the previous year's 108,7c

The group's revenues came 47 percent from its holding of Powertech, makers of power equipment and appliances, 34 percent from Altech, maker of computer and telecommunications products, and 19 percent from Fintech, which includes National Data Systems, Xeratech, and Alcatel Business Systems

Venter said the company had turned around significant labour-relations problems and ended "widespread industrial sabotage" at Powertech's Gentech facility

Gentech took extraordinary charges of R12,4 million to restructure its manufacturing and cut the workforce from 1280 to 480 He said the new workforce was producing at the same level with far fewer quality problems

Venter said the Autopage cellular telephone unit had reached profitability in the past three months after heavy start-up costs Altech Mining Technologies completed the long development of an electronic detonator system for precision deep-level mine blasting

BD 11/5/95

Improved conditions push Reunert earnings up 32%

(189D)

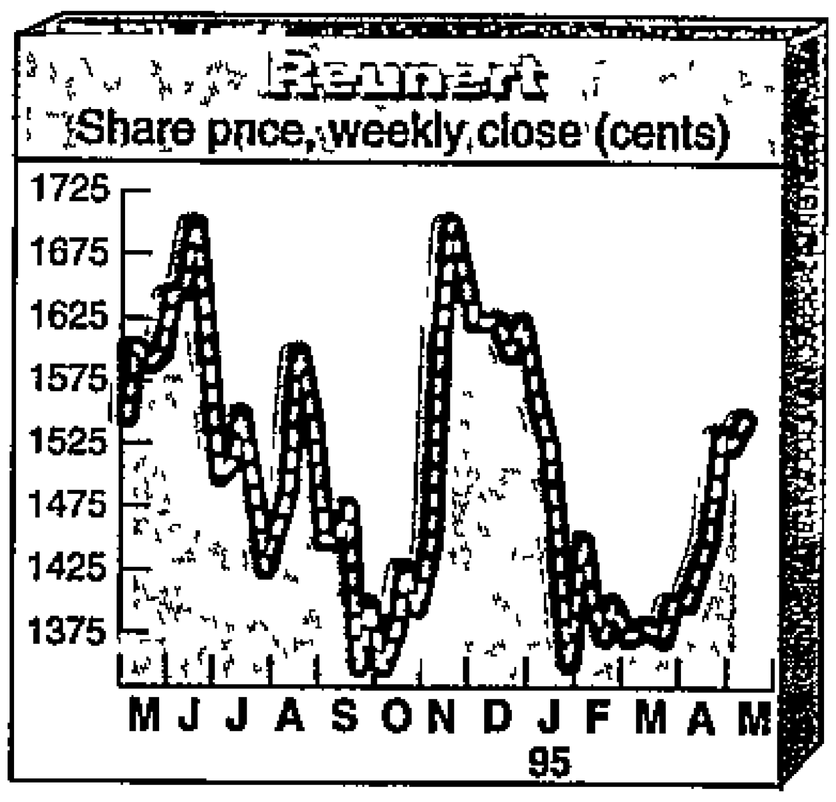
LLEWELLYN JONES

ELECTRONICS group Reunert lifted attributable earnings by a healthy 32% to R84,4m (R63,9m) for the six months to March following improved economic conditions and continued control over expenses, chairman Clive Parker said yesterday.

Turnover rose 34% to R2,3bn (R1,7bn) and operating profit marched ahead 36% to R156,5m (R114,6m) While net interest received fell 42% to R7m (R12m) due to increased capital expenditure and working capital requirements, pre-tax profit was still 29% higher at R163,4m (R126,7m)

Parker said the group saw a lower tax rate of 37,7% from last year's 44% now that the transitional levy no longer had to be accounted for, and this had compensated for the fall in interest income. The tax bill rose 11% to R61,6m (R55,7m), putting taxed profit 40% ahead at R109,5m (R78,4m)

Outside shareholders' profits increased to R25,1m from R14,5m as a result of improved performance by non-wholly owned subsidiaries



Earnings a share rose 31% to 44,1c (33,6c) while the directors elected to make a capitalisation share award equivalent to a dividend of 11c (7,5c) per share

The balance sheet remained strong although net cash declined to R79,5m from R161,4m as a result of the 75% increase in capital expenditure to R69,3m and the increasing tempo of business which required more working capital

Parker said the group's dependence on its defence operations decreased even further to 8% of attributable profit from last year's 19% However, this figure would be slightly higher at the year-end due to the phasing of certain contracts.

He said strong sales performances by most of the group's electrical interests had resulted in a whacking 50% increase in attributable profit for the division, despite African Cables' disappointing results due to competition from cheaper imported cable which had squeezed margins

The division accounted for 41% (36%) of group attributable profit.

He said Margins in the telecommunications division had been maintained through the savings achieved by the restructuring and rationalisation of the group's telecommunications interests despite fierce international competition, and profit doubled to R15m.

Parker said the consumer and commercial division, comprising Panasonic, Nashua and Airomatic, increased taxed profit 37% despite the continued squeeze on margins

"The various divisions' order books are strong and we envisage a similar performance to the year end," he said.

The group faced expanded export opportunities in the next few years and would be ready to capitalise on the new opportunities.

Impressive performance from Altron

(1890)
WM 19-25/5/95

ALLIED Electronics Corporation (Altron) produced startling results for the year to end-February, causing its share price to reach a high of 1 000 cents — well up on last year's 700 cents a share

Since January 1993 the electronics sector has performed abysmally. Now Altron's results herald the return to prominence of a sector which has been avoided by investors

Altron pushed its turnover up by 20 percent to R3,9-billion and operating income up by 15,5 percent to R336,7-million These figures translate into an attributable income increase of 17,9 percent to R122,6-million, or the same percentage increase in earnings per share to 127,7 cents

"Without the impact of the transitional levy, earnings per share would have been 134,8 cents — an increase of 24 percent," say Bill Venter, in his company's annual financial statements.

What is impressive about the results, is that they were achieved despite problems within the industry

Venter attributes industry problems to. "The increase in the number of public holidays and labour unrest related to annual wage demands, which caused poor levels of productivity and efficiency, particularly in the first half" Yet Altron's operating profit margins remained at a high of nearly nine percent for 1994-1995

Experts suggest that Altron's strength lies in its sound management. The group's financial profile, as exhibited in its balance sheet, highlights its management capabilities Despite net cash and deposits declining by nearly 40 percent, its total assets rose to R2,4-billion (1994 R2,1-billion) Net asset per share rose by 13 percent to 640 cents a share

As for next year, will the group continue to impress investors? Venter says "Since the elections, South Africa's political climate has markedly improved with economic prospects showing considerable promise The challenge ahead will be of entering and competing in international markets"

Impressive performance from Altron

(1890)

WM ~~19-25~~ 19-25/5/95

ALLIED Electronics Corporation (Altron) produced startling results for the year to end-February, causing its share price to reach a high of 1 000 cents — well up on last year's 700 cents a share

Since January 1993 the electronics sector has performed abysmally Now Altron's results herald the return to prominence of a sector which has been avoided by investors

Altron pushed its turnover up by 20 percent to R3,9-billion and operating income up by 15,5 percent to R336,7-million. These figures translate into an attributable income increase of 17,9 percent to R122,6-million, or the same percentage increase in earnings per share to 127,7 cents.

"Without the impact of the transitional levy, earnings per share would have been 134,8 cents — an increase of 24 percent," say Bill Venter, in his company's annual financial statements

What is impressive about the results, is that they were achieved despite problems within the industry.

Venter attributes industry problems to: "The increase in the number of public holidays and labour unrest related to annual wage demands, which caused poor levels of productivity and efficiency, particularly in the first half" Yet Altron's operating profit margins remained at a high of nearly nine percent for 1994-1995.

Experts suggest that Altron's strength lies in its sound management. The group's financial profile, as exhibited in its balance sheet, highlights its management capabilities. Despite net cash and deposits declining by nearly 40 percent, its total assets rose to R2,4-billion (1994 R2,1-billion). Net asset per share rose by 13 percent to 640 cents a share

As for next year, will the group continue to impress investors? Venter says "Since the elections, South Africa's political climate has markedly improved with economic prospects showing considerable promise The challenge ahead will be of entering and competing in international markets."

May 19 to 25 1995
MAIL & GUARDIAN

SA electronics sector 'in danger'

(189D) CT(BR) 1/6/95

By Ross Herbert

South Africa's electronics industry is in danger of being destroyed Trojan-horse style by foreign governments and industries entering the market under the guise of free trade, according to Bart Cilliers, outgoing president of the Electronics Industries Federation.

"Unless the government wakes up to the reality that South Africa is competing with the rest of the world for a share of the world market, the country has no hope of becoming a significant player as an industrialised nation," he said.

To survive, Cilliers said the South African electronics sector must emulate the "Asian Tigers", such as Singapore, Taiwan and Japan. These countries prospered through nationalistic trade pacts that promoted local industry with the support of labour, business and the government.

"It is unlikely that government will in the foreseeable future be able to join hands with industry and labour to promote South Africa on the scale that Japan and some of the Asian Tigers have done.

"The whole country is currently experiencing a very frustrating period in that the old structures, which are still in place, have become paralysed in anticipation of new things that are expected, while no specific new directed action and purpose seems to be forthcoming from the politicians," Cilliers said.

Supalek changes name to Daewoo

(189D)

Marcia Klein

BD 22/6/95

CONSUMER electronic products distributor Supalek Holdings would change its name to Daewoo Electronics SA, a move which would see the Korean electronics group Daewoo make its presence felt in SA

The name change follows the acquisition of a controlling interest in the company by Anglo American Industrial Corporation and Daewoo, which was announced in May this year

Supalek directors said the new name would reflect the company's new corporate identity and the consolidation of the distribution of Daewoo's brown and white range of products through Supalek.

Daewoo, with turnover of $44bn last year, is involved in shipbuilding, motor vehicles, heavy equipment, telecommunication equipment, consumer electronics products and home appliances.

'Scrap protective duties'

(189D)

Political Correspondent

PROTECTIVE duties for the television, radio and music equipment industries should be abolished, says a Cosatu-backed industrial strategy project released today

ARG 19/6/95

The recommendation is made in a study of the causes of the poor performance by South Africa's manufacturing sector

The study, published by the University of Cape Town and the Cosatu-backed Industrial Strategy Project, is based on four years' research

It said protection for the white goods (stoves, fridges and so on) and small appliance industries should continue for a limited period

The study rejected the view that the motor industry should be forced to be competitive by the lifting of tariff barriers to allow cheap imports

Minister of Trade and Industry, Trevor Manuel, welcomed the study but said he disagreed with some of its findings

Household goods: Tariffs should go

CT (BR) 20/6/95 (189D)

South Africans are paying far too much for electrical goods, particularly television sets, because of uncompetitive companies hiding behind high tariff barriers

The Industrial Strategy Project recommends that protective duties for television, radio and music equipment be abolished

However, it says nominal protection should be given to white goods (appliances like stoves, refrigerators and kettles) and small appliance industries for a limited period

Industrial Strategy Project researcher Ted Bauman labelled the household electrical durables industry one of the most uncompetitive in South Africa

"Tariff protection for some goods is so high and value-added so low that, in some cases, it would cost the economy less to import finished goods than to import the parts needed to assemble them locally

"The foreign exchange cost per job of television manufacture, in particular, means that maintaining this industry simply to preserve jobs is unjustified"

The television manufacturing industry in particular came under fire as a "source of abnormal profits for a few manufacturers and distributors", with the Board of Tariffs and Trade criticised for allowing the position to develop

The industry had been highly protected and its products were uncompetitive with imports, while there were not enough economies of scale to make major components, such as tubes, locally

Existing firms were oriented towards the production of branded products and could not compete with the low-cost manufacturers which had recently emerged

Bauman said it would be justified to continue providing protection of 25 percent or more to the white goods industry

"It would however have to adopt more flexible technologies and become more innovative in producing lower-priced products, and start exporting"

The household electrical durables industry accounted for only about 1 percent of manufacturing in South Africa and could continue to survive behind a barrier of high tariffs

This would mean continued high prices putting goods out of the reach of average black households

"To compete in the European market or against major international producers will require production capacity, turnover and organisational capacity beyond South Africa's current level, and aggressive and costly marketing," Bauman said

SA 'pays too much'

SOWN 20/6/95

South Africans are paying far too much for electrical goods because of uncompetitive companies hiding behind high tariff barriers (1890)

The Industrial Strategy Project recommends that protective duties for television, radio and music equipment should be abolished But it says nominal protection should be given to white goods and small appliance industries for a limited period

ISP researcher Ted Bauman labelled the household electrical durables industry as one of the most uncompetitive in South Africa

Tariff protection for some goods was so high and value-addition so low that, in some cases, it would cost less to import finished goods than to import the parts needed to assemble them

PHILIPS

Fading from the picture

(1890) FM 23/6/95

Dutch multinational Philips may be forced to close its SA audio and video-cassette recorder (VCR) divisions after grey market goods have flooded in

Chairman Bruce MacKenzie confirms Philips has held "exploratory talks" with dealers, which include a proposal that they source Philips equipment from factories in Dubai or Singapore

If the proposal goes ahead, Philips' local operation will be scaled down to servicing equipment MacKenzie declines to comment on how many jobs might be affected But he adds that legitimate business can no longer compete against smugglers because government imposes high import taxes which it fails to enforce

MacKenzie *legitimate business cannot survive*

Philips and other representatives of international brands claim grey marketeers have little difficulty getting containers through customs without paying taxes This enables them to sell products to retailers at half the price of importers who comply with regulations

Consumer electronics carries three import taxes duty, surcharge and ad valorem These add up to 106% for video cassette recorders and about 135% for hi-fi and other audio equipment

MacKenzie says it's easy for smugglers to avoid import taxes by making false declarations By Customs & Excise's own admission, it does not have the resources and manpower to inspect more than a small percentage of containers — as little as 2%, according to some Furthermore, it does not ensure that containers addressed to other African countries do not remain in SA

MacKenzie believes the leaks in customs are so great that smuggled goods now account for more than 75% of the consumer electronics market

Many of the products smuggled in are branded Philips and most other reputable electronics multinationals have a policy that local offices must honour warranties and provide back-up services even if the goods are bought abroad or on the grey market

Following recommendations by Harmful Business Practices Committee chairman Louise Tager last year, government rejected an appeal by the official representatives of multinationals to clamp down on grey market importers Tager said it was up to overseas principals to control their supply channels into SA and not government's job to protect their local agents

But MacKenzie says it would be impossible for Philips' production sites to ensure that orders they received were not destined for the grey market

Through an industry body, the Radio & TV Distributors' Association, Philips and representatives of the other major brands have lobbied government to reduce import taxes or ensure that everybody pays them

Association director Dolf van den Berg says that, after a request to reduce ad valorem and import surcharges was rejected, it made an application for reconsideration and an appointment for an open discussion with Finance Minister Chris Liebenberg Seven appointments have been cancelled by Liebenberg's office, Van den Berg says

MacKenzie says he has to put the SA operation in context with Philips worldwide Retailers are selling smuggled Philips VCRs at less than his landed cost

MacKenzie's concerns are echoed by Panasonic MD Alan Coward, who also chairs the Radio & TV Distributors' Association The association is pushing for the scrapping of the ad valorem and surcharges Coward claims that by limiting import taxes to a duty of about 10%, government would remove the incentive to smuggle — and might even increase its revenue — because more importers would declare goods ■

WORLDWIDE WEB

In touch

More than 45 000 people — equivalent to a near-capacity crowd at Newlands — have logged on to the official Rugby World Cup server on Internet for information

Internet has so far satisfied a growing need for RWC background information, statistics, updates and other data because of its size, immediacy and accessibility

Recognising the need to meet the rugby fans' appetite for information, a number of Cape-based organisations — Information Technology Skills Transfer and ExiNet — joined forces with RWC co-sponsor Unidata and rugby administrators to establish an official Internet site in SA

Based on a server located in Cape Town, the site can be accessed within seconds from anywhere in the world Once logged on to the main page, users can browse more than 1 200 electronic pages packed with information on the teams, players, venues, results and the latest news There is even a welcoming message from President Nelson Mandela

Extensive use is made of artwork by graphic designer Dewald Raath of Red Graphics, as well as high quality photographs, tables and graphics Through a system of icon-based "hyperlinks" between the various sections, users can quickly find the information they need by simply clicking the relevant button on screen

Scores are updated at regular intervals during play, prompting people from as far as North America and Asia to dial in to check the state of play During the final on Saturday, the score will be updated every 10 minutes

PIRATES AHOY!

Microsoft confirms that the demonstration versions of its operating system Windows 95, scheduled for launch in August, includes a small viral routine in a program called "Registration Wizard"

The program invites you to try out a new on-line service called the Microsoft Network — omitting to warn that, by signing on, you send Microsoft a complete list of all the software on your hard-drive

Microsoft's market research technique was discovered by US computer magazine *Information Week*, whose correspondent set up a "packet sniffer" to monitor what was being conveyed over the telephone line to Microsoft The magazine claims it sends your computer's entire directory structure

"The implication of this action, and the attitude of Microsoft to plan such action, beggars the imagination," it concludes The SA angle is particularly ominous, considering that the local head of Microsoft, Rob Katz, also chairs the Business Software Alliance — an industry body which takes organisations using pirated software to court

P.T.O

Fans who wish to purchase RWC memorabilia such as commemorative medals, clothing and glassware can "visit" a well-stocked Souvenir Shop, complete with convenient on-line ordering and secure charge card payment facilities

The partners in the venture believe invaluable experience has been gained, especially as regards the use of Internet for business in SA

Firstly, the high number of "visitors" to the site — over 45 000 people from 50 countries — demonstrates that if organisations approached Internet with the aim of providing relevant, high quality information in an attractive format, their facilities will be used

Secondly, statistics generated by the system show the highest number of accesses are from North America (45%), followed by Europe (29%), the Far East (13%) and SA (13%) This would suggest that the site is the preferred, if not the only source of information about the RWC for most

Typically the number of accesses increases towards the end of the week, peaks between 11 00 and 16 00 on Friday, drops over the weekend and then rises sharply on Monday

For local organisations who are toying with the idea of retailing by means of Internet, experience with the on-line Souvenir Shop will be invaluable

ExiNet MD Jonathan McCulloch says "What's striking is that 75% of purchasers of memorabilia are from North America an area that has no rugby tradition

"This would suggest that, provided you have the right product at the right price, you can reach your customers through Internet no matter where in the world they are '

The RWC-Web site can be located at http //www rwc95 org za ■

SATELLITE TV

Pie in the sky

The launch date of PanAmSat4 — a satellite expected to trigger a bigger boom in consumer electronics sales than the introduction of cellular phones — has been set for August 23

According to its engineers, PanAmSat4 is fully assembled, has completed all ground tests and is on its way to a launch site in French Guiana in South America

If it escapes the fate of PanAmSat3, which went seaward thanks to a faulty rocket, it will broadcast M-Net's premium digital TV channels and duplicate all the SABC's radio and TV signals

It will also beam business data for Telkom's SpaceStream service and handle telecommunications for Transnet's broadcasting arm, Transtel

Other programme providers are expected to lease "transponders" (devices which beam signals back to earth) on PanAmSat4 once the satellite is in orbit

The satellite accommodates about 200 programme channels, with local transmission centred on Bloemfontein

The strength of the signals should reduce the cost of direct-to-home satellite TV reception equipment from about R10 000 to R2 000 and within two years to less than R1 000 (see table)

The launch will cause a dramatic swing from a dearth of satellite TV channels (reception dishes were banned in SA until the early Nineties) to a wide choice of satellite broadcasters targeting SA

M-Net and SABC on PanAmSat4 are already competing against three channels secured on Intelsat 704 by a private Johannesburg company, USN, which has started test transmissions

The managers of Russia's Gal satellite are also keen on allocating TV transmitters which could be aimed at SA

People will have to buy "steerable" dishes to be able to receive signals from more than one satellite Eight more satellites are scheduled which could be used by SA satellite broadcasters

The Satellite Communications Association of SA, a body representing local manufacturers and retailers, forecasts TV dish sales will reach 100 000 next year

Standard Bank, Telkom's first customer for its SpaceStream service, currently links 50 automated teller machines through Telkom's existing C-band satellite transmission Once the cheaper Ku-band service is available, Standard plans to install 550 more satellite receivers

Transtel has signed up on PanAmSat4 to improve telecommunication along its railway infrastructure and between SAA offices Local legislation restricts Transtel from offering its infrastructure to companies outside Transnet but it competes for telecommunication business in other African countries

The SABC plans to reach the entire country through satellite transmission while shrinking its terrestrial coverage from 75% to 56% as part of its plan to swap the transmission facilities of the English and Afrikaans TV1 with that of TV2

The driving force behind the industry will be M-Net with the launch of a "digital bouquet" of TV channels in September ■

SATELLITE TV IN SOUTH AFRICA

YEAR	ESTIMATED HOUSEHOLD DOMESTIC USERS	TOTAL SATELLITE TV CHANNELS	COST OF SYSTEM TO USER AVERAGED R	CAPITAL COST PER TV CHANNEL* R
1987	500	2 C- Band	30 000	15 000
1984	5 000	20 C- Band	10 000	500
1995	60 000	30 KU & C- Band	2 000	66
1996	210 000	40 KU & C- Band	1 500	38
1997	400 000	75 KU & C- Band	1 200	16
1998	700 000	150 KU & C- Band	800	5
1999	1 000 000	190 KU & C- Band	750	4

BUSY SKIES

*Excluding subscription fees

Source Satellite Association

SOFTWARE COSTS

Hard landings

Low levels of computer literacy among users and lack of top-down commitment to computer systems are two main factors driving up software implementation costs in the manufacturing industry

The sector has swung away from developing its own computer systems to buying pre-written, packaged software, and customising it While not as expensive as writing a software system, this implementation process alone can cost more than the hardware and packaged software combined, especially where the system is comprehensive and has more than 100 users

Consultants and software distributors say hardware, software and the consulting and implementation services should each account for about a third of the cost of implementing a new system

A director of Q-Data Consulting Johan Retief says his company has measured the cost of implementing the Triton package and compared these costs with the initial purchase price of the software

"Below 48 users, the cost of the software and the cost of implementing it are about the same,' says Retief "Between 48 and 128 users, that ratio goes up to 1 2 Systems with more than 128 users typically cost 2,5 times the cost of the software to implement" He says this is due to the low level of computer literacy among the operators of the software Additional training accounts for the higher costs

MD of Ernst & Young's Commercial System Implementation Hans Visser says the cost of implementing a system is lower than it appears "When we implement a system for (German software company) SAP, we are doing more than implementing a computer system We are re-engineering the business processes and implementing best business practices at the same time The cost of doing this is unfairly written off against software implementation

As for the rule-of-thumb ratios between cost of software, hardware and services, he dismisses them "As a guideline, they're fine, but they are subject to many external factors such as the computer literacy of the clients' end-users," he says

He agrees with Retief that users are under-educated compared with users in Eu-

ALTECH

Becoming pricey

Whenever markets move to counter previous excesses, the return bounce is invariably overdone

That certainly seems the case with Altech, one of the three big operating companies in the Bill Venter collection At one stage — when the share price touched its low in February at R77, the market's disapproval was clearly overdone the counter presented an excellent opportunity for short-term capital growth When the company's preliminary results were reviewed (*Fox* May 12), the price had risen to R95, it is now at R112 and getting full

That aside, it is worth touching briefly on the underlying reasons for the market's hesitancy over the last few years in its approach to this stock Altech was seen — rightly at the time — as being heavily dependent on government contracts for much of its business, and a lot of that was in the defence sector (radios, systems integration and delivery) As the political environment changed, so the market perceived Altech to be vulnerable

A second, more immediate, factor is Altech's involvement in Autopage in which its equity holding is 71%. For years, Autopage trundled happily along, tightly run with costs held down well (a feature of Venter companies) Then came cellular telephony, the market rejoiced as it played with a stock promising hi-tech revolution and delivery

Oops Hard on the heels of this vision of plenty came the awful realisation that it might not be so easy News spread rapidly of the problems facing Autopage's big competitor Teljoy, it became clear Autopage wasn't immune either, though in a world of instant comparison the general reckoning is that Autopage has come through the baptism of fire rather better

Two other areas deserve attention The first of these is in what Altech calls its Mining Technologies group The company has developed a mining electronic detonator system, production of which is about to get into high gear Unfortunately, its development has taken about 10 years (the cost of around R70m is incidental, of this R50m was written off above the line and the balance capitalised) — another reason the market hasn't been all that happy

Still, it's done now (interestingly with little help from Anglo American, a large group stakeholder) and analysts say they expect the division to break even this financial year and start producing appreciable profits next

The second is its telecommunications operations, now run with French giant Alcatel There's plenty of competition, notably from Siemens and now from Reunert but, as an analyst says "Altech always seems to come away from these (tenders) with the largest share"

The balance sheet is unusually powerful for an industrial conglomerate effectively, it is ungeared Depending on your position as an investor, this can be considered either properly conservative or unnerving

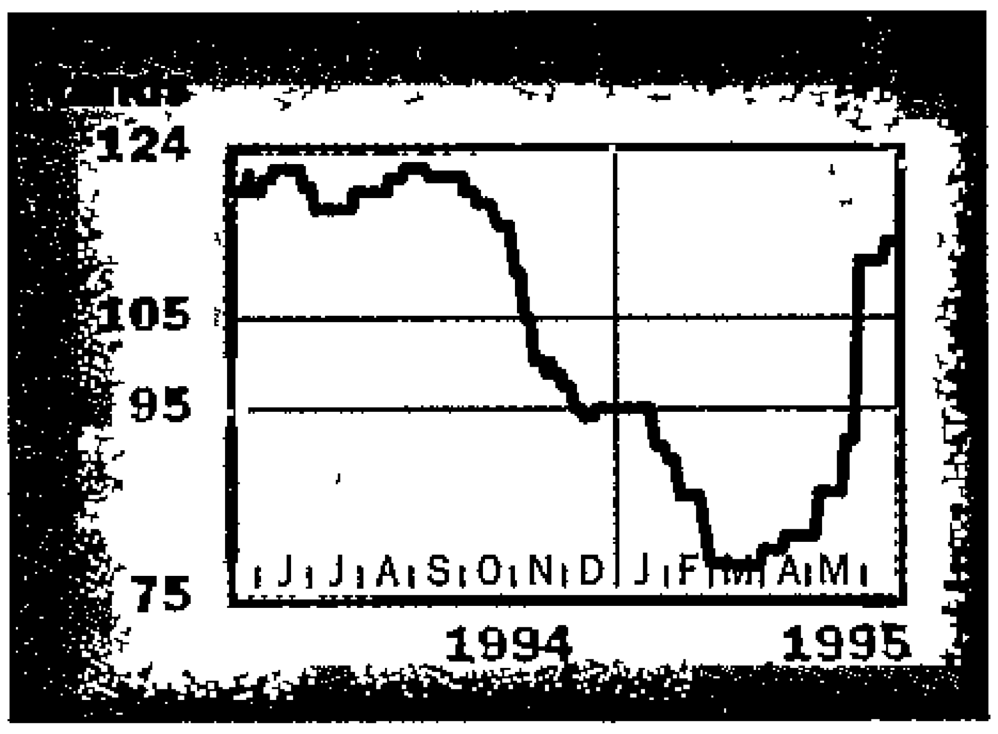
The investment in Alcatel stock, R155,6m of it brought to account at cost, still hangs there If this is frustrating for shareholders, it must be even more so for Venter and his senior managers Effectively, this is a passive asset, they must be itching to do something worthwhile with the money The question is what — and it is clear Venter isn't about to be impulsive

Over financial 1996, EPS is expected to be around 950c (this year 728c) with a similar improvement off a higher base to about 1 220c in 1997 These forecasts suggest forward p es of 12 and 9 and confirm the market's caution in formulating long-term views on this sector

David Gleason

Activities: *Develops, makes, supplies telecommunications equipment, electronic systems and components, computer networking, mining and industrial products* (7890)
Control: *Altron 56,1% (ultimately Ventron)*
Chairman: *L Boyd CE P B Wilson*
Capital structure: *10,1m ords Market capitalisation R1,1bn* FM 23/6/95
Share market: *Price 11 200c Yields 2,9% on dividend, 6,5% on earnings, p e ratio, 15,4, cover, 2,2 12-month high, 12 300c, low, 7 700c Trading volume last quarter, 78 000 shares*

Year to February 28	'92	'93	'94	'95
ST debt (Rm)	0,1	0,4	—	—
LT debt (Rm)	0,9	0,3	0,3	0,2
Debt equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,64	0,70	0,69	0,68
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	17,9	15,3	16,8	12,7
Turnover (Rm)	930	1 023	1 077	1 338
Pre-int profit (Rm)	120,4	131,3	159,8	126,5
Pre-int margin (%)	11,4	11,7	14,8	9,5
Earnings (c)	880	857	691	727
Dividends (c)	297	297	317	330
Tangible NAV (c)	4 038	5 115	5 602	5 194



Smog-eating cars fail to fire up platinum industry

CT(BR) 29/6/95

By Derek Tommey
Mining Editor

The platinum industry in South Africa is not showing much excitement at this stage about the plan by the American firm Engelhard to use a revolutionary system, using platinum, to convert American cars into smog-eaters

Industry sources said the plan is seen as providing an escape route for American car manufacturers unable to reduce the emission levels on their vehicles to the standards being demanded by the Californian authorities

The standards apply to gross exhaust emissions But the idea is that, hopefully, by converting cars into mobile vacuum cleaners so that they absorb pollutants as well as give them off, their net emissions will conform with the high standards

The scheme involves placing a catalytic coating containing platinum on the surface of a vehicle's radiator and air-conditioning condenser This converts ozone to oxygen and carbon monoxide to carbon dioxide

The technology of the system is not in doubt, said a local industry official, but there are big question marks over how much smog it will actually extract from the air The installation of the smog-cleaner is expected to add about about $1 000 to the price of an American car Consequently, unless the authorities legislate for its introduction it is felt that few cars will have the new system

Plesgem awarded R25m contract for electricity meters

CT(BR) 29/6/95 (189Δ)

Plesgem, a division of Plescorp, which is to be listed on the JSE following the merger of Sankorp's electronic interests in Plessey Tellumat SA and Tek Electronics, has been awarded a R25 million contract to supply prepayment electricity meters to the Cape Town city council

Alan Roy, managing director of Plesgem, said "We have already supplied over 60 000 units to the city council over the past year and are very pleased that we won this contract There was stiff competition from four other suppliers but we won the tender"

The contract is for an additional 70 000 units and accounts for 17 percent of Plesgem's budgeted turnover

"Our systems have virtually become the council's standard prepayment meter," said Roy

Ted Doman, a city council spokesman, said the units, which were key-pad based, were well suited to the council's requirements and had made a significant contribution to the stabilisation and recovery of electricity payments

Arrears had declined for three consecutive months and were now well below the November 1994 peak of R62,2 million, Doman said — Staff Writer

(1) Whether any children escaped from places of safety during the latest specified period of 12 months for which information is available, if so, how many,

(2) what security measures are currently in place at these facilities,

(3) whether his Department has determined whether existing security measures are adequate, if not, why not, if so,

(4) whether these measures have been found to be adequate, if so, what are the relevant details, if not,

(5) whether it is the intention to introduce new security measures, if not, why not, if so, what measures?

N784E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT

(1) Yes, 363 since 8 May 1995 to date,

(2) security personnel are on duty At some places of safety security measures are being upgraded,

(3) yes,

(4) each province has determined that measures are not adequate at all places of safety,

(5) yes, according to provincial needs The following measures are to be introduced

— upgrading of facilities

— appointment of additional personnel

— training and re-training of personnel

— upgrading of physical security measures when funds are available

Uncertified electrical goods entering country

385 Mr K M ANDREW asked the Minister of Trade and Industry (189D X [illegible])

(1) Whether any figure is available on the percentage of uncertified electrical goods entering the country, if so, what is this figure,

(2) what security measures are currently in place to prevent the importation of uncertified electrical goods,

(3) whether his Department has determined whether existing security measures are adequate, if not, why not, if so,

(4) whether these measures have been found to be adequate, if so, what are the relevant details, if not,

(5) whether it is the intention to introduce any new measures, if not, why not, if so, what measures?

N785E

The MINISTER OF TRADE AND INDUSTRY

In his question the hon member refers to "uncertified" electrical goods It is assumed that the question implies goods in respect of which it is required that such goods should comply with compulsory specifications for reasons of safety and health

In terms of the Standards Act, 1993 (Act 29 of 1993) the onus is on the seller to ensure that the goods comply with specifications The SABS is required to control the situation by means of buying goods in the market and testing such goods This is in marked contrast with the United Kingdom where all safety critical components must carry a mark clearly identifying that items comply with safety specifications

Against this background, the replies to the hon member's questions are as follows

(1) No An attempt was made about five years ago to obtain the relevant information in this regard from the Commissioner of Customs and Excise, but it proved to be too expensive in view of the extent of the paperwork and the number of transactions involved

(2) No control measures exist in order to prevent the importation of such goods In view of the wide range of products involved and the numerous ports of entry (including those in Customs Union member countries) it is also not practical

(3), (4) and (5) The existing measures are not considered to be adequate Attempts by the SABS in recent years to introduce a compulsory certification scheme for goods required to comply with compulsory safety specifications met with vigorous opposition from commercial interests, notably the Business Equipment Association and the Radio & TV Manufacturers' Association

An alternative scheme is now being negotiated with industry whereby the onus will rest on the seller to be in possession of adequate proof (in the form of acceptable test reports) that the product complies with specifications Inability to provide such proof within a specified period will constitute an offence This scheme could also be extended to other safety items such as motor vehicle tyres and brakes where the same problem occurs Although such a scheme will not be as easy to monitor as the United Kingdom Government Scheme, it would at least ensure reasonable control

Due to the cost of having goods tested for compliance with specifications, there is still a measure of reluctance to accept the alternative scheme which is still under negotiation A date for implementation can thus not be given at this stage

Hansard 8/8/95

Noise pollution: prosecutions in terms of Act

388 Mr M F CASSIM asked the Minister of Environmental Affairs and Tourism

(1) Whether any prosecutions have been instituted in terms of section 29 of the Environment Conservation Act, 1989 (Act No 73 of 1989), in respect of noise pollution, if not, why not, if so, how many,

(2) whether he will make a statement on the matter?

N819E

The DEPUTY MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM

(1) The Noise Control Regulations are being applied by local Authorities The Department of Environmental Affairs and Tourism as such have therefore not instituted any prosecutions The Department is however aware that several successful prosecutions have been instituted by a number of local authorities The exact number of prosecutions are not available as the Department do not keep a database on them Each local authority applying the regulations will however be able to supply the exact number of prosecutions instituted by them

(2) No

Offences committed by illegal immigrants

390 Mr D H M GIBSON asked the Minister for Safety and Security

(1) Whether any offences committed during the period 1 January 1995 up to the latest specified date for which information is available, were committed by illegal immigrants, if so, (a) how many and (b) what percentage of the total number of offences committed during this period does this figure constitute,

(2) whether he will make a statement on the number of offences committed by such illegal immigrants?

N821E

The MINISTER FOR SAFETY AND SECURITY

(1) Yes (Late[illegible] cified date 31 May 1995)

(a) In resp[illegible] of serious crimes (murder, rape, [illegible] etc) 8 360 illegal immigrants w[illegible]e apprehended

In respect of common crimes Unknown It is very difficult to extrapolate figures for common crime offenders and it has been estimated that 14% of all crimes involve illegal immigrants

(b) It is estimated that 14% of all crimes committed can be ascribed to illegal immigrants

(2) No (If positive, additional information can be supplied)

Foreign tankers entering Cape Town harbour

397 Mr K M ANDREW asked the Minister of Transport

(1) Whether foreign tankers entering Cape Town harbour are inspected for deficiencies, if not, why not, if so, (a) for what deficiencies and (b) who conducts these inspections,

(2) whether all foreign tankers are so inspected, if not, (a) why not and (b) what basis is used for selecting the tankers to be inspected,

(3) whether any foreign tankers were found to have serious d[illegible]encies during the latest specified perio[illegible] of 12 months for which

Subsidiaries double business for Control

(189D) BD 10/8/95

Amanda Vermeulen

SIGNIFICANT growth in some of its subsidiaries helped electronics group Control Instruments more than double attributable earnings to R12,3m in the year to June compared to earnings of R5m in the 1994 financial year.

Earnings a share increased 143,8% to 17,2c and a final dividend of 3c (1,2c) was declared, bringing the total dividend for the year to 5c (2,2c)

Turnover was up almost 100% to R199,9m while operating income more than doubled to R14,8m (R7,2m) Pre-tax earnings rose 143% to R13,1m Tax of R831 000 (R360 000) left attributable earnings at R12,3m (R5m)

The board said strong performances from subsidiaries in the first half of the financial year improved further in the second half with significant growth in the vehicle management equipment, vehicle anti-theft, parking management and cellular telephone divisions

In the vehicle mangement equipment subsidiary, sales of tachographs and the new CITAS onboard computerised equipment continued to exceed expectations The vehicle anti-theft business gained market share in the local market while also recording growth in exports

During the period under review, the group moved into parking management and its first major contract had recently been signed The cellular division saw strong demand for its Ericsson products.

The board said the subsidiaries continued to generate cash, resulting in a net cash position at the end of the financial year. Prospects for the 1996 financial year were good, provided the country continued to enjoy stable conditions.

Subsequent to the year end the group acquired a 50% interest in a financial services company, which had specialised in the structuring and financing of rental packages for products sold by the group's subsidiaries The acquisition was effective from August 1

The value of the deal was placed at R3m, and the management of the company, now trading as CI Finance, retained the balance of the shares

COMPANIES

Delta income boosted

Amanda Vermeulen (189D) BD 17/8/95

A GOOD contribution from its operating companies helped Delta Electrical lift net income 27% to R15,8m in the six months to June.

Earnings a share improved 18% to 35,3c and an interim dividend of 11,5c (10c) was declared.

Turnover grew 14% to R232,4m, while operating income was up 20% at R27,3m. After a marginal increase in net interest paid, pre-tax income increased 20% to R26,3m. Tax of R10,1m (R7,8m) left taxed income at R16,2m (R14,1m).

Net income from an associated company of R735 000 (R806 000) left the group's net income 14% up at R16,9m. After outside shareholders' interest of R1,2m (R2,5m), net income amounted to R15,8m (R12,4m).

After dividends of R5,1m (R4,1m), retained income before extraordinary item was R10,6m (R8,2m), with the extraordinary profit of R1,5m compared to a loss of R649 000 in the previous period reflecting goodwill on the sale of Delta Cables.

The tax rate increased compared to the interim period in financial 1994 as a result of a reduction in export incentives. Current assets include cash deposits of R18,3m arising mainly from the sale of Delta Cables to Abedare Cables, which raised R17,2m.

The directors said they had approved further expansion of the electrolytic manganese dioxide plant at Nelspruit. The effect of this investment would be seen only in 1997 due to the 18-month lead time for construction.

AFCOL

Confidence still elusive

(1890) FM 18/8/95

Activities: *Makes furniture and household appliances*
Control: *SA Breweries 64,2%*
Chairman: *L van der Watt. MD R Cox*
Capital structure: *25,5m ords Market capitalisation R746m*
Share market: *Price 2 925c Yields 3,6% on dividend, 7,2% on earnings; p e ratio, 13,8, cover, 2 12-month high, 3 150c, low, 2 800c Trading volume last quarter, 273 000 shares*

Year to March 31	'92	'93	'94	'95
ST debt (Rm)	2,5	2,7	—	0,2
LT debt (Rm)	107,3	0,4	23,4	34,2
Debt equity ratio	0,40	n/a	0,05	0,06
Shareholders' interest	0,51	0,65	0,66	0,69
Int & leasing cover	2,2	7,6	9,8	6,1
Return on cap (%)	9,2	9,7	9,9	8,9
Turnover (Rm)	792	789	865	1 029
Pre-int profit (Rm)	49,8	46,1	61,5	69,7
Pre-int margin (%)	6,3	4,9	6,6	6,2
Earnings (c)	106,1	119,5	160,5	211,6
Dividends (c)	53	59,5	80,25	105,75
Tangible NAV (c)	1 095	1 157	1 374	1 705

Mixed signals characterise the latest annual report from Associated Furniture (Afcol) Indeed, they are sufficiently variable to raise real questions about the extent and durability of the current economic revival.

To begin with, Afcol — in which SA Breweries holds 64% — produced turnover of just over R1bn in financial 1995 But the trading margin dropped from 6,5% in 1994 to 6,2% — appreciable on this sum

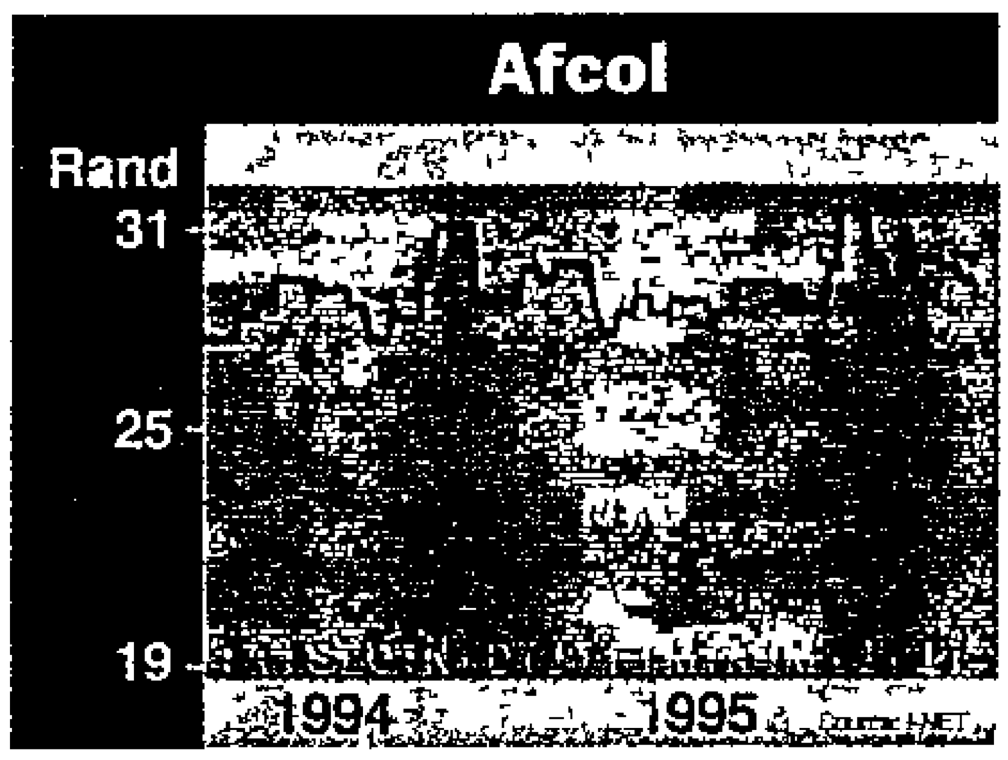
Chairman Laurie van der Watt says this was due to serious uncertainty over the general election period. It was compounded by "an unusually high level of order cancellations" later as retailers reduced inventories after finding the expected surge in consumer demand didn't materialise to the extent expected

Afcol's Eccles . . . *not saying much about prospects*

The net result was a taxed profit of R41m (1994· R35m) — helped by equity accounting of associates' retained earnings, which added R13m Attributables rose to R54m (1994 R40m), with EPS up 32%

One noticeable feature is that financing costs nearly doubled, to R11,4m, on the back of a large rise in medium- and long-term borrowings, to R34,2m Interestingly, R19m was loaned to Afcol by parent SA Breweries The loan — unsecured — carries a coupon of a modest 13,75%

The cash flow statement shows cash retained of R34m, applied against maintaining operations (R26m), expanding them



(R2m) and acquiring the outstanding 50% of office furniture-maker Kallenbach-Hendler from Mathieson & Ashley (R20m) and the remaining interest of outside shareholders in textile manufacturer Jatex That leaves net financing raised of R14m and explains the rise in borrowings

As with all companies in this line of business — and Afcol is SA's biggest furniture-maker — everyone waits for two elements. first, the long-awaited surge in house construction, and, second, evidence of sufficient confidence to generate a meaningful recovery in consumer markets

The inescapable truth is that house construction falls lamentably behind the promises of politicians and is now as chimerical as the *FM* has long forecast Van der Watt and CE Tom Eccles politely give shareholders the diplomatic runaround housing is a government priority but it will only "occur to a meaningful degree in the medium term " What is that, if it isn't ...sy-footing about?

And confidence is proving as elusive as many feared. A political revolution has been safely navigated but is negated by security concerns This produces uncertainty — never good for business

No wonder that, between them, Van der Watt and Eccles contrive to say as little as possible about future prospects

On this basis, the interims will be examined with more than average interest — because they may indicate real trends for the first time

David Gleason

BOLAND BANK

Aiming higher

Activities: *General bank providing comprehensive range of banking and trust services*
Control: *C H Wiese through Monex and Samgro*
Chairman: *C H Wiese MD M S du P le Roux*
Capital structure: *13,5m ords Market capitalisation R370m*
Share market: *Price 2 750c Yields 2,4% on dividend, 8,8% on earnings, p e ratio, 11,4, cover, 3,7 12-month high, 2 900c, low, 1 250c Trading volume last quarter, 226 000 shares*

Year to March 31	'92	'93	'94	'95
Total deposits (Rm)	3 029	3 163	3 457	3 957
Total assets (Rm)	3 496	3 708	4 000	4 487
Taxed profit (Rm)	19,0	21,8	28,9	38,5
Earnings (c)	141,3	179,2	180,4	241,4
Dividends (c)	52	56	58	66
Tangible NAV (c)	1 018	1 918	2 041	2 151

Great changes have occurred — and are continuing — in Boland Bank since current chairman Christo Wiese bought control in December 1993 At this stage the changes revolve around differences in strategic policy rather than the modus operandi

Operations of the bank continue as before, perhaps with more emphasis on cost containment and productivity But since Wiese appointed Michiel le Roux as MD, innovation, new opportunity and rising profitability are becoming more apparent This has contributed to the threefold increase in share price over 18 months

Though earnings performance in financial 1995 was considerably better than in recent years, it merely marked the beginning of a dynamic growth phase Wiese wants to make the bank a "significant participant" in the financial services sector That means making it a much bigger player He has set about tripling the capital of the bank to an intended R1bn The first step was the development in February of a relationship with Malaysian company Landmarks Berhad.

This company, which has a market capitalisation of about R2,3bn, bought 26,8% of Boland Bank's equity for R273m A post balance sheet rights issue of 7,7m deferred ordinary shares then raised R383m

Panasonic plugs into $500m order

(189D) ST (BT) 27/8/95

By ZILLA EFRAT

SA ELECTRONICS group National Panasonic is set to score from a $500-million order placed by the Netherlands-based pay-TV group NetHold for 1,1-million digital decoders

National Panasonic will be one of three suppliers of what NetHold describes as the largest order yet placed for this type of equipment The other two are Dutch group Philips and British-based Pace

NetHold, jointly owned by Richemont and MultiChoice, is one of the three biggest pay-TV groups outside the US

It has a 20% stake in M-Net and controls MultiChoice's subscriber management operation

Hans Hawinkels, MultiChoice's chief executive officer, says the quantities to be supplied by National Panasonic have not yet been finalised

The deal, however, should result in significant export opportunities for National Panasonic, which used to make MultiChoice's analogue decoders

National Panasonic and Pace have started production and deliveries begin next month Philips will start next year

The order constitutes the first phase in supplying equipment when, in line with international broadcast trends, NetHold moves later this year into digital technology, which will give viewers more choice

The decoders, which can be used for satellite and cable viewing, will be offered to Nethold's 2,5-million subscribers in Europe, Africa and South Africa

The decoders will be introduced first into Africa, followed by Italy, the Benelux countries and Scandinavia

They will also be used when MultiChoice launches its SA satellite TV services in October

Mr Hawinkels expects a significant percentage of Multichoice's more than 800 000 SA subscribers to switch to satellite services over the next five years

MultiChoice should also attract new subscribers, especially in rural areas

The decoders will be used for the new home entertainment services NetHold plans to launch

The technology was developed by Kirch Gruppe of Germany and Irdeto, which has SA and Dutch interests

NEWS NATIONAL

Local trade loses out to marketeers

Sowetan 1/9/95 (189D)

Large-scale smuggling of electronic goods makes it tough for local dealers

MAJOR ELECTRONICS companies in South Africa are expecting to incur huge financial losses this year as a result of the cut-throat price war being waged against them by "horrendous smugglers" and grey marketeers

And the price war is expected to continue indefinitely despite a 40 percent reduction from October of import duties on hi-fi's, VCRs and televisions

"There is only one way forward and that is to kill off import duties," said Philips SA chairman Mr Brian McKenzie

McKenzie lashed out at the Government for not doing anything to halt the large-scale smuggling of grey products into South Africa from Singapore, Malaysia and Hong Kong

Many of the smuggled goods – which are popular brand names supplied and guaranteed by major suppliers – are now retailing for up to R1 000 less than six months ago, a grey product dealer said in Johannesburg

However, he said the number of grey product importers had increased dramatically and there were serious fears that the market would be saturated – forcing prices down even further

McKenzie said as a result of large-scale smuggling, his company and others such as Panasonic and Reunert were in "dire straits" and had tried to meet Finance Minister Mr Chris Liebenberg

He said Philips had been forced to withdraw from the audio and VCR markets as a result of the booming grey market There were strong fears that the company's television division would soon be affected – *Sowetan Correspondent*

Electronics companies fearing major losses

ARG 7/9/95 (1890)

DAN SIMON

JOHANNESBURG — Major electronics companies in this country are expecting huge financial losses this year as a result of the cut-throat price war being waged against them by "horrendous smugglers" and grey marketeers.

And the price war is expected to continue indefinitely, in spite of a 40 percent reduction from October of import duties on hi-fi's, VCRs and televisions.

"There is only one way forward and that is to kill off import duties," said Philips SA chairman Brian McKenzie

Mr McKenzie lashed out at the government for not doing anything to halt the large-scale smuggling of grey products into South Africa from Singapore, Malaysia and Hong Kong

Many of the smuggled goods — popular brand names supplied and guaranteed by major suppliers — are now retailing for up to R1 000 less than they were six months ago, a grey product dealer said from his city store yesterday

However, he said the number of grey-product importers had increased dramatically and there were serious fears that the market would be saturated — forcing prices down even further

Mr McKenzie said that as a result of large-scale smuggling, his company and others such as Panasonic and Reunert were in "dire straits" and had made appointments to meet the Minister of Finance, Chris Liebenberg, but all these meetings were postponed

Philips, he said, had been forced to withdraw from the audio and VCR markets as a result of the booming grey market There were strong fears that the company's television division would soon be affected

Mr McKenzie said "The smuggling is horrendous It is completely and utterly out of control Legitimate business has no future as far as I am concerned"

He said smuggling was allowed to flourish as the functions of customs and excise had "completely" broken down

"The Department of Customs and Excise is under resourced Two out of every 100 containers coming into the country are being inspected The bribery and corruption is rife Without import duties there would be no grey market"

Mr McKenzie said Philips had initially begun down-scaling, but had now withdrawn itself from its audio and VCR divisions

Import duties on audio equipment was 130 percent, while for VCRs it was 110 percent Import tariffs on televisions were pegged at 78 percent

Any financial alleviation that would occur from a 40 percent reduction in import tariffs on these products would not improve matters

"This will still leave a substantial incentive for anybody to by-pass the system Not only are tariffs being avoided, but government earnings are being evaded," he said

Mr McKenzie claimed that 150 000 VCRs were smuggled into South Africa last year Import duties on each VCR were R600

"There is a high level of illegality out there Billions of rands are escaping the coffers Nothing is sacrosanct Anything with a high tariff will be smuggled in."

Kunene Brothers secures a 30% interest in Grinaker Electronics

CT(BR) 5/9/95 (189D)

By Roy Cokayne

PRETORIA BUSINESS EDITOR

Grinaker Electronics and black-owned Kunene Brothers have signed a shareholders agreement which will secure Kunene a 30 percent interest in Grinaker over five years

Kunene has diverse business interests under its management ranging from the Coca-Cola bottling franchise in Mpumalanga (Eastern Transvaal) to trading and distribution businesses in Gauteng

The company also has an interest in a contract cleaning company, Supercare, which employs about 10 000 people

***SHAREHOLDERS** Keith Kunene (left), and Zoli Kunene, are set to take advantage of growing opportunities in the electronics market*

PHOTOS ENTERPRISE MAGAZINE

Strategy

The agreement forms part of Grinaker's strategy to reposition itself to take full advantage of opportunities offered in southern Africa's growing electronics and telecommunications market

Keith and Zoli Kunene, and Graham Royston, the group financial director at Kunene, will be serving on Grinaker's board of directors

Grinaker is an established supplier of locally designed and manufactured electronics products and systems for the defence, security and commercial markets

Its products include base stations, mobile and portable radio and data communications equipment, aircraft communications, airborne self-protection and intelligence systems

Since 1978 Grinaker has supplied the mining industry with products ranging from radio communications systems to mine management telemetry systems

SAA passengers could be stranded

CT(BR) 6/9/95

By Peter Fabricius

INDEPENDENT FOREIGN SERVICE

Washington — A row between the United States (US) and South Africa (SA) over access to the busy air route between the two countries is threatening to leave thousands of SA Airways passengers stranded over the next few months

The US department of transport (DOT) ordered last month that SAA may only fly seven times a week between SA and the US

This ruling came a month after SAA began taking bookings for two extra flights a week to New York and Miami because of increased traffic which left passengers battling for reservations

The move was in retaliation for SA's refusal to allow US airlines to fly the SA route through their partnerships with European carriers in so-called "third-party-code-sharing" agreements For instance, US carrier United Airlines would be allowed to book flights from its many nodes in America to SA under its own name, although the Europe/SA leg of the flights would be completed by its German partner Lufthansa which already flies the SA route

In a petition to DOT, SAA has asked it to reverse what it called the "harsh" and "draconian" order cutting back its flights which was issued in the middle of inter-government negotiations to draft a new bilateral agreement SAA claimed that despite starting the negotiations with the assurance that it would be patient with SA because the country needed time to re-integrate into the world, DOT was in fact being harsher on SA than it had been on other countries which had refused to accept similar third-party code-sharing proposals

SAA said that the SA government had asked for a working group to discuss th[illegible]rd-party code-sharing proposal.

Cullinan group suffers loss of R19,4m

(1890)

BY JOHN SPIRA
GAUTENG BUSINESS EDITOR

Electrical, engineering and ceramics group Cullinan suffered an attributable loss of R19,4 million for the year to June

Last year's loss totalled R17 million, while the loss halfway through the past financial year was R22,3 million

The group has been radically restructured and downsized, as a result of which Alan Clark, the chairman, informs shareholders that "all the divisions are forecasting a return to sustainable profit in the new financial year"

Indeed, he believes Cullinan should earn in the region of 100c a share this year "if forecast divisional performance is achieved"

Clark says that with the restructuring largely complete, "there is a concentration on optimum operating performance"

Gearing of 111 percent of equity was unacceptably high, but expected positive earnings should help reduce gearing

The major part of the improvement will, however, occur cumulatively only in the second half of the financial year, says Clark

"Cullinan's portfolio of operational business has a balance of stability, opportunity and risk potential, cash generative and cash neutral businesses It is manageable, compact and over the next few years, has the potential to restore worthwhile sustainable earnings for the group on a much more stable basis than in the past"

Cullinan's litany of woes includes losses of R12,7 million at Denge Power Projects (vigorous measures have already improved prospects), a R9,6 million loss at Cullinan Precision Engineering (though expanded new sales contracts provide hope) and a R12,7 million loss at Cullinan Refractories (sold in December last year)

Cullinan Brick, which exceeded budget, is expected to grow its earnings strongly in the current financial year At 320c, the shares are more than 40 percent below last year's high, though off a recent low of 290c Beleaguered shareholders will fervently be hoping that Clark's optimism materialises

Trimmer Grinaker boosts its earnings

(1890) BD 6/9/95

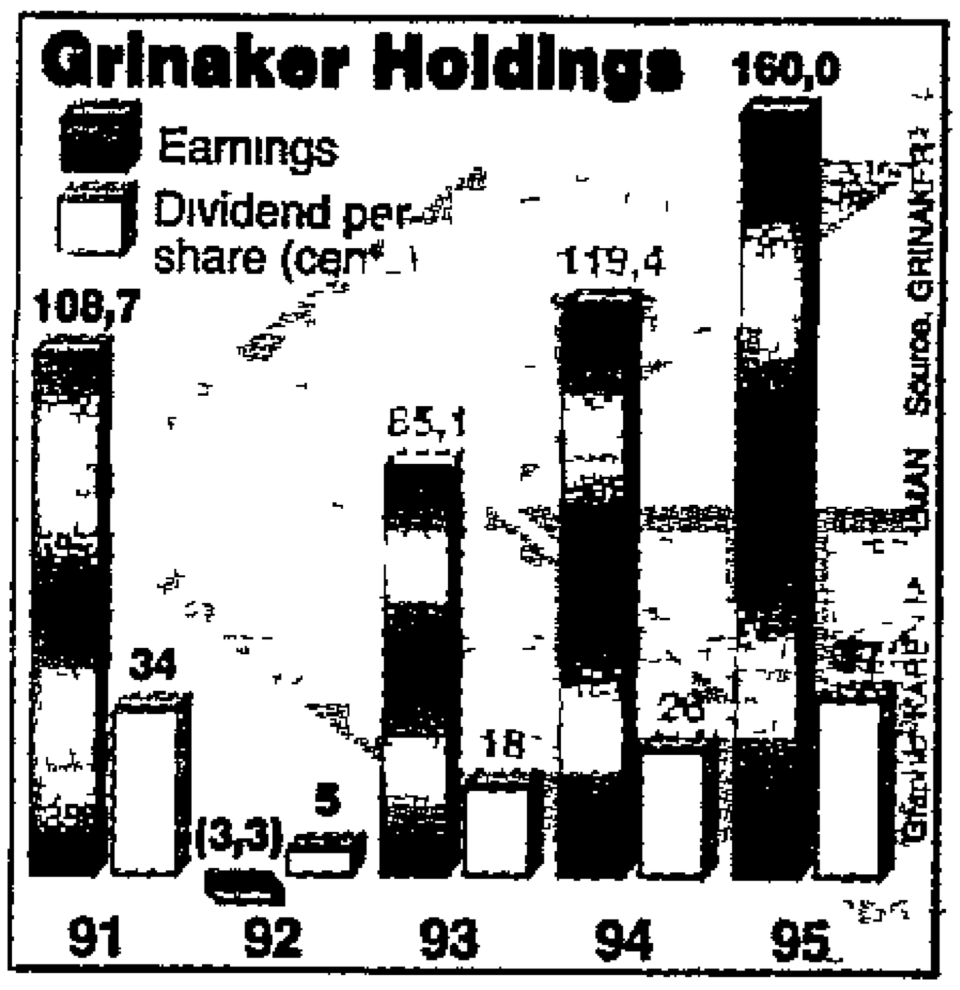
Robyn Chalmers

ANGLOVAAL's construction and electronics group Grinaker Holdings benefited from rationalisation and higher levels of trading to post a 34% earnings rise to R56m for the year to June

Chairman Jan Robbertze said the group experienced improved trading conditions during the first half although there was a slowing down in SA's economic recovery during the second six months The higher earnings were achieved on a 27% turnover increase to R3,8bn while operating profit rose to R150,9m from R116,9m

Profit before interest increased 32% to R175,2m A reduced interest bill of R15,8m (R17m) saw pre-tax profit jump 37% to R159,4m A tax charge of R43,5m (R37,3m) left post-tax profit at R115,9m (R78,8m) Earnings rose 34% to 160c a share and a final dividend of 29c (20c) was declared, lifting its total dividend 42% to 37c

Robbertze said several rationalisations and an increased focus on efficiencies in the group had played a major part in achieving these results "These undertakings were also instrumental in assisting us to succeed against continuing pressure on margins and increased competition"



Subsidiary Grinaker Construction achieved satisfactory performances in its civil engineering, building and supplies and services divisions, he said Earnings

Continued on Page 2

Grinaker (1890)

Continued from Page 1

BD 6/9/95

improved 19% to R22.4m and turnover went up 36% to R1,7bn However, these results were adversely affected by losses on some contracts as a result of labour unrest and the need to provide for bad debts in the Zimbabwe operations

Grinaker Construction executed major contracts at Alusaf Construction on the Sandton Holiday Inn Garden Court was completed, while local joint ventures included a brick plant in Cape Town and the training of road contractors in Soweto "International undertakings, which make a significant contribution to group turnover, include successful operations in Mauritius, Zimbabwe, Namibia and Botswana."

Order book levels for Grinaker Construction's current financial year were particularly good in the building and related divisions, and it was budgeting for an improvement on last year's results.

The group's other subsidiaries, including Grintek, the group's listed holding company of Siltek and Grinaker Electronics, had performed satisfactorily, he said.

A new division, Grinaker Telecom, had been formed within Grinaker Electronics and a partnership had been entered with international telecommunications group Nortel. The division would meet opportunities provided by the reconstruction and development programme and Telkom's procurement programmes.

Prospects for the group depended on sustained business confidence and higher growth in SA's domestic fixed investment "Despite the slowdown in economic growth and reduced confidence over the past few months, we remain cautiously optimistic and forecast improved results."

● See Page 18

Grinaker restructures and sells 10% shares to Kunene

(1890)

Melanie Sergeant

BD 6/9/95

GRINAKER Electronics is selling off a 30% interest to Kunene Bros Holdings, a move which coincides with the group clinching the SA rights to Canadian company Northern Telecom's (Nortel) products in SA

This is Kunene's first foray into the world of high-tech — the company holds the Coke bottling franchise in the Eastern Transvaal, as well as a trading and distribution business in Gauteng for Coca Cola products and cigarettes, and an interest in cleaning company Supercare.

Grinaker Electronics — traditionally a supplier into the defence, security and commercial markets — has opted to restructure as it moves into new markets

Grinel group MD Sybrand Grobbelaar said Kunene Bros would play a very "active role in expanding the company's business"

Grinel's marketing ability needed to be strengthened substantially to address emerging opportunities in the market, especially as the group moved to provide products and support services to disadvantaged and underdeveloped areas, he said.

Kunene financial director Graham Royston said the group had kicked off with a purchase of 10% in Grinel, with an option to increase this to 30% over five years through new share subscriptions

Panasonic helps Reunert soar

CT(BR) 11/9/95 (189D)

By John Spira
Gauteng Business Editor

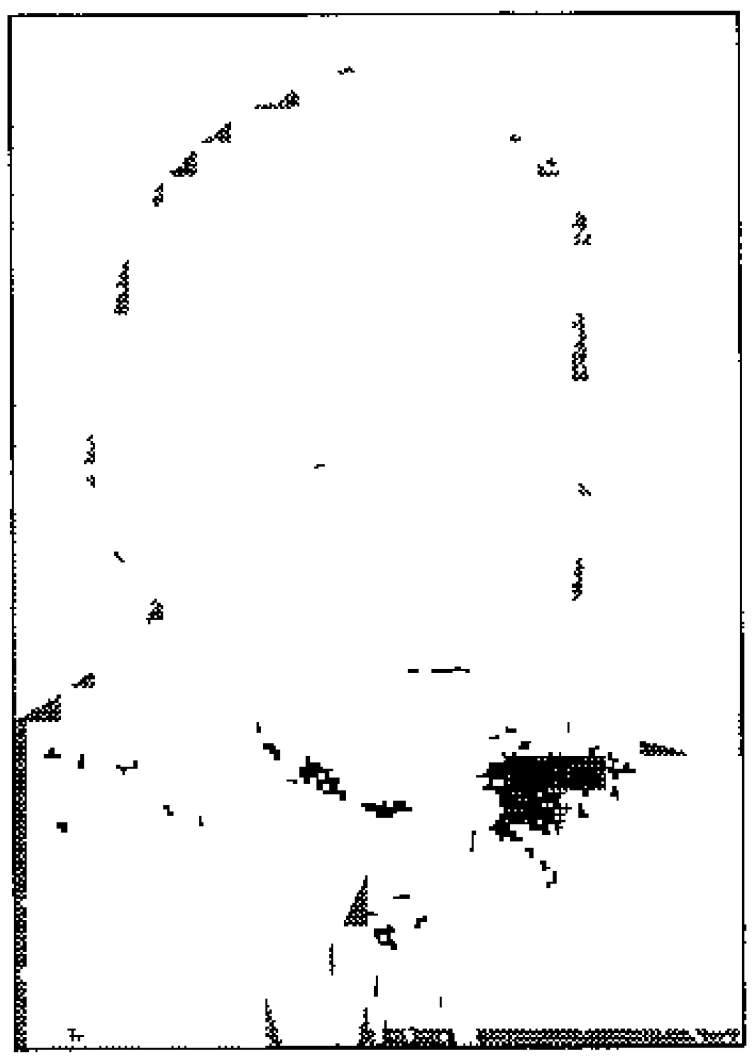
The shares of Reunert, the electronics company, have been hitting new highs on the JSE One of the reasons is the scintillating results being achieved by wholly owned subsidiary Panasonic Business Systems

Panasonic Business Systems, with office automation as its core business, was founded only three years ago In its first year of operation it achieved sales of R80 million This year it expects to generate revenue of R230 million

Alan Wilson, the managing director, ascribes the company's headlong success to its ability to offer a vast range of state-of-the-art products, accessories and consumables at reasonable prices

He says "Worldwide, Panasonic is synonymous with exceptional value for money, reliability and quality Panasonic Business Systems has gone to extreme lengths, with considerable success, to ensure that the Panasonic slogan 'the quest for zero defect' holds true for the local market"

Panasonic Business Systems is the only authorised South African distributor for Panasonic business



ZERO DEFECT *Alan Wilson, the managing director*

and professional products manufactured by Japan's Matsushita Electric Industrial, one of the world's largest producers of electronic goods

Wilson explains that Panasonic Business Systems' range falls into three main groups — office automation, professional products and telecommunications products

The office automation products include photocopiers, fax transceivers, cellphones, cordless telephones, printers, shredders, panaboards, electronic typewriters, monitors, scanners, CD-Roms and electronic-imaging management systems

Professional products include closed-circuit television, intercoms, intruder detection, access control, fire detection, public-address audio systems, professional video and broadcast equipment and systems, and Technics musical instruments

Matsushita manufactures a wide range of telecommunication products, some of which Panasonic Business Systems has launched in the South African market

"Panasonic Business Systems' strategic plan," says Wilson, "is to move further into the telecommunications market as a supplier of high quality units and systems

"This will place us in an excellent position to monitor the futuristic developments taking place in telecommunications

"We are also investigating the point-of-sale market Panasonic has a product which could serve market demand around South Africa"

Panasonic Business Systems distributes its products through a nationwide network of qualified franchisees and dealers, and through some of the major specialised retail chains

Wilson says "First-line product back-up and support is offered by our various franchisees and dealers, while training in service, maintenance, repair and in-depth technical assistance is provided by Panasonic Business Systems"

He says Panasonic Business Systems is a leader in the fax market and a major player in the copier, printer and cellphone markets

"Panasonic Business Systems has, in a few short years, become a dynamic force in its chosen markets owing to a firm commitment to product quality, excellent service and a policy of actively supporting its distribution channel

"It is also a major player in the professional video, broadcast and closed-circuit television markets and is the first major distributor of Japanese, cellular mobile telephone equipment in South Africa"

The company is a division of Panasonic SA, which accounts for about 30 percent of Reunert's turnover of about R3,5 billion Of the 30 percent, Panasonic Business Systems accounts for 26 percent, which will rise to 35 percent next year, says Wilson

TUNED IN *Panasonic employee Cheryl Engelbrecht, with Antoine Roux, the managing director of the Nethold group, Trevor Manuel, the minister of trade and industry, and Mike Tiffin, Panasonic's managing director* PHOTO ANDREW BROWN

Panasonic decoder export contract worth R850m

CT(PR) 20/9/95 (189D)

By Françoise Botha

Staff Writer

Panasonic Manufacturing yesterday signed an agreement with NetHold for the export of analogue and digital decoders worth more than R850 million

Mike Tiffin, Panasonic's managing director, says the combined two-part contract means the company will ultimately be represented in up to a dozen European countries

The first stage is worth R100 million and involves the new analogue Comcrypt decoder, which is a complete system for all varieties of PAL television units

Spinoffs include a lower-cost product for markets in Italy, Cypress, Greece, Belgium and Holland

The second stage is for 400 000 digital decoders as part of a NetHold order for 1,1 million units and relies on technology developed by Panasonic in South Africa, UEC Projects — a division of the Altech group — and IRDETO

Antoine Roux, the managing director of NetHold, believes this is "the single biggest order ever placed in the world for this type of equipment"

Panasonic has produced about 2 million decoders in South Africa over the past nine years for the M-Net service in Africa and Europe

"We have the capacity to produce about 30 000 analogue and 12 000 digital decoders a month The planned expansion will allow production volumes to rise significantly in the near future," says Tiffin

☐ South Africa's fortunes must be built on the manufacturing and services sectors and to do this expenditure on research and development must be increased to OECD levels, said Trevor Manuel, the minister of trade and industry

Speaking at the rolling out of Panasonic's one millionth decoder in Cape Town yesterday, Manuel said that in contrast to past South African practices of relying on "imported technology" under licensing agreements, the time had come for greater amounts to be spent by companies on research and development

"There is too little indigenous new technology coming from South Africa and licensing agreements are invariably characterised by high levels of royalties or frequent and wide-ranging restrictive clauses, especially on exporting We must reverse this trend," he said.

Business expenditure in research and development declined by 27 percent during the mid-eighties

Manuel added that research had shown that only in 1983 in the paper and printing sector had expenditure on research and development as a percentage of turnover compared in any way with that of the OECD countries

Speaking about the necessity of South Africa becoming a global competitor if it was to succeed, he warned that it was imperative for industries to position themselves strategically or risk being shaken out of the global market

Figures released by Central Statistics Services revealed that manufacturing in South Africa had increased by 10 percent over the past 12 months

Manuel said that despite these increases, local companies still employed far fewer research and development scientists and engineers in relation to the size of their workforce than other companies in emerging markets

TUNED IN *Panasonic employee Cheryl Engelbrecht, with Antonie Roux, the managing director of the Nethold group, Trevor Manuel, the minister of trade and industry, and Mike Tiffin, Panasonic's managing director* PHOTO ANDREW BROWN

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Panasonic has produced about 2 million decoders in South Africa over the past nine years for the M-Net service in Africa and Europe

"We have the capacity to produce about 30 000 analogue and 12 000 digital decoders a month The planned expansion will allow production volumes to rise significantly in the near future," says Tiffin

□ South Africa's fortunes must be built on the manufacturing and services sectors and to do this expenditure on research and development must be increased to OECD levels, said Trevor Manuel, the minister of trade and industry

Speaking at the rolling out of Panasonic's one millionth decoder in Cape Town yesterday, Manuel said that in contrast to past South African practices of relying on "imported technology" under licensing agreements, the time had come for greater amounts to be spent by companies on research and development

"There is too little indigenous new technology coming from South Africa and licensing agreements are invariably characterised by high levels of royalties or frequent and wide-ranging restrictive clauses, especially on exporting We must reverse this trend," he said

Business expenditure in research and development declined by 27 percent during the mid-eighties

Manuel added that research had shown that only in 1983 in the paper and printing sector had expenditure on research and development as a percentage of turnover compared in any way with that of the OECD countries

Speaking about the necessity of South Africa becoming a global competitor if it was to succeed, he warned that it was imperative for industries to position themselves strategically or risk being shaken out of the global market

Figures released by Central Statistics Services revealed that manufacturing in South Africa had increased by 10 percent over the past 12 months

Manuel said that despite these increases, local companies still employed far fewer research and development scientists and engineers in relation to the size of their workforce than other companies in emerging markets

Panasonic wins R850m export deal

(1890)

Edward West BD 20/9/95

CAPE TOWN — Panasonic's decoder manufacturing operation in Parow, Western Cape, has been awarded two export deals worth more than R850m by international pay-television group Nethold, it was announced yesterday

One of the contracts, to span three years, is for the R100m export of a new, cheaper, common technology analog decoder, a redesign of the original M-Net workhorse decoder, the Delta 9000, to consumers in Italy, Cyprus, Greece, Belgium, Holland and potentially Poland

In addition to this contract, the Holland-based Nethold, jointly owned by MultiChoice and M-Net in SA and Richemont, signed a contract yesterday with Panasonic for the manufacture of R750m of integrated receiver decoders for the export market

Nethold spokesman Antonie Roux said this contract was part of a Nethold order for 1,1-million integrated receiver decoders, the biggest order in the world for this type of equipment Philips in France and Pace in the UK had been awarded part of the contract.

Panasonic manufacturing MD Mike Tiffin said that to accommodate the growth of the company a second manufacturing plant would be built adjacent to the existing Parow site over the next year at a cost of about R15m This plant would be dedicated to the manufacture of digital and analog decoders, he said.

The company, which celebrated production of its 1-millionth decoder yesterday, had the capacity to produce about 30 000 Comcrypt decoders a month and 12 000 digital decoders Production and staffing levels would increase significantly in the near future, Tiffin said

Trade and Industry Minister Trevor Manuel said at the signing of the export agreements yesterday that SA could not grow its economy on the farming and mining sectors alone, as had happened in the past

Government and private investment in research and development was "appalling" and licensing agreements were generally characterised by restrictive trade clauses, he said

Grintek gains R42m in interest-free loans

(189D) CT(pm) 21/9/95

By Andy Duffy

Staff Writer

Grintek, the electronics group in the large Anglovaal stable, gained nearly R42 million in unsecured interest-free loans in the reshuffle of the networking business Centera last year

The borrowings were not reported with Grintek's year-end results last month, but emerged in year-end accounts which were released this week

The accounts show that Grintek's total long-term borrowings rose from R13 million to R52,8 million in the year to June, with R55,5 million unsecured and R41,6 million of this figure interest-free

Grintek has to repay about R1,1 million of the loans in the next five years

There is no time frame for the repayment of the rest

Anthony Mitchell, the financial director, said yesterday that the loans were from Centera's owners — Siltek, Q Data and minority shareholders — to fund Centera's expansion

The funding deal had been struck last year when Siltek, in which Grintek holds 56,9 percent, sold 50 percent of Centera to Q Data in exchange for shares from that company

The borrowings have also been consolidated by Grintek's parent company Grinaker Holdings

Mitchell said Grintek had originally opted to include R42 million of the borrowings in the figure for the interests of outside shareholders

It subsequently decided to bring the figure into long-term borrowings to tally with details on the group's borrowing capacity Last year's figures have also been adjusted

Centera's reshaping and return to profit contributed toward Siltek lifting its earnings by 34 percent to about R77,1 million for the year to June

Grintek lifted its earnings by 35,4 percent to R57 million

Grintek's R42-m boon

Star 21/9/95 (189D)

■ BY ANDY DUFFY

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Go East, young man, says Plessey CE

(189D) wm(BM) 22-28/9/95

Lynda Loxton speaks to Plessey chief executive Dr John Temple about South African opportunities in the Far East

Dr John Temple Government should spend more on R&D

THE Far East is potentially the most exciting market for South African industries — provided they are competitive and on the ball Plessey Corporation chief executive Dr John Temple believes

Interviewed in the run-up to Plessey's listing on the Johannesburg Stock Exchange after the public offer closes today (Friday) Temple said it had taken a mere four months to land a contract to manage a US$1,4-billion project to install Malaysia s first all fibre-optic-based telecommunications network — and business possibilities in Malaysia and neighbouring countries seemed endless

Temple said he went to Malaysia last October with some basic knowledge about the country He quickly linked up with local company Time Telekom in a joint venture called Time Plessey, and by January the first Plessey staff were in Malaysia starting up the project.

"This is the region that South Africa should be looking to It just needs hard work which should not be too difficult," Temple said

"Malaysia is an exceedingly dynamic country the people are sharp and bright. They are fairly hyped up but on the other hand they are very stretched organisationally and that is exactly where the gap has come for us to go in there to assist them."

Temple explained that although Plessey was, at present,only offering management services, it would move into providing telephone systems and other equipment later through wholly-owned subsidiary Plestel Malaysia

It was also considering business possibilities in Indonesia and Vietnam, while opportunities were also opening up in the Middle East

Temple said that Plessey s offer had generally been very well received although he had been rather surprised to hear one broker say that its success "had nothing to do with Plessey as such, which did not do our ego any good, but that we have Bill Gates to thank for it"

"The terrific hype that is going on around Microsoft 95 has caused all high-tech stocks around the world to rise, so when a new high-tech stock comes on the market, there is considerable interest."

Since the early 1980s Plessey has developed from making electro-mechanical switchboards to developing the first digital electronic exchange in the world in co-operation with a Canadian company

Plessey was originally a subsidiary of Plessey United Kingdom which moved out of telecommunications in the early 1980s to become a defence electronics company

Because of sanctions, this technology could not be passed on to Plessey South Africa, which took the decision to start investing heavily in research and development (R&D) to develop its own technology This was reinforced in 1987 when General Electric Corporation (GEC) and Siemens made a bid for Plessey UK.

"For the next three years we were under threat of ownership by GEC and Siemens This meant that nobody would give us new technology" Temple said.

R&D spending moved as high as 11 percent of sales, peaking out in 1993

"A lot of the growth in profits that we have seen in the last few years has been because of R&D," Temple said

Attributable income is forecast to rise to R49-million in 1996 compared to R27-million this year and only R14-million in 1993

"We learnt that you make your best margins and profits out of products that you develop yourself, and you can export them freely

"And when you do form a relationship with a foreign company, you do it on a more equal basis. You don't then just become a post office for a foreign company You become a real partner"

One of the major threats facing high-tech companies is, ironically technological change Temple is concerned about the fact that South Africa as a whole is not spending enough on developing science and technology locally and that it could face technological colonisation.

He said it was all very well acquiring technology from abroad, "but what you actually do is to give up any control over your destiny and that is colonisation All the technology strings are pulled in another country

'We learnt that you make your best margins and profits out of products that you develop yourself, and you can export them freely'

"The problem is the previous government did not place a very high store by new technology and allowed our spending on new science and technology to sink well below one percent of gross domestic product (GDP) to about 0 6 percent whereas it should have been about 2,5 percent.

"Even worse than that, I think that the money that we do spend on science and technology is not well directed"

Temple said the new government was more aware of the importance of R&D and he hoped it would reconsider the present incentive scheme whereby industry gets R1 from the state for every R2 spent on R&D

"Some people have attacked this as a subsidy for fat cat companies but it is a very small amount and there is a very significant reason why we need more money from government," he said.

"In any research project, there is a very high risk associated with it. Either you need orders in advance, which no one is going to give you, or you need somebody to pay for the R&D in case it doesn t come off and you are not able to sell it. You just need somebody to share that risk with you."

Temple has mixed feelings about the possible privatisation of parastatals such as Telkom "The privatisation of Telkom could be negative in that it will be more inclined to pursue its own profits I don t judge them for that, but that is not necessarily good for our country," Temple said.

For example, he said, if it was cheaper for Telkom to buy foreign equipment, they would have every right to do so even if it killed off existing local suppliers But the interesting question was how it would square off this focus on profits with its development responsibilities especially in unprofitable areas such as rural and domestic telephone links

This highlighted the need to regulate the industry and provide competition before any moves were made to privatise Telkom, something Temple did not believe would be on the cards for some time yet.

On international competition Temple said that the short-term problem was that "every foreign company believes that there is a pot of gold here in South Africa They do not come here to invest, but to sell."

"What we have already seen happening is that companies come here and say they are going to get into the South African market, by hook or by crook, by buying market share.

"They come in with prices that are well below what they sell at to anybody else in the world and they clean up the market That just wipes out local production and then they charge their normal prices"

It would be up to local companies to become even more competitive but Temple believed that the government could also help by providing "some measure of protection similar to that enjoyed by our foreign competitors over the next five years or so"

This could include tariffs or counter-trade deals stipulating that if foreign equipment was brought in, this had to be matched, preferably, by manufactured exports from South Africa.

Plessey explains JSE listing to staff

■ BY CHARLOTTE MATHEWS

(ISD) Mar 26/9/95

The Cape-based electronics group Plessey Corporation, which lists on the JSE tomorrow, has explained the workings of the stock exchange and share ownership to about 2 700 employees around the country

Kevin Alborough, the group personnel director of Plescorp, said the group had decided that some education of employees was necessary ahead of the listing as part of its other ongoing education programmes

"The reasoning was partly that we have a share-option scheme under which employees will become shareholders as well as being able to buy shares in the open market We'll become more focused on the marketplace and what is happening to our share price and will have to have embargoes so we don't fall foul of insider trading "

All employees take part in the share-option scheme, which will see about 5 percent of the company's issued shares in the hands of the staff in about three years' time Employees were also able to buy shares through the public offer of 5,4 million shares Alborough said there was no doubt that the listing and education programme had generated some excitement within the company

Simors Nkosi, the communications officer of the JSE, who was asked by Plessey to tour the country to instruct employees, said he had covered a number of topics in his lecture, such as the role of the stock exchange, the meaning of a share and a listing, and the advantages of listing for the company and the country as a whole

He discussed the JSE's various sectors, how to buy and sell shares, what forces move share prices, and how to read the share-price pages in the newspapers "Many people were worried and a bit sceptical but when they realised they were not only employees but partners in the business, they were interested "

-Sweden is the ...

/ERNMENT

NOMICS

New venture boosts black investments

(189ED) CT (BR) 28/9/95

FROM SAPA

A recently formed private investment company for black entrepreneurs from the Western Cape has acquired 500 000 shares in Plessey Corporation, the electronics group which listed on the JSE yesterday

This is the first major investment by Ukhozi Investments and the management team is looking forward to working closely with Plessey on selected future ventures, the executive director of the Ukhozi, Lizo Ngcokoto, said yesterday

"We considered this venture very carefully and realised that Plessey represents an excellent investment opportunity in terms of long-term value and growth," Ngcokoto said

"This has been supported by the high subscription for Plessey's shares"

The investment matched Ukhozi's main economic objectives and launched it on the road to becoming a leading investment company, Ngcokoto said

Plessey's chief executive, Dr John Temple, said yesterday he was delighted with the high level of interest the listing had attracted

"We are particularly pleased that companies such as Ukhozi have chosen to invest in us and look forward to working closely together in the future"

Ukhozi's members have a long history of social involvement in their communities and many of them are senior office holders in organisations and chambers representing black business

Profitable

The aims of Ukhozi range from providing profitable and viable investment opportunities to shareholders, employees, business associates and the broader community, to engaging in social investment and development programmes, and contributing particularly to the development of the Western Cape economy

Ukhozi Investments will focus on the leisure industry, telecommunications, property, manufacturing and agriculture in the Western Cape

It says it will participate in blue chip investments and the unbundling process outside the Western Cape

Spescom wins R60m contract

Beatrix Payne (189D)

ELECTRONICS group Spescom has been awarded a R60m contract to supply 90 000 prepayment electricity meters a year to Eskom, the company said yesterday

The contract was awarded to Energy Measurements, the group's joint venture with Siemens. The group was omitted from Eskom's 1994 national contract for the supply of the same prepayment meters.

Rivals Altech and Plessey were not included in the latest contract for 1996/7 which had awarded contracts to AEG and Conlog for the supply of prepayment meters

In June Altech unsuccessfully challenged, in the Supreme Court, the validity of the patent on which Spescom's prepayment electricity meter was based.

Earlier this year Spescom reported a 63% rise in earnings a share to 20,5c for the year to April. Sales for the period rose 39% to R75,6m. The company went through restructuring over the 12 months and formed the joint venture with Siemens.

BD 29/9/95

MANUFACTURING – ~~IRON, Steel~~, Engineering &
~~Metallurgical Ind~~ (189 E.)

1996 ~~1997~~

RDP limits engineering industry

Edward West (189E)

BD 18/1/96

TURNOVER in the civil engineering industry was likely to grow only 5% this year because RDP funding structures were not yet in place, SA Federation of Civil Engineering Contractors executive director William Vance said yesterday

Vance said employment in the industry had slipped by 5,4% to 66 500 last year as a result of a decline in government spending on infrastructure, while turnover had fallen 10% to an estimated R4,7bn from 1994's R5,2bn

About 70% of last year's turnover had comprised work from the private sector, a turnaround from previous years when public sector work had made up 70% of turnover.

Vance said turnover was expected to grow about 5% this year. "This will not help the margins and bottom lines of the smaller civil engineering companies, which do not have access to large private sector contracts and which have in the past relied on provincial and local government contracts"

Only 12 companies contributed 60% of the industry's turnover last year Average spare capacity in the industry was 30%, with the figure likely to be higher for smaller companies

Vance said RDP expenditure on infrastructure was not expected to boost turnover this year because funding structures were not in place, particularly in local government

A federation study of the nine provincial budgets showed that they had allocated an estimated R2bn for civil engineering contracts last year, but only about R1bn had been spent

Contracts from the restructured local governments were expected to begin filtering through to the industry six to nine months after the local government elections The only large private sector work on the horizon was the Saldanha steel plant and the Tongaat-Hulett stainless steel plant — if the green light was given for the project

A strong gold price could also generate capital expenditure by the mines

Hudaco climbs at year end

BD 24/1/96 (189E)

Mungo Soggot

ENGINEERING group Hudaco lifted attributable profit 24% to R50m in the year to end-November as a strong contribution from most of its businesses offset squeezed margins in operations hit by a flood of cheap imports.

Sales were up 22% to R786,5m but, excluding the contribution from BEP Bestobell, which it bought in August 1994, and the effect on turnover of some disposals, they increased 2% Operating profit rose 18% to R79,6m

Earnings a share totalled 173,3c from 140,1c a year before, while the dividend was 21% higher at 80c

The group said its operating profit margin had slipped to 10,1% from the previous year's 10,5% as it had had to cut margins at its Abcor and Mintex Don manufacturers in a bid to fight off competition from cheap imports

Its business in the manufacturing sector had performed well, in line with the sector's strong growth However, its mining work had been hit by the slowdown in the industry, and its agricultural operations had declined The markets served by the group's automotive spares businesses had grown steadily, while the construction market in SA had grown "only marginally"

CE Stephen Connelly said the group was in line for another year of strong earnings growth

He hoped it would cash in on this year's better economic growth Infrastructure spending should pick up strongly as RDP spending got under way The group was also betting on a bumper agricultural season but was bracing itself for a poor year from the gold mining industry

Growth in manufacturing helps Hudaco lift profit

CT (BR) 24/1/96 (189F)

By Charlotte Mathews

Johannesburg — Strong growth from the manufacturing sector, linked to steady growth from the auto-spares market, contributed to a satisfactory increase in bottom-line profit from engineering group Hudaco in the year to November compared with the previous year.

Chief executive Stephen Connelly said the 24 percent increase in earnings to 173c a share was very satisfactory, particularly against a background of lower inflation.

The dividend was raised by 21 percent to 80c (66c) a share.

Although group turnover was 22 percent better at R786,5 million, this included acquisitions, mainly BEP Bestobell acquired in August 1994, and some disposals.

Excluding these factors, sales volumes were about 2 percent better than last year and price increases were below 10 percent for the second successive year.

After an unchanged interest charge and a lower tax rate, owing to the falling away of the transition levy, attributable profit reached R50 million for the first time.

Connelly said the group expected another year of strong growth in earnings a share.

The R74 million acquisition in December of Transportation Motor Spares, one of the largest wholesalers of alternative spare parts for light- and heavy-duty vehicles in the sub-continent, was described as a significant and strategic step.

The company's prospects were seen as advantageous with the expectations that the country's GDP growth for this year would exceed last year's, with additional momentum expected from RDP projects.

Against this scenario and taking into account a small contribution to earnings a share from the spares company in its first year, the group was expecting a strong growth in earnings a share.

Malaysian investor to buy 41,9% of NRB

CT (BR) 24/1/96

By Jon Beverley

Durban — Dato Samsudin ibn abu Hassan, a Malaysian investor, will lead an investment drive into the Durban-based New Republic Bank (NRB).

He will buy Merhold's 41,9 percent interest for R45 million, which is to be followed by the setting up of a bank holding company and a "substantial increase in the capital of the bank".

Dato Samsudin controls Landmarks Berhad in Malaysia, is a minority shareholder in Boland Bank and has substantial property interests in this country.

Mac Mia, the managing director of NRB, welcomed the development, saying it held enormous benefits for the bank. The changed shareholding increased the bank's capital base. It also strengthened the banks' management team with the appointment of Jonathan Scott as executive deputy chairman, he said.

Scott was executive director of the successful Mercantile Bank and has extensive experience in corporate banking, trade finance and corporate finance.

Mia said the investment by Dato Samsudin provided NRB with the opportunity to build on its historical strengths and expand its activities in South Africa and the East.

The bank finances trade with the East and is expected to increase this activity.

According to the notice of the deal, Dato Samsudin's Redbridge Assets will buy Merhold's 39,8 percent of the ordinary shares and about 50,6 percent of the convertible debentures for R45,2 million, effective from March 12.

Restructuring will follow, in which Redbridge is expected to increase the issued share capital by at least R100 million and create a bank holding company. A rights issue is also expected.

The net effect would be to lift the capital and reserves from the current R130 million to just below Saambou Bank's R293 million.

Minority shareholders in NRB will be offered 300c a share or debenture. Shareholders who hold more than 50 percent of the equity said they would exchange their current investment for shares in the holding company, which planned to hold more than 50 percent of the NRB equity and be listed on the JSE.

The notice cautions shareholders, as there are a number of conditions which must still be met.

Key sectors assist Siltek's half-year performance

BD 09/2/96 (189E)

Samantha Sharpe

CAPE TOWN — A strong performance from key operating sectors helped electronics group Siltek lift attributable earnings before exceptional items 14% to R32,1m in the six months to December, despite a revenue loss from the sale of two subsidiaries

Announcing the latest interim results, group MD Patrick Landey said Siltek had also decided to sell its 50% stake in networking solutions subsidiary Centura through a R100m share exchange deal with Q Data

Q Data bought an initial 50% stake in Centura 18 months ago when it agreed to merge some of its networking operations with the company — then a wholly owned Siltek subsidiary

Landey said Siltek's interim results showed continued robust revenue growth, despite the sale of subsidiaries Large Scale Systems and SX Systems, with turnover up 25% to R908,4m

Operating profit grew 22% to R46,8m after a R5,3m depreciation charge But a 113% hike in the interest charge to R4,7m saw pre-tax profits up only 10% to R45,9m

Share earnings rose to 60,24c from 52,98c, and an interim dividend of 16c (14c) was proposed Earnings after exceptional items — which arose from the sale of Large Scale Systems and SX Systems — were 108% up at R38,4m

Landey said an increase in working capital associated with distribution subsidiary Siltek Distribution Dynamics had put a damper on anticipated earnings growth "The benefits we thought would accrue by bringing the distribution activities into SDD have not yet materialised, and impacted negatively on earnings "

However, the group's software sector continued its upward surge, with Siltek also benefiting from a greater contribution from its professional services and customer support operations The group's offshore operations have also made meaningful contributions

Landey said that while the group remained concerned about low margins, stock losses and high working capital in the distribution business, management was confident it could raise service levels while improving asset management andexpense ratios

Landey said the share swap with Q Data would initially lift Siltek's stake in Q Data to about 53% from 44,1% However, Siltek would "definitely not" be assuming control of the company as a result of the deal

In terms of the deal, voting rights on Siltek-owned shares in excess of its current stake would rest with the Q Data board, with the 53% share to be reduced to the original 44,1% within a year

Haggie profit rises 14% as exports soar

CT(BR) 12/2/96 (189E)

By Thabo Leshilo

Haggie's Chris Murray

Johannesburg — Booming exports and a strong upturn in the domestic engineering sector helped Haggie post a 25 percent rise in pre-tax profit to R109 million for the 12 months to last December

However, an increase in the tax burden restricted attributable earnings growth to 14 percent at R69,6 million Tax rose by 46 percent, mainly because of the withdrawal of the tax-free General Export Incentive Scheme credit in 1994

Earnings rose 10 percent to 344c a share on a 4 percent increase in capital A final dividend of 110c was declared, raising the total to 165c, 10 percent up on 1994 The dividend is the highest paid by the company since it was listed in 1979

Turnover increased by 1 percent to R1,6 billion, buoyed by a 41 percent surge in exports Domestic turnover increased 12 percent

The group operating margin improved slightly from 7,6 percent to 7,9 percent and operating profit rose by 22 percent to R128 million (R105 million)

Managing director Chris Murray said the Haggie Steel Cord project showed a loss of R14 million, mainly because of start-up and training costs.

"R8,4 million has been written off below the line as an extraordinary item for the assets written off in the discontinued operations We will continue to prune the business as necessary"

Haggie's balance sheet was strengthened on the back of the two dividend scrip issues and the high element of deferred tax. Interest bearing debt fell from 34 percent of shareholders' funds to 24 percent

"With the group's borrowings at acceptable levels, it is likely that the capitalisation issues of shares will be discontinued and cash dividends recommended during 1996. This will attract full STC tax, leading to an appreciable increase in the overall tax charge," said Murray

ENGINEERING INDUSTRY

(189E)

GULF GAMBLE

FM 16/2/96

Under an Arab sheikh's edict of total secrecy, contracting conglomerate Murray & Roberts has committed its shareholders to what experts describe as one of the most technically challenging contracts in the Gulf

The 321 m Chicago Beach Resort's Tower Hotel — with 200 luxury duplex suites rising to 53 storeys — will dominate the Dubai skyline from its base on a small man-made "island" when completed in 1998

The tower — the tallest building in the Gulf — will be the centrepiece of the resort, which will cover 31 ha and cost US$136m Included is a second mainland hotel, conference centre and marina, at a cost of more than $500m

A consortium of M&R, New Zealand's

Fletcher Construction and Dubai contractor Al-Habtoor Engineering won the main contract to build the tower's shell and core superstructure against tenders from three other consortiums The steelwork subcontract was won by M&R subsidiary Genrec Steel Structures

M&R Contracting CE Malcolm McCulloch says he cannot talk about the client or how much Genrec's substantial slice — plus M&R's 33% interest in the consortium — will bring to the group in turnover "We're not supposed to talk about the price, but it's a large number "

McCulloch agreed that the venture is not without risks "But it's really no more difficult or different than the Matimba power station that we built That was a 200 m steel structure "

Gulf daytime temperatures that reach 45° C and heavy condensation at night make building the steel tower a formidable challenge "We've got to ensure that our engineering is done well," says McCulloch

The man-made triangular island 200 m offshore is almost complete and McCulloch says Genrec's steel work will begin "as soon as we can" — in July, if not before — after the M&R consortium completes the tower's concrete core They then have 22 months to complete the "fast track" contract before incurring penalties "We're aware of the difficulties and the risks in front of us "

The resort's designers and overall construction manager is W S Atkins & Partners (Overseas) Atkins project director Steven Martin says "In technical terms it's going to be difficult This is an engineering structure and therefore there are some very heavy lifts in steelwork terms Genrec's experience was effective in getting them on the tender list "

Up to last November, when the resort was publically unveiled at the World Travel Market exhibition in London, its existence had been denied — though the first construction contracts had been tendered 18 months before At the exhibition the project was presented as a government enterprise, but it's common knowledge in the Gulf that the "client" is Dubai's Crown Prince, HH Sheikh Mohammed bin Rashid al Maktoum

Martin declined to comment "It's the way of life in the Middle East Sometimes you know, sometimes you don't "

On contract price secrecy, Martin says "A confidentiality agreement was given That confidentiality agreement is still in hand " ■

NEI Africa almost triples profit

(189E) CT(BR) 7/3/96

By Sean Feely

Johannesburg — Northern Engineering Industries Africa (NEI Africa) almost tripled attributable profit in its latest fiscal year because of better cost controls and improved sales as the economy grew

Attributable profit to ordinary shareholders rose to R16,4 million, or 126,4c a share for the year ended December, from R5,7 million, or 55,9c, in the previous year

John Kempster, the group chief executive, said sales increased by 16,9 percent to R478,6 million, from R409,4 million, as orders for the power generation and distribution company, were "good in both volume and quality"

Operating profit jumped by 67,7 percent to R22,8 million last year from R13,6 million as NEI Africa benefited from its reorganisation during the last two years Profit before tax more than doubled to R23,7 million from R11,5 million

Kempster said the company would not pay an annual dividend, for the fourth straight year because of the high rate of secondary tax on companies and because the company wanted to retain cash It hoped to resume dividends this financial year, he said

He said the cash would supplement existing resources which would be used to fund acquisitions These would be revealed in the next few months

This, together with the setting up of alliances, would spur a "quantum leap in growth"

Kempster said "Management initiatives are now clearly focused on aggressively growing the group, both organically and by acquisition"

In line with its efforts to improve exports, NEI Africa would take over the management of Rolls Royce's central African activities in April this year Rolls Royce owns 35 percent of NEI Africa, which represents its British-based parent's industrial power business in sub-Saharan Africa

Kempster said NEI Africa planned to raise its exports to 30 percent of its manufacturing output in the next few years, up from the present 18 percent It is already active in southern African countries and its expanded branch network will include Kenya and Ghana

He said NEI Africa also stood to benefit from RDP spending and improved fixed-investment spending in this financial year

"Our productivity drive, reorganisation and the continued strong demand for our broadened range of products and services will ensure good growth prospects," said Kempster

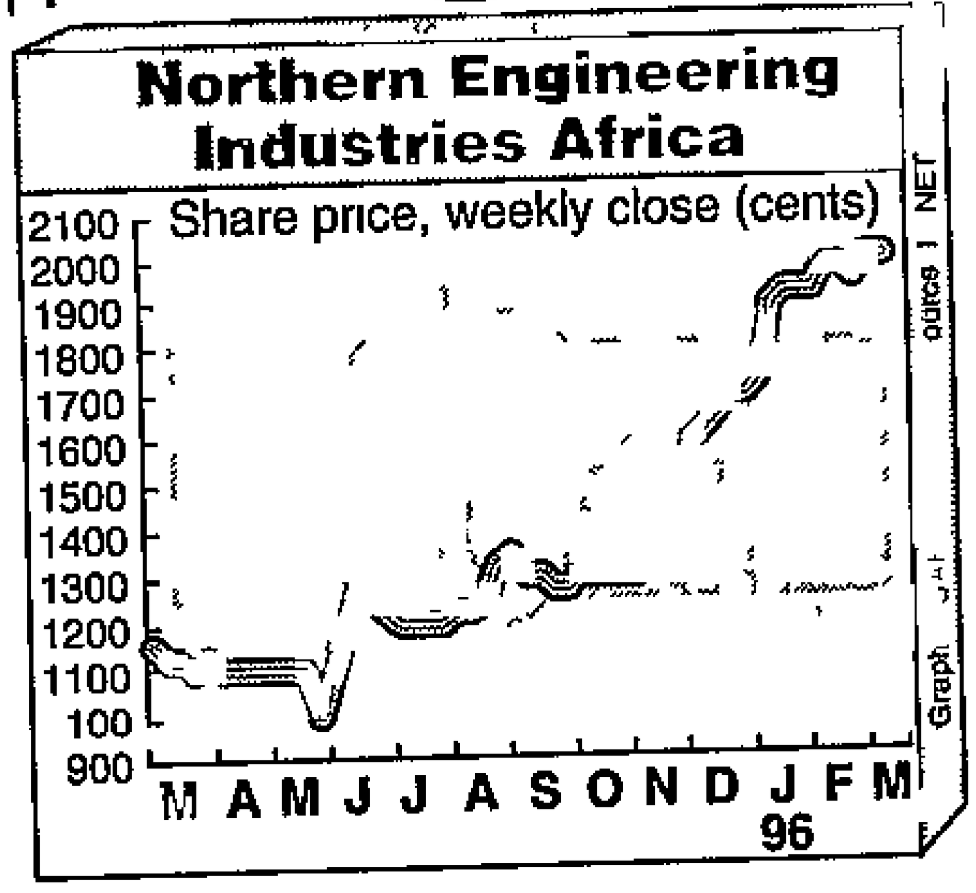
Shares in NEI Africa closed unchanged at R20, reflecting a 53,85 percent gain in the last six months compared with the 23,13 percent advance in the JSE engineering index

NEI Africa Holdings, whose sole investment is a 53,3 percent stake in NEI Africa, said attributable profit rose to R8,7 million, or 62,3c a share, in the year ended December, from R3 million, or 27,7c, in the previous year

NEI's 188% boost wipes out losses

BD 7/3/96 (189E)

Edward West



NORTHERN Engineering Industries Africa (NEI Africa) boosted attributable profit 188% to R16,4m in the year to December, putting it back on a path of solid profitability and positioning it for further expansion, CE John Kempster said yesterday

Share earnings for the industrial power generation, transmission and distribution group increased 126% to 126,4c The board passed the dividend for the financial year to retain cash. The last dividend was declared in 1991, but they were expected to resume this year, Kempster said.

Turnover increased 20% to R479m and operating profit was 68% higher at R22,8m Better capital utilisation produced cash balances in the second half and interest income of R0,9m was earned Pretax income was 106% up at R23,7m and taxed profit more than doubled to R22m from R10,5m. The profit wiped out the R10,2m accumulated loss at the beginning of the financial year and left the group with a retained surplus of R8,3m.

An amount of R2,1m was transferred from non-distributable reserves following the disposal of an unutilised industrial property at Alrode Gearing was 12% after treating preference shares as borrowings

Kempster said with the return to profitability and with a much stronger balance sheet, management intended to expand the group organically and through acquisitions

Margins had strengthened, mainly as a result of reorganisation and improved levels of economic activity The order intake in 1995 was good both in volume and quality, as was the order book in the current financial year.

The increased earnings resulted from higher levels of economic activity, attention to costs and a more focused group The past year was characterised by strong organic growth, increased market share and restructuring

Most of the past year's business had been derived from the industrial sector The RDP, coupled with increased fixed investment spending, would present NEI with a major opportunity for organic growth, Kempster said.

Any sharp rise in growth would come mainly from acquisitions and strategic alliances NEI Africa had already formed an alliance with Babcock SA, and a number of others were being considered. Acquisitions were being studied and an announcement was expected in the next few months

Kempster said exports which amounted to 18% of manufacturing output would present areas of growth

'Dry season' for engineering tenders

(189E) BD 19/3/96

Edward West

INDUSTRY forecasts of civil engineering tendering activity this year have been scaled down, with overall turnover expected to match last year's reported R5,4bn

The SA Federation of Civil Engineering Contractors (Safcec) said in a report on industry activity in the first quarter that the first few weeks' surge in tendering activity had arisen from administrative delays in government

The normal "dry season" in tendering activity was expected in the first quarter, possibly continuing into the second quarter

Known private sector investment this year — including mining, industrial capital spending, Saldanha Steel and the Huletts aluminium project — would be about R6,5bn-R7,5bn, generating up to R800m of civil work

Safcec said civil work from public corporations was not expected to be very high, at about R100m-R200m Central government's purse was also fairly empty, with no dramatic increase in investment expected

Provincial governments were expected to fare better, but only towards the end of the year

Safcec economist Henk Langenhoven said public sector civil engineering spending was being held up in the provinces due to administrative constraints on tendering procedures.

Poorer provinces such as the Eastern and Northern Cape and Kwazulu-Natal were receiving the bulk of infrastructure spending, but appeared unable to apply the funds New tendering procedures specifying social clauses were also holding back infrastructure spending in the provinces, he said

New civil engineering work on order in rand terms last year was 29% lower than in1994 By the third quarter, tendering activity had slumped to levels last seen in 1991 — one of the worst years in the industry's history

However, tendering activity since then had improved There was also a large amount of cross-border civil work available

Langenhoven said the current rise in fixed investment largely reflected the replacement of industrial plant and equipment due to the opening of the economy

In sharp contrast to government plans and earlier economic forecasts, capital investment spending was falling while current expenditure was rising — a trend which did not bode well for an industry expected to construct key infrastructure services as envisaged in the RDP

HAGGIE

RESTORATION CONTINUES

(189E)

FM 22/3/96

- **ACTIVITIES** *Manufactures and markets steel wire rope, copper-based products and engineering consumables*
- **CONTROL** *Amic and Malbak (36% each)*
- **CHAIRMAN** *H F Brown MD D C G Murray*
- **CAPITAL STRUCTURE** *20,6m ords Market capitalisation R659m*
- **SHARE MARKET** *Price 3 200c Yields 5,2% on dividend, 9,4% on earnings, p e ratio, 10,6, cover, 1,8 12-month high, 3 750c, low, 2 300c Trading volume last quarter, 171 353 shares*

Year to December 31	'92	'93	'94	'95
ST debt (Rm)	77,4	166,4	187,9	197,8
LT debt (Rm)	131,4	72,5	39,1	7,8
Debt equity ratio	0,33	0,34	0,34	0,25
Shareholders' interest	0,56	0,62	0,62	0,64
Int & leasing cover	5,0	2,8	5,8	6,6
Return on cap (%)	11,8	6,2	10,5	11,8
Turnover (Rm)	1 195	1 224	1 378	1 625
Pre-int profit (Rm)	107,3	54,6	103,2	125,1
Pre-int margin (%)	8,9	4,5	7,5	7,7
Earnings (c)	300	135	309	302
Dividends (c)	157	100	150	165
Tangible NAV (c)	2 344	2 380	2 647	2 801

Restoring Haggie's fortunes is turning out to be an arduous and time-consuming process

After two years of recovery, 1995 EPS of 344c (before extraordinary losses of 42c) were still 15% off the 406c high of 1989, and the performance of the share price over the past year suggests the market may be getting impatient

Profits were decimated between 1990 and 1993 by two related factors the decline in the gold mining industry, traditionally its major customer, and the similar slump in fixed investment spending

This led to a complete reappraisal and restructuring of operations to suit these new circumstances, which had a severe impact on results In 1993, when EPS plunged from 300c to 180c, more than half the drop was attributable to the R22,3m charged against profits for restructuring costs

Since then, the process of restructuring and weeding out activities that no longer meet management's investment criteria has continued

In 1995 the axe fell on the Denver bronze extrusion operation (part of Copalcor), which was closed at a cost of R8,3m This has been treated by Haggie as an extraordinary item and did not, therefore, affect the year's trading results The *FM*, however, has included these losses in its calculation of EPS which, at 302c, are consequently 42c less than the figure used by the company

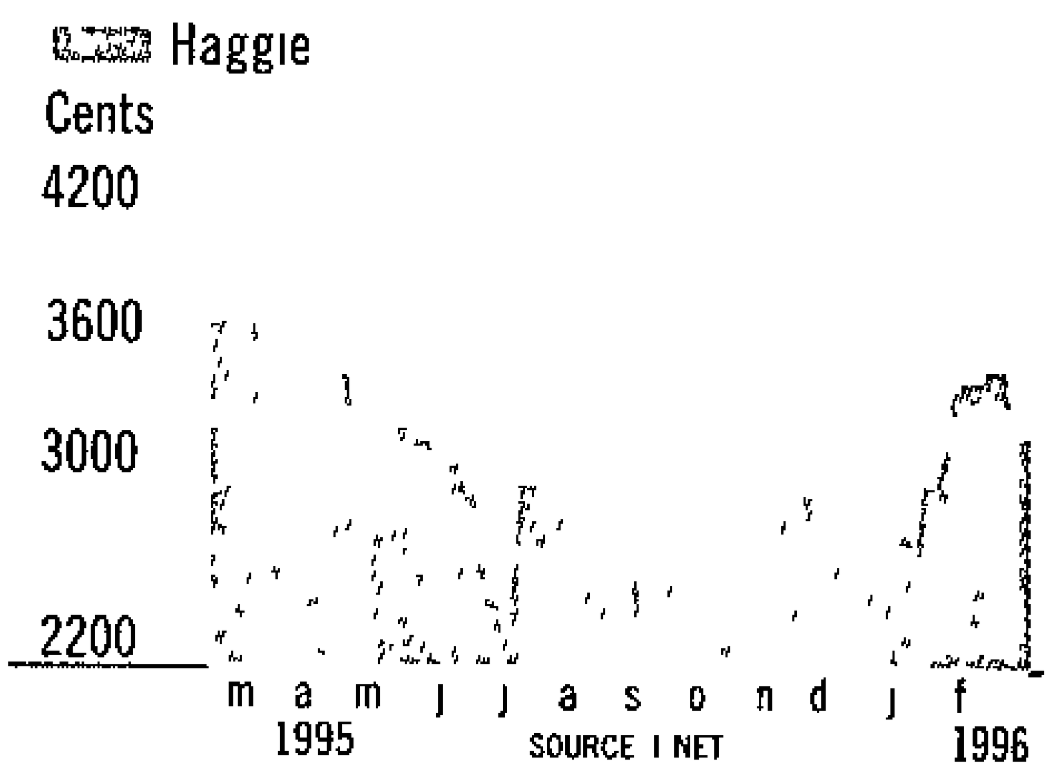
But it has not all been restructuring and reduction Over the same period the group made a major investment in Haggie Steel Cord to produce reinforcing wire products for the tyre industry It also bought Le Lis, a Belgium rope manufacturer and distributor, in part to provide a platform for increased exports

Both these developments should offer major benefits in future Their short-term impact, however, has been negative with Steel Cord, in particular, incurring start-up losses totalling R14m for 1995 This was expected, and with losses forecast to be trimmed substantially in the current year, the original expectation of break-even in 1997 still looks realistic

Chris Murray export tonnage now a third of total output

Haggie has had considerable success in its export drive Export turnover last year rose 41% after a 20% gain in 1994 and now constitutes 25% of total sales, according to chairman Hugh Brown, in sharp contrast to the pattern in local sales which increased 11%-12% in each of the past two years

MD Chris Murray adds that, in tonnage terms, exports now account for about 34% of total output Being less profitable than local sales, the increasing proportion of exports has led management to downgrade its target trading margin from 12% to 10%



But, at the same time, it is noteworthy that despite the higher exports and the negative impact of Steel Cord, last year's trading margin advanced to 7,7% (by the *FM*'s calculation) from 7,5%, underlining the extent to which benefits of the restructuring process are flowing through

Another plus is that throughout the lean years Haggie has kept its balance sheet in trim The debt equity ratio was never higher than 34% during this period (it is 25% now), and interest cover generally remained conservative even at the nadir of 1993, cover based on recurrent profits was four times, though after taking into account the R22,3m in restructuring costs it dropped to 2,8 times

Given the economic backdrop, it is hard to see what more the market could have expected management to accomplish Yet, since the review of the 1994 annual report, the shares slumped from R36 to their midyear low of R23 A recovery has brought the price back up to R32, but the net loss for the year is still 11%

Despite Brown's forecast that earnings will be about the same as those of 1995, it would be surprising if the final outcome does not reflect an acceleration of last year's 14% gain in attributable income This reinforces the *FM*'s view, expressed at the time of the prelim, that Haggie is fundamentally undervalued *Brian Thompson*

R1,2-m in bursaries

(189E)

Metrorail offering bursaries to students in engineering fields

Sowetan 10/5/96

By Coudjoe Amankwaa

METRORAIL has set aside R1,2 million for bursaries for students who wish to further their studies in technical fields

Students who stand to benefit are those who are majoring in electrical civil, mechanical and industrial engineering

Mrs Khomotso Thoka, Metrorail's training and development manager, said "The majority of our current bursary holders are black because that is where the greatest need is Due to the previous government's policies, we don't have sufficient black engineers, and this is detrimental to our current and future manpower needs"

She said it was forecast that by 2000, Metrorail would be in need of more than 200 technical people

Metrorail funded 40 engineering students at a cost of about R800 000 during the 1995/96 financial year

"Furthermore, because of the low percentage of females in technical jobs, we will give preference to female applicants," said Thoka

Mrs Thoka can be contacted at (011) 773-7095 Direct applications to The Manager, Transnet, Bursaries, PO Box 23200 Joubert Park, 2044

Robyn Chalmers

Cementation lifts share earnings

BD 13/5/96 (189E) (38)

CONSTRUCTION and engineering group Cementation Company (Africa) hoisted share earnings before exceptional items 69% to 40,7c for the six months to March An interim dividend of 12,5c (7,5c) a share was declared

Turnover during the review period rose 35% to R257,5m, while net operating income grew 47% to R7,8m

After the inclusion of exceptional items and a higher tax bill, net income after tax and interest fell 30% to R3,9m

Share earnings were 40,7c (62,4c) after exceptional items of R3,6m in the previous comparable six-month period were taken into account

The directors said results for the first half last year had been restated to comply with revised accounting principles, with former extraordinary items being reclassified as exceptional items

They said the order book was holding up well in most sectors of the business, although margins remained under pressure In three of the engineering business units, however, there had been work shortages which led to periodic short-time workings

Capital expenditure increased during the review period and this had lifted net borrowings.

They said the group was continuing to develop its export business, and prospects for the second half remained good Management expected results to at least equal those produced in the first half

However, a worrying factor was the state of relations at national level between employees and employers which could lead to industrial action

Committee to probe blocked funds

Robyn Chalmers

(189E)

BD 29/5/96

THE Civil Engineering Advisory Council is to set up an industry-wide committee to seek ways of unblocking funds amid concern over a serious decline in civil engineering work.

Council chairman Malcolm Mitchell, who is also transport department deputy director-general, said yesterday the civil engineering industry was performing at only 60% of its 1986 capacity.

At a recent council meeting, it was disclosed that about 80% of work in the industry was being generated by the private sector, against a normal figure of only 30%.

"Civil engineering construction is by its very nature labour-intensive and if funds were made more readily available for such work, employment could increase dramatically," he said.

The committee would be set up in conjunction with the SA Institution of Civil Engineers, National Association of Black Contractors and Allied Traders, SA Federation of Civil Engineering Contractors and the SA Association of Consulting Engineers.

Mitchell said the team would try to formulate a strategy to break the blockage in funds which could be made available for industry work. "The council hopes to be able to make its strategy known to the industry by its next meeting in August," he said.

The newly constituted council had 14 members, appointed by Transport Minister Mac Maharaj.

The new council would serve a three-year term, with broad representation from the civil engineering industry, including members from the organisations represented on the sub-committee.

Fewer students choose engineering

CT 26/6/96 (189E)

CAROL CAMPBELL
EDUCATION WRITER

THE drastic cutting back of jobs in the South African armaments industry could be the reason why students at universities and technikons are shying away from studying for mechanical engineering degrees, the head of Stellenbosch University's mechanical engineering design division, Professor Anton Basson, said yesterday

Up until 1990, Armscor and its related industries were the major employers of South Africa's mechanical engineers, but with a cut in government spending on defence, hundreds lost their jobs and student interest quickly dwindled

This year the number of students studying mechanical engineering at tertiary institutions throughout the country was at its lowest since 1986 and is expected to continue dropping, unless more matriculants are encouraged to consider it as a career

"A few years ago we could pick and choose students for our postgraduate programme, but this year we could not fill three places," Basson said

Mr Willy Crous, an associate director of the Cape Technikon's department of engineering, said there was a misconception that mechanical engineering was "all about cars and grease"

"It's a white-collar job, involving a lot of designing and computer work," he said

Basson seconded this view, saying his students had played a major role in developing the Stellenbosch University satellite, which is to be launched by Nasa next year

Professor Jason Gryzagoridis of the University of Cape Town's mechanical engineering department, said there were natural shifts in enrolments between engineering disciplines, depending on the changing needs of industry

UCT offered an interdisciplinary electro-mechanical engineering degree, to provide a broad introduction to science and engineering fundamentals

Basson said South African mechanical engineers were in demand overseas, where their undergraduate training was highly regarded and because of this engineers were leaving for posts overseas

Besides the shortage in the number of mechanical engineering students, he said there was also growing concern about teacher retrenchments

"If retrenchments are offered to all teachers it will be the maths and science teachers who go first, because they are more likely to find jobs in industry — these are exactly the people we need to encourage an interest in a career like mechanical engineering," he said

In a survey of first-year students at Stellenbosch, most said they chose to study engineering when they were in Std 6 and then decided which speciality to focus on when they were in matric

TYGERBERG SUBSTRUCTURE

(Notice No 7/1996)

New projects boost civil engineering

(89E) CT (BR) 12/7/96

By Jonathan Rosenthal

Johannesburg — The total value of civil engineering contracts awarded in the first five months of this year has shown a surprising 9 percent rise in inflation-adjusted terms compared with the first five months of last year, Henk Langenhoven, a South African Federation of Civil Engineering Contractors economist, said yesterday. The total value of contracts awarded has grown from R1,2 billion to R1,9 billion.

The growth was driven by a spate of new projects in airports, harbours and railway developments which grew from R13 million to R37 million, and in private sector industrial development which grew from R218 million to R558 million, much of which was spent on the Saldanha Steel project.

Industrial and transport sectors were likely to grow with several contracts in the pipeline for extensions to Richards Bay and Saldanha harbours as well as to South Africa's main airports.

Spending on water schemes, however, dropped from R336 million to R268 million, township development spending from R230 million to R228 million and sewerage contracts from R133 million to R111 million.

"The figures are the exact opposite of what we would have expected when the RDP was launched," Langenhoven said.

Although spending on roads increased marginally from R684 million to R727 million, if adjusted for inflation, the amount had actually fallen.

Roads spending was, however, set to rise, Langenhoven said, with the transport department evaluating tenders for the R1,4 billion N3 toll road to Durban and the R1 billion Maputo highway.

The transport department was also expected to award further contracts for the extension of the N2 South Coast highway within the next few months.

Slump in public sector work leads to loss of 3 000 jobs

(189E) BD 16/7/96

Ronny Tshabalala

ABOUT 3 000 workers in the civil engineering industry have been lost this year amid the continuing dearth of large-scale public sector work

SA Federation of Civil Engineering Contractors (Safcec) figures showed that employment in the industry had fallen about 5% to fewer than 65 000, the lowest level since 1993, against 68 000 late last year

The lack of capital spending on infrastructure and services related to low-cost housing were blamed as the contributing factors for the situation

Safcec economist Henk Langehoven said yesterday that after the elections in 1994 government capital spending "seemed to pull off" and the workload had dropped sharply

"This is a sad situation in an industry which sixteen years ago employed up to 125 000

"The last upswing was in 1989 when the industry employed more than 95 000 Since then there was a steady decline The future remains uncertain," he said The worst year was in 1993 when only 58 000 people were employed

Most of the tenders awarded to small and emerging businesses accounted for a small percentage and could not be regarded as the cause of employees being lost in the industry in to the informal sector or small businesses, he said

Government accounted for up to 70% of civil engineering activity through the construction of schools, roads and other infrastructure.

Provincial governments had only been able to increase tender values 10% since 1994 as central government still held key control over infrastructure spending, he said.

An Association of Consulting Engineers spokesman said a growing number of companies were obtaining work offshore

He said engineers were still immigrating due to a variety of reasons, among them the depressed working conditions and the high crime rate

Static parastatal work points Plessey to exports

(189E) BD 23/7/96

Samantha Sharpe

CAPE TOWN — Cape-based electronics group Plessey's high exposure to parastatal business could stunt future earnings growth, already under threat from tough trading conditions, group CE John Temple warned yesterday

He told an Investment Analysts' Society meeting that Plessey was expected to show some growth in the year ahead However, parastatal expansion plan delays, resulting from uncertainty about future privatisation, could have a negative effect on the group

Parastatal business contributed about 60% to total group earnings, which rose 35% to R51,3m in the year to March on a 28% increase in turnover to R1bn

Temple said that Plessey would concentrate on consumer electronics and new communications opportunities as future earnings growth sources, with SA's telecommunications market offering R50bn in new business in the year to 2000.

However, the group was also intent on securing 30% of future earnings in foreign currencies through a combination of direct product export earnings, earnings from service-based activities offshore and earnings in SA linked to foreign currencies

Temple said that Plessey would seek international alliances to maximise earnings potential, with the EC and Southeast Asia targeted as potential growth areas

Earlier, Plessey chairman Boetie van Zyl told the group's AGM that the increase in export volumes would enable the group to spread high development costs over larger volumes, reducing unit costs and creating additional work opportunities.

STEEL & ENGINEERING FM 9/8/96

ANVIL CHORUS OFF KEY?

(189E)

A downturn in the steel and engineering sector? Not too ominous considering what's been happening in the past 10 years But a downturn coupled with potential labour conflict is another matter Though talks are ongoing, labour strife appears to have been averted for now

Overall, the Steel & Engineering Industries Federation of SA (Seifsa) Business Conditions Index, which measures the favourability of order intake levels, has only recently dipped from highs last seen in 1981 But the drop, says Seifsa's chief economist Michael McDonald, may be an indicator that there are one or two dark clouds on the economic horizon "These are worrying and could jeopardise economic growth in the metal industries"

One of the darker clouds is the possibility of major confrontations with the trade unions, specially Cosatu, and in the metal industries with Numsa

"In the metal industries, employers have been in dispute for some time with the trade unions, particularly Numsa, over the issue of the wage model Unions are insisting that, in the new five-grade structure, the lowest wage rate should be equal to at least 60% of the average artisan actual rate Such a demand could increase the wage bill for the industry by more than 70%," McDonald says

In recent talks, Numsa dropped this demand and a more realistic outcome now appears likely At the time of going to press, the employer body was on the verge of striking a deal with Numsa

Ironically, a major sticking point was the removal of an entrenched penalty clause which ruled that if an employee didn't show for a shift either before or after a public holiday, he was not entitled to be paid for the holiday The last such "stayaway" was Cosatu's call for national strike action over privatisation

The outcome is expected to be favourable In the event of an agreement, Seifsa still has problems with the ratio between wages and productivity, which it says, "has come seriously unstuck" From 1981-1995, real wages in the metal industries increased by 15% (after being deflated by the changes in the CPI) During the same time, per capita productivity of workers has decreased by 10%

This begs the question How much of the recent new capital investment in plant and equipment has gone to reduce the reliance on labour, which is now largely unskilled and underproductive?

"With an estimated unemployment rate of over 30% in SA, it would be unfortunate if we, too, were investing to reduce labour," McDonald says

Employment in the metal industries dropped from over 450 000 in 1981 to 270 000 in 1994 With the improvement in business conditions, there was some new employment in 1995 and 1996, but only an increase of about 4% and this on a very low base

But there is some sweetness and light in the sector The new projects at Columbus Stainless and Alusaf have come on stream and exports of basic iron and steel products and ferro alloys are continuing to do well New projects at Huletts Aluminium, the Iscor plant at Saldanha Bay and the conversion of Iscor's Pretoria works to a stainless steel plant are, what McDonald terms, "very encouraging signs"

But for Seifsa, an issue inhibiting growth is crime "Everyone is aware that violence and crime in the country is virtually out of control, which hampers new foreign investment There are real fears that some politicians are beginning to accept the sharp increase in violence and crime as another part of the transitional process," McDonald adds

An observation which underscores what appears to be government's lip service to the problem ■

Breaking the mould

The engineering industry has been given a new lease on life, thanks to a groundbreaking agreement, writes CAROL PATON

(189E) ST 18/8/96

THE wage agreement signed by unions and employers in the engineering industry this week holds the promise of more than just a 9,75 percent increase for workers

Linked to the settlement is a groundbreaking agreement on the reorganisation of the industry which will bring large manufacturers up to speed with the rest of the world, improve productivity and give careers to workers

By local standards it is a revolutionary agreement, not least because it originated from a trade union, the National Union of Metalworkers of South Africa Three years ago the union approached the employer body, the Steel and Engineering Industries Federation of South Africa, on the need to improve productivity

The union proposal now forms the core of the agreement which introduces a new job grading structure instead of 13 job categories, there are now five

In practice, this means that a worker will have a broader range of tasks, making fuller use of his skills, resulting in greater productivity For instance, where a person making metal components from a steel bar previously only loaded and operated his machine, he now sets the machine, makes adjustments and measures the product to ensure it meets specifications The need for a separately appointed person — what the union describes as "white, guard labour" — to set machines and monitor work would fall away

While most First World manufacturers reorganised the workplace in the 70s and 80s, South Africa lagged way behind in technology and work organisation. With the country's re-entry to the world economy, Numsa realised that improved productivity was a necessity and took the lead in the debate.

But it was not long ago that productivity was a dirty word in union circles Five years ago you would have been thrown out of a union meeting for mentioning productivity, says Enoch Godongwana, the union's general secretary The issue then was whether workers should see it as their duty to help capitalists exploit them more efficiently

But there are several things which make this deal attractive to workers.

The first is higher wages. Workers will be rewarded for greater responsibility and a more intense working day.

The second is career pathing for workers who will, for the first time, be given the opportunity to acquire skills that will be recognized by the awarding of national certificates by the National Training Board This will give them greater mobility within the industry.

In other words, says Michael MacDonald of the employers' federation, the soul-destroying practices of the past, where a man could enter a company as a sweeper and leave 45 years later still a sweeper, are over People with aptitude will be able to move up the ranks into middle management

The next six months are seen as the test period for the agreement, which will be phased in over five years. Significantly, because it goes against the trend towards centralised bargaining, the union has agreed that the agreement be voluntary to allow for diversity among the industry's 9 000 employers. Only big manufacturers are likely to take the new route.

But even though South Africa's metal industry is restructuring long after the rest of the world, the agreement, in the local context, is still ahead of its time.

If it is to work, it must operate within a consensual industrial relations framework — that both the employers and the union admit doesn't yet exist.

Overcoming distrust is essential if workers and employers are to take the next step. the negotiation of a productivity framework that will ultimately lead to managers and employees sitting down to discuss, at plant level, how productivity can be improved

The framework is envisaged as a procedural document which will give direction to plant-based discussion on measuring and enhancing productivity

Such discussions will take both parties into the meat of what Godongwana describes as the real productivity issue for workers what is done with benefits

The fact that the union has initiated agreements that link productivity and wages is a sign that the gulf between the government and labour on a macro-economic policy can be bridged, at least in places.

And while the engineering agreement holds out some hope for the cooperation that is needed for the economy to grow, it also involves a trade-off — and that trade-off is jobs.

The inevitable result of productivity improvements is that more technology and fewer people are needed. In the last 15 years, employment in the metal industry has shrunk by 170 000 Employers have agreed that there will be no retrenchment as a result of restructuring, but jobs will be lost through natural attrition.

But, according to the employers' federation, mechanisation is a worldwide trend that no competing manufacturer can afford to oppose

Companies that do will simply fall away.

HAGGIE (189E) FM 23/8/96

DRAGGED DOWN BY STEEL

Haggie spent the first half of 1996 all dressed up with nowhere to go as demand for steel products failed to materialise The market, expecting at worst a flat result, was caught off guard by the drop in income

Chris Murray

Though the group itself is sound, markets all but disappeared after the first quarter, says MD Chris Murray "Falling steel prices socked us, the local markets collapsed and our exports could not compete with international suppliers "

Though turnover slipped only 3%, operating profit took a 26% dive as margins thinned in an effort to keep what market share was left

Even with reduced margins, says Murray, work is not forthcoming "We've had a miserable order book since about April, and most factories are on short time," he laments "If the factories don't operate, we can't recover our overheads "

Hardest hit was general engineering, which saw a 22% decline in demand for wire rope This market is also more vulnerable to cheap imports from countries like India and China, he says

Soft foreign markets saw a 21% drop in export volumes, though exports by value rose 2% to 24% of total turnover Part of the long-term strategy is to export 50% of the Jupiter rope factory's output and Murray is confident that will happen — possibly from sheer necessity

Haggie is also participating in two of the Department of Trade & Industry's export "clusters," for nonferrous products and high-carbon steel

And there were a couple of good things, too, acknowledges Murray McKinnon Chain and Maksal Tubes did better, and the lower copper price saw copper tubing back in favour for building projects

Working capital is falling and cash of about R70m is likely to be generated, which will help reduce net borrowings of R169m The dividend, though cut, was still healthy at 45c Taking a long view, Haggie is moving decisively into foreign markets by establishing direct marketing and distribution operations in three areas Scotland, for North Sea oil, Australia, where it has 30% of the surface mining market, and Canada, the second biggest shaft mining country (as far as is known)

In the short term, no improvement in the financial position is expected The share price has come off sharply to R23,90 Though it may offer value as a long-term recovery stock, investors may want to wait out the downturn in the steel market *Margaret-Anne Halse*

TAKING STRAIN

Six months to	Jun 30 1995	Dec 31 1995	Jun 30 1996
Turnover (Rm)	[illegible],3	810,8	[illegible]
Operating income (Rm)	[illegible]	[illegible]	47,9
Attributable (Rm)	[illegible]	[illegible]	27,2
Earnings (c)	[illegible]	133	129
Dividends (c)	[illegible]	110	45

Bearing Man engineers growth (~~193~~) (189E)

Stuart Rutherford

Durban — Bearing Man, the engineering consumables importer, is still forecasting real earnings growth for the financial year to June 30, despite the recent drop in the value of the rand

Speaking at the company's annual meeting in Durban yesterday Greg Till, the managing director, said the group had maintained its margins and sales levels despite the difficult conditions

He said it had also been able to restrict price increases to between 15 and 20 percent, less than the drop in the value of the rand, because of the group's long stock-carrying periods

Bearing Man imports 90 percent of its products and has exclusive rights to 20 brands and shared rights to another 12

Till said Bearing Man had increased its number of outlets to 62 from 57 at the end of the last financial year and had recently opened in Germiston, Potgietersrus, Newcastle and the Strand

This expansion is expected to continue throughout the year, and Bearing Man has made an offer to acquire the stock, fixed assets and trade names of Ruboct for R1,15 million

On the tie-up with Nord, the world's second largest manufacturer of geared motors, Till said the market had welcomed Nord products

He estimated this market in South Africa was worth between R150 and R200 million a year

Initially, Bearing Man had been bringing in completed units from the German-based company, but it now planned to start local assembly at its facility in Bearing Man Park in Johannesburg This should be under way by January next year

Till confirmed the company did not have any other major acquisitions or tie-ups planned, and said a decision on a share split would be made "soon".

CT (BR) 23/10/96

SAFCEC CONFERENCE *Trained engineers are leaving the country, says Maharaj*

Engineering skills 'lacking'

CT(BR) 29/10/96 (189E)

AUDREY D'ANGELO

Cape Town — Mac Maharaj, the transport minister, yesterday blamed a lack of expertise in provincial and local government for the delays in starting essential projects

This came while the civil engineering industry was working far below capacity and trained engineers were leaving the country, he said, addressing the annual congress of the South African Federation of Civil Engineering Contractors in Somerset West yesterday

He said South Africa's national road system was facing a crisis For many years financial allocations had been "insufficient to meet even minimum maintenance needs, let alone much-needed improvements"

Maharaj said he was asking the Cabinet to approve the setting up of a road agency "with an adequate and stable flow of funds" to manage and maintain South Africa's primary road network

He said that, where appropriate and possible, infrastructure would be funded through user charges and investments by the private sector "In addition, attention will be given to seeking and developing new sources for the financing of transport infrastructure "

He said this was one of the reasons the civil engineering industry was "working at some 70 percent of its capacity and at 60 percent of its capacity of 10 years ago Furthermore, employment has fallen from 78 000 to 70 000 in five years

"To further illustrate the decline in the engineering industry, it has been stated that capital expenditure has fallen from 30 percent of the total central and provincial government budgets in 1973 to 5 percent in 1995 while, over the same period, consumption expenditure has increased to 95 percent "

The minister warned that "this declining capital expenditure together with the inability to spend what little funds are available is a very serious matter Unless the problem is addressed timeously the country's infrastructure built up over many years will deteriorate and eventually be destroyed"

He had been told that "the morale in the civil engineering profession was very low and that many trained engineers were leaving the country" At university, students no longer found civil engineering attractive, he said

STEMMING THE TIDE *Mac Maharaj, the minister of transport, outlines changes in the pipeline in his keynote address to the annual congress of the South African Federation of Civil Engineering Contractors* PHOTO ANDREW BROWN

Civil engineering faces a year of challenge

(189E) BD 30/10/96

Robyn Chalmers

SOMERSET WEST — The civil engineering industry will face a host of challenges next year as static growth, falling employment and a paucity of skills bedevil the sector, delegates at this week's SA Federation of Civil Engineering Contractors (Safcec) conference heard.

Delegates said, however, that government's recent acknowledgement and growing understanding of the problems facing the industry could lead to some concrete solutions in the future.

In the Safcec annual report, released at the conference, president Brian Holmes said the industry's low growth continued in 1995/96, with the employment level of 66 000 and annual turnover of R6bn remaining static. He described future prospects as satisfactory

Safcec economist Henk Langenhoven told the conference employment statistics in the industry had been fluctuating since mid-1995, when they dropped below 66 000, but there had been a slight improvement since then

"The very industry accused of not having the capacity to deliver 55 000 houses every year is slowly receding, because of the malaise of inactivity," he said.

Holmes said the slow delivery of the RDP and projects in general from provincial and local government remained a major source of concern. Attempts had been made to identify and unblock bottlenecks

"These initiatives have yet to bear fruit, but the major problem that has been identified is the lack of expertise in public sector departments due to the departure of experienced personnel," he said.

The solution seemed to be an education process drawing suitably experienced people from the private sector, but this was no easy task and there was no "quick fix" solution

Holmes said much of the industry's work was flowing from the private sector and public corporations in projects such as Saldanha Steel and Huletts Aluminium

The transport department was another source of major contracts and the imminent awarding of the N4 corridor and the N3 De Beer projects would help replace contracts being completed on the N2 north coast and the N1 near Pietersburg

Holmes said the unification process of the major employer organisations had made little progress over the past year. "For this initiative to succeed, which all involved agree is in the parties' long-term best interests, more commitment is required from all players," he said.

Transport Minister Mac Maharaj said he was well aware of the importance of the civil engineering industry and its role in SA's economy

"According to the most recent statistics, the industry is currently working at some 70% of its capacity and at 60% of its capacity 10 years ago " Maharaj said these and other problems had been brought to his attention by the Civil Engineering Advisory Council.

RDP schemes keep engineering school busy

(189E) BD 13/11/96

A SURGE in RDP-related civil engineering work has led to the Civil Engineering Industry Training Scheme reporting its busiest period yet, with about 60 to 80 people passing through its Benoni centre each week.

The scheme is funded by the civil engineering contracting industry and operates training facilities serving the northern provinces (old Transvaal and Free State), KwaZulu-Natal and the Cape

Northern provinces training manager Mike Dutton said the scheme had experienced a 60% rise in activity over the last three years and was also getting requests to conduct training directly on construction sites.

"There is such a demand for our training that we have a waiting list We are working at full capacity, with seven courses running at a time at four training centres in Benoni and with 60 to 80 people passing through the centre in a typical week."

Dutton said the scheme trained people at all levels of the industry, with applicants ranging from construction hands to managers, site agents and technicians.

It had also established a contractor development programme aimed at assisting "emerging contractors" to obtain skills for civil engineering contracting.

This was run by accredited trainers and had been implemented on the N1 toll road between Warmbaths and Pietersburg, where the main contractor was working with a number of emerging contractors.

Training was run both on a modular and competency based system. "The old days of "chalk and talk" have gone and the emphasis now is on teaching practical skills with supporting knowledge which can immediately be put into practice on site," said Dutton.

The modular system had enabled the scheme to respond to industry needs quicker, and also fitted in with the requirement that workers be trained for RDP-related projects.

"With so many labour intensive water supply projects getting off the ground, we recently encountered a tremendous demand for training in pressure pipe laying. It was a challengeto develop a suitable module and integrate it into our existing programmes."

Dutton said the scheme would place more emphasis on accreditation as this allowed for training to be taken on site and organisers did not have to worry about the number of people training centres could accommodate. The industry had appointed fulltime staff to ensure training standards were maintained.

Workers construct V-drains using stone pitc

Dorbyl beats weakening demand

(189E) BD 19/11/96

Edward West

INDUSTRIAL and engineering group Dorbyl lifted earnings 55% to R103,8m in the six months to September as it continued moving away from engineering and contracting to automotive component manufacture and distribution

Headline share earnings increased 26% to 245c (195c), despite weakening demand and increasingly competitive markets An interim dividend of 60c was declared In the six-month period turnover increased a marginal 7% to R1,76bn from R1,65bn, indicative of weak demand Operating income increased 27% to R126m, CEO Bill Cooper said

Interest received increased to R13,1m from R6m as a result of significant cash resources

The tax charge increased slightly to R33,1m

During the period Dorbyl was relisted in the industrial holdings sector of the JSE after being listed in the engineering sector for more than 20 years

Cooper said the provision for the Intershore venture was expected to represent the last write-off in the contracting field

Dorbyl acquired a 34% interest in and management control of Midas, which distributes automotive parts Other acquisitions in the automotive field were Autolink, a manufacturer of brake linings, Auto Bellows, a maker of polyurethane rubber boots for the automotive industry, drivetrain manufacturers Cabris, propshaft reconditioner TMI, suspension and subassembler Firstpro and suspension assembly manufacturer Bentler

Other companies acquired included steel roofing manufacturer Robertson-Dekex, vents louvre manufacturer Ventco and steel roof tile manufacturer Longtile

The group sold Dorbyl Structural Engineering to LTA, and tube manufacturer Bundy

About R90m was spent on acquisitions, and R83m was made on the disposals

Dorbyl Marine was unsuccessful in a Supreme Court action against the trade and industry department for an R18m general export incentive claim, but the matter would be taken to appeal

Cooper said the weakening of the economy and the build-up of new stock was of concern, but shortage in foreign exchange and the continued devaluing of the rand were positive factors for local manufacture and exports

DORBYL (189E)

FAR FROM CONSOLIDATING

FM 22/11/96

After two years of hectic activity, a transformed Dorbyl is moving into position for what it calls the third millennium But consolidation is far from CE Bill Cooper's thoughts "When we set our strategic plan for next year," he says, "we saw opportunities all over the place "

Dorbyl has divested its construction operations and redefined itself as primarily an industrial manufacturing group — relisting under industrial holdings earlier this year

The sectors on which it has focused are automotive component manufacture and distribution and "new generation" infrastructural development and services — covering areas such as water, transport, education and housing

The new direction seems to be paying off Though a 7% increase in turnover for the six months to September was not exciting, operating income climbed 27% to R126m (before Intershore losses of nearly R24m)and EPS rose 53%

Cooper cites sustained earnings growth and strong cash flow as two key criteria Though operating cash flow was strong, taxes gouged out a large chunk Cash resources, though down on the previous period due to debt assumed through acquisitions, still heavily outweigh borrowings, and net interest received more than doubled

Despite a weakening economy and soft demand, the operating margin improved to 7,1% (6%) The two periods are not directly comparable, because the nature of business has changed substantially — disposals of about R83m almost balancing R90m spent on acquisitions

Acquisitions include 34% of automotive parts distributor Midas and a number of suppliers of components to the automotive original equipment and aftermarket sectors People repair cars when they cannot afford new ones, so these earnings should reduce the cyclical factor in automotive profits

Disposals include Dorbyl Structural Engineering to LTA

Two of the operating divisions saw their contributions to pre-tax income rise Engineering grew from 13% to 23%, manufacturing from 40% to 42% In contrast, trading fell to 35% from 47%

Though a shake-out of motor component manufacturers is expected, Cooper expects Dorbyl to come out of it well Already the biggest original equipment component manufacturer in SA, it plans to continue developing niche export markets "This is a global business," he says "You must be big enough to play or you're dead "

Many analysts consider the share undervalued It has come off a 12-month high of R65 to R47,40 On a forward p e of about 9,5, it's worth a dabble

Margaret-Anne Halse

POSITIVE NEW GENERATION

Six months to	Sep 30 1995	Sep 30 1996
Turnover (Rm)	1 650	1 759
Operating income (Rm)	98,9	125,5
Attributable (Rm)	67,1	103,8
Earnings (c)	204,4	312,5
Dividends (c)	60	60

New-look Dorbyl in gear to drive into profitable future

ST(BT) 24/11/96 (189E)

FORGET engineering — Dorbyl has been transformed into a two-pronged group focusing on automotive components and distribution, and on new-generation infrastructural development and services

"We have moved from power stations, Mossref and the other pillars of our past into new needs in transport, water supply, education and housing," says CEO Bill Cooper

Dorbyl is still a widely spread group with 120 business units, but over the past 30 months has shifted from welding, tubes and structural engineering and into original equipment manufacture for cars as well as the after-market through the purchase of 34% of motor spares retailer Midas

Reporting on Dorbyl's earnings for the six months to September, Cooper says his group saw the first signs of an economic slowdown in October 1995 and focused on containing costs

Only a skeleton in the old Dorbyl cupboard marred a good showing Cooper says Dorbyl took a R23,7-million writedown on the Intershore joint venture It will be out of the system by January

Turnover of R1,76-billion was 7% up on the 1995 interim and operating income 27% higher at R125,5-million After the Intershore writedown, a doubling in interest income to R13-million, non-operating income of R21-million against 1995's minus R5-million and a lower tax rate, attributable income was 55% up at R103,8-million

Excluding the writedown, earnings a share were 312,5c, and headline earnings improved by 26% to 244,9c The Dorbyl income statement outlines every item clearly Operating income rose to 28% of net operating assets, net asset value is R28,98 a share against a share price of R48 Dorbyl's cash stash declined by R49-million to R116-million over the six months on tax capital expenditure and dividend payments but cash generation is excellent

Cooper says the average car has 4 000 components and vehicle manufacturers used to use two suppliers a component Times have changed, and the latest BMW 3 series has only 18 tier-one suppliers, each to complete its section of component systems and interfacing For this reason, Dorbyl has acquired automotive component manufacturers Autolink, Auto Bellows, Cabris, TMI, Firstpro and Bentler to consolidate its position

Dorbyl has also bought steel roofing maker Robertson-Dekex, Longtile, which makes steel roof tiles that look far more upmarket than standard corrugated or IBR sheeting, and vent and louvre maker Ventco as part of its new generation infrastructure thrust

Dorbyl has a four-year contract to export 750 000 aluminium car jacks a year to Audi and Volkswagen. Dorbyl Engineering's container division, which delivered its first product in April 1994, has won more than a third of the world market in IMO 5 carbon steel gas containers

With cash in the bank, a modern product range, competitive exports and strong support from its sponsoring broker, Dorbyl's shares are eagerly sought They can be safely bought at this price

1 0

4,60-1m

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255-01m

P 44

MANUFACTURING – Iron & Steel, Engineering & Metallurgical Ind. (189[illegible])

1996

US-SA venture to build R218-m plant for Iscor

(189A) Star 4/1/96

Allentown, Pennsylvania – Air Products South Africa (Pty) Ltd and a US affiliate are to build a R218,4-million air separation facility at Iscor's steel mill in Vanderbijlpark, US-based Air Products and Chemicals Inc announced yesterday

The plant, scheduled to come on stream late this year, will provide gaseous oxygen and nitrogen by pipeline to Iscor

The facility will also have the capacity to supply more than 500 tons a day of liquid oxygen, nitrogen and argon to merchant customers in Gauteng and surrounding areas

The facility represents the US company's largest investment in the country since it again acquired its 50% direct shareholding in Air Products South Africa in 1994. – Sapa.

(189A)

ALUSAF

Light relief

FM 5/1/96

Alusaf says the aluminium market can look forward to reasonable supply and demand equilibrium for the next three years

It says global demand for aluminium increased by 10% in 1994 and production cutbacks of around 1 Mt of capacity were effected in terms of a memorandum of understanding among the main producers

Memorandum signatories include Canada, the Commonwealth of Independent States, Australia, the US and Norway

The pact led to London Metal Exchange stocks being slashed to around 1,7 Mt at the end of 1994, pushing the LME price up to a five-year high of US$2 146/t in January 1995, after which it dropped to $1 700/t

Western world demand increased last year and though figures are not yet available, demand was expected to approach 18 Mt for the year

About 14,8 Mt of this was met by Western world production, leaving a shortfall of 3,2 Mt

With LME stocks having already fallen by a further 1,1 Mt by midyear, the balance of the shortfall was expected to be met by Commonwealth of Independent States exports of about 2 Mt and further LME stock drawdowns

"If Western world demand increases by 3% this year, this potential capacity, along with remaining LME stocks and Alusaf's increased capacity from the Hillside smelter, should ensure a stable situation for the next two or three years," says Alusaf MD Rob Barbour

Barbour

Though supply and demand for 1995 had remained in balance, LME stock drawdowns had helped steady the aluminium price on world markets to $1 600/t-$1 700/t over the past few months

Alusaf says any further demand would be met by reactivating part of the 1 Mt of capacity curtailed under the memorandum

In the 1996-1997 financial year, the Hillside smelter is expected to produce close to its full capacity of around 466 000 t Together with the output from the Bayside smelter, this would result in total production approaching 636 000 t

At an expected aluminium price of $1 800/t and based on planned production of 397 000 t, Alusaf's attributable earnings for the year to June 30 should exceed R200m

However, prospects for the year depend largely on the successful commissioning of the Hillside smelter

Alusaf technical director Peter de Waal says Hillside is near the point where almost half of the pots have been commissioned and operations are going according to plan

Cash from operations in the past financial year will ensure payment of a dividend — the first in five years

The current capital cost estimate for the completion of the Hillside smelter, excluding interest and working capital, is R5bn, about R1,3bn below budget

Loan funding has accordingly fallen from 54% of funds employed to 39%

The Bayside smelter, which received a R249m environmental upgrade last year, has embarked on a business renewal programme aimed at enhancing its competitiveness Initial indications are that annual savings will be substantial

The unlisted company's principal shareholders are Gencor and the Industrial Development Corp ■

proved the proposal Metcash lifted share earnings by 29% to 31,4c for the six months to October 31 last year At-

November 20

The counter slumped to a 12-month low of R9,75 on February 23

Austrians contracted to install Saldanha facility

(189A) BD 9/1/96

David McKay

SALDANHA Steel has contracted Austrian steel mill manufacturer Voest Alpine Industrieanlagenbau to install a R717m corex iron-making facility

Saldanha executive chairman Bernard Smith said yesterday that the corex C-2000 plant — due for start-up in 1998 — would have an annual capacity of 650 000 tons of hot metal feeding a steelworks that would make 1,3-million tons a year of export-dedicated hot rolled coil

The mill would also have the capacity to roll steel down to an ultra-thin gauge of 1,2mm

The waste gas generated by the plant would supply power to a shaft furnace which would produce about 800 000 tons of direct reduced iron a year

Corex technology removes the need for high quality coking coal of which SA mines are in short supply

Estimates suggest that Saldanha shareholder Iscor will have to import 1,7-million tons of high quality coking coal a year because of dwindling reserves

Iscor said the plant would have a quality advantage as it was using no scrap This means Iscor would be able to compete with cold rolled coil without disturbing its target markets due to the relatively small capacity of the mill

The Saldanha plant has twice the capacity of the existing corex plant at Iscor's Pretoria works and is only the fourth corex facility to be installed in the world

Smith said the facility was preferable because it was proven to be an environmentally friendly steel making technology

The R6,8bn Saldanha Steel project ran into trouble last year with environmentalists who opposed its siting near sensitive wetlands

Building on the project would begin immediately with further contracts set to awarded in the next few months, Smith said

Aluminium's return to $1 750 a ton may be slow

BD 11/1/96 (189A)

David McKay

ANALYSTS predicted a slow recovery for the aluminium price after the base metal crashed through $1 600 a ton — a 16-month low for the metal — in late trading on the London Metals Exchange earlier this week

Market observers blamed Europe's bitterly cold winter for the fall in short-term demand as users closed down to avoid the freeze, inflating inventory levels

Aluminium Federation of SA executive director Tony Paterson also blamed the ailing price on an artificial shortage created last year after international commodity traders took options on aluminium, giving the impression of low inventory levels Aluminium consequently drifted up to $1 750 during the fourth quarter before the current fall

One analyst said he expected a slow return to $1 750 as traders' fears concerning the supply-demand ratio eased

He said there were no new aluminium smelters in the pipeline except Alusaf's plans to add 466 000 tons a year with its Hillside smelter, and this had already come partially on stream

Alusaf's exposure to price vagaries on theLME was expected to be minimal, with the producer linking its electricity price to the exchange

"Alusaf has a fixed marketing plan in place so the fall in the price does not change anything in terms of that plan," an Alusaf spokesman said yesterday

"Some metal has been held back for trading on the spot market but the fall in price will not significantly impact on this "

Billiton, Gencor's offshore arm which is heavily exposed to aluminium, was unavaible for comment yesterday

The copper market was also undermined earlier this week Three-month delivery copper hit a 14-month low, losing $31 a ton in one day and eventually bottoming out at $2 520 a ton

Traders said the market was oversold, but given the bearish mood a test of $2 500 a ton for copper was likely with major support put on $2 450 a ton.

Analysts again blamed traders' fears of spiralling world growth

Bloomsbury Minerals Economics forecast a western world consumption growth rate of 3,5% or more. It combines this with growth in eastern bloc consumption of 4,5% last year and a projected growth of 4%-5% over the next five years to result in a global consumption growth trend of 3,5% to 4,0% in 1996-2000

The oversupply was clearest in Asia, with Chinese stockpile sales causing a collapse of premiums, increased output from custom smelters and refiners, falling Japanese consumption and stagnating Korean and Taiwanese offtake, Bloomsbury reported

Saldanha Steel contracts awarded

(18.9A) ET (BR) 12/1/96

By Roy Cokayne

Pretoria — Contracts worth more than R1,68 billion have already been signed with Austrian, German and French firms for the R4,5 billion Saldanha Steel project, and the first 140 permanent employees recruited for the plant.

This follows Iscor's decision at the end of November last year to return as a 50 percent partner with the Industrial Development Corporation in the restructured project

Saldanha Steel's communication manager, Tom Ferreira, said the three contracts already awarded involved

☐ An R800 million contract with Voest Alpine of Austria (Voest Alpine Technologies) for the iron-making facility,

☐ A R720 million contract with Mannesman Demag of Germany for the electric cog and rolling mill for the steel-making facility, and

☐ A R160 million contract with Air Liquide of France for the oxygen plant at the facility

Ferreira added that Voest Alpine Technologies and Mannesman Demag contracts would be converted into two lump-sum turnkey contracts

But he said local contractors would "get their bit of the cake from various odds and ends" that would be added to these contracts

It is expected that the value of the work to be added to the lump-sum turnkey contracts could almost match the value of the contracts already awarded

He said further contracts that would be awarded soon were for

☐ Infrastructure (an office block and so on) which would be designed in South Africa, with the emphasis being placed on Cape Town, which was already with a firm of consulting engineers and would be worth several million rand, and

☐ The earthworks

Ferreira said the infrastructure and office block contract would be awarded in the first half of this year

CT(BR) 16/1/96

Iscor plans plant near Kruger Park

(189P)

Sapa and Staff Writer

Komatipoort — Iscor could soon be embroiled in yet another controversy, with reports that it was considering building a smelting plant at Komatipoort, near the Kruger National Park

After a protracted battle with environmentalists, Iscor recently withdrew from the Saldanha Steel project It later returned as a 50 percent partner in a restructured deal with the Industrial Development Corporation, after certainty was obtained on a new site

Iscor spokesman Ernest Webstock said yesterday that Iscor was conducting a feasibility study into mining ilmenite (titanium) at one of three possible locations in the country "We are looking at Gravelotte near Komatipoort (in Mpumalanga), and at places in KwaZulu-Natal and the Eastern Cape," he said

Komatipoort town council officials were unable to discuss the matter after signing a contract with Iscor preventing them from talking to the media, African Eye News Service reported yesterday

The possible development was one of several which Mpumalanga's premier, Mathews Phosa, was encouraging along the Maputo corridor to bring further investment to the province, according to African Eye

Agriculture MEC Lucas Nel said he supported the development of the province, but reserved the right to say that certain land could not be used for certain developments.

"I'm not referring specifically to Iscor, but agriculture will say that energy development (should) preferably be done on low-percentage agricultural land," Nel said

Steely eyes for Saldanha sought

(189A) ARG 26/1/96

Environment Reporter

NOMINATIONS for people to serve on the environmental monitoring committee which will act as a watchdog over the Saldanha Steel Project are being called for by regional Finance and Environmental Affairs Minister Kobus Meiring.

The committee must ensure that, among other things, internationally acceptable standards are applied to monitoring and environmental auditing systems for the controversial R4,7-billion steel project.

It must also monitor the performance of the project in relation to identified environmental issues and review the environmental management plan.

The nominations are called for in Press advertisements placed at the weekend by the Western Cape provincial government

According to the advertisements, the monitoring committee must be broadly representative and must include people from environmental interest groups, local authorities, relevant provincial and central government departments, labour, the local Saldanha business community and Saldanha Steel.

The establishment of the monitoring committee was one of the conditions of approval for the re-zoning application of Saldanha Steel, granted by provincial Agriculture, Planning and Tourism Minister Lampie Fick in November.

According to these conditions, the monitoring committee must be appointed and empowered before construction starts.

Factors relevant to the committee's appointment include the following points:

- Western Cape Premier Hernus Kriel will have the final say in the committee's composition, mandate and structure;
- It must be chaired by a "credible" person with no vested interests in the area;
- The committee's objective will be to "provide an opportunity to the public to assist authorities in the protection of the environment"; and
- Its brief may be extended to any associated industry, including any established in the area.

The committee will be allowed reasonable access to the site at all times during the construction and commissioning of the steel plant.

It will also have access to the results of all monitoring and environmental auditing systems, to ensure that internationally acceptable standards are met, and it will be able to make these publicly available

Nominations for the monitoring committee must reach the provincial government by February 5.

Construction of giant Saldanha steel project to begin within a week

Star 27/1/96 (189A)

By WILLEM STEENKAMP

Cape Town – Construction of the controversial R6,8-billion steel mill near Saldanha is set to start within five days

Saldanha Steel spokesman Tom Ferreira said the first test holes had already been drilled for the huge concrete piles on which the mill will be constructed.

Ground-moving equipment will move on to the site within five days and the project is expected to be completed by the end of 1998 Full production of 1,2 million tons of steel will be reached within a year after completion.

More than 6 000 people will be employed at the site during the construction phase and the contractors have been instructed to employ only people from the west coast

Workers from elsewhere may be recruited only once the local supply of workers has been exhausted.

A temporary construction village will be built on the site for construction workers Ferreira said contractors had also agreed that anyone who was employed at the site from areas outside the west coast during the construction phase would be removed from the site once the project had been completed

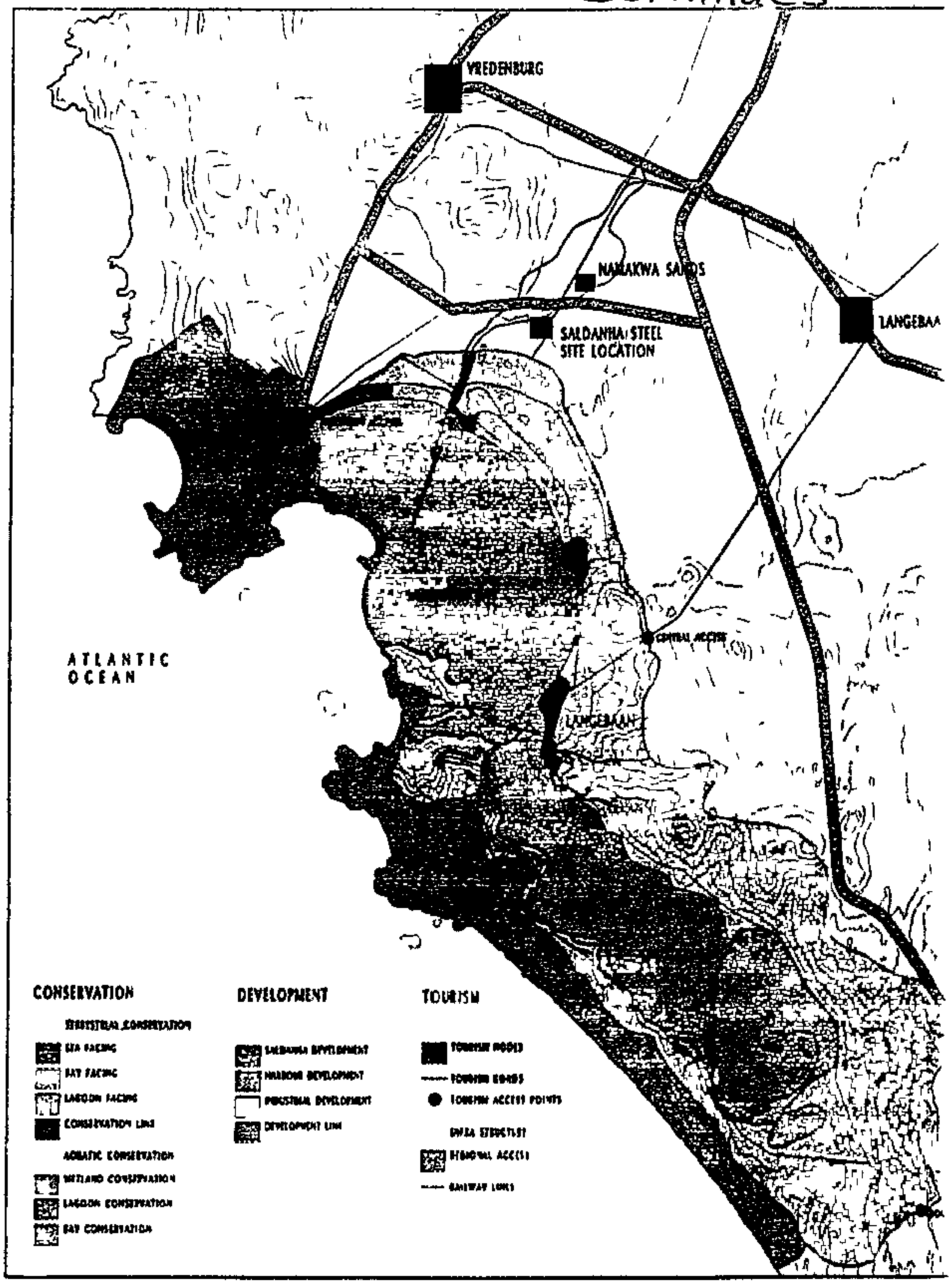
The first 140 people who will work at the steel mill have also been recruited from towns on the west coast and are currently undergoing training

In total, more than 600 people, most from the west coast, will be permanently employed at the mill

An additional 1 800 indirect jobs will be created in areas such as catering, security, maintenance and other auxiliary services. The project is also expected to create a network of satellite industries

W Cape boom co

Continues



□ **SALDANHA BAY:** The schematic zoning proposal for the ar

Five-day countdown at Saldanha

ARG 27/1/96

■ It is all systems go for the controversial Saldanha Steel project on the West Coast.

(189A)

WILLEM STEENKAMP
Staff Reporter

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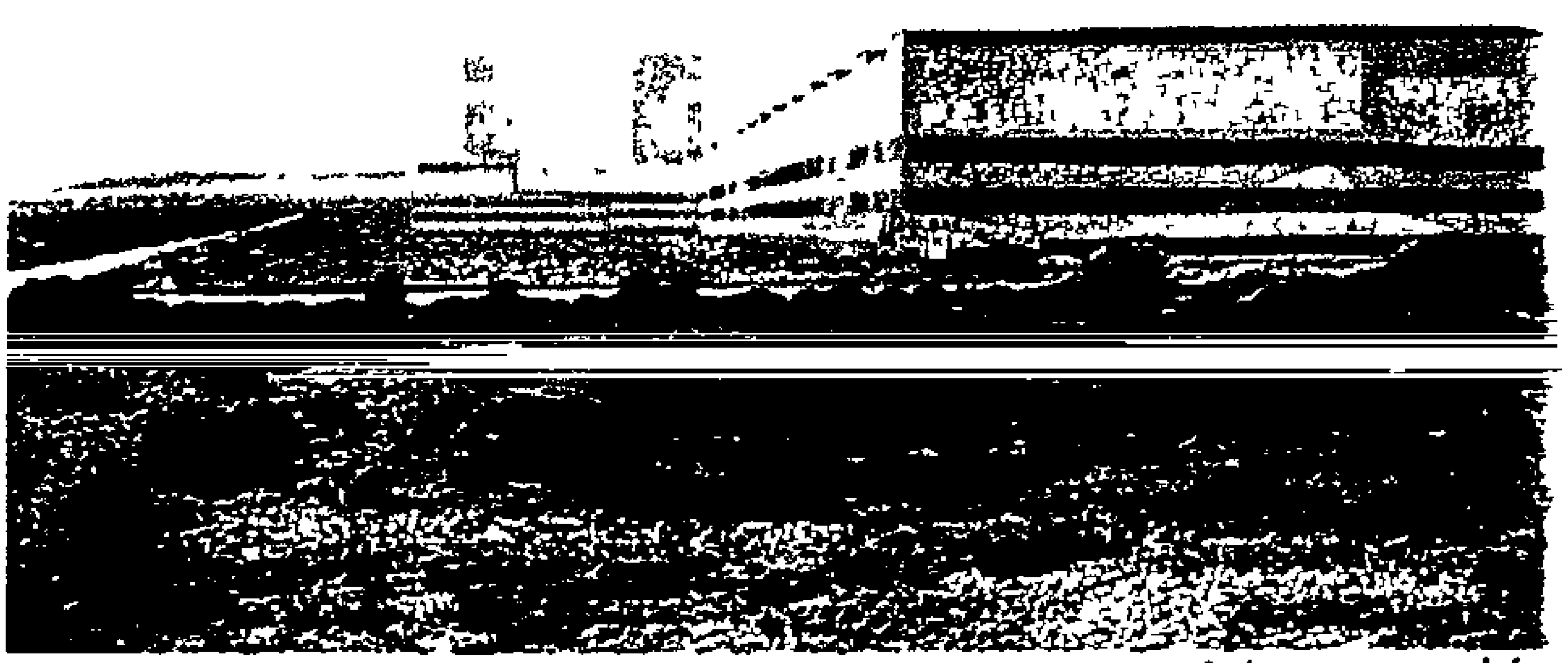
In total, more than 600 people, most from the West Coast, will be permanently employed at the mill

An additional 1 800 indirect jobs will be created in areas such as catering, security, maintenance and other auxiliary services

The project is expected to create a network of satellite industries including a coating plant, pipe manufacturers, cement producers and cold-rolling industries

The plant will consist of a corex iron-making plant, a direct reduction iron-making plant, an arc electric steel-making plant and a continuous caster and hot-strip mill

Saldanha Steel also intends opening a recruiting office in Cape Town as some equipment needed for the plant will probably be produced in Cape Town Contractors for this work will be recruited only if there is a shortage on the coast



□ **STEEL PROJECT:** A computer simulation of the proposed fa

Iscor suspends legal action over Namibian zinc mine

CT (BR) 30/1/96 (189A)

By Fiona Leney

Johannesburg — Steel giant Iscor has backed away from a threat to close its small but strategically important Rosh Pinah zinc mine, at the centre of a long-running dispute with the Namibian government over mineral rights

Rosh Pinah, Namibia's sole zinc producer, sells all its zinc production to South Africa's galvanised steel producers

Iscor started legal proceedings in November to challenge the government's decision to award mineral rights at the mine to a Malaysian-Namibian consortium

Days afterwards, it said it was closing Rosh Pinah because the consortium, P&E Minerals, had refused to negotiate with it on a joint venture proposal for the mine

Yesterday Harold Watkin, Iscor's senior legal consultant, said Rosh Pinah was still operating, with the consent of the Namibian government, while Iscor resumed talks with the consortium. His company had suspended its legal action.

The steel group appears to have abandoned hopes of persuading the government to change its mind on the ownership of Rosh Pinah's mineral rights Instead, it is concentrating on striking a deal under which P&E Minerals would receive royalty payments and a share of equity

Alusaf to be one of the largest employers

(189A) Sowetan 31/1/96

ALUSAF, South Africa's only producer of primary aluminium, is situated at the deep-water port of Richards Bay on the North Coast of KwaZulu Natal.

The Bayside Smelter produced its first aluminium in 1971 with a capacity of 50 000 tons a year and in the '80s doubled its production capacity to the current level of 170 000 tons a year.

In June 1995, the new R5,2 billion Hillside Smelter came on-stream. When the technologically-advanced plant reaches its full production capacity, it is expected to produce 466 000 tons a year by mid-1996.

Alusaf will become one of the largest primary aluminium producers in the world. Alusaf has become radically transformed from a protected domestic producer to a major international player.

National benefit

From a national perspective, South Africa's Alusaf Hillside Smelter will contribute significantly to increasing the gross domestic fixed investment. When fully operational, the new plant will generate net foreign exchange earnings in excess of R1,5 billion a year in January 1993 terms.

The local and regional economic benefits of the Hillside Smelter apply to Richards Bay, Empangeni, Esikhawini, Nseleni and Ngwelezane. Alusaf's direct contribution to the regional economy is estimated at about R200 million a year.

This comprises net take-home wages, harbour-related expenses, maintenance and contract services, rates, levies, consumables and capital expenditure. The direct multiplier impact generated through the local support industries is estimated at R70 million a year.

During the four-year construction period, an estimated R700 million was spent on regional wages, goods and services.

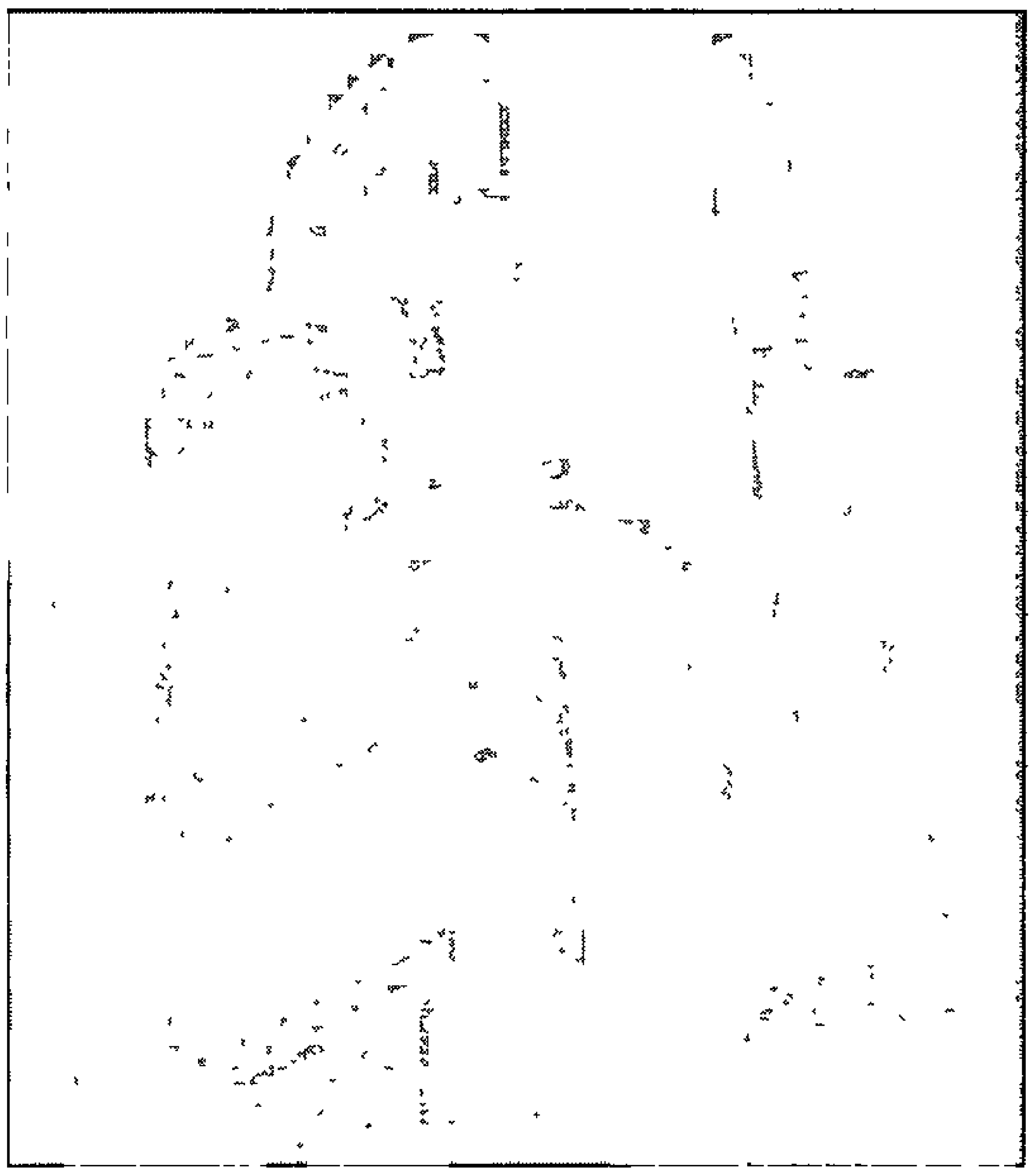
In addition to the project capital expenditure, it is estimated that at least R500 million was spent on housing, Eskom power supply, roads, rail-links and other infrastructural upgrades.

The construction phase created some 25 000 temporary jobs including 8 000 construction jobs on site.

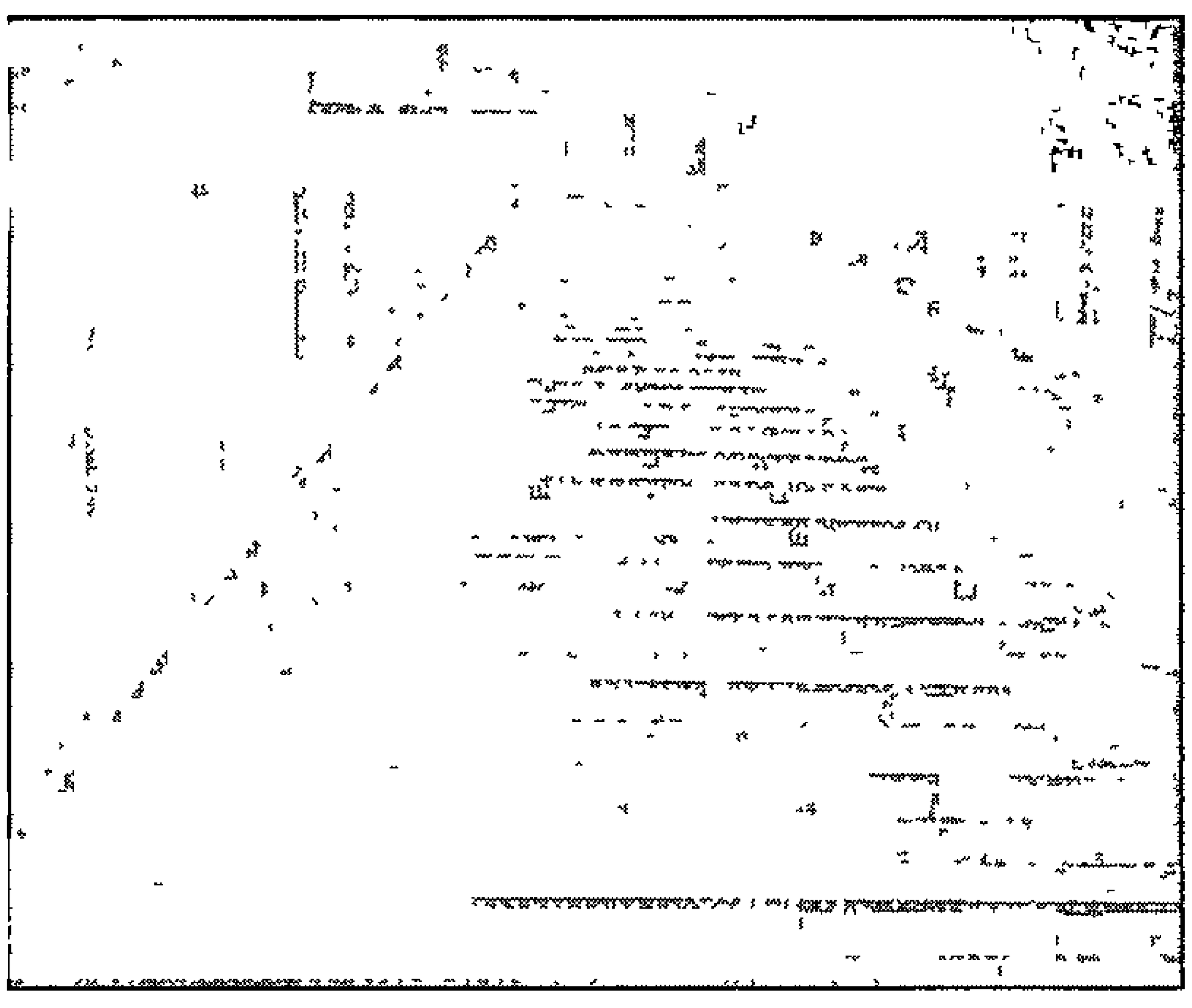
Some 1 100 new jobs were created to operate the plant and an additional 4 350 jobs to provide the supply of services.

Ultimately, through the multiplier effect, the smelter expansion will provide up to 30 000 permanent jobs throughout the country.

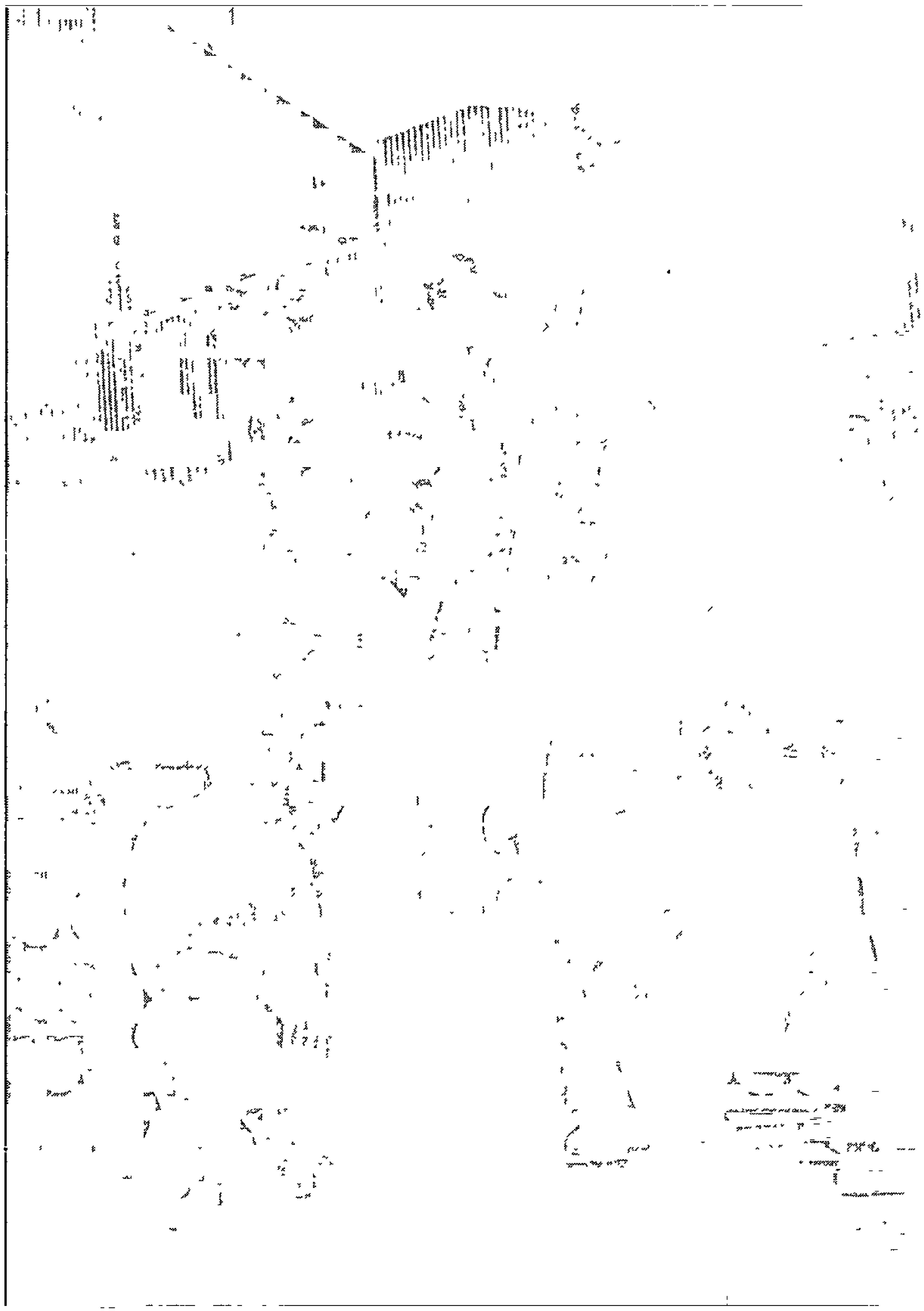
Alusaf's Hillside Smelter produced its first aluminium in June 1995 and is well within target of reaching its full production capacity of 466 000 tons a year by mid 1996



Hillside's fume treatment centre ensures that 99 percent of fluoride emissions are contained and recycled



A view along the length of one of the four Hillside Smelter potrooms. Each potroom extends almost one kilometre in length and each comprises 144 pots. Each pot produces about 2,2 tons of molten aluminium everyday.



In February 1995, the Bayside Smelter's ongoing commitment to excellence in quality and safety earned them the internationally-recognised ISO 9002 listing

ALUMINIUM INDUSTRY (189)

IS THE WAITING OVER? FM 6/12/96

After fierce lobbying and repeated appeals to the Board on Tariffs & Trade, Hulett Aluminium's R2,5bn Maritzburg-based aluminium extrusion project looks set to get the go-ahead by month-end

The board, well-placed sources claim, will grant Hulamin temporary tariff protection The move is in line with President Nelson Mandela's request that more jobs be created downstream

The project is a joint venture involving the Tongaat-Hulett Group (50%), the Industrial Development Corp (30%) and Amic (20%) Hulamin chairman Des Winship says "We have a degree of confidence that our request to the board will be met with a positive response "

Hulamin has asked for tariffs of 14% for two years, followed by 13% for three years and falling to 12% and 10% in the next two years to 2003

The tariff application was made after government said it would cut tariffs from 12% in 1996 to 5% by November 1999 — a level which Hulamin MD designate Peter Staude says is way below SA's Gatt tariff binding offer

Addressing Mandela's call for more labour intensive investment, Winship says "We have also agreed, together with the IDC, to assist the downstream sector with technology transfer and training initiatives so that a vibrant export sector can be created "

Time is important as Alusaf's 10-year metal supply agreement with Hulamin needs to be firmed "We've agreed to extend the implementation date of our agreement to the end of February," says Alusaf MD Rob Barbour

Staude says if the green light is given soon, the R2,5bn plant will come on stream in 1999 and treble production to 150 000 t Two further phases could follow a R500m project to increase capacity to 240 000 t/year and a final R1,2bn expansion to take output to 400 000 t/year next century ■

Alusaf posts R60m jump in taxed income to R77m

(189)

BD 22/2/96

David McKay

ALUSAF posted a R60m jump in taxed income to R77m for the six months to December after benefiting from increased aluminium sales, higher average realised prices and contained costs

Earnings a share showed a corresponding increase to 42,2c (11,6c), with diluted earnings coming in at 38,7c (10,5c) a share No dividends were declared

Turnover for the Richards Bay-based aluminium producer improved to R776m (R501m), comprising sales of 111 231 tons (89 748 tons) of aluminum at an average realised price of R6 976/ton (R5 586/ton) over the relevant six-month period

Low operating costs at the company's Hillside smelter kept increases in unit costs below 1%

Chairman Fred Roux said Alusaf had begun to implement a retrenchment programme at Bayside, with the total workforce to be reduced 40% by the end of the financial year.

The programme would realise annual savings of about 10% of cash costs with effect from the 1997/98 financial year and improve the smelter's competitive position, he said.

During the review period, the net cost of the retrenchment programme — including voluntary retrenchment packages paid to 279 employees — had amounted to R16m

A sharp rise in long-term loans to R2bn (R485m) lifted net finance costs by R46m to R54m. Income before tax surged to R115m from R21m a year before, which resulted in a hefty jump in the tax bill to R38m (R4m).

Alusaf's new Hillside smelter contributed close to 50% of operating income, which rose to R158m (R19m). About half of production capacity of the new smelter had been started by December 22.

The Bayside smelter benefited from reduced power costs from July 30 last year when a 25-year power contract with Eskom became fully effective.

Government announced in November that the 16% import duty protection on primary aluminium products would be withdrawn with immediate effect. Roux said this would affect the prices which Alusaf would realise in the local market, but the action had been expected and had been taken into account in the group's plans and budget

Reduced primary aluminium consumption during the last quarter of 1995 increased LME stocks, which contributed to a slide in the three-month LME price from $1 900 to $1 600.

Roux predicted full-year attributable earnings of nearly R200m, despite lower LME prices. A dividend amounting to 40% of distributable earnings would be declared in June, he said.

Operation 'Save the Animals'

(189) ARG 22/2/96

Pictures BRENTON GEACH The Argus

HUNTING FOR ANIMALS Schoolchildren fan out, looking for animals that will have to be relocated before the building of the new Saldanha Bay mill can go ahead

Schoolchildren scour Saldanha steel mill site for little creatures

LINDSAY BARNES Staff Reporter

THIN clouds scudded across a pale sky and the sparse vegetation rocked gently in the wind as hundreds of school pupils set out on their mission to save the animals on the new site of the Saldanha Steel project

The vast stretches of veld were dappled with patches of red flowers and the flatness was broken in the distance by low koppies The silence of the morning belied the presence of a few hundred people their faces intent as they scoured the surface of the land for living treasures

Among them were Cindy Kaese and Shaleen Moodley, Std 9 pupils at Vredenburg High School Their goal to rescue tortoises lizards geckoes and the like from the site.

A sudden shriek of delight nearby heralded the first find by a group of youngsters A small creature which was carefully cornered was picked up and placed in a cardboard box for removal to higher safer ground

The rescue operation was being mounted on the 80 ha site a short drive from Saldanha Bay by 250 school pupils Their task was to remove small animals and reptiles from the land before earthworks started this week on the Saldanha steel mill's new site

LUCKY LIZARDS: Riaan Mouton cuddles the scaly lizards he has saved

The task was no mean feat as the creatures were adept at hiding and it was some time before a find was made

Spurred on by the success of other groups, Cindy and Shaleen scurried about, lifting up fronds and rocks in the hope of finding a life form to save

'I love animals, but if we find a snake I'm calling one of our teachers,' laughed Cindy, 16 In fact, only two harmless snakes were collected in the course of the day

Initially sceptical about the development of the steel mill, they have come to accept it

"The Saldanha Steel project is okay, but they must assure us that they are looking after the environment," said Sharleen, who is considering a career in marine biology – or possibly art, drama or psychology

Added Cindy "And this is a good start I was quite suspicious when Saldanha Steel came up with this project and I thought they would just destroy the ground they are to build on We all thought that "

"But, after they explained it to us, we wanted to go ahead with removing the animals," said Sharleen

"Well, we don t want cockroaches," her friend said after unearthing scores of the insects crawling under rocks

For 20 minutes they searched and finally, on the edge of a green belt, Shaleen announced her find and held it aloft with glee It was a tiny, beautifully-marked tortoise that had disappeared into its shell for protection from the strangers

"I love tortoises! ' She looked down at her muddied jeans and announced that the dirt didn't worry her "I rescued a tortoise so I feel like a hero," she said

By that stage, the school children had dispersed to all corners of the site and it was impossible to keep track of progress in general, although frequent whoops of joy announced another animal uncovered

Nearby, Kobus Gous and Riaan Mouton from Vredenburg High revealed a box with geckoes and lizards, while Elize Brandt and her crowd of friends from Weston Secondary had managed to collect about 10 small tortoises

Their delight was self evident.

"I feel happy, though this is the thanks I get," joked Sharleen as she looked at her dirtied jeans – two tortoises now in her box

IN HIDING This collection of tortoises was discovered by Elize Brandt and her friends in the West Coast strandveld where the Saldanha Steel mill will be built

Cindy had a small lizard in hers and, surprisingly, its tail was intact "It s been worth while If I find anything at all, it is worth it," she said

A short distance away Emelia Roode from the University of Stellenbosch s department of botany had her hands full with some maer manbol bulbs

' It's a lot of effort digging them up, but I have enjoyed it We have done a lot of good work here "

In the previous week, members of the Indigenous Bulb Growers' Association collected a fair amount of bulbs to be removed and replanted on the flats

"We've managed to conserve the vegetation on those two koppies," she said, pointing to the areas which were to be fenced off for their own protection Also found nearby was a colony of the rare aloe distans, which is to be saved

CT (BR) 22/2/96

Earnings at Alusaf quadrupled

(1897)

By Jon Beverley

Durban — The aluminium producer Alusaf has quadrupled earnings a share for the interim period to December because of new production capacity and savings from retrenching 279 workers

Turnover was up 54 percent to R776 million (R501 million) and operating income soared to R158 million (R19 million).

Taxed income surged to R77 million (R17 million) Earnings a share were 42,2c (11,6c) and 38,7c (10,5c) on a diluted basis

No dividend has been declared, but the directors said that attributable earnings were expected to be within 10 percent of the R200 million forecast in the annual report last year.

The directors expected to pay a dividend of 40 percent of attributable earnings in June They made the forecast against a lower aluminium price than expected earlier

Construction of the R5,05 billion Hillside smelter had been completed. The potrooms would be commissioned and design capacity achieved by mid-year

The older Bayside smelter had been upgraded at a cost of R263 million, R12 million below estimate, and commissioning should be complete by mid-year

The business renewal programme at this smelter aimed to reduce staff by 40 percent, which should reduce annual costs by 10 percent by the 1997-98 financial year

The group sold 111 231 tons of aluminium at an average price of R6 976 a ton from the 89 748 tons sold at R5 586 a ton in the previous year

Unit costs increased less than 1 percent because of the low operating costs of the new smelter About 50 percent of operating income came from the Hillside smelter

Aluminium consumption fell last year Market pessimism and falling world economies caused the price to drop from $1 900 a ton to $1 600, where the price appeared to have stabilised

The scrapping of the 16 percent import duty protection last November would affect local prices, but the group had already budgeted for the lower prices

Iscor to claim R100m for furnace losses

(189)

David McKay

BD 22/2/96

STEEL producer Iscor is to claim up to R100m from Dutch construction group Hoogovens and its insurers for the 1994 burnout at its Newcastle plant

Sources said yesterday negotiations were under way for an out of court settlement, but the group was prepared to go into court following the production losses which it had sustained

The Dutch group, which had relined the No 5 furnace at a cost of R149,2m prior to the burnout, said yesterday it had received no official notification from Iscor and so was not prepared to comment.

Iscor had originally said its claim for the burnout was for R427m, but the company has so far managed to secure only R100m

The steel producer said earlier this month that the R100m claim, was negotiated with a consortium of insurers led by Guardian National Insurance.

The claim will be reflected as an abnormal item for the second half of its financial year.

The group hopes to have the new claim finalised by June

David McKay

Soft international prices to affect Iscor earnings

(189) BD 26/2/96

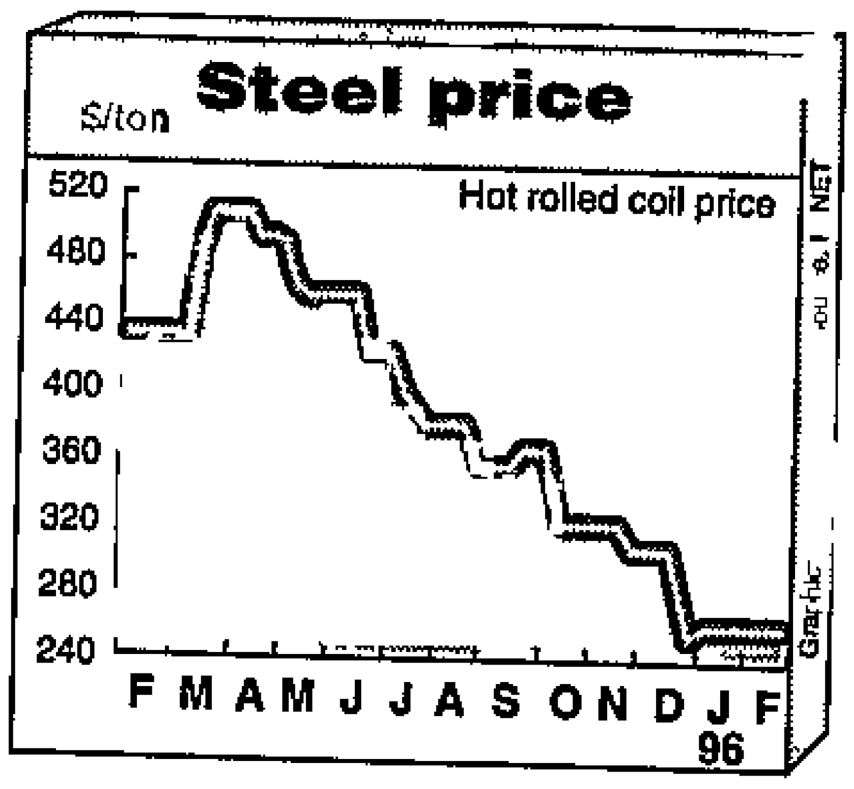
STEEL producer Iscor would post strong first half results, but would be hit in the second half by softer international prices, CE Hans Smith said at the weekend

The group, due to table half-year results to December, would turn in a "very satisfactory" performance for the first half, Smith said He refused to be drawn further on the figures, but market expectations ranged from 19c-24c a share, from 19,9c last year

Year-end forecasts ranged from 39c-44c a share against last year's 38,5c Smith said the international steel price had looked soggy in the past few months, which would knock the showing for the six months to June

Analysts said international steel prices had begun to soften as early as mid-1994 Flat product prices were about 20% lower by the fourth quarter of last year compared with mid-1994.'

Steel price declines on the international market would be mirrored by price declines on the local market, but for different reasons, analysts said. The large rise in steel imports was believed to be



weakening Iscor's local position, which in conjunction with the stable rand during the period would hit Iscor at the year end

Iscor's steel division would show signs of weaker performances in the six months to December, but the mining divison would bolster the bottom line Third party iron-ore and coal sales would be unaffected by the downturn in the steel market and, despite significant cuts in iron ore demand from China, Iscor's mining division would remain the cash-cow of the business

Iscor's R100m insurance payout on the Newcastle furnace burnout, taken as an exceptional item, would also boost second half earnings Analysts said the Iscor MacSteel venture, if approved by the Competition Board, would cut Iscor's steel trading costs by 50%, while world economies could improve The US could produce a 2% economic growth and signs of Japan's recovery would bolster the carbon steel price.

Iscor shares refound favour on the JSE last week amid suggestions that international steel prices could have bottomed and rand hedge stock gains late last week. They closed at 347c on Friday, against a year low of 305c earlier this month

Work on Saldanha Steel starts within a week — M&R boss

(189) BD 26/2/96

Samantha Sharpe

CAPE TOWN — Construction on Saldanha Steel is to start within a week when consulting engineers Murray & Roberts turn the first soil at the site of the controversial R6,8bn steel mill, executive chairman Bernard Smith said at the weekend.

The project was put on hold in September after Iscor pulled out of the joint venture because of "inordinate delays" over site rezoning permits.

However, the steel producer returned to the party late last year in a restructured deal, which brought with it a surge in funding requirements to R6,8bn from an original R4,6bn.

Smith said contracts worth about R1,7bn had been awarded to various parties "We have already signed contracts for the provision of hardware for the corex iron-making plant, along with contracts for the arc furnaces, the castor and rolling mills, and have ordered the air separation plant."

The Saldanha plant has twice the capacity of the existing corex plant at Iscor's Pretoria works and is only the fourth corex facility to be installed worldwide

"We are in the course now of negotiating lump-sum turnkey contracts with German-based Mannesman Demag and Voest Alpine of Austria," Smith said These should be finalised by the end of March

In terms of the lump-sum turnkey contracts, the two companies would be subcontracting to a large number of players, which, in the main, would be South African.

Smith said the construction process was expected to employ about 7 000 people While some critical items of equipment would be made offshore and international experts needed for their supervision, the majority of workers would be local.

"Once the plant is operating we will employ about 600 people," he said.

Insurance payout lifts Iscor's earnings

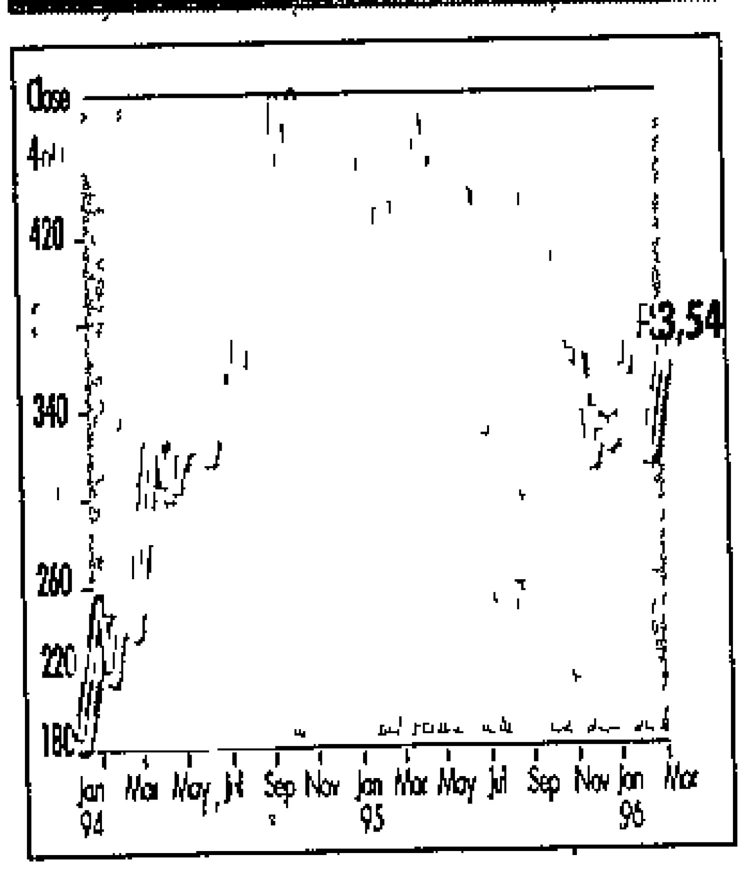
CT(BR) 27/2/96 (189)

By Ann Crotty

Johannesburg — Helped by the insurance settlement from the fire at Newcastle Works and interest receipts from last year's massive rights issue, Iscor has reported a 47 percent increase in earnings a share to 21,3c for the six months to end December last year from 14,5c in the same period of 1994

The advance in earnings a share was achieved on a 16 percent increase in the weighted number of shares in issue A cash dividend of 4c a share has been declared Shareholders can elect to take the share capitalisation award in the ratio of 1,27 new shares for every 100 ordinary shares held

Iscor, Daily Close



Group turnover was up 7,5 percent to R5,6 billion from R5,2 billion Income before tax surged 69 percent to R718 million from R425 million, which suggests an impressive improvement in margins — up to 12,8 percent from 8,1 percent in the 1994 period

However, the pre-tax income figure includes a number of unusual items such as the R100 million insurance award and R121 million in interest income If these are stripped out, the operating income increase at pre-tax level looks closer to 20 percent and the margin is nearer 9 percent

Also included in pre-tax income is a R47 million profit on the sale of an investment If all of these non-operational items are excluded from the earnings calculation, earnings a share would drop 3,9c to 17,4c which, would reflect a 20 percent advance on the 14,5c achieved in the first half of last financial year

Hans Smith, the executive chairman, referring to second-half performance, said "Due to the downswing in the commodity cycle, the group expects the results for the next six months to be lower than the corresponding figure of R494 million last year However, earnings a share for the full year should approximate those of the previous financial year."

Substandard stainless steel returned to SA

27/2/96 CT(BR) ~~27/2~~ (189)

By James Lamont

Johannesburg — European clients rejected thousands of tons of stainless steel from Columbus Stainless Steel's new R3,5 billion plant in Middelburg at the end of last year because the quality was not up to standard.

Columbus is jointly owned by Samancor, Highveld Steel and Vanadium, and the Industrial Development Corporation.

Laing Geldenhuys, the Columbus communications manager, confirmed yesterday that exports of 10 000 tons of slab material were sent back to South Africa "as a result of quality defects".

"There have been quality problems, some slabs have come back and now we are working on improvements."

He said the company had accepted the customers' complaints about surface defects. The surface of the slabs is being reground to remove the irregularities.

Geldenhuys said the orders for the stainless steel were being renegotiated, but he declined to reveal the identity of the customers.

A drop in the demand for stainless steel put the squeeze on Columbus in the second half of last year. Last year, world production grew by 14 percent while demand slipped.

Geldenhuys said he expected the market to balance in the second half of this year.

The news of Columbus's failure to meet quality standards concurs with reports of commissioning problems at the stainless steel plant.

Geldenhuys conceded that the company had had difficulties with its fuel plant, and hot and cold moulds, but argued that these were to be expected from a new plant.

He said the plant, which is one of the world's largest, would reach its production capacity of 600 000 tons of stainless steel in 1997.

Exceptional items lift Iscor earnings

BD 27/2/96 (189)

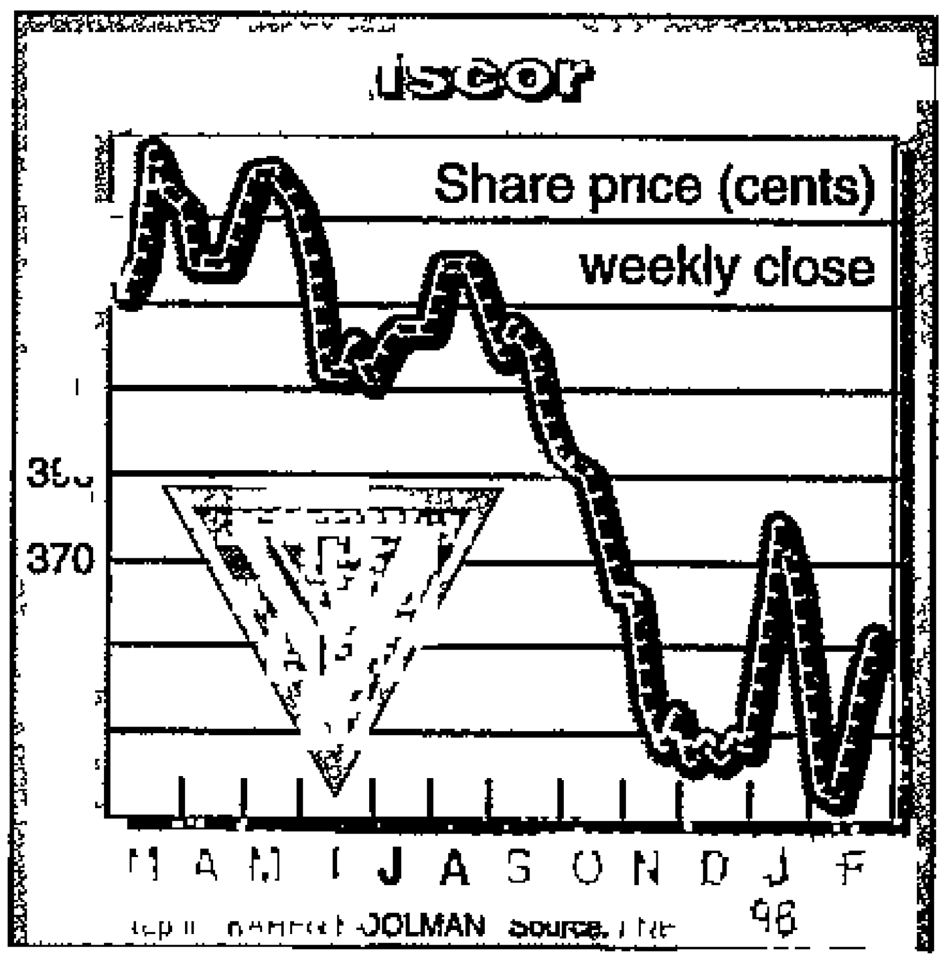
David McKay

STEEL producer Iscor lifted attributable earnings 71% to R501m for the six months to December after poor prices on the international steel market were offset by exceptional items, executive chairman Hans Smith said yesterday.

Earnings were boosted by an income amount of R65m after tax in respect of an insurance settlement for the blast furnace burn-through at the Newcastle works, a profit of R47m from the sale of Usko and a provision of R20m made against the investment in Rosh Pinah zinc mine in Namibia

Excluding these items, which are equivalent to 3,9c a share, attributable income reflected a 40% improvement over the previous year on turnover of R5,6bn (R5,2bn)

Earnings a share increased to 21,3c



(14,5c) and a dividend of 4,4c was maintained despite an increase in is-

Continued on Page 2

Iscor

(189) BD 27/2/96

Continued from Page 1

sued shares after the rights issue in March last year

The group has offered a capitalisation share award option

Smith said Iscor would embark on an authorised, but not contracted capital expenditure programme of R1,2bn for replacement of mining equipment over the next six years and a Vanderbijlpark works programme over the next two years

Iscor Steel MD Kevin Robertson said the insurance award for Newcastle works contributed to a 49% increase in operating income for Iscor's steel division The division also posted a moderate increase in turnover of R188m The division expected to begin commissioning of the Saldanha Steel project during the second half of 1998.

He said the joint venture with steel merchant Macsteel was still the subject of a Competition Board inquiry

Progress on the Pretoria Stainless Steel project is on schedule and commissioning would start in March 1996

Despite sustained sales volumes, Iscor Mining's operating profits fell 20% to R198m due to increased stripping activities at Sishen iron ore mine and the provision against Rosh Pinah mine, said MD Ben Alberts

However, the mining division increased turnover 25% to R1,6bn as a result of the inclusion of Iscor Refractories for the first time and price increases on all products, Alberts said

HIGHVELD STEEL
189

ANALYSTS DISAPPOINTED

FM 23/2/96

Perhaps their collective heads are in cloud-cuckoo-land but analysts are uniformly unimpressed with the preliminary

results for 1995 Seen against actual performance this may seem a strange response but the fact is that EPS of 218,6c fall a long way short of most predictions the lower end of analysts' forecasts was around 240c, so Highveld disappointed to the tune of about 20%

Unveiling the results, chairman Leslie Boyd must have been nonplussed when the attributable line of R200,8m — an improvement of 70% — earned a lukewarm response This half-hearted acknowledgment has its genesis in two areas

The first is that Boyd warned of "cracks in the domestic economy," a forthright signal that, in some circles at any rate, the recent local boom isn't considered likely to continue This statement was accompanied by a gloomy perception of world carbon and stainless steel markets These two factors led Boyd to say that "it is likely 1996 earnings will decline" — disheartening stuff

The second is that persistent rumours about difficulties in commissioning the giant Columbus Stainless Steel joint venture, in which Highveld holds a third share, were confirmed by Columbus CE Fred Boshoff, who says 10 000 t of slab material exported (understood principally to European customers) was returned in the half-year because of quality problems. The surface of these slabs is being ground to remove irregularities.

Commissioning a project this big inevitably attracts problems Unfortunately, Columbus's track record was so impressive for so long as to be almost magical It proved an impossible act to maintain but when news of problems seeped into the market many investors complained of difficulties in offloading Highveld stock at "reasonable" prices

Whether this is fair is immaterial: what it did was add to a growing concern This highlights an important contradiction in perceptions about the world stainless steel market. Production grew at 14% in 1995 but demand by only 7% While this strong disparity restores balance it also gives buyers a heaven-sent opportunity to bash suppliers.

COMMISSIONS COUNT

Year to December 31	1994	1995
Turnover (Rm)	2 138	[illegible]
Operating income (Rm)	151	[illegible]
Attributable (Rm)	118	201
Earnings (c)	131,2	218,6
Dividends (c)	60	90

They did, as stock replenishment programmes were completed, buyers became progressively less eager and prices floundered This pattern was emphasised when the Chinese, the biggest Pacific Rim buyers, throttled back on steel imports a year ago These developments emboldens buyers who become tough — any small discrepancy can be seized on as an excuse to delay or defer (or return?) material Columbus's bad luck may have been to have emerged into a toughening environment

None of this means this situation will persist Some respected analysts believe pessimism about base metal (and stainless steel) demand and price patterns has been overdone They expect growth and price increases to resume by the third quarter This isn't a view shared by Highveld's managers

Highveld's major area of earnings is still carbon steel and vanadium (though within a few years Columbus could account for as much as 40% of the bottom line) In 1995, this provided 54% of turnover and R100m operating income

An important development is that Highveld's move to suspend sales of vanadium slag to China in mid-1994, accompanied by its integrated advance to ferrovanadium production, means SA will soon develop an unassailable position as the supplier of first rank In the short term, the effect is to underpin the price of vanadium pentoxide, probably unlikely now to fall below US$3/lb

As you would expect, the balance sheet reflects the strains of the huge Columbus financing requirement Boyd says Highveld's share of Columbus stands in at R1,085bn, of which R524m was sourced from internal cash flow The other R561m came from export credit finance This takes net borrowings to R669m, a debt equity ratio of 44%, demanding in any business

It is noticeable that 1994's R229m cash and near cash has been turned into net short-term borrowings of R56m This explains the decision to continue with the policy of capitalisation shares as an alternative to a cash dividend (the interim and final this year will absorb R83m)

With the share at a 12-month low of R24 and an historic p e of 7,4, the correction may have been overdone This is emphasised by the possibility of a recovery in stainless steel demand and price growth in the second half It is time to be thoughtful, not hasty *David Gleason*

ALUSAF (189)

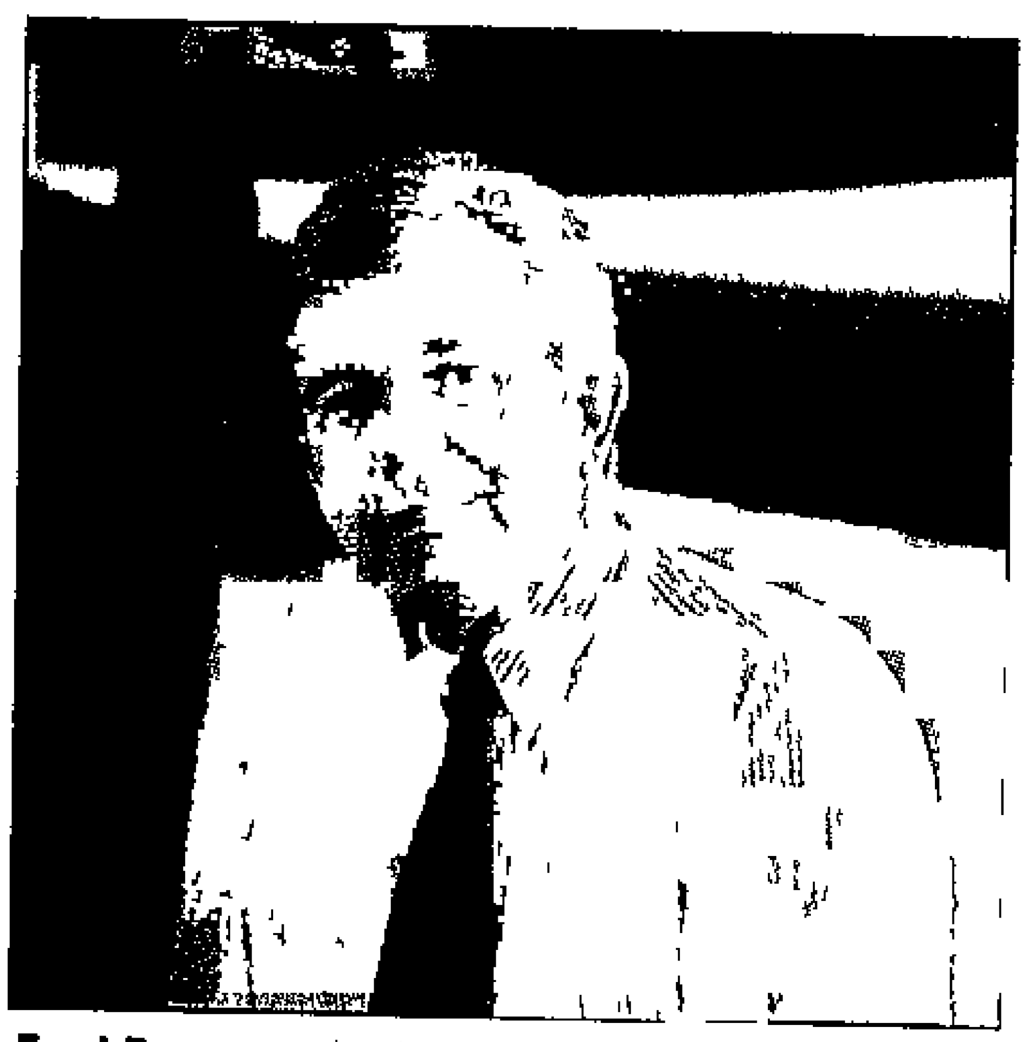
STAGE FRIGHT

FM 1/3/96

After the latest interims were published, the next question is when the unlisted Richards Bay aluminium producer will be brought to the boards

It won't, not if Gencor chairman Brian Gilbertson has his way His problem (preference?) is that he wants to devote as much as possible of the free cash flow arising from operations to the Gencor centre Listing a potentially huge cash generator like Alusaf would be self-defeating

However, other shareholders include the Industrial Development Corporation (IDC) which has a 36% stake Since the IDC is tasked to stimulate new projects and then to withdraw, injecting its profits into other new schemes, a logical extension of this philosophy is for Alusaf to be listed using the IDC's stock for public purchase



Fred Roux looking at partners for Maputo project

Gilbertson's reaction, particularly since the Hillside development has been shown to be so conspicuously successful, will probably be to buy the IDC's holding for Gencor but that, of course, defeats the objective of spreading ownership across a wide spectrum

Meanwhile, Alusaf's dramatic Hillside development project, the newest world-class smelter to be brought on-stream recently, is reaching completion substantially ahead of the original schedule It is also costing R1,4bn less than originally estimated, because the timing favoured it — it was constructed over the very period that metallurgical plant engineers experienced a severe downturn in their order books

Turnover for the six months rose 55% to R776m, reflecting the steady build-up in sales as the first smelter was brought on-stream And the operating margin leapt to 20% though a high interest bill of R54m had an immediate impact on pre-tax income Nevertheless, the outcome was EPS of 42,2c and it is expected that, despite the recent downturn in aluminium prices, the company will return distributable earnings of about R180m (probably EPS of about 112c undiluted) for financial 1996

The balance sheet reflects the strains of financing a capital project of this magnitude long-term borrowings, excluding a R300m convertible loan from Eskom, total R2bn Short-term loans stand in at R203m and the total of R2,2bn reflects a gearing against shareholders' funds of 59% This is high but will clearly be reduced swiftly as the smelter reaches full production, expected by July at about 480 000 t a year

Meanwhile, Alusaf has launched a full-scale feasibility study into the erection of another smelter, probably similar to Hillside, in Mozambique The trigger for this development is the ability to make use of hydro power generated by the Cahora Bassa station on the Zambezi, all of which is sold to Eskom

If it is decided to proceed, the first phase of the project is expected to cost about R4bn And chairman Fred Roux confirms Alusaf will undertake the scheme in partnership with another international aluminium producer though no decision has yet been made It is know, for instance, that Kaiser & Reynolds already expressed interest in Mozambique as a potential smelter site

This raises another possibility in relation to Alusaf's future status as an unlisted public company An alternative could be to extract all the worldwide aluminium assets held by Gencor subsidiary Billiton, roll Alusaf into this new company and then list the enlarged entity on the London, New York and Johannesburg exchanges

These developments underline the subcontinent's potential to become a major player in the world league of aluminium producers *David Gleason*

ISCOR (789)

PATIENCE NEEDED

FM 1/3/96

Iscor's interim results could be interpreted as a warning not to lose sight of fundamentals during swings in commodity cycles Counterbalancing factors such as improved efficiencies can be overlooked

In the face of slumping international steel markets, Iscor reported an increase of 40% in attributable income — excluding exceptional items — for the six months to December. Executive chairman Hans Smith predicts second-half earnings will soften but believes full-year income will hold at last year's level

Assuming some conservatism is built into this outlook and taking account of the weaker rand, market forecasts of full-year growth in EPS of 15%-20% could still be within reach

The *FM* has argued that Iscor remains attractive on a long-term view (*Leading Articles* February 2) Since then, the rand has depreciated about 5,5% against the dollar, it is down about 8% on the average level of 1995 Iscor is a major exporter of steel, iron ore and coal A lower exchange rate will help compensate for weaker product prices

There are still unanswered questions about the R65m insurance settlement that appears as an exceptional item — the original claim for a furnace burnout was for R400m and only R100m was paid out

The share price has given investors a bumpy ride recently From an eight-year high of 500c in September 1994, it

FOX 113

bounced along between 400c-500c until last October, when it dropped below 400c After reaching a 12-month low of 305c last November, it recovered sharply in January and almost touched 400c before again dropping towards R3, after a short rally, it closed at 354c on Tuesday

Other commodities companies have experienced the cold shoulder from a nervous market as their product prices plunged, Polifin (see page 114) and Sappi among them Iscor's price may not do much until there is more confidence in export markets or it becomes clear domestic demand can continue to expand

At 9,2, its p e is the highest in the sector but the long-term investment potential remains intact *Margaret-Anne Halse*

SA producers face a 10% cut in ferrochrome prices

(189) BD 18/3/96

David McKay

SA FERROCHROME producers face a cut of up to 10% on prices to Japan for the second quarter, leaving prices nearly 25% down on their level at the end of last year

Market leader Samancor, Consolidated Metallurgical Industries and recent entrant Chromecorp said at the weekend that overproduction of stainless steel — ferrochrome's main market — continued to put pressure on prices

Samancor, which drew 60% of its R1,9bn turnover for the six months to December from chrome sales, said it did not expect SA producers would be forced to cut output But CMI — which with Chromecorp is wholly dependent on ferrochrome — said it would trim output

Chromecorp would escape the cutback, but only because it had decided to defer the expansion of its Iscor-dedicated smelter

Japanese traders quoted by Reuter last week said prices could ·· to $0,57c/lb to $0,60c/lb for the second quarter, against the $0,63c/lb to $0,65c/lb levels set in the first quarter The price fell 16% from the level in the three months to December last year.

CMI MD Zach van der Walt said overproduction of stainless steel last year had led to an inventory correction by leading stainless steel producers, which would knock the ferrochrome market

"Ferrochrome prices are definitely under pressure as the market reacts to the downturn in the stainless production market"

The company was reducing volumes, though this would allow time for maintenance on facilities which had been operating at full tilt throughout the year, he said

Chromecorp chairman John Vorster said a 10% cut in export prices to Japan was a realistic estimate for the second quarter

The Japanese market represented 14% of its export volumes

The company had ridden a sharp jump in prices last year to lift attributable income to R129,6m for the year to December from just R19,4m previously on sales of R610,2m (R278,5m)

Samancor said it was still too early to predict the extent of the price cut, and that its negotiations with the Japanese would not begin until next month

But the market was under pressure, chrome division GM Wilrich Schroeder said The destocking by the world's stainless steel producers was timed to balance the market

The company, which exports 25% of its ferrochrome production to the Far East including Japan, doubled earnings for the six months to December to R306m, underpinned by higher prices

Global ferrochrome production rose 9% last year, inspired by a 10% increase in world-wide stainless steel production to 15,2-million tons

London Metal Exchange spot prices put the high point for ferrochrome at $0,76/lb in December last year, up 84% on the start of the year Friday's trading closed at $0,65c/lb

Samancor cuts prices for Japan

David McKay (189) BD 19/3/96

FERROALLOYS producer Samancor had slashed export prices for ferro-silico manganese to Japan by $60 to $690 a ton as the European carbon steel market continued to ebb, manganese division, GM Richard Linnell said yesterday

However, there were expectations the Japanese would demand a further price discount of between $20 to $30 a ton for ferro-silico manganese in future

Linnell said growth in the market could witness a resurgence for the concentrate which was used in the production of carbon steels The market for flat products in the US had started to show some encouraging growth signs, and a 1,5% to 2% annual carbon steel growth in world demand was predicted

Samancor had secured prices of $740 a ton in exports to Japan for the January-March period, but the market appeared to have turned by April-June It was difficult to gauge ferro-silico manganese price movements because they were not negotiated on a quarterly basis "The customer base for the concentrate is much wider than for ferrochrome as mini-mills, foundries and large steel makers all show an interest in the concentrate," Linnell said

Therefore, a set pattern of negotiations was impossible

SA ferrochrome producers were also expected to cut export prices to Japan in the next few months as the production of stainless steel, in which a yearly global growth rate of up to 4% was predicted, was reduced

Tariffs victory for Tongaat-Hulett

(189)

Nicola Jenvey

BD 19/3/96

DURBAN — Government cleared the way yesterday for Tongaat-Hulett's R2,5bn aluminium plant, after bowing to the company's threat to scrap the plans unless its demands were met

The Board on Tariffs and Trade said import tariffs on aluminium products would be phased out far more slowly than originally proposed, in line with Tongaat's proposals

Tongaat, which has been threatening to scrap the plant since last year, said it was delighted by the board's climbdown Planning for the Maritzburg plant had not been affected

The board's decision represents a significant victory for industry

Tongaat parent Anglo American Industrial Corporation — which was behind Tongaat's scrapping threat — has also threatened to halt investment by subsidiary Mondi unless government gives in on other tariff plans

Board chairman Nic Swart said the decision had been swung by the size of the investment, its level of productivity and its effect on downstream industry.

See Page 14

9 1996

Hulett expansion set to be approved

(189) BD 19/3/96

Nicola Jenvey

DURBAN — Tongaat-Hulett is likely to approve its R2,5bn aluminium expansion plan later this week, following revised tariff proposals from the Board on Tariffs and Trade

The group said yesterday it hoped to make the board decision on Friday, and was confident project partners — Anglo American Industrial Corporation and the Industrial Development Corporation — would back the plan

Tongaat-Hulett had called on the board last year for an aluminium tariff restructuring above the board's own plans, warning that the plant would not go ahead without its requirements being met

The board said yesterday that the tariff reduction phase-down period was effectively extended until the mill reached capacity and its new technology was at internationally competitive levels

Board chairman Nic Swart said yesterday that expansion of a project of this magnitude was vital for growth and development of the aluminium industry — particularly downstream industries

"The board took cognisance of the measures Hulett Aluminium intends to take to increase productivity and to facilitate and actively promote the development and growth of the downstream industries," he said

Tariff protection on aluminium plates, sheets, strip and foil — the products essentially to be manufactured at the new plant — would therefore be 14% in November 1998, 13% in 2001, 12% in 2002 and 10% in 2003

This compared to the board's original proposal of scaling down the import duties from 12% in November 1996 to 5% in 1999

Swart said the requested tariff protection ensured the viability of the rolling mill and was justified with the exception of the duty on slugs for impact extrusion

He said Hulett Aluminium did not experience a need for tariff protection on this product, as slugs were not closely related to the expansion project

Approval

The Maritzburg project was approved in principle in February 1995 with final approval subject to the resolution of various outstanding issues including tariffs and an aluminium supply agreement with Alusaf

This agreement was reached in December

The project is set to increase Hulett Aluminium's annual rolled products capacity to 150 000 tons by 2003 from the current 50 000 tons The plant would come on stream in 1999

"Although the approval has been delayed, project planning has continued and there will be little impact on the overall project timetable as established in November last year," group MD Cedric Savage said

Manuel's softened stance on tariff reduction 'no return to protection'

(189) BD 22/3/96

Tim Cohen

CAPE TOWN — Trade and Industry Minister Trevor Manuel has indicated a softening of his stance in favour of rapid tariff reductions, but denied the recent decision to allow slower tariff reductions on aluminium imports than originally planned constituted a return to "protection on demand".

In an interview this week, Manuel also rejected the central tenets of the SA Foundation's Growth for All strategy, predicting the foundation's finding that the SA economy could not grow by more that 3% without major changes would be proved wrong.

The aluminium decision was made in response to statements by Tongaat-Hulett that it would not build a R2,5bn plant unless protection policy was enhanced He indicated that his approach had never been explicitly to reduce tariffs faster than the rate agreed under GATT simply for the sake of doing so

Rather, the intention was to set targets faster than GATT, but structure into agreements mid-term reviews.

"What we have to do is deal with the problem of attitudes," he said. Industries were being encouraged to make the kinds of investments that would enable improved efficiencies to be achieved sooner rather then later.

By encouraging changes in attitude by emphasising quick tariff reductions, industries would not be forced to make the necessary changes when it came to "down to the wire" By structuring in mid-term reviews, it would be possible to allow "escape hatches" if the industry concerned demonstrated it was having trouble effecting changes

Manuel denied the recent decision by the Board on Tariffs and Trade on the Tongaat-Hulett plant was inconsistent with this approach, saying it was in line with GATT provisions and could spawn downstream producers

Manuel said the SA Foundation Growth for All strategy made a contribution "from a particular perspective", but he said the foundation's call for "massive" cuts in the deficit was a textbook rather than a practical approach to the problem

However, Manuel said he was keen to maintain an open door approach to discussions on policy questions.

He complained bitterly about the role industry associations played in SA, saying they saw themselves as being mainly lobbying groups

On negotiations with the EU, he was confident the council of ministers would provide a mandate for negotiations. But he feared the mandate provided by the member states would be unrecognisable from that proposed by the commission

Hulett plans R2,4bn investment

(189) AAG 23/3/96

THE Tongaat-Hulett board has given the final approval for the R2,4-billion Hulett-Aluminium investment in Pietermaritzburg, following the government's decision to extend tariff protection on certain aluminium products

A statement yesterday said the final preparations for the expansion of the company's rolled products operation would begin immediately

The announcement follows the approval earlier of an extension to the phasing-out of tariffs on aluminium plates, sheets, strips and foil

The Board of Tariffs and Trade accepted Tongaat-Hulett's request for the re-evaluation of the tariff system, and announced duties of 14 percent for the next three and a half years, 13 percent up to November 2002, 12 percent until November 2003 and 10 percent from November 2003

"The government must be congratulated for taking decisions to ensure sufficient certainty to convince the shareholders that they can commit capital for major developments which will lead to returns in future years," Tongaat-Hulett chairman Chris Saunders said

The expansion was expected to increase the plant's rolled capacity from 50 000 tons a year to 150 000 tons a year, and would include hot and cold mill lines, and a remelt and recycling facility

"This is an important point in the development of the South African aluminium industry, unleasing major resources for the strategic process of downstream growth," Tongaat-Hulett managing director Cedric Savage said

Tongaat-Hulett's partners in the venture – the Industrial Development Corporation and Anglo American Industrial Corporation – have endorsed the board's decision to go ahead with the project

Amic would hold a 20 percent stake in the new company and the IDC 30 percent

IDC general manager Jan de Bruyn said the IDC's participation underlined the importance with which it viewed the aluminium industry

"The project will enhance the potential to create new businesses and employment opportunities downstream of Hulett-Aluminium," he said

Hulett-Aluminium would continue to be managed by Tongaat-Hulett

The project – expected to create 1400 jobs during the construction and installation phases – would come on stream in 1999 and reach capacity by 2003 – Sapa

Tongaat gives R2,4bn plant its green light

(189) ST(BT) 24/3/96

By JULIE WALKER and MARCIA KLEIN

INVESTORS in the R2,4-billion expansion of Tongaat-Hulett's aluminium products plant in Maritzburg say the project will add R1,5-billion to GDP and generate R800-million worth of export earnings a year when fully commissioned in 2003

Tongaat gave the project the green light on Friday following the Board on Tariffs and Trade's announcement earlier this week that it had decided to phase out import tariffs on aluminium products more slowly than originally planned

Tongaat, the Industrial Development Corporation and Anglo American Industrial Corporation (which also owns 43,5% of Tongaat) are 50-30-20 partners in the project to treble production at the Maritzburg plant to 150 000 tons a year

Its products include kitchen foil, beverage cans and thicker plate for vehicles, railways and boats

The project will commission R1,4-billion worth of goods and services domestically, with the balance from abroad

Hulett Aluminium had applied for additional tariff protection on certain products, saying its expansion project would otherwise not be feasible

The board said it found that the expansion of this project "is vital for the development and growth of the aluminium industry, particularly downstream industries", and "that the requested tariff protection is justified".

Certain business interests have said the board's move reflects the government's willingness to be flexible and facilitate development projects which will lead to broader economic growth

Alwyn Kraamwinkel, the board's chief director industrial promotion, says ordinary customs duties on specific products "may be increased in cases where it can be shown that the increase would in fact contribute to industrial development which will be in accordance with the national economic objectives"

An industry source says the government's action rests within the broad parameters of its commitment to the World Trade Organisation

But he adds that if the government asks business to comply with lowering of duties and tariffs, it has to play its part and administer customs and excise effectively otherwise business is disadvantaged by having to compete against grey imports

Business sources say there are a number of major capital projects, previously put on hold because of uncertainty over tariff protection, which may now be under consideration

Cedric Savage, Tongaat's managing director, says that the Maritzburg plant will be world class Raw material will be supplied from Alusaf's new Bayside aluminium smelter at Richards Bay at competitive prices The two parties recently agreed on terms for a daily aluminium supply of R2-million

Around 1 400 construction and engineering jobs will be provided by construction at the Camps Drift site with work for another 200 in transport, cleaning, maintenance, catering and so on Construction is due to start in the last quarter of 1996

The plant will be state of the art; equipment and technology are ahead of the most stringent international environmental standards

Downstream industries involving further processing of aluminium should expand, says Mr Savage, because products will be able to compete in the export market

Jan de Bruyn, general manager at the IDC, says the whole aluminium business is being studied to identify and eliminate problems that could inhibit downstream growth

Hulett Aluminium is Tongaat's second major investment this year Earlier this month, construction of Tongaat's R600-million starch and glucose project at Kliprivier, Gauteng, got under way

Hulett gives aluminium plan the go-ahead

(189) BD 25/3/96

Nicola Jenvey

DURBAN — Tongaat-Hulett gave the go-ahead for its R2,5bn aluminium expansion plan on Friday, after government's rethink on import tariffs.

The group said preparations for the rolling mill expansion would now move into top gear. Long lead-time equipment contracts totalling more than R500m would be placed shortly and major construction contracts would be placed by October.

The project, which would employ about 1 400 during its construction and installation phase, was due on stream in 1999, lifting Hulett Aluminium's rolled products capacity threefold to 150 000 tons by 2003.

Project partners Industrial Development Corporation (30%) and Anglo American Industrial Corporation (20%) endorsed Tongaat's decision.

IDC GM Jan de Bruyn said the corporation was working to eliminate anything which could inhibit the growth of new downstream business.

Hulett Aluminium MD-designate Peter Staude said the beverage industry presented a key growth market.

HIGHVELD STEEL & VANADIUM

SILVER LININGS AMID GLOOM

(189) FM ~~29/4/96~~ 29/3/96

ACTIVITIES. *Operates integrated iron and steel works, produces vanadium and manganese alloys as well as ferrovanadium and ferro-silicons Manufactures drums, pails crown closure and cans Owns one-third share in Columbus Stainless Steel*

CONTROL *Amic 52%*

CHAIRMAN *L Boyd MD T E Jones*

CAPITAL STRUCTURE *92,8m ords Market capitalisation R2,1bn*

SHARE MARKET· *Price 2 250c Yields 4,0% on dividend, 14,5% on earnings, p e ratio, 6,9, cover, 3,6 12-month high, 3 575c, low, 2 175c Trading volume last quarter, 3,1m shares*

Year to December 31	'92	'93	'94	'95
ST debt (Rm)	126	185	258	166
LT debt (Rm)	—	276	717	746
Debt equity ratio	—	0,02	0,37	0,51
Shareholders' interest	0,54	0,54	0,43	0,44
Return on cap (%)	1,0	2,0	4,1	6,9
Turnover (Rbn)	1,49	1,69	2,14	2,54
Pre-int profit (Rm)	20	52	126	245
Pre-int margin (%)	1,0	3,1	5,9	10,0
Earnings (c)	80	144	131	219
Dividends (c)	45	50	60	90
Tangible NAV (c)	1 246	1 354	1 455	1 674

For the first time in years, forecasting Highveld Steel's earnings a year ahead is giving analysts a headache Usually, Anglo American's steel and base metals producer, locked as it is into solid, predictable sectors doesn't offer many imponderables Not this time

Over 1996, an array of contradictory possibilities opens the way for an unusually wide disparity in the way analysts believe Highveld's short-term fortunes will develop These conundrums have their origin in the way Highveld has performed this year

It did quite well, actually Not many companies are able to report a virtual doubling in operating income (to R245m from 1994's R126m) on a rise of only 19% in turnover It shows how sensitive Highveld is to even modest price increases which report emphatically on margins

Leslie Boyd

The pre-interest margin also nearly doubled and 1995 reflects real health of 10%, a far cry from the 1% of 1992 Tax rose sharply to R61m but even so the attributable line glows with R201m, an increase of 70%

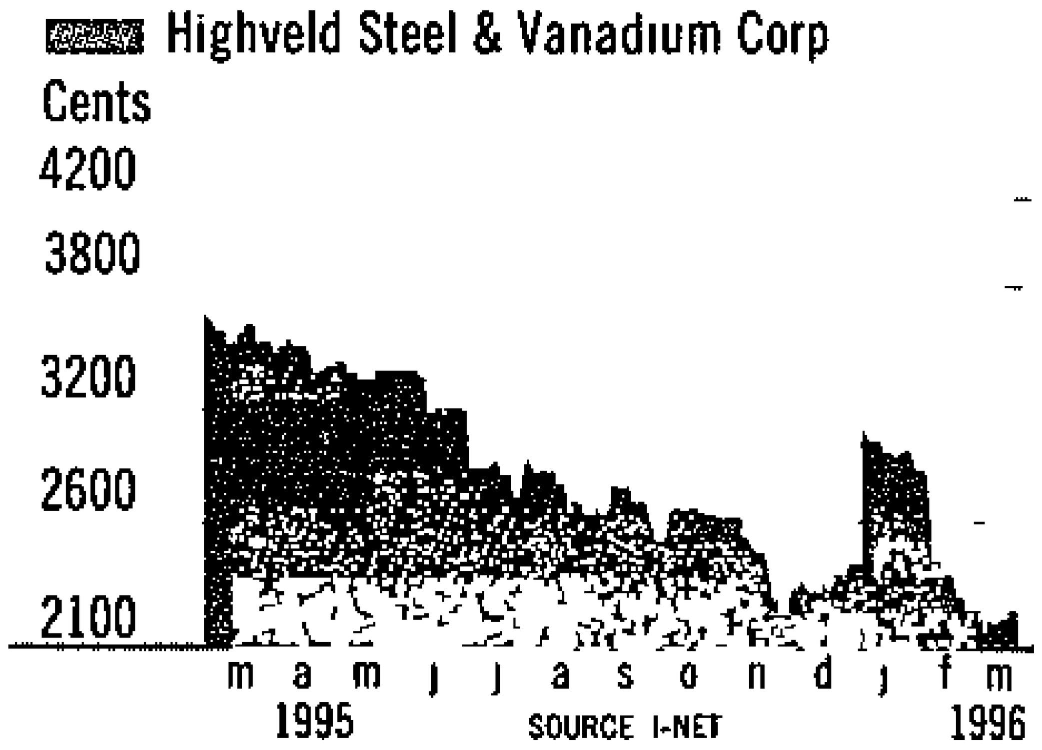
Unfortunately — though understandably given Highveld's need to bear its share of the financing attached to the Columbus Stainless Steel joint venture — the balance sheet doesn't look so rosy

The role of shareholders in financing the business has fallen appreciably and net borrowings relative to equity has risen above 50% for the first time In a company this size and with this cash generation potential, especially as Columbus's contribution increases, this isn't a concern but does need watching

None of this, however, justifies a share price (R22,50) close to the low for the past 12 months, and far from the high of R35,75 The impact is profound on slightly increased shares in issue, Highveld's market cap of R2,1bn is R1bn lower (32%) than when the *FM* reviewed the company in April last year It deserves a better rating, but the market's distance isn't without cause

The debit side of the ledger is concentrated in falling commodity prices and commissioning difficulties at Columbus

In both stainless and carbon steels, over-supply — and lower prices — have hit producers in recent months Highveld chairman Leslie Boyd doesn't skirt around the issue "The uncertainties in the carbon and stainless steel markets mean that it is not possible to forecast with any degree of confidence nevertheless, it is likely 1996 earnings will decline"



As it turns out, the huge increase in demand, especially for stainless late last year as major buyers moved to restock, ran out of steam in the last quarter This exacerbated the effects of an earlier withdrawal by China, the world's biggest importer, as it put the brakes on its overheating economic growth phase

Boyd, along with many others, is looking at the short-term future from the perspective of a sudden, and trenchant, downturn in demand and prices He can be excused for alarm for example, stainless has fallen from US$2 800/t to below $2 000/t Running contrary to this gloom, though, some noted commodity analysts say the destocking is virtually ended and buyers will return over the next six months If they are right, then Highveld's 1996 prospects will look much brighter

Highveld's good news is that its repositioning in vanadium is still paying big dividends What the company has done is to limit its exports of vanadium-bearing slag and concentrate on moving up the curve to make more ferrovanadium itself Another way of expressing this is to say that European and Asian production capacity is being relocated to SA

That brings better control over the supply/demand equation and already there are indications the vanadium price is beginning to inch upwards again Since vanadium is Highveld's truly wild card, with the ability to profoundly influence results, this is unusually important

Finally, analysts comment approvingly on what they say is a noticeably changed attitude and approach by Highveld's senior management "There is evidence of vigorous attention to the company's focus," says a broker "The company is repositioning itself and addressing its markets more closely"

With the counter standing on a low p e of less than seven, it seems possible that the scaling down by many brokers of earnings forecasts has been overdone If so, the share offers attractive possibilities *David Gleason*

CHEMICAL SERVICES

29/3/96

RECIPE FOR CONSISTENCY

FM 29/4/96

A steady climb in share price during the past year confirms the high rating of Chemical Services (Chemserve) At 960c, it is just off a 12-month high of R10, after a 10-for-1 split in January In the volatile atmosphere of the chemical sector, such consistency deserves mention

- **ACTIVITIES** *Manufactures and distributes raw and speciality chemicals*
- **CONTROL** *AECI 66%*
- **CHAIRMAN** *M Sander MD L van Vught*
- **CAPITAL STRUCTURE** *64,6m ords Market capitalisation R620,2m*
- **SHARE MARKET:** *Price 960c Yields 2,2% on dividend, 7,0% on earnings, p e ratio, 14,3, cover, 3,2 12-month high, 1 000c, low, 670c Trading volume last quarter, 216 302 shares*

Year to December 31	'92	'93	'94	'95
ST debt (Rm)	20,0	46,8	36,0	61,1
LT debt (Rm)	6,7	24,4	26,7	6,8
Debt equity ratio	0,05	0,21	0,35	0,30
Shareholders' interest	0,51	0,39	0,40	0,42
Int & leasing cover	8,0	10,4	9,4	8,5
Return on cap (%)	16,8	16,8	17,6	19,3
Turnover (Rm)	437,5	601,9	742,4	899,6
Pre-int profit (Rm)	34,5	52,6	62,8	77,6
Pre-int margin (%)	9,0	9,7	9,5	9,8
Earnings (c)	27	40	51	67
Dividends (c)	14	16	18	21
Tangible NAV (c)	189	203	233	276

Chemserve differs from its stablemates in two key ways Its diverse activities in the manufacture and trading of speciality chemicals tend to limit its exposure to the cyclical swings that bedevil commodities producers

And its licence agreements with international companies, which constrain exports, have steered expansionary ambitions horizontally, into exploiting diverse niche markets for speciality chemicals in southern Africa

Though 1995 produced solid gains — turnover up 21% and EPS up 33% — sales volumes flattened out in the fourth quarter MD Lex van Vught says these were in line with global sales levels, but growing expenses keep margins under pressure He will be happy if the current operating margin of 9,8% — hoisted from 9,5% last year — can be maintained in 1996

Other threats to income are looming Raw material prices are likely to rise this year, due partly to a mooted upturn in some commodity chemical cycles and partly to the weakened rand

As the group imports about 50% of its raw materials, working capital levels may rise But a healthy balance sheet has the capacity to absorb it, gearing stands at 35% However, Van Vught says chemical prices are unlikely to reach mid-1995 levels and a smaller increase can be safely passed on to the market

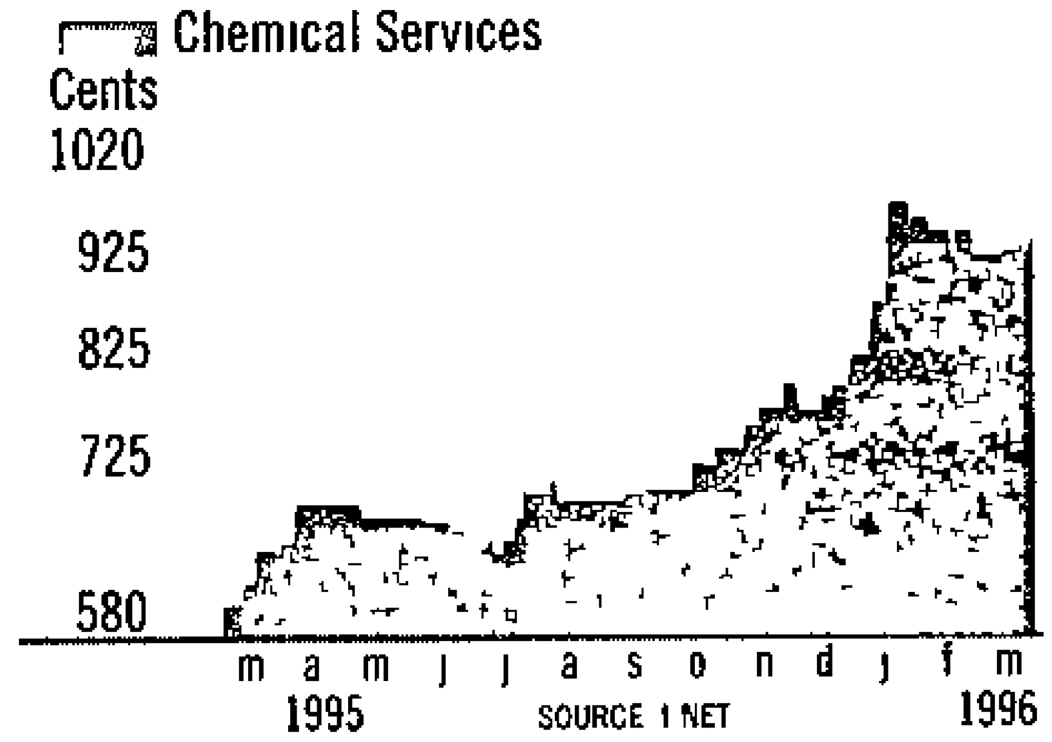
A declining rand traditionally carries benefits for Chemserve "The markets expect prices to rise when the currency weakens, and inflated sales revenue boosts the gross contribution," says Van Vught

Higher-priced imports also reduce competitive pressures on local manufacturers As 49% of revenue comes from manufacturing, every little bit helps

Management predicts a soft first half after a slow start, but a stronger second half is on the cards as the benefits of earlier rationalisations and cost-cutting come through Van Vught also hopes that by then, "input cost pressures will be alleviated" by higher selling prices

A further source of revenue could be another acquisition, due to be finalised around April Van Vught says the target is a manufacturing business and would cost about R20m, but further than that he cannot go at this stage Dividend cover of 3,2 is aimed at building the war chest for further expansion and diversification

The share split has seen an increase in both the number of transactions and the number of smaller shareholders So affordability has been achieved, says Van Vught, but it is too soon to tell whether liquidity has improved The p e of 14,3 is fairly demanding for the sector but a bright track record makes this an attractive counter *Margaret-Anne Halse*



KETTER GRANITE

29/3/96

IN FAMILY HANDS

FM 29/4/96

Despite a rights issue, this company continues to exhibit financial difficulties Ketter raised R7,1m in March last year, enough on the face of it to resolve its liquidity problems Unfortunately, it wasn't

- **ACTIVITIES** *Granite mining and exporting*
- **CONTROL** *Vandorra International (Netherlands)*
- **CHAIRMAN** *J Kaszirer MD O G Porat*
- **CAPITAL STRUCTURE** *53,1m ords Market capitalisation R29,2m*
- **SHARE MARKET** *Price 55c Yields n/a on dividend, 13,8% on earnings, p e ratio, 7,2 12-month high, 70c, low, 45c Trading volume last quarter, 554 000 shares*

Year to September 30	†'94	'95
ST debt (Rm)	7,9	6,4
LT debt (Rm)	7,1	7,9
Turnover (Rm)	*14,9	26,7
Operating profit (Rm)	4,1	6,1
Earnings (c)	7,3	7,6

*Re-stated without explanation 1994 report claimed R17,6m † Only two years figures given as radical change in business after 1993 nullifies comparisons

Substantial investments in new equipment drained the inflow, at year-end Ketter is no better founded financially than a year earlier Shareholders' equity has risen R10,5m to R33m, but long-term liabilities are up at R7,9m (1994 R7,1m) though the overdraft has improved R1,2m to R4,7m

That is more than balanced by a generous decline in creditors to R4,5m and a notable increase in debtors to R9,8m, better than double last year's position

On the other hand, the income statement reflects the improvement in demand and prices Turnover nearly doubled to R26,7m and operating income rose to R3,7m despite a doubling in finance charges to R2,4m Attributable, in the absence of tax, was up 54%

Despite this — and as though confirming the underlying difficulties — the dividend was passed

All this serves to underline the problems facing the granite industry A

Boost for backyard industries

(189) ~~190~~

By Patrick Phosa

Star 29/3/96

A move to bring backyard steel manufacturers into the mainstream economy has been launched by the National Informal Steel Development Association (NISDA).

The aim is to mould them into formidable cohesive manufacturing units as part of the association's campaign to establish provincial branches.

NISDA national co-ordinator Moses Simelane said the campaign had been made possible by a grant of R100 000 from the South African Iron and Steel Institute

He said that because they could work as co-operatives manufacturers could gain contracts to manufacture steel window and door frames for low-cost housing.

South African Iron and steel Institute spokesman Johan De Wet said his organisation was prepared to offer training in basic welding and to offer bursaries.

HULETTS ALUMINIUM

MARITZBURG PLANT ON TRACK

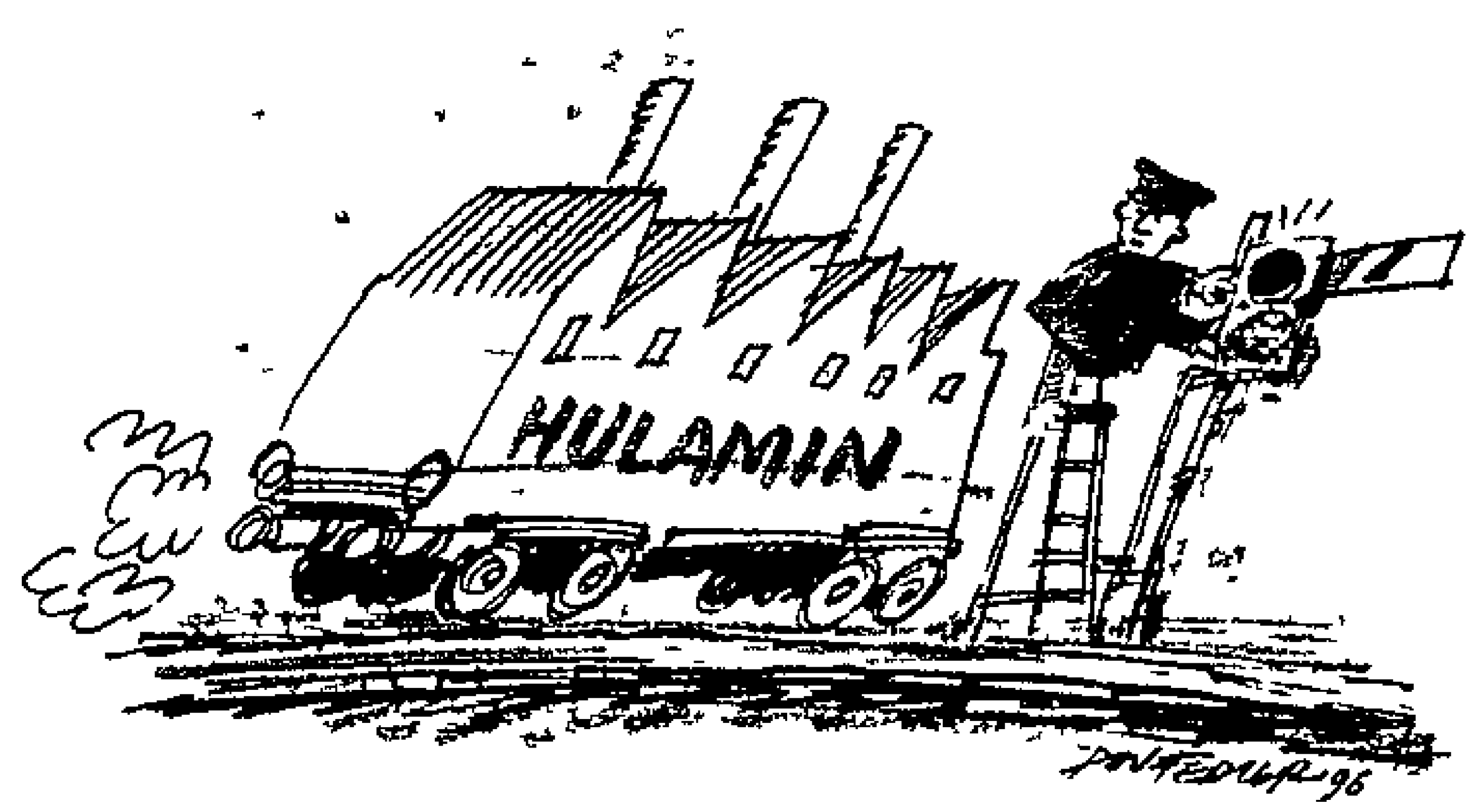
(189) FM 22/3/96

The long wait is over The announcement this week that government has given Huletts Aluminium (Hulamin) the go-ahead for its R2,5bn expansion project in Maritzburg opens the door to exciting export possibilities for aluminium fabricators

Board on Trade & Tariffs chairman Nic Swart broke the news after repeated requests by Hulamin to the Department of Trade & Industry for a slower phase-down of tariff protection

Not that Hulamin was looking for anything untoward What it requested was in line with World Trade Organisation tariff limits Industry pundits pointed out that the board had gone "overboard" and had exceeded SA's Gatt tariff binding proposal Its original recommendation was to reduce the 22% tariff protection, first to 14% and then 5% over five years

But Hulamin says it cannot compete against imports with those odds stacked against it In terms of the new deal, Hulamin's 14% tariff protection will be phased down to 10% over seven years



Tongaat-Hulett group MD Cedric Savage says he is delighted that government has agreed to change its tariff programme He says an extraordinary meeting of the Tongaat-Hulett board on Friday will consider a final go-ahead for the project But rest assured the champagne corks will pop once Hulamin's project partners — Amic and the Industrial Development Corp — endorse the project The 150 000 t/year capacity plant will reach full production by 1999

Swart says the board realises the project is a vital step for the development and growth of the aluminium business, especially the downstream industries In the circumstances, the board supports the application Swart says the downstream industries take up about 70% of Hulett's existing capacity

Industries such as Nampak's Bevcan produce about 70% of SA's 3,5bn/year beverage cans — largely made from about 100 000 t/year Iscor-supplied steel, with imported aluminium tops — for the beverage (beer and cooldrink) industry And, says Bevcan director Alistair Lang, should Hulamin lower the price of its aluminium can product in future, Bevcan will be able to exploit huge (and growing) global markets for the processed product

But SA Breweries says Hulamin's "undertakings" to provide its metal to local processors at so-called export parity prices will help the group become even more competitive "All we have is a vague undertaking that, about two years after commissioning, they will be able to supply can manufacturers like Bevcan with world-competitive aluminium metal for the manufacture of the can tops"

Huletts imports the hot-rolled metal used for can-top manufacture But, as soon as the new plant is running, the hot-rolling process can be done there, possibly resulting in cheaper prices

"Our feeling is that the 14% tariff level is still excessive as Hulamin is protected by the shipping costs that have to be added to prices charged by their overseas competitors We will keep on pushing for a zero tariff on aluminium metal sheeting product as the local aluminium price remains much more expensive than the international price," says SAB But the group supports the placing of the new plant in SA "provided the metal prices remain globally competitive."

Alusaf MD Rob Barbour says his group's 10-year metal supply agreement with Hulamin will kick in as soon as the Hulamin project is up and running

Alusaf's new 466 000 t/year Hillside plant should be up to full production by July, he adds ■

MOTOR COMPONENTS (192)

SMOG BUSTERS

FM 22/3/96

Government's decision to allow catalytic converter manufacturers to include the value of platinum group metals in export incentive claims has seen the sector making huge gains in foreign markets

Platinum group metals (PGMs) make up 20% of the manufacturing cost of a catalytic converter (autocat)

Exports of autocats should increase by almost 70% — from 1995 levels of about 1,8m units/year to about 3m units/year — by the end of 1997

The growth, say some industry spokesmen, should boost forex revenues for the sector from the current levels of almost R1bn/year to about R2,5bn/year

In a bid to reduce noxious emissions autocats — which can only be used with unleaded petrol — are compulsory in most industrial nations And while unleaded petrol has now also been introduced to SA, autocats will not become standard equipment for at least two years, until the results of a study into the effects of vehicle pollution are known

So why the sudden export boom? Industry spokesmen say it's due to government's decision to allow converter exporters to include the value of PGMs contained in the coated ceramic substrate — the essential "honeycomb" core of the converter — in their claims for export incentives

And, they say, an export target of 5m units a year might not be out of reach —

Competition Board clears MacSteel deal

(2322) (189)

Nicola Jenvey and David McKay

BD 1/4/96

THE Competition Board has cleared the controversial export tie-up between Iscor and trader MacSteel, a move which will give the joint operation dominance over Iscor exports worth R4,3bn a year.

Sources said at the weekend that outgoing trade and industry minister Trevor Manuel had approved a board report in which the deal was approved, subject to certain conditions. A formal announcement was imminent.

It is thought the conditions include phasing in the joint venture's operation to give other traders time to develop alternative business.

One source said the board had also stipulated that more competitive exporters would not be precluded from trading in Iscor steel.

Board chairman Pierre Brooks declined to comment and Iscor's steel division MD Kevin Robertson said he had not been notified. However, Robertson said Brooks had asked Iscor for certain preconditions before the deal could be sanctioned.

"These related to various clarifications concerning the deal." MacSteel could not be contacted for comment

The decision follows a long-running investigation into the deal, sparked by other traders who claimed the tie-up would force them out of business.

The deal centred on Iscor paying MacSteel R60m for a 50% share in MacSteel International, giving the latter an exclusive marketing right over all its steel exports.

The joint venture would be paid commission on the exports, estimated at R300m a year. MacSteel already controlled most of Iscor's exports to the Far East through the Hong Kong-based Trans-Orient Steel.

Saldanha Steel in contract talks

(189)

Samantha Sharpe

BD 2/4/96

CAPE TOWN — Saldanha Steel was negotiating R600m in engineering, procurement and construction management contracts for its iron-making facility, Saldanha Steel executive chairman Bernard Smith said yesterday.

Austrian-based Voest Alpine, earlier awarded the R800m core equipment package for the iron making Corex plant, had also been expected to take the engineering, procurement and construction management contracts.

Smith declined to comment on the parties involved in the talks, but said the contracts would be concluded shortly.

A similar R700m contract for Saldanha Steel's steel production facility was the responsibility of German-based Mannesmann Demag, which was evaluating tender submissions from three competing consortia, Smith said.

These were Murray & Roberts; LTA and Group 5; and Concor, Grinaker and German-based Steinmuller & Hochtief.

Smith said Saldanha Steel was committed to using Western Cape labour and expertise for the R500m infrastructure development required for the R6,8bn site at Saldanha Bay.

This would include the construction of roads, administration buildings, workshops, the substation, electricity and water reticulation and sewage and storm water systems.

Slump in earnings expected at Hiveld

BD 3/4/96 (189)

David McKay

STEEL and ferro-alloys producer Highveld Steel & Vanadium expected earnings to fall this year due to oversupply in the carbon and stainless steel markets, chairman Leslie Boyd said in his annual review.

The company, part of the Anglo American Industrial Corporation stable, lifted attributable earnings to R200m (R118m) for the 12 months to December, on sales up at R2,54bn (R2,14bn). The dividend rose to 90c (60c).

Boyd said the world supply of carbon steel would continue to exceed demand in the current financial year, accompanied by price declines. Similar conditions existed in the ferro-alloys and stainless steel export markets.

Although world economic growth was likely to continue at "reasonable" levels, "the uncertainties in the carbon and stainless steel markets are such that it is not possible to forecast with any degree of confidence", Boyd said.

"Nevertheless it is likely that 1996 earnings will decline."

Boyd said vanadium consumption was expected to remain firm. Little excess supply was expected to keep vanadium prices at viable levels.

Vanadium consumption rose to a record level as it tracked world steel production which rose to 745-million tons. However, there had been a greater emphasis on speciality steels, Boyd said.

Hiveld's electric ferro-vanadium smelter was successfully commissioned during the fourth quarter of the year.

This would enhance Hiveld's value-added capability and contribute towards stabilising the vanadium market. More than 50% of Hiveld's vanadium slag production was now converted in SA, Boyd said.

Columbus Stainless would produce significantly increased tonnage as the 600 000 tons a year mill was fully commissioned during the past year.

However, this increase in tonnage would be offset by lower prices and the financing costs of the project which were just over R1bn last year.

Columbus recorded a 21% decrease of 79 000-tons in its production output of plate, coil and slab compared to 1994.

Last year, world stainless steel production grew by 13% to about 14,8-million tons exceeding an 11% growth during the previous year.

An improved contribution was expected at aluminium can producer Rheem, which had not performed well in the past year partly due to disappointing sales of beverage cans during the Rugby World Cup.

The Hiveld board's total emoluments rose to R7,4m during the year from a previous R6,7m, led by a R525 000 increase to R3,1m in salaries and fees. Bonuses increased from R525 000 in 1994 to R695 000 last year.

COMPANIES

Iscor given go-ahead on venture

David McKay (189) BD 4/4/96

ISCOR will have to submit audited sales information each year for two years to the Competition Board in terms of conditions attached to yesterday's approval of MacSteel International, the controversial joint venture between Iscor and trader MacSteel Holdings

The Competition Board formally gave the go-ahead to the joint venture yesterday, subject to the two-year probationary period

Board chairman Pierre Brooks said yesterday the stipulation would ensure Iscor did not give MacSteel preferential prices while other traders paid higher prices for Iscor steel This did not preclude Iscor from having a pricing structure based on bulk buying

The board would investigate complaints made by steel traders subsequent to the two-year probationary period, Brooks said

Iscor steel division MD Kevin Robertson said Iscor was "more than satisfied with this arrangement It is not in our interest to act anti-competitively or to subject ourselves to restrictions or criticism", he said.

Iscor would pay MacSteel R60m for a 50% share in the joint venture, giving the latter dominance in the marketing of its steel exports, valued at R4,3bn a year The joint venture would be paid commission on exports, estimated at R300m a year

Iscor-Macsteel get the nod for export

(189) ST (BT) 7/4/96

By DON ROBERTSON

THE joint export company between Iscor and R12-billion-a-year steel trader Macsteel has been given the go-ahead by the Competition Board after an extensive investigation

The new company, Macsteel International, in which each company has a 50% stake, will now export all of Iscor's export production through its international trading network

Iscor paid R60-million for its interest in Macsteel International.

In agreeing to the formation of Macsteel International, the Competition Board has laid down several conditions for implementation over the next two years

If, during this period, Macsteel International "has not had any discernible negative impact on competition in South Africa, the joint venture company shall be allowed to continue indefinitely, provided Iscor continues to adhere to the (other) terms of this agreement", says the Board

The Iscor-Macsteel proposal, first mooted last year, drew fierce opposition from smaller steel merchants who claimed they would lose business at the expense of Macsteel. Chief among these was Durban-based MacDonald International, which submitted a 67-page document to the Competition Board.

In approving the joint venture, the board has insisted that Iscor offer steel for sale to all domestic steel merchants at the same price and conditions, subject to volume discounts. It must also provide the board, once a year, with information on all sales and certify that it has complied with the first condition.

Iscor will not be allowed to use its market position to prevent any merchant from importing steel by refusing to supply products for the domestic market or to penalise or discriminate against the importer. It may, however, react on a price basis to these imports

Iscor is also prohibited from giving the local Macsteel operation information on domestic sales which is not available to other merchants.

STAINLESS STEEL

ISCOR'S R1,2BN CAPEX PLAN

FM 5/4/96 (189)

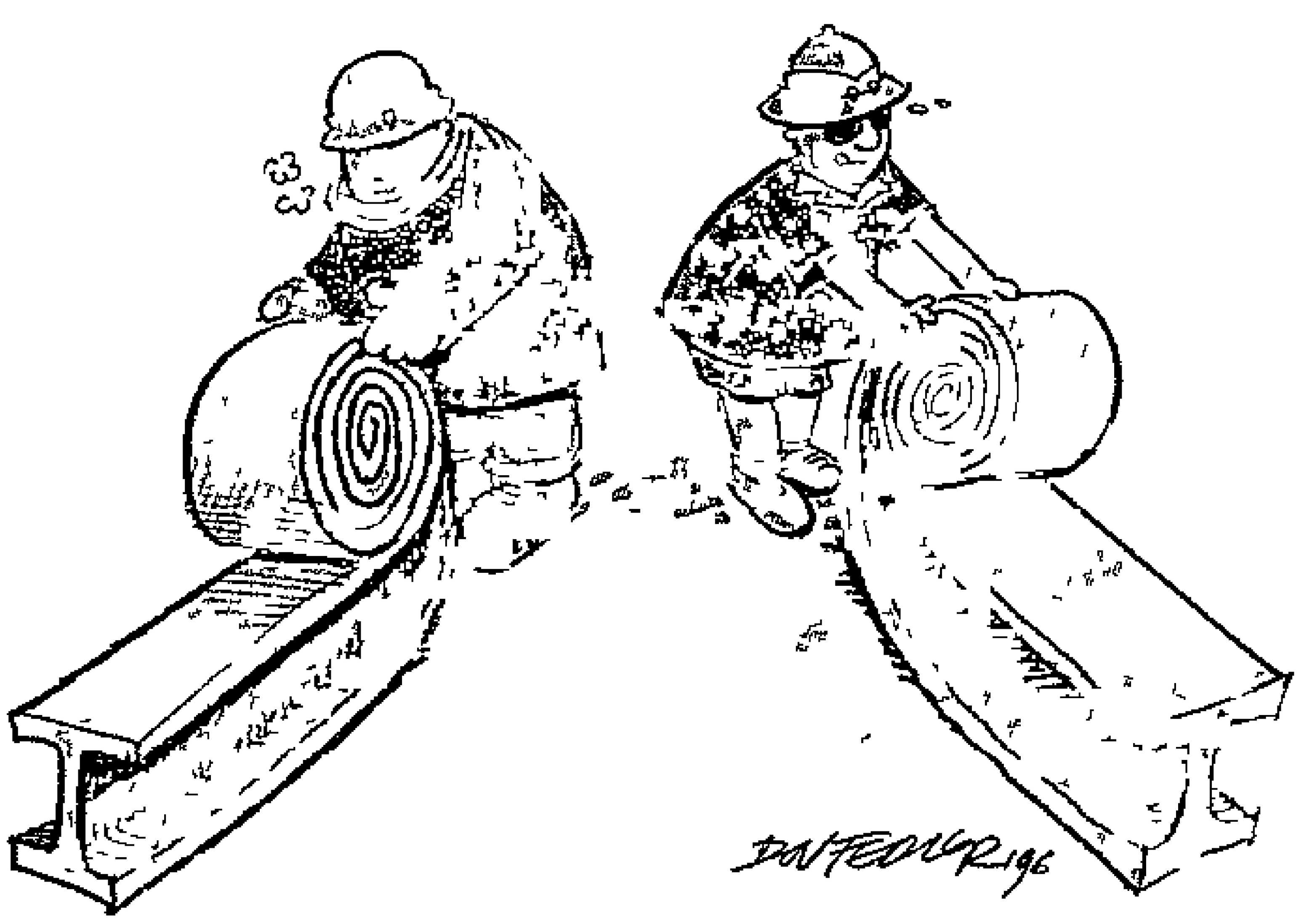
Iscor is looking at an additional R1,2bn capex plan to expand its new stainless steel works in Pretoria The works was recently converted from the production of carbon to stainless steel at a cost of R140m

The steel giant says first on the list will be a R600m hot-rolling mill, as soon as it can prove quality production of stainless steel slabs at the plant

And, should it find the right local or overseas joint venture partner, Iscor may consider adding cold-rolling facilities

Iscor's Pretoria works GM Harry Delport says the hot-rolling mill would be coupled with annealing and pickling facilities to add further value to stainless slabs production, depending on future production and market developments

Commenting on the cold-rolling mill Delport says "Depending on the nature and size of such a further plant, it could cost anything between an additional R600m and R1,3bn capex "



Both planned expansion projects will remain speculative until the Pretoria plant first proves itself on slabs production — and the world market turns around strongly enough to warrant the additional capex Delport says the Pretoria works has cast a few trial "heats" of slabs and will have these tested for quality by Japan's Nippon Steel

But the global market is still trying to recover from the recent sharp fall in stainless steel prices, which started late last year Fortunately for Iscor, its switch-over from carbon to stainless slabs at the Pretoria plant is a cheap and cost-effective process — and stainless production can be phased in, to fit with global demand trends In a downside market, it is more difficult to find buyers for slabs, the least beneficiated stainless steel product, which is sold to rolling mills for further hot- and cold-rolling beneficiation

While the dollar price of selected grades of stainless steel has plummeted by about 40% since the third quarter of last year, both Iscor and Middelburg-based Columbus Stainless — SA's two major new producers — are optimistic that the market will turn again, soon And the rand's recent 10% plunge also helps to take some of the sting out of the negative price trend

"While the global price for 2 mm steel last October dropped dramatically from about US$2 500/t to $1 700/t, it has since recovered to about $2 100/t

"But, in the US, prices have not dropped as sharply — and global demand remains positive," says Delport

"Long-term real growth in global stainless steel demand remains positive and I expect us to go for full production by the end 1997 or the beginning of 1998 Growing use in the US and mainland China should drive the market," adds Delport Both Columbia and Iscor should come on stream as the global market shows signs of recovery

Columbus — which expects to achieve its full 600 000 t/year production capacity of various grades of hot- and cold-rolled metal from the latter half of 1997 — and Iscor — technically able to produce 400 000 t/year of stainless slabs by the end of the year — should benefit from the resurgence

Columbus CE Fred Boshoff says "We are on 50% of capacity and only expect to reach full production by the end of 1997 "

Nevertheless, the price plunge has hit margins, though Columbus should be able to recover its fixed capital costs on volumes shifted, even at current prices, he adds "We expect 1996 to remain a difficult year, while 1997 should see better prices " ■

AIR AGREEMENT

PLANE SAILING

SA Airways' access to the US market has been dramatically expanded under a new bilateral air services agreement initialled in Washington last week The agreement replaces the treaty torn up by the Comprehensive Anti-Apartheid Act in 1986

Although the agreement has yet to be formally ratified by the two governments, the US side has told SAA it can increase its schedule of weekly passenger roundtrips between the US and SA from six to 11 immediately

There is unlikely to be any US competition until June, when World Airways hopes to start a service between Newark, New Jersey, and Johannesburg — with a stopover in Ghana — in an alliance with Continental The US Department of Transportation (DOT) has awarded World five of the weekly frequencies formerly held by bankrupt US-Africa Airways, and another two to Southern Air Transport to operate cargo service through Luanda

US-Africa's protracted death throes are finally over The start-up airline, whose founders included former Assistant Secretary of State Chester Crocker, nosedived for lack of operating capital in February last year However, the courts prevented DOT from reassigning its rights to the SA route until it had had a chance to reorganise

USAA was never able to raise new fi-

Work to begin on aluminium plant

(189) BD 9/4/96

Nicola Jenvey

DURBAN — Site work on Tongaat-Hulett's R2,5bn aluminium rolling mill expansion in Maritzburg would begin in three months, the company said last week

Most of the project planning had already been completed and the allocation of critical long lead-time equipment contracts totalling more than R500m was "imminent"

The group was planning to use local companies where possible and estimated that local business would be worth more than R1bn.

Tongaat gave the go-ahead for the project two weeks ago, after the Board on Tariffs and Trade ceded to its demands on the phasedown of aluminium import tariffs.

Hulett Aluminium CEO Des Winship said the newly acquired Camps Drift site would be linked to the existing plant by a private road over Edendale Road and the Msunduzi River.

Construction work on the infrastructure would coincide with work on the plant

Consultants had been employed to manage the environmental programme through the construction and commissioning phases and would lay the foundations for good environmental practices during the subsequent operations.

"The new equipment and technology is ahead of even the most stringent international environmental standards and will keep Hulett Aluminium environmentally correct for many years to come," he said.

Hulett Aluminium MD-designate Peter Staude said the project team which had been responsible for the design and equipment specifications would also manage the expansion.

Additional resources would be brought in to assist with the engineering, procurement and construction management.

Contractors would employ about 1 400 people during construction and installation.

Iscor ties up $112m-a-year contract for nickel supply

BD 9/4/96 (189)

David McKay

ISCOR has tied up a long-term contract with an international trader to supply its Pretoria stainless steel plant with nickel worth about $112m a year

Industry sources said yesterday the joint venture deal with the unnamed trader would cover 100% of Iscor's nickel needs at the plant The steel producer also had the option to source 35% of its nickel needs outside the venture

Steel division MD Kevin Robertson said Iscor had "no worries" about the future of the mill's nickel requirements "Market research has indicated that there is great potential for international partnerships in the supply of nickel for the mill," he said

The mill would need 8 000 to 10 000 tons of nickel in its first year of production increasing to about 14 000 tons of nickel in its second year The mill would produce 40 000 tons of stainless steel a month at full tilt

Nickel is vital in the production of stainless steel because it gives the steel its non-rust feature. But it is also a fiercely sought after and expensive concentrate, making up about 35% to 45% of costs in the production of stainless steel

Nickel was trading at about $8 080 a ton on the London Metal Exchange last week It is regarded as the most price volatile of all the base metals. About 70% of world nickel production is used in the production of stainless steel

Meanwhile, Robertson dismissed reports that Iscor was poised to embark on a hefty capex drive of R1,2bn to develop a value-adding hot-rolling mill for its Pretoria works

He said Iscor did not believe it was feasible to export beneficiated stainless steel because packaging requirements were expensive and critical, Robertson said

"For this reason, the company had spoken with a number of international semi-producers about the possibility of exporting slab for beneficiation," he said

The semi-producer would turn the basic slab product manufactured by Iscor and re-roll it into a finished product such as bright annealed stainless steel

Robertson said this agreement would take the form of a joint venture or it could be a regular supply agreement. Iscor had some capacity to hot-roll its stainless slab at its Vanderbijlpark works

But this would depend on the mill's carbon steel strategy "The Vanderbijlpark steel mill does have a large capacity," Robertson said Iscor announced in 1994 it would convert its unprofitable Pretoria carbon steel mill to a 40 000 tons a month stainless steel facility. The company was confident it could find an international market for the product.

Iscor produced an initial 255 ton batch of trial stainless steel slabs from its Pretoria mill, which was examined by Nippon Steel last week The Japanese company supplied Iscor with technological know-how in the conversion and production of the stainless steel slab facility

Iscor lines up stainless steel buyers

(189) CT(BR) 10/4/96

BY JOHN SODERLUND

Johannesburg — Iscor yesterday said it was talking to four potential customers for the stainless steel output from its Pretoria works and was anticipating a firmer market to coincide with the full commissioning of the plant

Kevin Robertson, the managing director of Iscor's steel division, said the Pretoria plant, due to be converted from carbon steel to stainless steel production over the coming 14 months, would reach full production at a favourable period in the market cycle

"Our current view is that the stainless steel market will have firmed in mid-1997," Robertson said

He said no single customer could take up the plant's planned monthly output and extensive talks were being conducted with four potential customers, the names and locations of which he declined to name

Robertson said the stainless steel market, which Iscor would be entering for the first time with the Pretoria works, was very volatile compared with the carbon steel market

"But, we have a tremendous advantage We can always revert back to carbon steel with no problem at all If the stainless steel market is too volatile at the wrong end of the range we can go back to carbon, which we know well," he said

At the moment the Pretoria plant, which will produce 40 000 tons a month of stainless steel at full commissioning, was producing 90 percent carbon steel and 10 percent stainless steel

Over the coming months, the remaining carbon steel production would be phased over to stainless steel Iscor could "quite easily" install hot-rolling facilities further down the line but was not considering installing cold-rolling facilities for the production of finished products The steel company also said it had tied up a nickel supply joint venture with an unnamed nickel supplier, worth about \$112 million (about R448 million) a year at full production

Robertson said Iscor could source 100 percent of its nickel needs from the deal, which guaranteed to supply the Pretoria works with a minimum of 35 percent of its requirements of about 14 000 tons a year at full production — Reuter

Gencor eyes E Cape for (189) R1,5-bn plant

EAST LONDON - Gencor is investigating the possibility of setting up a R1,5 billion zinc refinery in the Eastern Cape

Project director John Taylor yesterday confirmed the company was conducting feasibility studies in East London and Port Elizabeth to determine the most favourable site

The decisive factor in choosing between the two cities would be the availability of a 200ha site close enough to allow a conveyor belt to link the refinery with one of the harbours, Mr Taylor said.

The feasibility study should be completed by the end of the year and the refinery would then have to get the green light from Gencor's management

Mr Taylor said construction would last up to two-and-a-half years and would provide significant job opportunities.

On the issue of environmental impact, Mr Taylor said the plant would be built to conform to the latest European Union safety and environmental standards - Sapa

ARG 11/4/96

Iscor hits Dutch group with claim

(189) BD 12/4/96

David McKay

ISCOR is claiming R328m from Dutch group Hoogovens for the 1994 furnace burnout at its Newcastle works

The steel producer said yesterday it had submitted a letter of demand to the group last week for the cash in insurance payments

The amount represents the payment Iscor failed to reclaim from a consortium of insurers led by Guardian National It managed to recover just R100m from the consortium in February

In its original claim, Iscor cited losses of R16,75m for plant and R411,19m for loss of earnings for the year to December 1994.

Iscor said the R328m claim could go to litigation, depending on Hoogovens' response to the letter of demand. "But the matter is negotiable," Iscor said.

The Dutch group had been relining Newcastle mill's No 5 furnace, at a cost of R149,2m, when the burnthrough occurred in January 1994. Iscor claimed the burnthrough, in which molten metal burns through the hearth of the furnace, had dented its earnings.

The mill is the second largest owned by Iscor. The 2-million-ton-a-year capacity mill produces long and section products. It produced 1,5-million tons in the last financial year Iscor's largest mill is located at Vanderbijlpark This mill has a capacity of 4,5-million tons a year with its four blast furnaces.

A Hoogovens Technical Services spokesman could not confirm the company had received a letter of demand from Iscor.

But since the issue was a legal matter, Hoogovens would not be able to comment further

Iscor plans to reflect the R100m claim as an abnormal item for the six months to June 1996, the second half of its current financial year

It had said earlier in the year that the R100m recovery would not affect rights it had against other parties for damages sustained due to the burnthrough

The Iscor spokesman said the company would pursue any other avenues if necessary. This latest claim realised Iscor's intention to do so, he said.

The company had received no official notification from Hoogovens' legal representatives of receipt of the letter, Iscor said

ALUSAF CORPORATE SURVEY

CLOCKWORK OPERATION One of the potrooms at the Hillside smelter

POTS AND SLEEPLESS NIGHTS

(189) ST (BT) 14/4/96

THE Hillside smelter is being commissioned at the rate of 12 smelting pots a week By July, one year after the first pot was commissioned, all 576 pots will be fully functional

Four cavernous potrooms, each 1km long, are manned on a three-shift basis One can walk the length of the plant and pass a handful of workers, such is the smelter's level of automation and size

Once up and running, the smelting pots — or reduction cells — must be kept at 960°C, 24 hours a day, seven days a week Keeping the smelter at full production is a huge logistical exercise, requiring a constant feed of alumina from Australia, petroleum coke from Britain and the US, liquid pitch from Korea and Germany and electricity from Eskom

"Any number of factors can go wrong," says Rob Barbour, managing director of Alusaf "Shipping delays can occur, raw material stocks have to be carefully managed, we have a new labour team still gaining experience in one of the most sophisticated smelters in the world, and we have to ensure that power continues to stream into the plant Every day we are starting up more and more pots When you look at that picture, you can understand why I don't sleep so well at night"

Alumina arrives by ship from Australia twice a month and is sucked off the vessels by vacuum unloaders at the rate of 1 000 tons an hour From there it is placed on a conveyor belt and transferred 4km to one of two alumina silos at Hillside. Bayside receives its alumina by train Once fully operational, Alusaf will take delivery of 1,3-million tons of alumina a year from Australia and 218 000 tons of coke from Britain and the US

The coke is also off-loaded by vacuum unloaders and transferred to the Hillside and Bayside smelters About 42 000 tons of liquid pitch is shipped in specially converted vessels from Korea and Germany and pumped into purpose-built storage tanks at the wharf Liquid pitch and coke are used to manufacture huge carbon anodes, essential for the thermal and electrical conductivity of reduction cells Liquid pitch has replaced solid pitch because of environmental concerns

Large aluminium rods are attached to the anodes for installation in the pots, where they are suspended in a bath of molten electrolyte, maintained at 960°C Each of the smelter's 576 pots holds 40 carbon anodes weighing 1 700kg each The anodes, which are produced in a purpose-designed factory on the premises, are consumed in the electrolytic process and replaced every 22 days

An automatic feed system ensures a constant supply of alumina to the reduction cells, where it dissolves in the molten bath of electrolyte It takes about four tons of bauxite to produce two tons of alumina, which in turn produces one ton of aluminium

Electricity flows through busbars the size of drainage pipes at the rate of 300 000 amps, generating the heat required to melt the alumina About 97,7% of gases emitted during the smelting process are captured in a closed system which channels them to a gas treatment plant where they are cleaned before being released into the air Fluorides are captur[illegible] and recycled to the cells, reducin[illegible] emissions and saving costs Unlik[illegible] some factories in Richards Ba[illegible] Hillside is a clean smelter, with n[illegible] unsightly or toxic emissions

Every 32 hours an overhea[illegible] crane operable by a single worke[illegible] arrives to siphon the liquid alu[illegible]minium from the pots into a gian[illegible] container which is then moved b[illegible] truck to the cast house for mould[illegible]ing into 22 kilogram ingot[illegible] Stacked into 1-ton bundles, the alu[illegible]minium is trucked to the harbou[illegible] where it is reconfigured into 24 ton super-packs for easy handlin[illegible] Portnet loads the aluminium int[illegible] ship holds at the rate of 24 ton[illegible] every five minutes

At every stage of production [illegible] complex tracking system moni[illegible]tors the metal's movements Eac[illegible] bundle of aluminium ingots is bar[illegible] coded and scanned, first when i[illegible] leaves the cast house, again whe[illegible] it arrives at the harbour and lastl[illegible] when loaded onto the ships Thi[illegible] information feeds into Hillside computer network to update th[illegible] company's financial, commercial and production databases

Quality product is attracting attention of world markets

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ST(BT)14/4/96 (189)

ALUSAF imports alumina from Billiton, Alusuisse and Australian aluminium group Alcoa, processes it into high-grade aluminium and re-exports a portion of its output to these suppliers in terms of so-called "toll conversion" agreements

In terms of these tolling arrangements, roughly half of Hillside's annual production of 490 000 tons per annum will be exported to these suppliers as a means of paying for the alumina Alusaf could have sold its entire production forward, but decided to retain half for the expansion of the domestic downstream industry and direct export marketing opportunities

Alcoa takes delivery of the aluminium to supply its customers in the Far and Middle East The tolling agreement was secured before Gencor acquired Billiton — there are no special favours between Alusaf and Billiton, notwithstanding their common parentage

JEREMY NOTTINGHAM

Finding markets for Alusaf's output is not the problem, says Jeremy Nottingham, commercial director at Alusaf It is a question of optimising the spread of markets to minimise risk and maximise returns Alusaf supplies about 20 customers in South Africa, who fashion the primary aluminium into hot-rolled sheets (used, for example, in the cladding of buildings and packaging), extruded products and wheel rims Internationally, Alusaf supplies a further 20 customers in countries such as Israel, Japan, Greece and Korea

"We are trying to spread our markets over a geographically diverse area," says Mr Nottingham "We do not want to be over-exposed in single market or area We have received inquiries from interested buyers from all over the world, but much of our remaining output has been sold in advance by medium and long-term supply contracts We have some surplus but we want to use this to support domestic industries. We could easily sell everything we produce onto the export market"

The high quality of Hillside's aluminium has attracted the attention of buyers worldwide, says Mr Nottingham

Some metal is sold on the spot market, the majority by contract Alusaf has an agreement to supply 5 000 tons of metal a month — 12% of its peak output — to a single customer Alusaf customers faced with a changeable commodity price hedge their positions by using a price-fixing system offered by Alusaf

Against stiff international competition, Alusaf won a contract to supply the Boyne aluminium smelter in Queensland, Australia, with 11 500 tons of anode stem and busbar, used in the construction of the smelter "We have the necessary experience because we supplied 22 000 tons of busbar for the Hillside smelter," says Andre Malan, Alusaf marketing manager

According to Ben Pretorius, production manager at Bayside, Alusaf's busbars are regarded as some of the best in the world, complying fully with the quality standards of Pechiney, the French company which supplied the technology for Hillside

The end users of aluminium include car manufacturers — the trend is towards light-weight high-performance engines for which aluminium is ideally suited — contractors, aircraft manufacturers, beverage can producers, packagers, and so on

Packagers took advantage of the low aluminium price in 1993 by switching from steel to aluminium for canning production Conversely, when the price of aluminium is high relative to other forms of packaging material, customers switch to alternatives such as plastic, glass, steel and paper

Aluminium has a number of advantages over steel as a packaging material for beverage cans It is 100% recyclable, does not corrode or deteriorate, and recycling requires just 5% of the energy required to produce the original can

Construction is the second largest market after transport Several new applications, such as aluminium sidings and roofing for timber frame houses provide aesthetic and durable alternatives for builders The packaging industry is the third largest user of aluminium and the fastest growing In the US, aluminium has almost totally replaced the steel can

Risk cushioned with price-linked deals

WITH about 40% of its operating costs linked to the LME price for aluminium, Alusaf is cushioned against volatile swings in the commodity price

This also means, however, that profits are to some degree blunted during surging market conditions

An electricity supply agreement with Eskom ensures that electricity will always be equal to 16% of the LME price for aluminium Similar agreements with Billiton, Alusuisse and Alcoa ensure an alumina price equal to roughly 24% of the LME price Alusaf's two major cost components rise and fall in line with the LME price, reducing risk and positioning it among the lowest-cost producers in the world when LME prices are low

The LME price for aluminium shot from \$1 100/ton in 1993 to more than \$2 100/ton in 1994 as strong global demand and delays in commissioning new smelter capacity started depleting stocks Global demand for aluminium shot up by 10% in 1994 while the major world producers signed a Memorandum of Understanding to cut back production by 1-million tons

LME stock levels dropped to a low of 550 000 tons in October 1995, driving the price to a five-year high The price retreated to \$1 550/ton in February this year as consumers drew down on existing stocks International research group CRU International says the LME three-month price is expected to average \$1 745 this year, rising above \$1 800 in 1997

Despite flat demand in Western Europe, stronger demand in Japan and the US should push worldwide demand up by 2,8% in 1996 and 2,4% in 1997 Western world production is forecast at 15,9-million tons in 1996 and 16,8-million tons in 1997 The world aluminium market is expected to move into a 330 000 ton supply deficit this year as a result of delays in restarting smelter production which was curtailed under the 1994 memorandum This should push the LME price to \$1 825 in the final quarter, according to CRU

Supply and demand will move more into balance in 1997 as production restarts take effect Few large-scale smelters are currently under construction, a factor which could lead to a supply shortfall towards the end of the decade The last big wave of smelter capacity to come on stream was in the early 1990s when Canada, the Middle East and Brazil expanded production

Mine and steel workers dig in on pay

(189) Star 15/4/96

Unions are determined to close the gap and go for maximum increases

By Justice Malala
Labour Reporter

The South African mining and steel industries are facing renewed demands for the narrowing of the wage gap created by apartheid legislation and pay rises of up to 130% for their 500 000-plus employees

The demand for the reduction of the wage gap, spearheaded by the National Union of Metalworkers of SA (Numsa) in the steel and engineering industries and the National Union of Mineworkers (NUM) in the mining industry, is backed by the Congress of SA Trade Unions

Both unions, the biggest of the federation's affiliates, seek to reduce the gap between the wages of skilled workers – in the past mainly white – and unskilled workers while pushing for above-inflation rises for those who get the smallest increases

The NUM says economic conditions this year are better in all mining sectors except gold and it expects employers in coal, iron, chrome and energy mines to give better increases

It demands a basic wage of R1 320 a month for all surface workers and R1 458 for underground workers There would then be separate wage increases for each category instead of the same increase across the board

This would ensure that workers at the low end of the pay scale would receive higher increases to alleviate their lot while those at the higher end received less

The union is also demanding the collapsing of the four lowest grades in the mining industry into one, with all the workers in that category receiving the same wages All workers on this grade should receive increases of R264 for surface workers and R292 a month for underground workers

The NUM also aims to negotiate a two-year wage contract, to be implemented in July 1997, which would ensure increases of at least 2% above inflation

Negotiations with the Chamber of Mines and other mining houses will begin in May

Negotiations that cover the 280 000 hourly paid employees in the steel and engineering industries will begin on Wednesday, and Numsa is set to carry forward its demand for the closure of the wage gap in the industries

The Steel and Engineering Industries Federation of SA (Seifsa) said this week the nine unions in the industry had put forward demands for wage increases ranging from 15% to 130%

The major component of the demand carries forward Numsa's demand, tabled last year, that the minimum wage for unskilled workers should be increased over a three-year period to 60% of the average actual artisan rate with a 10% differential between each grade

This demand was referred to a task team which will present a report for this year's negotiations

Cosatu's Khumbula Ndaba has called on companies to disclose their executives' salaries to show that a huge gap existed in the pay of workers and managers and called for the closure of the wage gaps by giving higher increases to workers

ISCOR (189)

CLAIM STEAMROLLERED

FM 19/4/96

If steel giant Iscor imagines it can boost operating income by a R328m claim against Dutch firm Hoogovens for the 1994 furnace burnthrough at its Newcastle works, announced last week, it could be sadly mistaken

Hoogovens says "We deny any responsibility for damage Our responsibility is in any case limited by contract and could in no way approach the sum Iscor is seeking from us We will fight any action they care to institute"

Hoogovens had been relining Iscor's Newcastle Number 5 furnace, at a cost of R149,2m, when the burnthrough — or molten metal break-out — happened Last year Iscor issued a summons in the Johannesburg Supreme Court against its insurers for R427,94m — R16,75m for plant and R411,19m for loss of earnings

The consortium of insurers led by Guardian National denied liability, but agreed a net R100m settlement at the end of last year The claims manager of one of the co-insurers subsequently said "The attitude adopted by the insurance companies was that the policyholder was not entitled to indemnity The R100m was paid ex gratia, out of the goodness of the heart It was a gift"

Despite the "loss" of R328m, Iscor presented this tragedy to its shareholders as a triumphant "R100m boost to second-half profits" And in February Iscor's GM finance Willie Geyer said there would be further legal action to recover more monies

Since last week's statement that it had sent a R328m letter of demand to Hoogovens, Iscor's share price had risen 19c to 393c at the time of going to press — presumably on shareholder confidence

Now the news that Hoogovens will fight any claim to the death — and its added observation that damages are in any event strictly limited by contract — will come as a further jolt to a bemused market

Iscor steel MD Kevin Robertson says "We absorbed the loss due to the break-out in the 1994-1995 results Hence we had every right to claim a R100m boost It was never done triumphantly" ■

Alusaf project proves to be growing success

CT (BR) 19/4/96 (189)

By Chris Jenkins

Empangeni — On June 3 1993, Fred Roux, the chairman of Alusaf, and Rob Barbour, its managing director, turned the first sod on the kilometre-square site for a second smelter at Richards Bay.

Two years later, the first of 576 pots at the Hillside smelter was started up, and molten aluminium began flowing, with the first ingot being cast from the world's first double potline a few days later

Last month saw Hillside casting its 100 000th ton of aluminium And now Alusaf may build a third smelter in Maputo

Today, Roux and Barbour will host a huge function for the official opening of Hillside by President Nelson Mandela

Yves Galland, the French finance and trade minister, who is on a three-day visit to South Africa, will represent France at the opening ceremony because the smelter involves French Pechiney and Fives-Lille technology

Mike Patterson, the president of the Zululand Chamber of Business, said the chamber was thrilled that Mandela was officially opening the Hillside project as the government realised the importance of Richards Bay to the national economy

"We have said Richards Bay is the gateway to the world market and the world judges the future of the new South Africa on the way in which Richards Bay progresses The world is aware of Richards Bay, it's their barometer," he said

Patterson said the R5,4 billion Hillside smelter, one of the largest private projects in the world, had certainly shown that people in this country were prepared to invest in the new South Africa

"The fact that Alusaf chose Richards Bay because of its deep-water harbour and potential for further growth was significant And chamber members once again proved that they can handle any project thrown at them, which means anyone else who would like to establish in this area need not worry about the service industry and back-up It's all here

"While Alusaf is not directly employing large numbers, the spinoff for job creation has been enormous

"What is coming out quite clearly is what happens after Alusaf The chamber has identified projects to the tune of about R14 billion that could come to this region, but are people ready to invest with the violence and the present economic climate? Business needs certainty"

Patterson said the chamber was doing everything it could to upgrade the area's infrastructure

"We have to keep the momentum created by Alusaf going," he said

Tough start to wage talks

Renee Grawitzky

(189) (184)

METAL and clothing industry parties reported a tough start to negotiations this week where metal employers tabled a 6% increase and clothing a 3% increase

Metal industry stakeholders have been meeting within a working group since late last year to reach a common understanding on a new wage model — which is likely to dominate the negotiations.

Meanwhile, clothing parties have to reach agreement amid the severe constraints facing the industry

In the metal industry, unions expressed concern about the tabling of an unmandated employer position on a wage model which attempted to take union concerns into account

The Steel & Engineering Industries' Federation of SA said this model proposed the introduction of a five-grade job system.

Yesterday employers tabled a 6% increase which would raise the minimum scheduled rate to R7,14 an hour or R1 350 a month

Clothing employers expressed concern at the manner in which this year's negotiation process began, with employer spokesman Johan Baard indicating that employers had expected a more realistic stance being adopted by the SA Clothing and Textile Workers' Union

Union negotiator Elias Banda said it was a "bad start" to negotiations, with the parties being very far apart.

The union's initial demand was 17% which was reduced to 15,25% after employers tabled a 3% offer. He was optimistic that negotiations would improve.

But, Baard said, given the state of the industry a wage freeze would have been plausible

BD 19/4/96

World queues to buy from Hillside smelter

BD 19/4/96 (189)

INTERNATIONAL buyers are queuing for supplies from SA aluminium producer Alusaf's new Hillside smelter, and some are being turned away empty-handed.

"We have huge interest in our output. It has only eased recently since we told the market that we were really oversubscribed," MD Rob Barbour said yesterday.

The 466 000-ton-a-year Hillside smelter at Richards Bay is to be officially opened today. It is expected to reach full capacity by end-June, four months ahead of schedule. Together with the existing Bayside plant, Hillside will lift Alusaf's total production to 636 000 tons a year, propelling it into the ranks of the world's 10 biggest producers.

Alusaf is owned 45% by Gencor, 35% by the Industrial Development Corporation and 20% by other investors.

Barbour said keen interest in Alusaf's primary aluminium reflected a general upsurge in Western world demand — although this had slowed somewhat recently — and an appreciation by customers of the company's low cost base.

Alusaf has a cash breakeven level of $750 a ton, thanks to its open-ended power and alumina supply agreements which are linked to the London Metal Exchange (LME) price of aluminium.

In contrast to most other producers, there is no floor or ceiling to the LME linkage.

"That allows us to get right to the bottom of the cost curve," Barbour said.

Some 230 000 tons of annual output is committed under long-term contracts as part payment in kind to alumina suppliers Alcoa, Billiton and Alusuisse.

In addition, Alusaf has some medium-term contracts of three to five years with international consumers and in one case a major trading company.

The bulk of the balance will go to meet short term but effectively "evergreen" contracts, notably with Far East and Japanese buyers, leaving only around 40 000 tons of metal available for spot sales, Barbour said.

Some 80% of full capacity output will be exported.

Finance director Paul Snyman said Alusaf would engage in only limited hedging, mainly to eliminate timing differences between imports of raw materials and exports of metal.

In addition, the company offers some domestic customers fixed price contracts of up to 15 months and in these cases it would take a back-to-back hedge on the LME, but this represented only a few percent of output, he said — Reuter.

ST(BT) 21/4/96 (189)

Mandela gives blessing to new Alusaf smelter

BY THABO KOBOKOANE

ALUSAF's Hillside smelter in Richard's Bay would contribute to the drive to add value to South Africa's primary products before export through the use of energy generated from the country's coal supplies, President Nelson Mandela said when he opened the smelter on Friday

The smelter was a "courageous investment" and inspired confidence in the future of South Africa, he said It was an asset which had the potential to promote sustained economic growth and development, create jobs and eliminate poverty

The smelter would create jobs and earn the country at least R1,5-billion a year in net foreign exchange earnings, he said

Completed ahead of schedule and R1,4-billion inside the projected R6,4-billion budget, the Alusaf smelter is expected to turn out 490 000 tons of high-grade aluminium when in full capacity by July this year Alusaf is owned 45% by Gencor, 35% by the Industrial Development Corporation and 20% by local banks

Together with the existing Bayside plant, Hillside will lift Alusaf's total production to 636 000 tons a year, pushing the aluminium manufacturer among the world's ten biggest producers

The major employment potential of this venture lies downstream in manufacturing aluminium-based products

Mr Mandela welcomed the decision by Tongaat-Hulett Group to establish a rolling mill with metal from the new smelter, but urged other companies to do more to develop aluminium processing

He said the Government was creating a framework for the promotion of industry clusters based around such large capital-intensive enterprises

However, the larger producers needed to be actively engaged in the development of downstream activities, Mr Mandela said

US may subsidise SA plant's planning

(189) BD 22/4/96

Simon Barber

WASHINGTON — The US government is likely to agree to subsidise planning for the giant R2,5bn iron carbide-to-steel plant that the Industrial Development Corporation is considering building at Phalaborwa

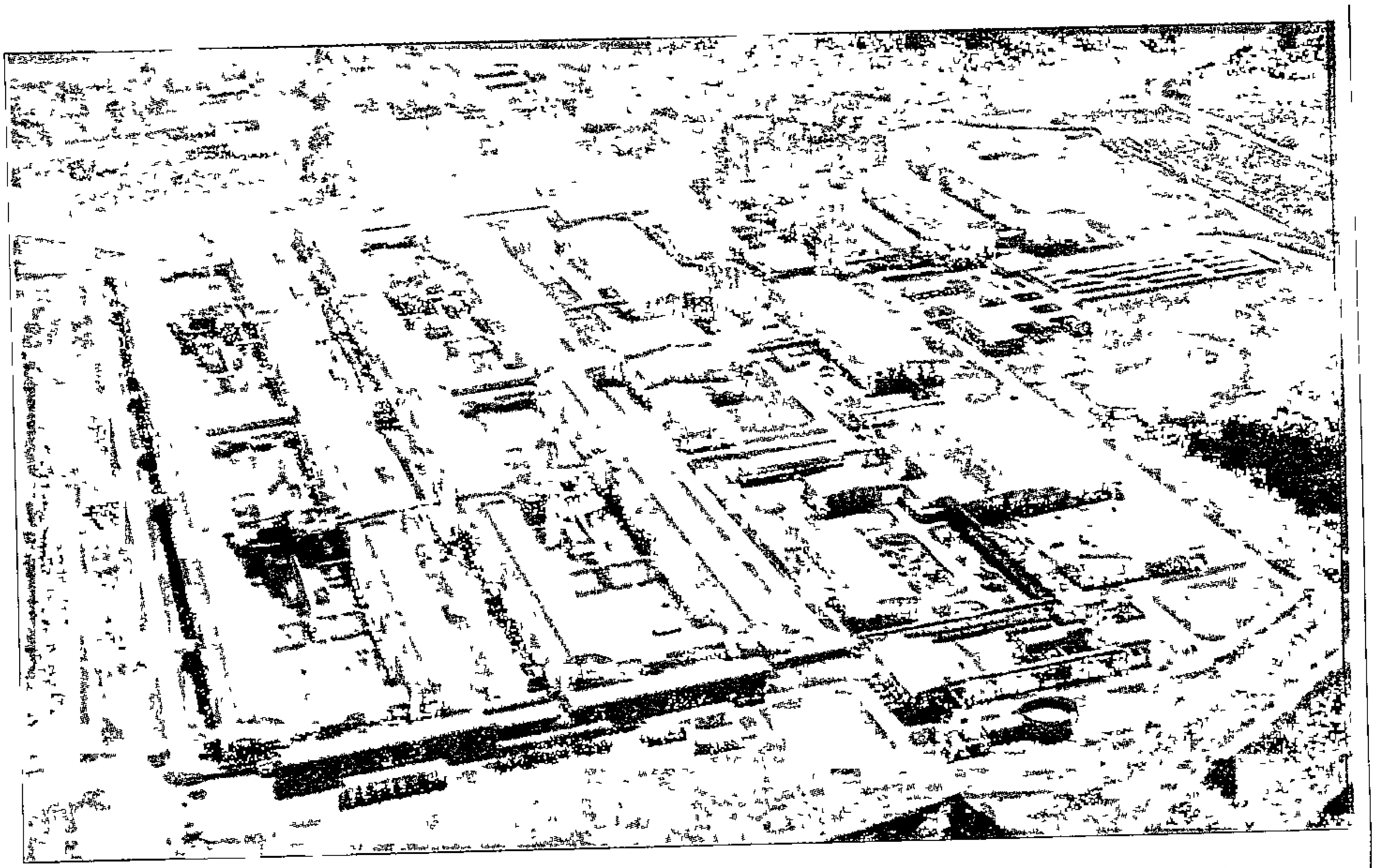
The US trade and development agency, whose task it is to help win business for US companies overseas, had received the thumbs up from US consulting firm Alutech Incorporated, which it hired to do a preliminary study, agency spokesman Steven Mavigho said at the weekend

A decision is expected by end-May

Mavigho said the IDC had asked the US agency to contribute $800 000 for a feasibility study budgeted at $4,2m

The project would convert iron rich copper mine tailings into high grade steel by reacting them with natural gas piped in from Mozambique's Pande gas fields, which is being developed by Houston-based Enron Corporation

Enron is especially keen for the project to go ahead to provide a customer for Pande gas. Enron also expects to be involved in building the pipeline to Phalaborwa



HILLSIDE *Full production will be reached in June at the Hillside aluminium smelter at Richards Bay. Built at a cost of R5 billion, the new smelter relies heavily on French technology This aerial view of the site shows the double potline plant*

Production set to roll at Alusaf's new R5bn smelter

By Jon Beverley

Richards Bay — President Nelson Mandela opened the world's single largest aluminium plant on Friday

The plant will produce 466 000 tons of metal each year

Guests at the opening of Alusaf's R5 billion project included FW de Klerk, the deputy state president, Frank Mdlalose, the premier of KwaZulu Natal, and Yves Galland, the French minister of finance and industry

Fred Roux, the chairman of Alusaf, said De Klerk's actions in 1990, when he freed Mandela from prison, had made the investment possible

De Klerk's actions had also freed Aluminium Pechiney to make the technology available, which had been refused for political reasons

Before the decision to build the new Hillside smelter was made, Alusaf had been using a 20-year-old smelter supplemented by a Japanese smelter to produce aluminium

When it was decided to go ahead with the project in November 1992, the aluminium price was at a record low

However, the project was encouraged by an innovative package deal with Eskom and raw material suppliers that linked costs to the aluminium price on the London Metal Exchange

Mandela said that a key part of the project was downstream development, which the government would like to encourage

"We are creating a framework for the promotion of industry clusters around such large capital-intensive enterprises," he said

Mandela said the benefits that could be reaped from the Hillside smelter depended on a climate of peace and stability in KwaZulu Natal

However, he said, he was confident that "people of goodwill, irrespective of party, will work together to find solutions through discussions

"In that way we will help to ensure that this bold investment is just the start of still greater things for KwaZulu Natal and the country as a whole," said Mandela

It was encouraging that Alusaf was looking at another smelter, eventually as large as Hillside, to be built at Maputo, he said

The effect on the Mozambican economy, which had been ravaged by years of apartheid destabilisation, would be substantial and it would make a significant contribution to the integrated development of the region as a whole

Last month, Huletts Aluminium announced that the government had given it tariff protection that allowed it to go ahead with a R2,4 billion rolling plant that would use one third of Alusaf's new output

(189) CT(BR) 22/4/96

Alusaf seeks partners for Maputo project

(189) BD 29/4/96

David McKay

GENCOR's Alusaf will invite several international aluminium producers and traders to join it in funding its proposed $1bn Maputo-based aluminium smelter

Alusaf finance director Paul Snyman said the company was likely to hold about 40% equity in the project, and would seek partners for the rest

Alusaf would approach producers or metals traders who wanted a good aluminium supply

Debt funding, expected to be about half of the venture's capital, would be sourced through a combination of loans from international finance agencies and banking institutions

About 30% of the project's total cost

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Alusaf

(189)

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BD 29/4/96

would be for imported equipment

It is believed the Industrial Development Corporation could supply some funding.

Snyman said a speedily completed feasibility study was vital to the success of the project Gencor's project planning was based on the assumption that world aluminium demand would continue to grow about 2,4% or 400 000 tons a year. Some of this would be covered by upgrading existing smelters Several new projects were planned, among them a smelter in Chile and two in the Far East.

Another factor crucial to the project getting the go-ahead was a competitively priced electricity contract with the Mozambican owners of a hydroelectric dam planned for the Zambezi River at Mapanda Uncua

Alusaf project manager Ian Reid said it was proposed that the Maputo smelter would initially have a capacity of 245 000 tons a year and require about 435MW of electricity on a continuous basis The smelter would be designed to expand production to 490 000 tons a year. It could start producing aluminium in late 1999

Alusaf intended to negotiate a more competitive contract than the sliding-scale price deal cut with Eskom to supply power to the Hillside smelter in Richards Bay

The R5,2bn Hillside smelter, which would produce 466 000 tons a year from June, when it reached full capacity, was about R1,3bn below budget and completed several months ahead of schedule

Fick hits at critics of his handling of Saldanha issue

Metro Reporter ARG 1/5/96 (189)

PROVINCIAL Minister of Agriculture, Planning and Tourism Lampie Fick has hit back at critics of his handling of the Saldanha Steel affair, saying that they could undermine the work of respected environmental organisations and scientists

Releasing details of a draft structure plan for industrial development near Saldanha yesterday, Mr Fick said a "well-known scientist recently remarked that the Western Cape government got away with murder on the rezoning decision" Also, it was reported that the Habitat Council had said that many of the Steyn report's recommendations had been rejected

Mr Fick said the Steyn Commission had made only two recommendations Firstly, a re-evaluation of the structure plan had begun a month before the recommendation was made

The second recommendation – that an alternative site set well back from the lagoon should be considered – was "not executable"

He added "New facts which became evident with the visit of the RAMSAR secretariat indicated that an alternative site would jeopardise the lagoon more"

Mr Fick said the "valued stature" of environmental experts and respected organisations such as the Habitat Council might be reduced to "relative meaninglessness" in major planning decisions if they persisted in making incorrect statements and taking unfounded positions

"It would be a pity if these organisations place themselves in the same category as some well-known environmental organisations whose names are often linked to emotional anti-government outbursts"

SHINING *Dame Slabbert expects the stainless steel industry's workforce to jump by 50 percent*

PHOTO JOHN WOODROOF

Bright future for stainless steel

(159) CT(BR) 3/5/96

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — The stainless steel manufacturing industry could employ 10 000 more people in the next four years, a 50 percent rise its workforce, Dame Slabbert, the chairman of the Southern Africa Stainless Steel Development Association, said yesterday

He said the R2,5 billion sector employed 20 000 people It could create 10 000 new jobs by 2000 if it met expectations for growth The local production of stainless steel goods could beat the trend of jobless growth in the South African economy, he said

"To manufacture finished products from the raw material, the industry needs machines and people — the opportunities for automation are not that great and in today's South Africa job creation is very important," he said

A large increase in turnover would match greater job opportunities Turnover was forecast to surge to R3,75 billion by 2000

The local industry processed 85 000 tons of raw material last year and production levels were expected to rise to 100 000 tons in four years

South Africa, which has large chrome deposits, is the fifth-largest stainless steel producer in the world The primary producers Columbus and Iscor will be able to supply 1 million tons of stainless steel a year when their new plants become fully operational next year

The association represents 260 small- to medium-sized stainless steel manufacturing companies It has targeted the local market where demand could double in four years

Alloy importers cleared by US

(189)

Simon Barber

BD 3/5/96

WASHINGTON — The US commerce department has cleared SA ferrochrome producers of breaching subsidy ceilings for their imports in 1994

The department said the subsidies received by Samancor, Consolidated Metallurgical Industries and Chromecorp subsidiary Chrome Resources had fallen well below the threshold set by the US. SA ferrochrome exports hit $70m last year, against $28m in 1994 and $29m in 1993. The department revoked countervailing duties from ferrochrome exports with effect from January last year.

The department found the companies had neither requested nor benefited from the general export incentive scheme and other export incentives, export loans from the Industrial Development Corporation, beneficiation allowances, electricity rebates, government loan guarantees or even preferential rail rates

Truth commission to subpoena alleged violators of human rights

Stephen Laufer

THE truth commission could subpoena a number of alleged perpetrators of human rights violations, deputy chairman Alex Boraine said yesterday.

He had discussed whether allegations should lead to a subpoena or criminal charges with Transvaal attorney-general Jan d'Oliveira and had reached an arrangement to be reflected in a proposal to the commission on Monday. Commission investigators would follow allegations so that there was some certainty before subpoenas were issued, and alleged perpetrators would receive advance notice as required by a court order.

But the commission had to deal with those whose actions had created victims, who "can't wait forever until criminal justice takes its course".

Boraine's announcement came after a harrowing day of testimony which an exhausted commission chairman Archbishop Desmond Tutu said was "slightly more devastating than most". Submissions had to be interrupted several times to allow weeping witnesses to compose themselves.

The widow of murdered lawyer Bheki Mlangeni, Sepati Mlangeni, said she contested any amnesty application by the perpetrators. Those who had sent the explosive earphones meant for renegade Vlakplaas commander Dirk Coetzee which blew up her husband "knew someone would die — how do you forgive such a cruel murderer", she asked in floods of tears.

Mlangeni's mother Catherine said she had found her son in pieces; his brains on the curtains. "We are a sick, angry, unhappy family."

BD 3/5/96

Weeping former student activist Cornish Makhanya described how electrodes were connected to his genitals in the Lichtenberg police station in 1986 When the policemen turned on the current, "I got torn underneath."

An athlete prior to his arrest, Makhanya spent months in hospitals, including Sterkfontein Psychiatric Hospital He was on medication, there was "nothing I can do with my life and I request help for my family"

Evidence of torture in 1963 given by former MK cadre Abdulhay Jassat allowed the commission to put earlier testimony on the deaths in detention of ANC activists Babla Saloojee and Ahmed Timol into the context of generally used SAP interrogation methods. He was hung upside down by his ankles from a third floor window as two policemen holding him took turns in letting go. "I knew if either slipped I would crash to the concrete below and

Continued on Page 2

Tongaat-Hulett

(189) SUGAR

Continued from Page 1

The group approved the R2,4bn expansion to the Hulett Aluminium plant and African Product's R600m starch and glucose plant at Kliprivier during the year under review

The 1994/95 drought affected the sugar division, which reported reduced production of 7%. A reduction in world aluminium margins, with a sharp drop in import duty tariffs to 14% from 22%, affected the aluminium division in the second half

The starch and glucose division benefited from improved sales and the R204m investment in technology and capacity over the past two years The textile division achieved a satisfactory performance under difficult trading conditions aggravated by illegal imports

Demand for residential, commercial and industrial sites north of Durban remained high and sales exceeded last year's figures by 80%. Major projects launched during the year would contribute to future profits. The weakening rand was expected to boost exports from the textile and building materials divisions.

BD 3/5/96

Airports, hotels and prisons to fuel the boom

Stainless steel makers bank on local demand

CT (BR) 6/5/96 (189)

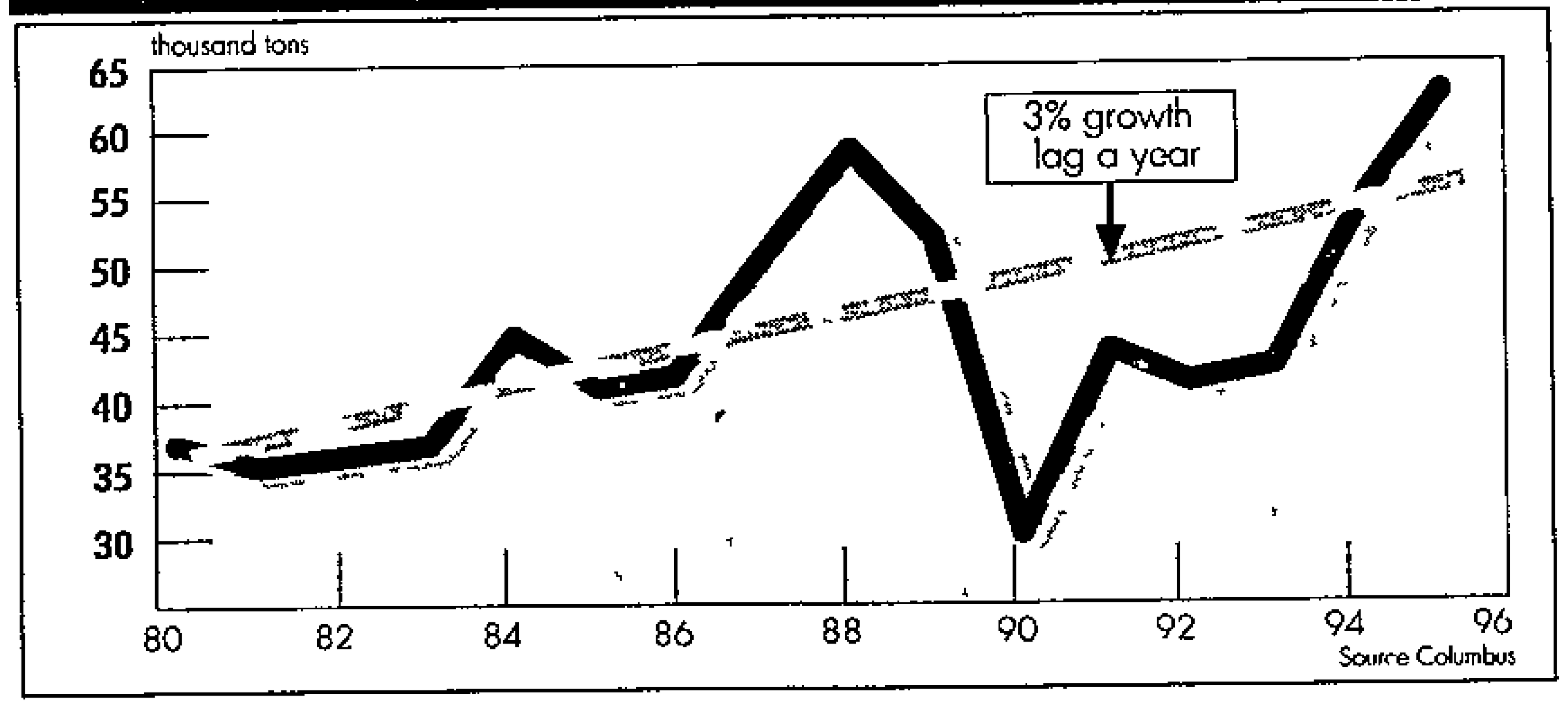
By James Lemont
INDUSTRIAL EDITOR

Johannesburg — Local stainless steel consumption could double over the next four years, Danie Slabbert, the chairman of the Southern Africa Stainless Steel Development Association (Sassda), said last week

Growth in demand for locally produced stainless steel products would come from South African consumers Per capita consumption of stainless steel in South Africa is a mere 2kg, whereas in other stainless steel producing countries it is much greater In Germany, per capita consumption is 14kg and in the United States 7,5kg

South Africa, which has large chrome deposits, is the fifth largest stainless steel producer in the world Its primary producers, Columbus and Iscor, will be able to produce a million tons of stainless steel a year when their respective new plants become fully operational next year

Stainless steel consumption 1980 - 1995



Slabbert said the R2,5 billion local stainless steel manufacturing sector, which has received a boost from primary producers like Iscor and Columbus Steel, processed 85 000 tons of raw material last year, but that this could rise to 100 000 tons by 2000 on the back of the growing local demand

Sassda has embarked on a campaign to increase the local consumption of stainless steel

The association has a R1 million advertising budget to raise awareness of the product amongst bulk potential demand in formerly disadvantaged communities, and is also running educational programmes

Sassda represents 260 small to medium stainless steel manufacturing companies and has targeted the local market where products find uses in agriculture, in the building and construction industry, and in households

There are signs of rising demand for the more durable, but more expensive, product Local consumption has risen by 10 percent a year since 1990, while the world market for stainless steel has been growing at an annual rate of 5,8 percent since 1982

Airports, hotels and prisons are the boom application areas for stainless steel, according to Phil Warne, the association's market development manager "The building and construction sector is the fastest growing sector in stainless steel in the world and is largely untapped in South Africa," he said

While the association's focus is on boosting local demand, Slabbert identified tank containers and catalytic converters as good export performers

He warned, however, that with the phasing out of the general export incentive scheme and protective tariffs, the industry needed to become more internationally competitive to hold onto local and export markets

South African stainless steel has taken a knock in the past six months Stainless steel was blamed for a cancelled R500 million train export contract by Siemens and thousands of tons of Columbus's steel were rejected by European clients last year

But Slabbert maintained the local product was unsullied "Columbus has achieved a lot and we can be proud of the tonnage output and its quality" He said the rejection of "a couple of hundred tons is neither here or there", and called the German electronic group's questioning of locally produced material an "excuse"

Protectionism the culprit behind high manufacturing costs

EWALD WESSELS

(189)

BD 8/5/96

IT IS generally agreed that the cause of SA's high unemployment is the fact that its manufacturing industries are not internationally competitive

It is usually argued that this is a consequence of high wages and low labour productivity

However, attention has recently been drawn to the fact that the industrial policies of the previous government systematically raised domestic prices of semiprocessed raw materials to levels far higher than their international equivalents

This has probably contributed more than anything else to the high cost of manufacturing in SA.

A two-tier manufacturing economy has been created with inefficient, hugely capital-intensive, subsidised, and protected mineral beneficiation industries extracting high prices from the more labour-intensive downstream industries

Steel is a good example In Taiwan and Korea, domestic steel manufacture is controlled by the governments of these countries

In both countries steel manufacturers keep their domestic prices lower than their export prices. The consequence has been a spectacular growth of employment in flourishing steel-based industries such as the manufacture of machinery, ships and cars

In SA, by contrast, Iscor's average domestic price for steel has recently been as much as 67% higher than its average export price, according to evidence submitted to the Steyn board of inquiry into the Saldanha Steel Project.

This information was independently corroborated by evidence submitted to the competition board regarding the proposed joint venture between Iscor and Macsteel

It follows from the fact that the 67% premium is an average, according to the evidence given, and that for individual steel specifications the premium has been higher To place this information in perspective, the cost of the raw steel at such premium prices can be as high as the cost of finished products made from steel elsewhere in the world.

No amount of wage reduction or productivity improvement could make the manufacture of such products in SA competitive against imports when the cost of steel is at these levels Even when steel can be imported, the delivered cost, including import tariff and transport costs, is higher than the price paid by competing manufacturers elsewhere in the world

Smaller companies cannot import on their own. To expect that the average SA company should compensate by achieving a higher productivity than is achieved elsewhere in the world is unrealistic, the information suggests that the average SA manufacturer can only become internationally competitive, if at all possible, by depressing wages and salaries and avoiding discretionary costs such as training

The number of people employed in the manufacture and assembly of components for machinery and other products of various kinds out of a ton of steel is far higher than the number of people employed in the manufacture of the steel itself. The consequence is that domestic employment opportunities have been destroyed as a result of the decline of downstream SA industries even though exports of steel have grown.

Downstream companies, suffering from high input prices, have often been unable to hold their own against imports In some cases competing low-priced imports have been made from exported Iscor steel.

Numbers employed in the steel and engineering industries in SA have dropped more than 40% over the past 15 years, representing a loss of more than 180 000 jobs

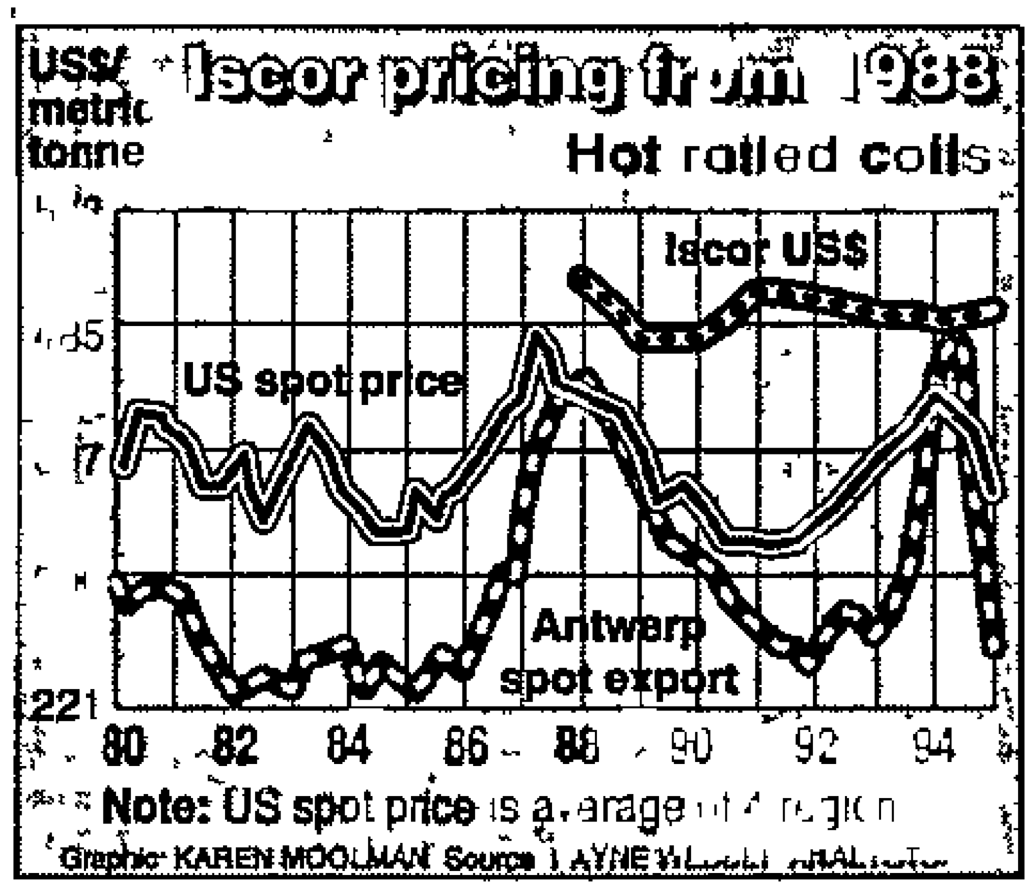
The submission last year to the competition board by Macdonald International, an independent steel trading company, shed light for the first time on some of the secretive inner affairs of the SA steel distribution industry. It explained how steel price premiums have been maintained in the domestic market in spite of the reduction to 5% of the import tariff on steel.

The steel distribution industry in SA is highly concentrated The dominant distributor, Macsteel, has a long history of collaboration with Iscor, having used the revenue from excessive commissions earned on the export of Iscor steel during the sanctions era to buy up other domestic distributors

Macdonald International alleged Iscor had used its influence over distributors to restrict free trade in steel, thereby maintaining premium prices on the domestic market

Any serious attempt to address unemployment in SA will have to recognise the two-tier structure of the domestic manufacturing economy and promote growth in the labour-intensive downstream tier

Many downstream manufacturers have been able to exist only by obtaining import protection and export incentives to compensate for the high prices of their raw material inputs The domestic prices of semiprocessed raw materials should be reduced to internationally competitive levels before tariffs and export incentives that protect manufacturers of final products are removed. Otherwise, caught between high input costs and low selling prices, many of these manufacturers will go under.



The job-creating capacity of the economy will be permanently damaged

The example of Iscor demonstrates that simply removing import tariffs on semiprocessed raw materials is not enough. Government action will be required to correct the market distortions created by decades of intervention.

A problem in the past has been that Iscor, for one, would not have survived if it had reduced its domestic prices to a par with its exports, and without exports created by the mineral beneficiation strategy of steel, paper, aluminium and other products, the rand exchange rate could not have been maintained

To make it possible for the domestic prices of semiprocessed raw materials to be reduced to internationally competitive levels, without bankrupting companies like Iscor, some assistance may be necessary to allow these companies to achieve competitive levels of efficiency

The rand depreciation that has taken place in the first half of the year has already contributed by raising the rand revenues mineral beneficiators receive for their exports This has reduced the magnitude of the price adjustments necessary to bring domestic prices of beneficiated minerals into line with their export prices

At some level of the exchange rate it will be possible to reduce the magnitude of the price adjustments to a point where government can force price reductions by legislation

Price regulation of industries with a "monopoly" structure is an accepted international practice

Of course a further depreciation of the rand would be unpopular However, recognition of the way in which structural distortions created in the past have acted to produce other distortions in the economy suggests a compensating correction that would be very popular with the public at large

The mining industry has received a huge windfall gain on its mineral exports from the recent rand depreciation. This windfall, and the windfall from any additional rand depreciation that may be necessary to correct the structure of the manufacturing economy, could be taxed to allow government to reduce the level of individual taxes

Such a redistribution of the tax burden would coincidentally help restructure the economy by directing investments away from the capital intensive mining industry towards employment-creating downstream industries

☐ **Dr Wessels is a member of the executive of the Cape Chamber of Commerce and Industry.**

Iscor shares slide 6,4% after a warning on profit

(189) CT (BR) 14/5/96

By Marc Hasenfuss and Roy Cokayne

Cape Town — Iscor shares shed 24c, or 6,4 percent, yesterday as investors took fright at a company warning that second-half profit would be lower than expected because of a slump in domestic steel sales and export dollar prices

The share, which closed at R3,49, has lost about 13 percent since touching R4,02 late last month

It could come under further pressure today when the news filters through to its many small shareholders

Hans Smith, the executive chairman, said the downward trend for domestic steel sales and export dollar prices had been steeper than expected since the announcement of Iscor's interim results

"These factors, coupled with short term production disruptions, particularly at the Vanderbijlpark works' blast furnaces, will result in operating results for the second half of the financial year being substantially lower than expected," he said

The domestic market had been particularly disappointing "When we gave our predictions for domestic GDP growth in respect of our 1995-96 financial year, we were severely criticised for being pessimistic

"This pessimism has now been proven correct "

A prominent stockbroker was surprised by the announcement but felt the market had overreacted

"The announcement generally reflects the state of the economy," he said

"Although economists have pencilled in growth of 2 to 3 percent, groups like Iscor and some of the retailers are showing that it's really tough out there "

The stockbroker was heartened by Smith's cautious optimism, which was based mainly on the weakened rand and the stabilisation of steel export prices

"The share shouldn't have lost so much .. The announcement's bad news refers to the past, while there are some reassuring points about the future," he said

Smith said the weaker rand should discourage imports in the short term and would have a positive effect on export margins in the medium and longer term

He said about 50 percent of the expected dollar inflow for this fiscal year had been sold forward in line with the group's foreign exchange activities

He said Iscor's production problems could be alleviated next quarter when a major blast furnace at the Vanderbijlpark works was relined

Iscor also wants to sell off its non-productive assets

If this transaction is completed before the end of the financial year in June, it will have a material influence on the group's cash flow and earnings

Iscor hit by low sales and steel imports

(189) BD 15/5/96

David McKay

ISCOR had been badly hit by poor domestic sales, production glitches and an increase in imports which had eroded its market share, analysts said yesterday

Commenting on Iscor's prediction that it would post a 40% drop in operating profit for the six months to June, analysts said that there was an inventory drawdown of up to 1-million tons or between 10 and 13 weeks of stock by local consumers.

Lower domestic demand was chiefly due to a less than 3% growth in GDP, and the failure of the RDP to kick in, one analyst said.

Consumers had decided that it would be better to use existing stocks rather than purchase new steel from Iscor, he said.

Local steel sales accounted for more than half the dispatches from the company's steel division, or 3,3-million tons in the group's 1995 financial year, while exports accounted for 2,4-million tons

Another factor was the increase in imports from 3% of total SA steel consumption to about 6% This was due to the reduction in import tariffs from 46% to 5% after 1 September last year in line with SA's signing of the GATT agreement. This had partially reduced Iscor's market share, one analyst said.

However, executive chairman Hans Smith said the depreciation of the rand against the dollar would probably see a reduction in the amount of imports to SA

Production problems at the Vanderbijlpark Works stemmed from a R1,2bn capital expenditure programme in which Iscor had decided to reline its two main blast furnaces and close down two smaller ones over the next two-and-a-half years, Smith said

He said that the company had decided last year to delay the relining of the first of the furnaces because there was still "some life in it" However, the delay resulted in the furnace becoming only 70% efficient this year, which had resulted in a loss of production of about 700 tons of liquid steel a day from the works

Smith eased fears that the relining of the furnaces would result in further production losses as the company had built up 270 000 ton inventory for the 90 days it took to reline one furnace The relining to the first furnace would begin in July, he said

Iscor's warning that it would report lower than expected operating profits cut another 1c from its share price on the JSE yesterday, leaving it to close at 348c

Employers say demand would double wage bill

Metal industry faces pay row with union

(189)

ET (BR) 15/5/96

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) has demanded wage increases this year that could double the wage bill for some of South Africa's biggest manufacturers employers warned yesterday

The Steel and Engineering Industries Federation of South Africa is unhappy with the wage proposals put forward by Numsa for this year's round of bargaining

The federation said the proposal to pay the lowest-paid employees in the 280 000-strong industry R14,40 an hour could double the wage bill for some engineering companies

The parties have met once to discuss the proposals. Numsa said there should be 10 percent wage differentials between the grades in an industry structure with five wage grades By June next year, the lowest-paid employee should earn R14,40 an hour, 60 percent of the artisans' average R24 an hour pay

The lowest-paid employees now receive R6,74 an hour

The union said wages should be increased by an amount equal to 20 percent on bottom grades to help close the wage gap

"We are looking at a possible arrangement where companies that choose to broad band and multi-skill move (from a 13-grade system) to a five-grade system" between labourers and artisans, said Brian Angus, the executive director of the federation

The union has rejected the federation's offer of a 6 percent pay rise

Elias Manage, Numsa's chief negotiator, said closing the wage gap was the union's priority in this bargaining round, which is scheduled for conclusion next month

He said annual wage increases should not be across the board, people at the bottom should get more and those at the top less If not, increases would support the wage gap "(Now) apartheid is gone, we need to address the legacy of apartheid in the industry"

He said the demands had been on the table since 1993 He called them reasonable, but it was difficult to predict the employers' reactions

Employers and the union meet today to discuss the wage gap

Construction could boost stainless steel

CT (BR) 15/5/96 (???) (189)

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — The local construction and building industry could use as much as 5 000 tons of stainless steel a year by next year, Phil Warne, the market development manager of the Southern Africa Stainless Steel Development said yesterday

This was due largely to prison, airport and hotel developments, he said

"The building and construction sector is the fastest growing sector in stainless steel and is largely untapped in South Africa This country can take a lesson from Japan, where 25 percent of locally fabricated production of stainless steel is used in building and construction," Warne said

Only 1 percent of South Africa's total stainless steel production is used in the building trade

Warne said the government's budget of R1,3 billion to refurbish South Africa's airports and R1,1 billion to build and refurbish prisons, could provide scope for the use of stainless steel

Maintenance-free stainless steel applications like basins could realise savings for the public sector, said Warne

In addition to lifts, carousels and cafeterias, Warne said stainless steel could be used in the interior design of South Africa's airports

The increase in hotel developments was expected to lead to strong demand for steel Cape Town was considering building about 30 hotels during the next three years to meet tourism demand Major hotel groups such as the Hyatt, Sheraton and Hilton have an international format for the use of stainless steel

However, the hotel boom is dependent on the proliferation of casinos, whose interiors alone could constitute a demand base Warne said provincial governments have to award gambling rights before new hotels, shopping malls and leisure centres grow around them. "The drawcard is the casino," he said

The association also viewed the Olympic building programme and the RDP as possible showcases for implementation of architectural stainless steel

The association represents 260 small and medium stainless steel manufacturers They are trying to convince architects and designers, formerly deterred by the higher cost of stainless steel, to follow the example of the Far East and use the locally produced material alongside glass and aluminium.

It is also encouraging joint ventures with overseas companies that are expert in these installations It aims to supply the construction industry with a shopping list of stainless steel components, such as wall ties, cladding, roof sections, facades and handrails and advise architects of their availability in South Africa

Some manufacturers in the Fast East are selling as much as 50 000 tons of stainless steel a year to the building and construction sector South Africa, however, has few stainless steel buildings Local examples are the Iscor headquarters in Pretoria and the Standard Bank building in Sandton

Iscor looks at Northern Province iron ore plant

(189) BD 16/5/96

David McKay

ISCOR has dusted off plans for a R1bn Northern Province iron ore plant, to replace Sishen in supplying its steel mills located in Gauteng and KwaZulu-Natal.

Mining GM Ben Alberts said yesterday the company was conducting a pre-feasibility study into the project, which was planned for completion next year.

The plant, which would beneficiate about 500-million tons of low-grade iron ore from three sites, including reserves in Ellisras and Zandrivierspoort, had been on Iscor's books for about 10 years, Alberts said.

Iscor had regularly reviewed the viability of the Pietersburg project but now believed technology and cost advantages made the project more viable than before.

Executive chairman Hans Smith said it cost Iscor about R400 a ton — four times the cost of producing a ton of iron ore — to freight iron ore from Sishen, located in the northern Cape, to its mills

The strategy behind the project was that it would cost less to freight the iron ore from Pietersburg than from Sishen. But no breakdown of costs was available

Iscor's steel mills are located at Newcastle in KwaZulu-Natal, and Vanderbijlpark and Vereeniging in Gauteng

Another advantage of developing the new plant at Pietersburg was that reserves at Iscor's northern Cape mine, Thabazimbi, were located in dwindling pockets.

These pockets would need to be replaced.

A complication in the proposed plant was the low-grade nature of the ore at Pietersburg The beneficiation plant would have to produce hot bricketted iron which would have to be crushed, milled and separated first.

However, Iscor's R1,2bn upgrade at its mainstay Vanderbijlpark iron and steel works would be equipped with state of the art arc furnaces which would reduce the fixed costs of ironmaking and ideally suited to processing bricketted iron ore.

The Sishen iron ore facility, which makes about 8-million tons of iron ore a year, would become an export-dedicated plant due to its relatively close position to the SA west coast.

Sishen would also supply Iscor's new R3bn Saldanha steel mill with its iron ore requirements, he said.

Smith said it was too early to say whether the iron ore plant in the northern Cape would definitely proceed. However, Iscor's continuing effort to acquire other iron ore mineral rights in SA indicated its willingness to find an alternative mine to Sishen

The Financial Mail reported this week that the Industrial Development Corporation would be involved in the project, which it costed at $900m, and more plants could follow.

New pay rise bid in metals sector

(189)

BD 17/5/96

Bonile Ngqiyaza

SEIFSA's negotiators asked to be allowed to consult their constituency yesterday on new union proposals in this year's wage talks in the giant metal industries.

This followed Numsa's unmandated proposal of R19 an hour over three years, said spokesman Enoch Godongwana.

The union's original proposal was that the lowest-paid employee earn R14,40 an hour — 60% of an artisan's average R24 an hour.

The lowest-paid employees currently receive R6,74c an hour

Godongwana said the union had indicated it was prepared to "explore an offer above R14,40 and less than R24"

Wage talks resume on May 29

The employers' federation has tabled a proposal of a 6% across-the-board increase

Plea to promote jewellery industry

MHG (BM) 17-23 5/96 (189)

Lynda Loxton

MINTAK president Aidan Edwards is a man with a mission — increasing the beneficiation of South Africa's minerals and metals.

This week he took his mission to Parliament, where he once again made an impassioned plea to the Mineral and Energy Affairs Committee to press government to do more. For example, to promote the jewellery industry in South Africa.

He told the committee that although gold remained South Africa's most important commodity, production was falling rapidly and the aim should be to add maximum value to all gold exported.

Falling gold production had particularly serious implications for areas such as the Free State, which did not have any other industries to soften the impact of mine closures.

"With the almost certain demise of the gold mining industry, this could become a very serious embarrassment to the country," he said.

'With the almost certain demise of the gold mining industry, this could become a very serious embarrassment to the country'

The value of jewellery production topped $60-billion worldwide last year, but South Africa's contribution was only $120-million, or 0,2% of all jewellery produced.

He said that countries that hardly possessed any gold at all, such as Taiwan and Hong Kong, produced well over 100 tons of gold a year.

"Our gold is busy disappearing at quite an alarming rate .. and we just sit and watch our gold bullion leave the country."

Jewellery production could also ease unemployment. Edwards said every ton of gold that was converted employed 500 people and if the country set aside 100 tons of gold for jewellery production, 50 000 jobs could be created, while earning the country an extra R2-billion in foreign exchange.

Edwards said that the main obstacle in the way of increased jewellery production was the Reserve Bank.

He said the bank was refusing to lift its exclusive right to sell gold through commercial banks.

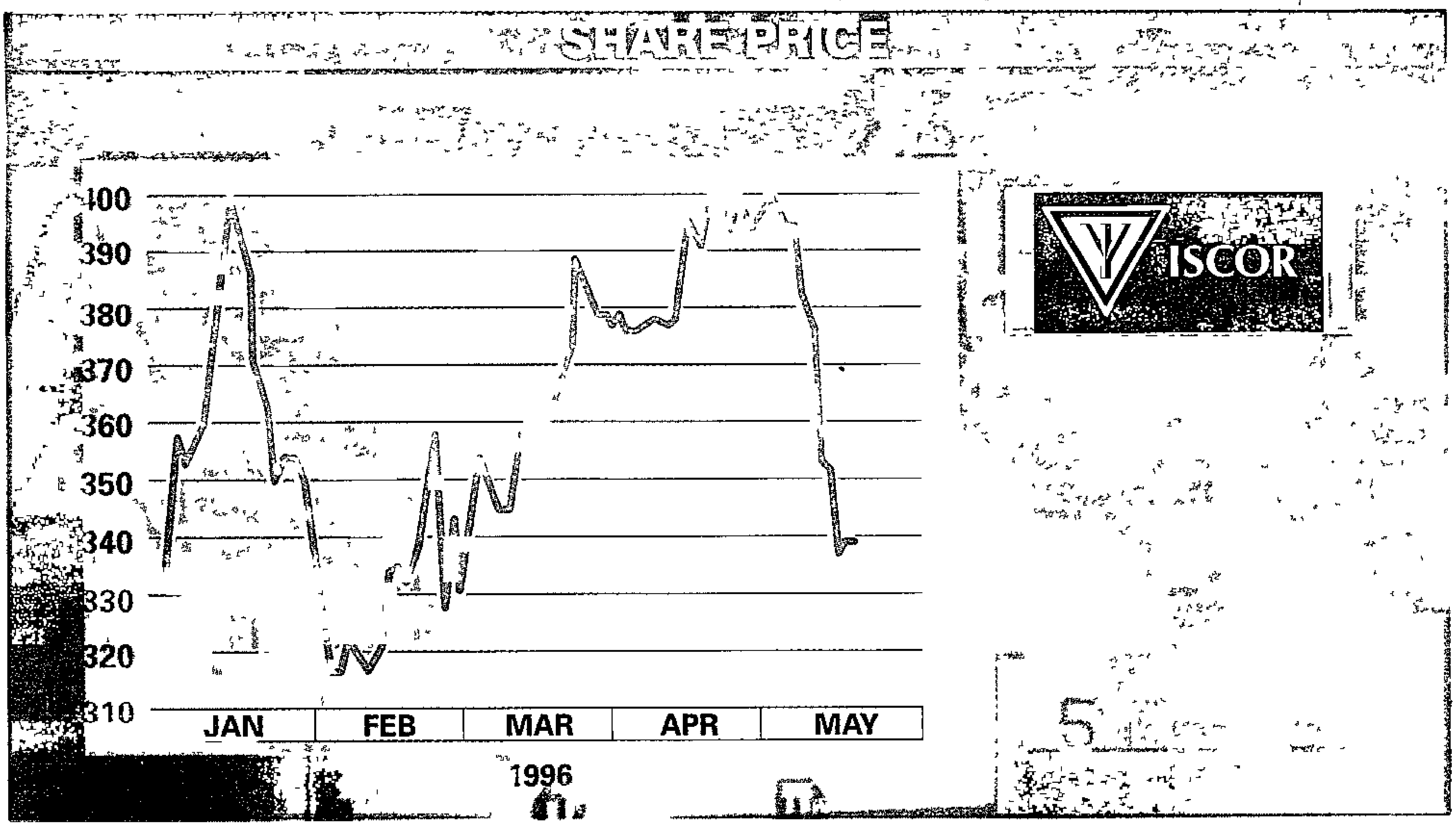
As a result, local jewellery producers paid a 5% premium on gold, which made them uncompetitive with major rivals.

This was holding up a planned joint venture project by Randgold to sell gold from its Harmony Gold Mine to "a factory with international connections" to be sited in Welkom.

Edwards told reporters that he could not identify the foreign partners, but said that many foreign investors, particularly from Italy, were very keen on investing in jewellery production in South Africa.

"The idea is that crude gold from the mine will be refined on site, using Mintek technology, and then supplied directly at a favourable rate to its fabrication facility."

The Reserve Bank's refusal to change its stand on gold sales was despite the fact that the Cabinet had said in October last year that "all stops should be pulled out to assist with the promotion of the jewellery industry," he said.



Market 'misinterprets' Iscor warning

(189) ARG 18/5/96

LLEWELLYN JONES
Business Reporter

THE market read gloom into Iscor's warning this week that the steel producer's operating results for the second half of the financial year ending June would be substantially lower than forecast, analysts said

Iscor, one of South Africa's most popular and widely held shares, fell to a low of 334c this week from this year's high of 400c less than a month ago

This followed Iscor executive chairman Hans Smith's statement that short term production disruptions, particularly at the Vanderbijlpark works blast furnaces, and a far steeper downward trend for both domestic steel sales volumes and export dollar prices would see operating income fall as much as 40 percent

Troye Brady, an analyst at stockbrokers Frankel Pollack Vinderine, believed that Iscor's warning had been incorrectly interpreted in some quarters

"Iscor's statement said operating income would be 40 percent down in the second half of the year on the first half," Mr Brady said

Some analysts said this had been misinterpreted to read that at the end of the second half, operating income would show a 40 percent decline for the whole year

Analysts also said the "surprise" warning should not have come as a surprise at all "We have been expecting a decline in second half income, the surprise was that this could be as much as 40 percent," Mr Brady said

"Weak international steel prices had already been fully discounted in the market and Iscor's production problems had been known about for some time"

Dealers on the Johannesburg Stock Exchange floor said the downside had been overdone and believed Iscor was a strong buy below 350c The long term outlook was still good in spite of immediate problems, they said

While domestic sales volumes had been hit by a build up in inventories and increasing imports, analysts expected this to level out within the next few months There would be a strong pick-up in demand once those inventories, which were not excessive, had been absorbed, and the depreciation in the rand (which makes imports more expensive) would see imports' six percent market share, up from three percent a year ago, quickly eroded

Exports would also begin to benefit from the weaker rand, though not immediately, because Iscor had sold much of its 1996 production forward

Mr Brady said it was disappointing that the company had not given a better indication of forward price levels Analysts guesses ranged between R3,75 to R4 to the dollar

Further ahead, there were strong indications that the international markets had turned European prices for hot rolled steel had climbed to around $270 (about R1 161) a ton from $250 (R1 075) at the beginning of the year, and cold rolled steel prices had also increased over the same period

Iscor's new stainless steel plant in Pretoria will also be coming on stream soon Analysts said this was good timing given the turnaround in world prices

Saldanha also represented a "wonderful" opportunity as one of the lowest cost producers of steel in the world

Iscor's share price has taken a bit of a rollercoaster ride this year, starting out at 330c in January riding up to 399c in February with expectations of excellent interim results These were rewarded with a 71 percent rise in earnings, but the share price slumped to 315c in February, and then climbed back to its 400c high in April as the rand weakened.

Dip in rand could hit mill project budget

(189)

Samantha Sharpe

CAPE TOWN — Saldanha Steel would face an overrun of several hundred million rand over its revised R6,8bn budget if the rand's sharp fall continued, sources said at the weekend

Executive chairman Bernard Smith said the steel mill project, jointly owned by Iscor and the Industrial Development Corporation, had taken forward cover on most of its offshore contracts, which had helped it escape the rand's fall to date

Yet more heavy depreciation of the rand might push the project cost several hundred million rand over budget About 45% of eventual orders for the steel mill had been in foreign currency

He said Saldanha had underestimated the rand's fall — original projections assumed a rand/dollar value of about R4,00 in May

The underestimation was offset partly by most contracts being concluded in German and Austrian currencies, which had made relatively less severe

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Continued on Page 2

Saldanha

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gains on the rand "Provided the rand/dollar movement does not go way out of line as regards what had been built into our financial forecasts for the construction period, we should not be too far wrong in initial budget estimates," he said

Saldanha Steel had borrowed about 135% of the imported value of offshore commitments, in the form of export credits and supplier facilities Rand revenues could also benefit, Smith said, given that its final product would be sold for dollars.

Construction was delayed last year amid environmental opposition and Iscor's decision last September to pull out of the scheme temporarily The delays helped push the original R4,5bn budget to R6,8bn, blamed in part on foreign exchange problems and revised contract negotiations.

A string of major contracts had now been awarded Smith said Saldanha Steel was close to signing final lump-sum turnkey contracts and contracts for civil work at the site.

Hulamin avoids the rand's ravages

(189) CT (BR) 21/5/96

By Jon Beverley

Durban — Hulett Aluminium (Hulamin) did not expect the fall in the rand-dollar exchange rate to have a serious effect on the R2,4 billion expansion of the Pietermaritzburg rolling mill, Peter Staude, the managing director-designate, said yesterday

He said the company had signed the deal and taken forward cover for the R480 million Mannesman Demag contract before the rand's collapse

Staude said planning of the expansion had taken into account fluctuations in the exchange rate and forward cover had been taken where necessary

He said the company's dollar-denominated sales would tend to balance out the depreciation of the rand. Exports would make it possible to meet foreign loans without suffering from exchange rate problems.

The company was finalising a R30 million civil-engineering contract and four similar contracts still had to be placed Most would be signed by the third quarter of this year

Higher demand expected to boost Columbus

(189) BD 22/5/96

David McKay

COLUMBUS Stainless expected to increase domestic sales 30% to 78 000 tons over the next two years, propelled by higher demand from export-dedicated manufacturers of stainless steel products, the company said yesterday

Marketing director John Rowe said domestic sales would jump to 70 000 tons this year from the 60 000 tons sold into the domestic market last year Expectations were that domestic sales would increase to 78 000 tons in 1997

Local prices for stainless steel had remained static, although there had been a drop in the dollar price of stainless steel on the export market

European producers attempted to force a price rise for May delivery a couple of months ago in a bid to pull the market from its trough

Columbus Stainless was working to redress an order backlog that had peaked in December about 27 500 tons in the local market due to commissioning problems at the expanded plant in Middelburg

The backlog had been reduced to about 15 000 tons of which 8 500 tons comprised cold-rolled products

Most of the backlogs affected the automotive catalyst industry and stainless steel tank container manufacturers

Imports from offshore competitors had not knocked Columbus's market share during the time the company's backlog was at its height in December. However, imports had increased marginally from the fourth quarter last year as world markets began to ease, he said

The international stainless steel market remained "very weak" mainly due to oversupply Producers were expecting an uptick in the world market as buying resumed in South East Asia after the completion of the Chinese New Year However, this traditional increase in stainless steel demand had not proved to be sustainable

Prices for cold-rolled nickel-bearing sheet fell from above $2 400 a ton in June last year to $1 850 a ton in February Prices are currently about $1 950/t in Europe which is slightly lower than prices in the US and Asia

World stainless steel producers cut production last year as the market moved into oversupply with Germany cutting deliveries to 328 000 tons in the final quarter, down 9% on the same period in 1994

Columbus Stainless expected to increase its tonnages when its 600 000-tons-a-year mill was fully commissioned, effectively completing a R3,5bn expansion

Pande pipeline deal nears finality

(189)

Samantha Sharpe

CAPE TOWN — US gas company Enron is "days away" from formal contracts to construct a pipeline from Mozambique's Pande gas fields to a proposed direct iron ore reduction plant in the Northern Province in what would be a $2bn project

Speaking at a World Economic Forum briefing on Friday, Enron senior vice-president Anthony Way said final heads of agreement between the Mozambican and SA governments would be formalised within a matter of days

The project was expected to come on stream some time towards the end of 1998 or early in 1999, with a projected 30-year lifetime, he said.

Way said Enron and the Mozambique state gas and oil company Empresa Nacional de Hidrocarbonetos would be jointly responsible for the funding, building and operation of the 800km pipeline

The Industrial Development Corporation would be involved with the development of the iron ore reduction plant, although its precise location was still to be decided, he said. Direct in-

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Continued on Page 2

Pande

(189)

Continued from Page 1

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vestment in the pipeline and iron ore reduction plant would amount to about $2bn, with just more than $1bn related to investment in the plant

Way declined to comment on projected revenues from the project but said the benefits to the southern African region would be enormous

While the project hinged on a unified taxation policy and regulatory framework for gas pipelines between SA and Mozambique, this was unlikely to be problematic, he said

Mozambique energy ministry special adviser Mario Marques said both countries were already working on a joint economic commission While the countries' taxation and regulatory policies were unlikely to be identical, they would certainly be compatible, Marques said Both Mozambique and SA were 'keen' to ensure the required regulations were put in place

The Pande gas fields consist of about 14 wells with proven reserves of about 2 5-trillion cubic feet and likely reserves of 3-trillion cubic feet, he said

Palamin may build new iron ore plant with Iscor

(189) BD 28/5/96

David McKay

COPPER producer Palabora Mining is considering building an iron ore plant, possibly in partnership with Iscor, which would use gas piped from Mozambique's Pande project

The RTZ-owned company said yesterday that a pre-feasibility study into a reduction plant drawing on magnetite stockpiled at the company's copper plant in Northern Province was under way A key element in the project was the provision of cheap piped gas from Pande

Project manager Rory Kirk said Palamin was talking to several potential partners and agreements were imminent Palamin hoped to take a stake in the project, he said

Iscor executive chairman Hans Smith said the company would, in principle, be willing to join the project But the cost of transferring the magnetite for Iscor's use would have to be negotiated Smith said certain impurities in Palamin's magnetite, which includes copper and ilmenite, would have to be removed This would require Palamin to show the project was commercially viable to Iscor, he said

Palamin has about 200-million tons of magnetite in stockpiles — a by-product from copper concentrate which is Palamin's core business — of which 120-million tons of iron ore would be produced at a rate of 1-million tons a year In addition to the stockpiled magnetite, Palamin would continue to produce 7-million tons of the material each year until 2002 and 2-million tons thereafter

US gas company Enron, which is developing Pande, said last week it was "days away" from formal contracts to build the pipeline to a $1bn plant in Northern Province

The company said yesterday initial plans indicated the pipeline would skirt Kruger National Park A final decision on its route and cost hinged on the location of the plant

Iscor's hedging plan to add R60m to its income

BD 30/5/96 (189)

David McKay

ISCOR's hedging programme — in which 50% of its $1bn annual exports were sold forward — could add about R60m to its net income a year for each 10c fall in the currency, the steel producer said yesterday

But the dollar hedging programme had predated the rand's downward spiral, which took the unit from R3,65 in February to a current R4,3950, denying Iscor the benefit of higher rand earnings for the year to June

Iscor's finance director Louis van Niekerk declined to comment on the rand level Iscor had used for the dollar hedging programme

Van Niekerk said, however, the hedging had also failed to offset softer international prices

Iscor said in the past that the softer international prices, combined with disappointing local sales were expected to leave second half operating profits 40% below the first half earnings

Bottom line earnings would be buoyed by the sale of non-productive assets Van Niekerk said Iscor's policy was not to speculate on foreign currency but to protect its operating margins against poor markets

This was why it hedged up to half of its receipts from international trade, Van Niekerk said

The devaluation of the rand against the dollar could be godsend to Iscor which was predicting the bottom of the next commodity cycle would occur only towards the beginning of 1999

"But Iscor does not have to be aggressive in its forecast of the commodity cycle to justify any more growth projects as it already has a number of capital projects on the table "

Iscor is run on a cash flow basis and has maintained a healthy cash pile to fund its various projects which include the R6,8bn Saldanha Bay steel project at its peak funding level

In the medium term, steel prices were expected to move sideways to a little down on the international market The slight blip upwards over the next few months was not a significant factor, Van Niekerk said.

An industry leader who defies 'traumatic 60s'

(189) BD 30/5/96

Samantha Sharpe

CAPE TOWN — Saldanha Steel executive chairman Bernard Smith is a businessman who could be said to dare to go where the more cautious fear to tread — and gladly reap the rewards

His fight to win the go-ahead for the controversial R6,8bn Saldanha Steel project off the Cape west coast was not the first — and certainly not the last — such battle, despite his turning a "traumatic 60" last month

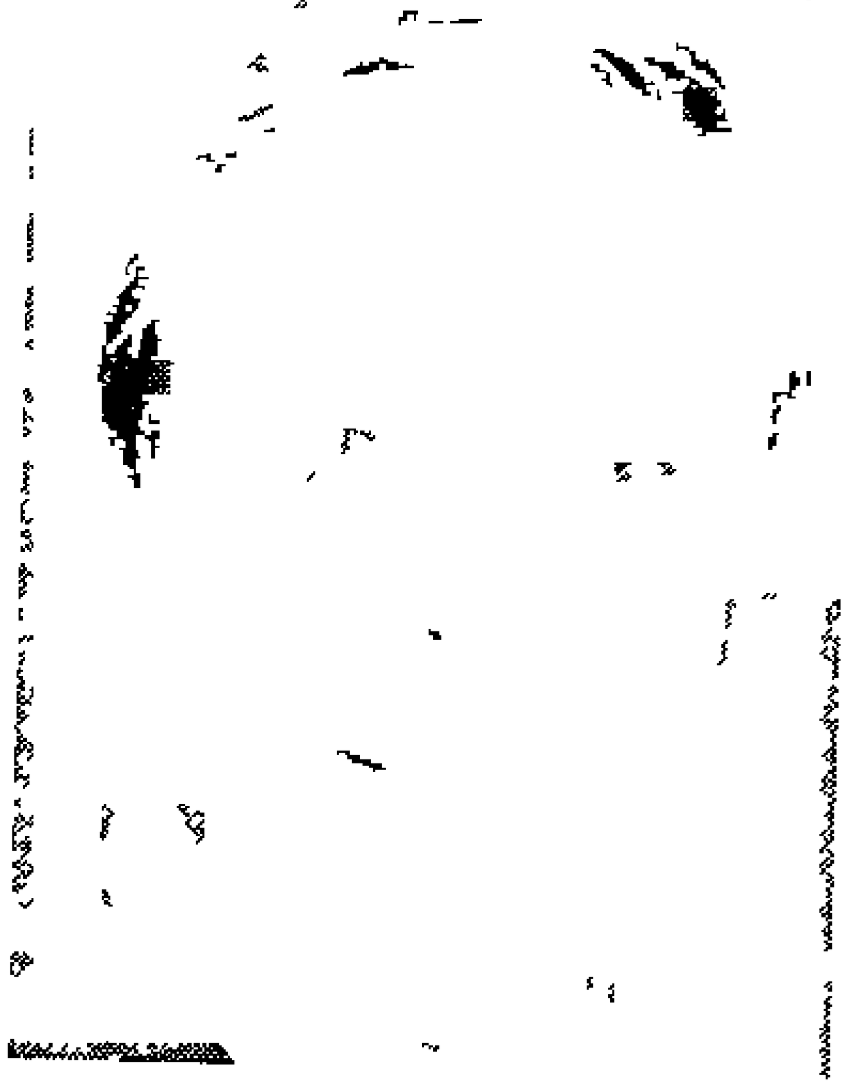
The Saldanha Bay project, owned jointly by the Industrial Development Corporation and Iscor, was put on hold last year when Iscor pulled out of the deal, citing inordinate delays over rezoning

Saldanha forced Smith to draw on the two main character strengths that insiders attribute to him — being a tenacious negotiator and possessing a disarming charm

Smith was faced simultaneously with a hostile media and a fierce battle with environmentalists over the Saldanha Bay rezoning, which he says was a very difficult time personally

"I spent four months through the hearing trying to maintain my patience," he says And that patience was rewarded when regional government gave the project the go-ahead and Iscor returned to the party in a restructured deal

"A past finance minister used to say that all men are in the end motivated by greed, and to a certain extent that is true," Smith says But he says that much of his ambition stems from the potential



SMITH

he sees in projects to benefit more than the individual

Brought up on Johannesburg's mines, Smith graduated from Wits with a degree in mining engineering and was initially employed as a junior surveyor at Randfontein Estates

By 34, and highly ambitious, he had worked his way through the ranks to the board of JCI One of his first projects was the redevelopment of Randfontein Estates When he started at JCI, the Randfontein Estates share price was about R1,80 When he left it was at R50

From JCI, where Smith served as executive director for 10 years, it was on to British Petroleum in London for five years He returned to SA and Gencor, where he was responsible for the group's interests in Mossgas — "a traumatic few years"

It was Smith who offered the now famous quote on government subsidies to Mossgas — "a rose by another name" — and who helped Gencor edge its way out of its involvement in the project

As a negotiator he was effective in Gencor's successful acquisition of Mobil and the eventual merger of Trek and Mobil and Gencor's interests in the North Sea to create Engen, of which he is currently chairman

Smith's efforts with Engen earned him Business Day's Business Achievement of the Year award in 1991

"For four years Gencor's growth was driven by Engen," he says And despite the woes facing the oil industry, Smith is confident it will find support from government in resuming its role as a driving force behind SA's industrial growth

As Gencor's deputy chairman he fought for more than a year to ensure the group's acquisition of Billiton from Royal Dutch Shell, one of the biggest offshore deals undertaken by an SA company (Documentation for the deal was rumoured to run to 80 cartons)

Smith left Gencor in 1994 to take on the chairmanship of Saldanha Steel

As self-effacing about his career as he is about his golf handicap — somewhere in single figures — Smith is nonetheless a man looking for new challenges

"I have always believed that the business of major mining or financial houses is about creating new opportunities, so I have sought to find them "

Tongaat-Hulett hopes are high

Nicola Jenvey

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DURBAN — Tongaat-Hulett was expected to lift attributable earnings 35% to about R336m for the year to March, propelled by its aluminium and sugar divisions.

Analysts said the group, due to release its year-end results tomorrow, would gain from its aluminium division operating at full capacity during the year. It had given a record showing for the first half despite imports competition and softer international prices.

The sugar division would turn in higher profits due to improved prices. Sugar tonnages for the 1995/96 season would be 590 000 tons (621 000 tons). Analysts said good rainfall during December and January had come too late to affect the current season.

The starch and glucose division would show a marked improvement in its contribution to profit. Analysts expected the division to boost earnings even further once the R600m greenfields project came on stream in Gauteng.

Analysts said property arm Moreland Estates was proving a good income earner but building materials arm Corobrik had still to benefit from RDP spending.

Tongaat lifted attributable income 37,2% to R138,7m on sales up 16,3% at R2,2bn for the six months to September. Capex for the half year stood at R124,4m, although another R140,3m was to be spent in the latter six months.

Workers 'justifiably fired'

(189)

BLOEMFONTEIN. - The Appeal Court here has dismissed an appeal by the National Union of Metal Workers of South Africa against the Labour Appeal Court's ruling clearing three companies, who fired striking workers, of an unfair labour practice.

Vetsak Co-operative Ltd, Isando Industries (Pty) Ltd and Turin Pressing (Pty) Ltd dismissed workers after they went on strike in 1988.

On November 22 1990, the Labour Appeal Court (LAC) dismissed an appeal against an earlier industrial court ruling that the workers had not been unfairly fired.

Then, on November 26 1992, the union successfully appealed to the Appellate Division to have the matter referred back to the LAC to enable the court to consider whether the companies had committed an unfair labour practice by dismissing the workers.

The court endorsed the decision of the court which made the earlier LAC decision.

In a majority judgment, Appeal Judges Nienaber and Marais and Acting Appeal Judge Zulman dismissed the union's appeal.J

Judge Nienaber said that none of the grounds advanced by counsel for the union could, in his opinion, serve as an adequate reason to come to a conclusion contrary to that of the industrial court or the LAC.

Since the dismissals must stand, the question of reinstatement did not arise.

The Appeal Court also held that no cogent reason had been advanced why the union should not be ordered to pay costs.of the appeal

The Appeal Court said it agreed with the finding of the LAC that the workers and not the employer, were to blame for the dismissal. ARG 1/6/96

The court held that both sides were justified in employing two counsel - Sapa.

Samancor, Koreans strike $30m deal

(189) BD 5/6/96

David McKay

GENCOR-owned ferroalloy producer Samancor has clinched a supply contract with Korean steel giant Posco worth $30m a year

The company — which has cut a string of similar supply deals in recent years with French and Japanese clients — said yesterday it would create a new joint venture with Posco subsidiary Postrade and Samancor's Korean marketer, Samsun The venture, Poschrome, would supply 50 000 tons of ferrochrome a year for Posco's planned stainless steel expansion

Poschrome also planned to spend $40m over the next two years to upgrade Samancor's ferrochrome production plant at Witbank Samancor said it would continue to supply a large slice of Posco's ferrochrome requirements

Samancor said the venture, in which it would have a 50% stake, would "further strengthen the relationship and serve to exploit synergies between the respective groups"

Higher ferrochrome demand and prices helped double Samancor's attributable income to R309m for the six months to December, on sales ahead 50% at R1,9bn.

But ferrochrome prices have weakened substantially this year.

Executive chairman Mike Salamon said results for the second half would be lower, given the softer prices The Korean deal, effective from July 1, would have no effect on earnings for the second half.

'PROJECT A THREAT TO TOURISM'

'Saldanha Steel has broken all promises'

(189) CT 7/6/96

A MEMBER of the board of inquiry into the controversial R4,7-billion Saldanha Steel project says that the company has reneged on all its undertakings and made a mockery of the entire inquiry process, writes **MELANIE GOSLING.**

THE Saldanha Steel debacle was a "classic lose-lose" situation where everyone involved — including the green lobby, the local community and Saldanha Steel itself — had ended up as losers

This was the view of Professor Richard Fuggle, head of UCT's Environmental Science department, and one of three members of the board of inquiry appointed by the government to investigate the controversial R4,7-billion steel project

Politicians had ignored key recommendations made by the board, and Saldanha Steel had reneged on all undertakings given to the board

Speaking at a public meeting on campus yesterday, Fuggle said Saldanha Steel had given an undertaking that it would set up an environmental trust to monitor environmental impacts — especially air and water pollution — and to ensure these were controlled

"The board took these assurances to be made in good faith and with honour But now it turns out these undertakings count for nothing Saldanha Steel has reneged on all its undertakings," Fuggle said

He read out minutes of the monitoring committee meeting which recorded Saldanha Steel's chief Mr Bernard Smith saying that the environmental trust would not be set up, and that all its other undertakings now "fell away" because the company had agreed to move the factory site two kilometres inland

"It was clear the board's recommendation to move the steel mill inland meant at least 6km, not just a few thousand metres Saldanha Steel has simply moved the plant from the western edge to the eastern edge on the same site

"It was certainly not in the board's mind that a move within the same site constituted a move inland," Fuggle said

He said the board had made its recommendations after three months of investigation which included weeks of public hearings, 7 000 pages of written evidence, and the appointment of expert sub-committees

"Then two international experts from the Ramsar Secretariat in Switzerland were flown in on a Sunday night, flew over the factory site on the Monday morning and on Monday afternoon told the cabinet it was okay to go ahead with the steel factory

"This made a mockery of the entire inquiry process The two Ramsar advisers can't be at all proud of what they did," Fuggle said

He said the board's key recommendation — that the structure plan determining land use in the region be subjected to the same degree of public scrutiny and discussion as the proposed steel factory — had been totally ignored by the Department of Environment Affairs

The recommendation was made because 70% of public objections to the steel plant were related to the structure plan which had earmarked areas close to Saldanha Bay as suitable for heavy industry

"Nothing has come of this," Fuggle said

He said there was a real risk that the steel factory would affect the ambiance of the whole coastal plane, which could affect the mariculture industry and local tourism

In on a limb ...

RESCUED World Environment Week had a special significance at the World of Birds in Hout Bay this week when the life of a rare secretary bird was saved after it landed on a Paarl estate with a broken leg Mr Graham Gibbon chased and caught the bird, which was weakened and destined to die of starvation It was brought to the sanctuary where the useless leg was amputated and replaced with an artificial limb made by hospital staffer Ms Tracy van der Byl, above. By yesterday the bird had regained strength — it was running and accepting food — but staff are now looking for professional help to make and fit an artificial leg to give the bird maximum and lasting comfort

PICTURE: CLIVE SMITH

Unions, employers in deal to create jobs

(189) Sowetan 10/6/96

AN agreement aimed at creating additional jobs in the metal industry has been hammered out between unions and employers, the National Union of Metalworkers of South Africa (Numsa) said at the weekend

Numsa spokesman Tony Ehrenreich said the unions and employers agreed that trading hours in the industry be extended from 97 to 119 hours a week

They further agreed that the working week be squeezed into four days The three remaining days of the week would be covered by new employees in the industry, leading to the creation of more jobs, Ehrenreich said

"We think this is fundamental because as labour we are accused of only looking after our members' interests who are presently employed we think this now takes into account the needs of the society as a whole, especially the creation of more jobs"

The agreement was reached during talks between Numsa, the Motor Industry Employees Union, and the SA Motor Industry Employers Association (SAMIEA) in Kempton Park

Numsa in a statement said it was agreed that employees' working hours should be 45 a week, but with a maximum of a 12-hour shift over four days

Motor industry workers could also win wage increases of 12 percent and eight percent for the lower grades and higher grades, respectively when the agreement was promulgated, Numsa said

Promulgation of the agreement could be delayed because the Motor Industry Staff Association, which represents white clerical staff, rejected other trade unions and employers' proposal that managers fall outside the scope of the application of the agreement, Numsa added

SAMIEA representative Vic Fourie confirmed the agreement but said certain issues were still outstanding They hoped to resolve the issues before the middle of next week, he said

He refused to elaborate, saying the issues were *sub judice* The participants also hoped to confirm the agreement at a special general meeting of the Industrial Council on Thursday

The meeting also agreed to end discrimination based on race with regard to the Provident-Pension Fund – *Sapa*

Promises to commission not broken — Saldanha Steel

BD 11/6/96 (189)

Samantha Sharpe

CAPE TOWN — Saldanha Steel strongly denied allegations that it had reneged on promises to the Steyn commission, set up by government last year to probe the controversial R6,8bn west coast project.

Steyn commission member Richard Fuggle said last week Saldanha Steel had failed to fulfil key commission recommendations, including the establishment of an environmental trust to monitor environmental impact, and a regional zoning plan which would be subject to the same public scrutiny as the proposed mill.

Saldanha Steel executive chairman Bernard Smith said the need for an environmental trust had been replaced by a government-appointed environmental monitoring committee.

The structure plan was being considered by the local authorities. "In fact, the logic of such a trust fell away when the Western Cape environmental MEC appointed the monitoring committee.

"Both a monitoring committee and trust fulfilling the same role would be costly and administratively unwieldy," he said.

Environmental monitoring committee chairman Jan Gilliomee said the committee was likely to prove more effective than the trust, enjoying greater legal muscle through soon-to-be introduced provincial legislation.

He said a structure document was being discussed by the local authorities, and it would soon be made available for public comment.

Western Cape agriculture, planning and tourism MEC Lampie Fick said that Saldanha Steel had "until today, not reneged on any one or part of its undertakings to the provincial government or (on) the conditions of approval for the rezoning of the site for the steel plant.

"It is unfortunate that a respectable scientist of the stature of Professor Fugle did not first acquaint himself with the facts before making statements which contribute to public confusion and misunderstanding of a complex position," the MEC said.

Samancor sets up second foreign ferro-alloy deal

BD 11/6/96

(192) (189)

David McKay

GENCOR-owned ferro-alloy producer Samancor has set up a joint venture with two major Japanese groups worth R200m a year in export revenues — the second such deal announced in a week

The company said yesterday the joint venture with Mitsui and Japan Metals and Chemicals Company (JMC) would invest at least R200m on a furnace at its Meyerton site to produce 60 000 tons to 65 000 tons of refined manganese alloys a year

Samancor said it would also spend R190m buying and converting two carbide furnaces owned by Polifin in Sasolburg into a ferro and silicomanganese production facility.

The new capacity would replace that taken by the Meyerton venture

The joint venture — 50% owned by Samancor, with the Japanese groups holding the rest — would sell into the Japanese market while Samancor would sell into other markets such as the US and Europe

Samancor manganese division GM Richard Linnell said the product would be sold into the speciality steels markets

He said the deal would broaden Samancor's market base and allow it to upgrade technology The investments would be funded from its operating income

Samancor's Meyerton plant produces about 500 000 tons ferromanganese and 300 000 tons of ferro-silicomanganese a year

Construction on the new plant would start immediately, with commercial production due to start at the beginning of 1998 The plant would also produce 8 000 tons of ultra low-carbon ferromanganese and 7 000 tons of ultra low-carbon silicomanganese

The deal follows Samancor's announcement last week that it had clinched a ferrochrome supply contract with Korean steel giant Posco worth $30m a year

A newly created joint venture, Poschrome is to spend $40m upgrading Samancor's ferrochrome production plant at Witbank

High prices for ferromanganese and silicomanganese helped lift Samancor's attributable income to R306m (R149,5m) for the six months to December

But prices have softened since then Samancor was forced to slash export prices for silicomanganese to Japan by $60 to $690 a ton as the European carbon steel market continued to ebb Further price cuts of $20 to $30 were expected later in the year

Analysts believed the joint venture would minimise its exposure to the spot market where prices in ferromanganese and silicomanganese have been falling

One analyst said Samancor would also gain guaranteed offtake from the venture

In return the Japanese, facing rising production costs in the speciality manganese market, would protect their home markets and reduce labour and power costs

Samancor said the venture would allow JMC to reduce its refined manganese alloy production at its Takaoka plant in 1998

Samancor closed at R56,25 on the JSE yesterday, against a R67 year high last month

Iscor pulls out of Saudi deal

(189)

David McKay

BD 12/6/96

ISCOR had pulled out of a consortium to construct a R1bn steel mill in Saudi Arabia following a threat by a rival producer to oversupply the market, it said yesterday

The SA steel producer had agreed provisionally to supply 30 000 tons of hot rolled steel a month to the new 250 000-ton-a-year mill Developed by Saudi company Al-Shamrany Industrial Group, the mill would cold-roll into a finished product

The contract deal had the potential to earn Iscor about R100m a year in export revenues at current international prices for hot rolled steel of about $280/t

The viability of the supply contract hinged, however, on the understanding that a Saudi steel rival — the Hadeed Group — would not enter the downstream market

Hadeed decided towards the end of last year to cold-roll its own product, which changed Iscor's view on the viability of the mill's market

Iscor had agreed to be the technology assistant to the new steel mill with another SA company, Bateman Minerals & Industrial Group, supplying the machinery for the mill

Iscor spokesman Piet Combrink said the success of the deal depended on Al-Shamrany remaining the only downstreamer of the hot rolled coil

He said Hadeed's entry into the market had altered the viability of the deal, as Iscor would not achieve the same profits by sharing the market

"The Saudi market was profitable for one player — but not for two "

Bateman Minerals & Industrial Group had also decided to withdraw from the project, a spokesman said.

Iscor probing mineral sands at three sites

(189)

David McKay

~~E Cape~~ BD 13/6/96

STEEL producer Iscor is investigating extracting mineral sands from three sites around SA, including one of the Eastern Cape's most environmentally sensitive areas.

The company said yesterday it was exploring reserves in KwaZulu-Natal, Northern Cape and the Eastern Cape's Wavecrest area. The latter would be a secondary site, brought in when market conditions allowed, Iscor said. But it said it had applied to renew its prospecting permit at the Wavecrest site and that a feasibility study on the three areas was almost complete.

The investment for the three sites, which was not quantified, would go before senior management in three to four months. Heavy minerals project manager Matie von Wielligh said the project "looks favourable".

The proposals form part of Iscor's drive to mine more than 420-million tons of heavy minerals ore from 1999.

The reserves would yield titanium oxide, widely used in the paint and plastics industry, for export.

It is understood that the plans face opposition from environmentalists. The area contains a world-renowned mangrove plantation — the southernmost such vegetation on the globe.

Industry sources said Iscor could produce about 200 000 tons of titanium slag from the reserves a year, a fifth of the output of Richards Bay Minerals.

Estimates suggested the Wavecrest reserve had about 250-million tons of ore yielding a 4,8% grade of ilmenite, as well as rutile and zircon.

Iscor's exploration follows the announcement last week that Canadian mining group Falconbridge had teamed up with Gencor and Randgold Resources to pursue copper and nickel deposits in the Eastern Cape.

Numsa to embark on strike action

(189) [illegible] / Sowetan 13/6/96

The move is aimed at highlighting seriousness of workers' demands

By Abdul Milazi
Labour Reporter

THE NATIONAL UNION of Metalworkers of South Africa is to embark on a national day of action today to mark the beginning of the final round of wage negotiations in the engineering sector

Numsa spokesman Ms Jenny Grice said the action, which would involve marches throughout the country, was to highlight the seriousness of their demands and to put pressure on employers

The union is demanding R1 542 a month for the lowest paid workers and 200 hours of training a year for all workers "Workers have to be trained if we are to move up from position 44 out of 46 countries as cited in the World Competitiveness Report"

Numsa also demands job security and an end to the Limited Duration Contract and labour brokers because "they break any gains that trade unions make"

One of the most innovative demands is a new wage model which Numsa has drafted to close the wage gap between the lowest and highest paid workers in the industry

Numsa proposes that workers be graded on their skills instead of their jobs

Grice said the union wanted the lowest paid workers from grades one and two to earn 60 and 70 percent of the industry's artisan rate which was R24,95 per hour respectively

The Steel and Engineering Industries Federation of South Africa has proposed that the two grades should earn 55 and 65 percent of the artisan rate respectively

~~150~~ 189

Metal workers in march

Sowetan 14/6/96

SEVERAL thousand members of the National Union of Metalworkers of SA marched to the offices of the Steel and Engineering Industries Federation of SA in Booysens, Johannesburg, yesterday to deliver a memorandum demanding better working conditions.

The largest union in the metal industry, Numsa staged the march to highlight its rejection of Seifsa's final offer of 7,5 percent during annual wage negotiations.

Numsa leader Mr Mthuthuzeli Tom said the union was pushing for higher pay, 200 hours of training a year to upgrade workers' skills, and employment security, among other demands.

One of these was the closing of what it called the "apartheid-wage" gap within the metal industry.

The next round of negotiations is scheduled for June 24, when Numsa will report on members' reactions to a range of offers by Seifsa.

Also yesterday, Numsa presented a memorandum to Eskom demanding a new skills-based grading system.

The memorandum said Eskom's training college should be used to address past imbalances by producing more black engineers, technicians and artisans.

The union also demanded an increase in housing subsidies for the lowest-paid Eskom workers.

● Banks yesterday warned that planned mass action by the South African National Civics Organisation could jeopardise the country's fragile economy.

Sanco has planned a steady stream of pickets and demonstrations starting today, to protest the banks' moves against thousands of first-time homeowners who have defaulted on their loans.

"Threats of disruptions to banks' normal activities, intimidation of bank officials, sit-ins, etcetera, are in our view extremely unwise," the Council of South African Banks said.

Cosab said about 50 000 defaulters — who were still occupying their houses — had their properties repossessed last year, but banks were trying to make arrangements so the defaulters could pay their debts. — *Sapa*.

Numsa members march countrywide

(189) (BBZ)

Renee Grawitzky

BD 14/6/96

THOUSANDS of National Union of Metalworkers of SA (Numsa) members participated in countrywide marches and demonstrations yesterday to highlight demands being negotiated in the metal industry industrial council affecting about 200 000 workers

The action coincided with the union's rejection of the Steel and Engineering Industries' Federation of SA's (Seifsa's) final offer of 7,5% which would effectively increase the minimum wage to R7,25 an hour

Numsa's engineering sector negotiator Elias Monage said "workers must prepare themselves for a tough battle"

Seifsa indicated that some progress had been made on general wage demands, including an agreement to appoint a task team of the industrial council to explore the implications for the industry of a reduction in the working week

Separate negotiations on a new wage model for the industry continued despite disagreement on two issues. Seifsa proposed that the rate for grade 1 should be 55% of the scheduled artisan rate while Numsa has demanded that the rate should be calculated at 60% of a benchmark figure for the artisan rate of R19 per hour

The second major area related to the employer's demand for what Numsa termed a "low wage grade" Seifsa proposed that employees in grade 1 who would not become multiskilled but would be doing general labour work should be paid the current industry minimum rate of R6,74 an hour

Ecna reports that another stoppage hit East London industry yesterday as workers took the day off to participate in the countrywide action. Border Engineering Industries' Association chairman Anthony Kerr said workers should be more "responsible"

EU may lobby SA to cut steel tariffs

(189) (#4)

John Cavill BD 14/6/96

LONDON — SA is expected to come under pressure to reduce its tariffs on steel imports in the negotiations on a free trade agreement with the European Union which start in Brussels next week

Eurofer, the industry body which represents 90% of EU steel output, wants the EC to seek a symmetrical reduction of tariffs by SA

A Eurofer spokesman in Brussels said yesterday: "We consider SA import duties are very high on special steels and products such as hot rolled coil

"As SA is becoming a very important international producer and exporter we would like to see a provision in the trade agreement with the EU (for SA) to bring down its tariffs"

The spokesman said there was a huge imbalance in EU-SA trade in steel "In 1995 exports to Europe from SA of all steel — from semis up to coated steel but excluding pipes — averaged 30 000 tons a month EU sales to SA were only 10 000 tons a month"

SA duties on special steels range from 10% to 18% Tubes face a 10-15% surcharge which compares with the maximum EU tariff of 7%

A report in yesterday's Metal Bulletin said EU steel producers "are fast losing patience with the economic grace period" granted to SA since it became a full-blown democracy

"Critics complain political change has not been accompanied by a disbanding of the protectionist 'laager mentality' economic policies of the apartheid era," it said.

SA's advantages — such as cheap raw materials and labour costs and new "state of the art" plants — have allowed it to invade Europe's domestic markets

Ceremony sets Hulamin mill in motion officially

(189) CT (BR) 18/6/96

By Jon Beverley

Pietermaritzburg — The R2,4 billion rolling mill expansion by Hulett Aluminium was symbolically started on Friday in the shadow of the government's new economic policy

Cedric Savage, the chairman of the company's board, and Frank Mdlalose, the KwaZulu Natal premier, turned over the first sod on the Camps Drift site

Phumzile Mhlambo-Ngucka, the deputy trade and industry minister, made an unscheduled appearance at the function and announced details of the economic plan that could have a considerable effect on the Hulamin mill

Mhlambo-Ngucka said there would be a tax holiday for selected industries and a general accelerated depreciation scheme

At present there is a depreciation allowance on plant equipment of 20 percent a year over five years and 5 percent a year over 20 years for buildings

This will be changed to 33,3 percent a year over three years on plant equipment for manufacturing and depreciation at 10 percent a year for 10 years on buildings

"Accelerated depreciation will only apply in respect of qualifying plant equipment and buildings that are both acquired and brought into use for the first time during the period August 1 1996 and September 30 1999"

Mhlambo-Ngucka said that a tax holiday would apply to selected new projects A board would be instituted to administer the scheme

The structure of the incentives would be to encourage the establishment of priority industries in economic regions that had strong potential to create new jobs in competitive manufacturing undertakings, she said

A tax holiday would last no longer than six years timed from when the company became liable for tax and would expire in the 10th financial year after the project had been approved by the board

She said the regulations would be released "in good time" before the opening of the tax holiday window in the fourth quarter of this year

It would remain open no later than September 30 1999, the deputy minister said

Board cracks down on steel industry

David McKay (189)

THE Competition Board has cracked down on steel industry price-fixing, imposing heavy restrictions on merchants' pricing policies following a four-year investigation.

Trade and Industry Minister Alec Erwin said in the latest Government Gazette that Anglovaal subsidiary Trident Steel, Dorbyl division Baldwins' Steel and Iscor export partner MacSteel could not lift prices together without justifying them to the board.

A board spokesman said a cartel in the industry could not be proved, but it was clear there were "tacit agreements" between the three — which control 75% of the R4bn-a-year market — to lift prices together.

The three would have to justify their actions to the board, or wait three months before following their rivals in lifting prices, whether they were arguing variable prices or prices for the steel from the mill had risen.

The companies were not allowed to produce identical price lists, or use rival price lists as a guide in compiling their prices.

The industry has long argued that the three dictated domestic prices.

SA Association of Steel Merchants president Michael Hoffman said yes-

BD 19/6/96

Continued on Page 2

Steel

(189) BD 19/6/96

Continued from Page 1

terday price leadership was not counterproductive to the steel merchanting market. He said he had not been aware of a cartel.

Baldwins' Steel MD Chris Cronje said the new stipulation would confuse customers used to working out discounts from one price list.

The gazette also detailed the conditions on which the Iscor-MacSteel joint marketing venture, MacSteel International BV, was approved.

These stipulated that discounts offered by MacSteel International to bulk buyers of steel products had to be offered to MacSteel's rivals. Information Iscor shared with MacSteel had to be distributed across the market, the board said.

'Watershed' US decision will aid SA steel exports

ARG 19/6/96

(189)

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON - South Africa's top trade official in the US has declared that "the American market is now open to us" after a "watershed" decision by US trade authorities to drop moves to slap heavy import tariffs on several South African companies exporting steel pipes to America

The United States International Trade Commission (ITC) decided by a vote of five to one yesterday that US producers of circular, welded, non-alloy steel pipe were not being injured by imports of this pipe from South Africa and Rumania

This decision drops provisional duties on the steel imports and is a big victory for producers after a setback last month when the US Department of Commerce ruled finally that they were dumping steel pipes in the US market by selling them here at well below the ruling price in South Africa

This "dumping margin" was so high because of high Souh African prices, caused by high export rebates and protective import barriers to foreign steel

Six US steel pipe producers petitioned the US trade authorities to impose anti-dumping duties on steel imports after sales began to pick up with the ending of sanctions

Last November 30, high provisional duties were imposed on the steel imports, which will now be returned to South African producers after the ITC ruled that although the South African steel was being sold way below the South African price, this was not materially injuring US steel producers

Local producers argued successfully that the dumping margin was large because of artificially high prices in SA, not because their US prices were so much lower than the ruling price in South Africa

Mr Dana du Randt, economic minister in Washington, said he was delighted by the ITC decision

"It's wonderful news for South Africa It means the US market is now open to our products

"This holds potential for other SA steel producers to enter the US market

"This is a watershed because it shows SA can aggressively market its products in the global market place "

Gencor, Iscor examine Zairean copper venture

(189) BD 24/6/96

David McKay

GENCOR and Iscor will consider a joint partnership with Zairean parastatal Gecamines to develop a 100 000-ton-a-month copper ore body in the central African state

The two companies and Canada's International Petroleum Corporation have been shortlisted by Gecamines to tender on the project

The resource, namely Tenke Fungurume, is located in the southern part of Zaire's Shaba province, where the infrastructure is known to be underdeveloped

Risk

Gencor business development CEO Bobby Jurd said at the weekend the group would consider a joint venture with Iscor as this would spread the risk of the project

He declined to comment on the investment that would be required, but estimates suggest that an SA partner could inject R200m into the development, in terms of loans or equity

He said the project could look to producing its first metal in about three-and-a-half years' time, depending on its extent

It could also be expanded — to produce cathode, for example.

There was an estimated in-situ resource of 6-million tons of ore with an excess of 3% of copper, he said.

Iscor mining GM Ben Alberts said the group's relative lack of experience in copper mining meant that a joint partnership with Gencor had obvious advantages.

The Zairean resource would, however, be mined by using open-pit methods, he said

This was similar to iron ore mining methods in which Iscor had experience, he said

Iscor had been looking to expand the ambit of its mining division for some time, he said.

The group had collared a number of resources which it wanted to develop — including zinc, gold and copper resources — in countries such as Chile and Peru, Alberts said.

The mining division would approach the Iscor board next month to finalise a running budget for these developments.

Alberts declined to provide details about the amount of funds required by the mining division annually.

EXECUTIVE SUITE

Dispute as Numsa pay talks stall

(189)

ESTELLE RANDALL
Labour Reporter

ARG 25/6/96

THE National Union of Metalworkers of SA (Numsa) is to declare a dispute with employers after the fourth round of wage talks between employers and trade unions in the metal and engineering industry ended in deadlock

About 8 000 workers in the Western Cape are affected by the talks which cover companies such as Atlantis Diesel Engineering, John Thompson Africa, Consani Engineering and Dorbyl

Numsa said employers' final offer of a 7,5 percent across-the-board wage increase did nothing to close the "apartheid wage gap"

Nor did it give workers a real increase as inflation was expected to rise to 10 percent by the end of the year, Numsa said

Employers had also refused to accept a compromise from the union that bottom grade workers in a proposed new five-grade wage structure should earn 60 percent of the lowest artisan rate of R19 an hour

The system would give bottom grade workers a 15 percent increase and other workers part of this increase

Numsa chief negotiator Elias Monage said that for the past three years the union had been trying to encourage employers to make sweeping changes to the industry in order to boost productivity

The new five-grade skills based grading system was at the heart of Numsa's proposals, he said

He said a skills-based grading system would go hand-in-hand with training, while workers would gain incentive from the knowledge that further training would lead to higher grading and better salaries

"It meant, and this took a lot of hard persuading, that our members would be multi-skilled and would have to perform more tasks

"Our strategy is now getting support from the World Competitiveness Report, from the recent International Labour Organisation Report and from the government's latest macro-economic strategy document," he said

The benefit to employers was a better trained workforce, almost certainly an increase in productivity and an easing of the pressure on annual wage demands because workers could get increases if they trained more, Numsa argued

The Steel and Engineering Industries Federation of South Africa (Seifsa) said in a statement that all of the industry's trade unions had rejected the final wage offer of 7,5 percent

Seifsa had in turn declared a counter-dispute with the unions

Pay offer action (189)

WHITE metal workers are planning a countrywide mass protest over pay today because of what they say are "inadequate salary proposals" made by managements

BD 27/6/96

REPORTS Business Day Reporters, Sapa

Contracts underpin Samancor offtake

BD 27/6/96 (189)

David McKay

SAMANCOR, the Gencor-owned ferroalloys producer, has guaranteed offtake for about 400 000 tons of ferrochrome a year — worth about R1bn in revenues annually — through its long-term contracts with offshore partners.

The company, which produces an estimated 850 000 tons of ferrochrome a year, recently signed its seventh ferrochrome-related international deal since 1993 This was a $30m joint venture deal with Korean stainless steel producer Posco to supply it with 50 000 tons of ferrochrome a year

Executive chairman Mike Salamon said yesterday the company wanted to guarantee offtake to increase capacity usage, so cutting operating costs

Analysts believe Samancor is positioned to increase its total plant capacity to about 1,2-million tons a year over the next few years.

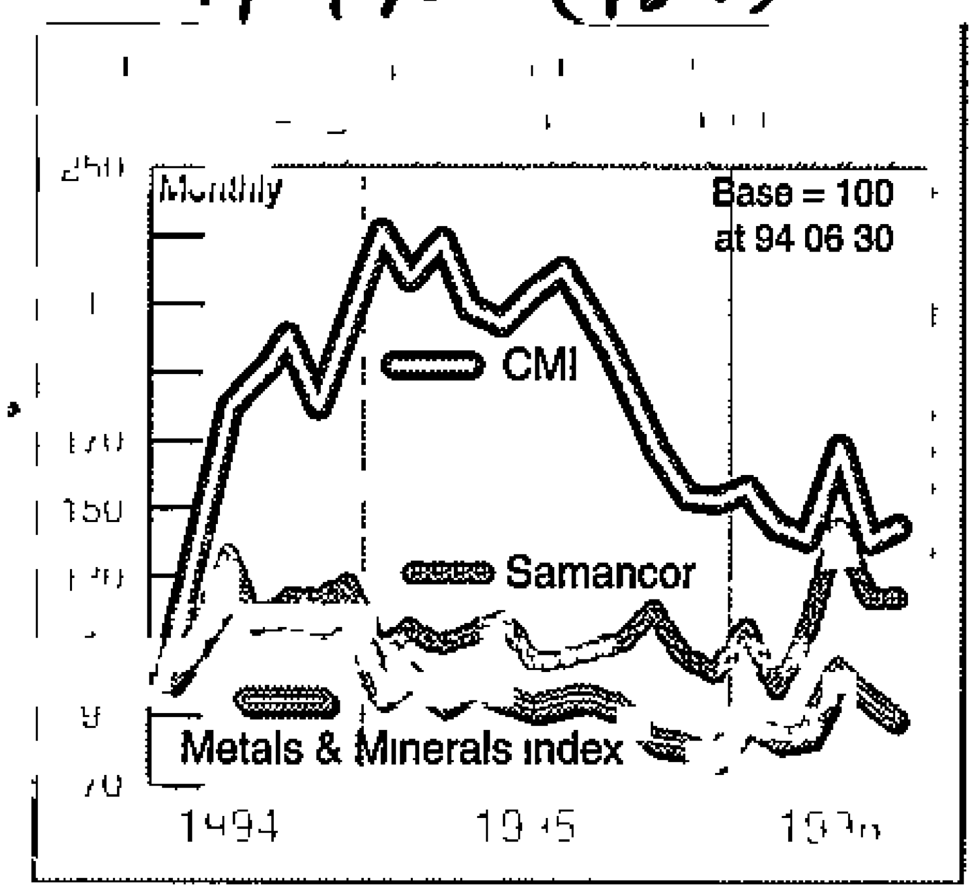
Salamon said potential revenue from the contracts was calculated at current chrome prices which were hovering around $0,40c/lb on the spot market in Europe

Samancor has concluded a string of supply agreements, mostly with Japanese producers These included a deal signed in June last year with Showa Denko to transfer 53 000 tons of ferrochrome production annually to Samancor's Middelburg plant

Samancor had also concluded a 10-year agreement to supply the French stainless steel producer Ugine with ferrochrome and stainless steel from Gencor's Columbus Stainless

Salamon said the deals would protect the company against a certain amount of downturn in the market

He said the ferrochrome market, which had slowed from about the end of last year as stainless steel producers



reduced output due to an inventory overhang, was due to pick up again next year.

Some European analysts have estimated the stock overhang at about 250 000 tons, but analysts believe it could be much less

Salamon said the ferrochrome market would begin to level out as early as the fourth quarter as demand for stainless steel began to improve

"The inventory adjustment has been under way for the past six months and despite lower smelting levels in the traditionally slow third quarter, there should be some recovery in the fourth quarter," he said

Other deals which would sustain Samancor was its contract to supply Columbus Stainless with its full ferrochrome requirements estimated at 200 000 tons a year when Columbus was producing about 600 000 tons of stainless steel a year

Commenting on Gencor's plans to purchase the balance of nickel producer Cerro Matoso, Salamon said the group could make an offer by the end of the year, the value of which was "market sensitive"

Iscor and unions agree to reopen wage negotiations

By Goba Ndhlovu

Management and six trade unions have agreed to resume wage negotiations at the Iscor Vanderbijlpark plant today

This agreement follows a protest march by a 5 000-strong group of trade union members last Wednesday to call upon management to reopen negotiations.

Mineworkers Union general secretary Krappie Cronje said they decided to call off the march after management had agreed to resume negotiations. He said it was agreed that the steel division would be the first to be attended to today The mining division would then follow on Wednesday

Cronje added that no new offers were made when agreement to restart talks was reached and both parties undertook to return to their principals for new mandates

He said workers were elated when told of the agreement.

When the two parties were deadlocked last week, unions were demanding between 15% and 25%, while management's offer ranged between 8,7% and 10,4%

Management spokeswoman Carol Ferguson confirmed the agreement to reopen negotiations

Star 1/7/96 (189)

NF Die Casting job lottery attracts 7 000 applicants

By Jonathan Rosenthal CT (BR) 2/7/96 (189)

Johannesburg — About 7 000 job-seekers queued for up to 12 hours at the Newmarket race course in Alberton yesterday in the hope of winning a lucky draw to fill 80 positions at NF Die Casting's plant at Alrode

Hopeful applicants were issued ballot tickets as they passed through the turnstiles into the race course and 500 numbers were drawn.

The 500 picked will be given basic literacy and numeracy tests over the next two weeks and a final list of 200 will then be compiled

NF Die will reserve 20 percent of the positions on the list for illiterate people

From that list, about 80 unskilled and operator-level positions will be filled over the next three months

Any further vacancies will also be filled from the list

The lottery system was introduced after consultation with the four unions at the plant after workers raised concerns of favouritism and corruption in the appointment of unskilled workers, said Robert Snook, NF Die's human resources director

It has been in use for several years at the company

In January, NF Die's Alrode plant was the site of a massacre in which eight people were shot dead while queuing for jobs

The latest recruitment drive, delayed since January because of the massacre, will expand production of cylinder heads for Samcor's world production of Ford engines

NF Die, which is 51 percent owned by Anglo American Industrial, manufactures cast-aluminium wheels and components

Union in deadlock with Iscor

Sowetan 3/9/96

(189) (ECV)

THE National Employees' Trade Union declared an official dispute with Iscor after wage negotiations ended in deadlock on Monday

Iscor reopened wage negotiations with Netu after demonstrations at its Pretoria, Newcastle and Vanderbijlpark works last Thursday, but these failed, resulting in Monday's deadlock

Netu assistant general secretary M Landman yesterday said its members rejected Iscor's final wage increase offer of 8,7 percent on the higher grade and a 10,4 percent on the lower grade

He said Netu would apply for a conciliation board meeting through the national industrial council for the iron, steel, engineering and metallurgical industry

In a statement yesterday Iscor said employees had returned to work, but an illegal strike was still in progress at its Grootgeluk coal mine in Northern Province

A spokeswoman said Iscor and Netu had apparently reopened wage negotiations – *Sapa*

Strikers lose out on wage payment

Labour lawyer praises the move not to pay workers who went on a strike

Sowetan 3/7/96 (189)

A RULING by the Supreme Court that workers who participated in the April 30 national stay-away were not entitled to payment for the May 1 public holiday would save employers millions of rands, a labour lawyer said yesterday

"This is a major victory for employers, a victory for productivity and a victory against absenteeism," said Webber Wentzel Bowens labour lawyer Rod Harper

Harper said in terms of an agreement between the Steel and Engineering Industries Federation of South Africa (representing employers) and nine trade unions, employees who were absent without permission on a working day immediately preceding or following a public holiday lost their entitlement to payment for that holiday

This did not apply in cases where the absence was due to sickness or circumstances beyond the employees' control

The penalty clause was aimed at reducing the number of unauthorised absences before and after public holidays, Harper said

"Many employers in the industry implemented the penalty clause after the Congress of South African Trade Unions stayaway on April 30 this year and employees did not receive payment for the public holiday on May 1 (Workers Day)"

On May 16 the National Union of Mineworkers of South Africa launched an application in the Supreme Court for an order against Seifsa

Numsa called for the penalty clause to be declared invalid

It also claimed Numsa members who had participated in the Cosatu strike on April 30 were entitled to payment for Workers' Day

The application was dismissed by the Supreme Court on June 28 Mr Justice Farber declared the public holiday penalty clause in the main agreement to be valid and ordered Numsa to pay the costs of the application

Farber said there was nothing in the Public Holidays Act prohibiting individuals from waiving their entitlement to payment for public holidays Participation by employees in illegal strikes prior to a public holiday would, in light of the penalty clause, constitute a waiver of this entitlement

He said had the legislature, in drawing up the Public Holidays Act, intended to prevent the implementation of such penalty clauses, it would have expressed this intention in clear and unambiguous language – *Sapa*

Numsa ready to scotch another Seifsa victory

BD 3/7/96 (189)

Deborah Fine

THE SA Steel and Engineering Industries Federation chalked up a victory for its member organisations when a Supreme Court judgment upheld the validity of a penalty clause in terms of which workers who took part in the April 30 Cosatu stayaway were not entitled to receive pay for the May 1 public holiday

But the National Union of Metalworkers (Numsa) has called for the removal of the clause from the Industrial Council's Agreement for the Iron, Steel, Engineering and Metallurgical Industry

Numsa national negotiator Elias Monage said yesterday his organisation had declared a dispute over the clause on June 25 and was "prepared to strike" if Seifsa did not agree to removal of the clause

The judgment, delivered by Rand Supreme Court judge G Farber last week, follows a court application by Numsa in May this year to have clause 11 (3) of the Industrial Council Agreement declared invalid in terms of the Public Holidays Act Seifsa opposed the application

The clause states that where employees breached ~~their~~ conditions of employment by absenting themselves without good cause on the days before or after public holidays, employers could offset some of their turnover losses by withholding the workers' public holiday pay

The Public Holiday Act, which came into effect in January last year, gives workers the right to fully paid public holidays Numsa submitted that Clause 11 (3) was invalid because it conflicted with the statute.

In dismissing Numsa's application, Farber said that in promulgating the Public Holidays Act, government had recognised the employers' need to protect themselves from losses arising from employees absenting themselves without leave before or after public holidays in order to create "long-weekends" or embark on illegal strikes

Had the intention been to prevent implementation of penalty clauses, such as the one in dispute, it would have been stated so in the Act in "clear and unambiguous language", he said

He ordered Numsa to pay the costs of the application

Saldanha Steel 'unaffected' by spy charges against supplier

CT (BR) 4/7/96 (189)

By James Lamont

Johannesburg — Saldanha Steel yesterday denied that industrial espionage charges levelled against one of its main suppliers, Voest Alpine Industrieanlagenbau (VAI), the Austrian civil engineering group, would affect a R1,25 billion contract to supply the plant to its R6,8 billion steel mill in the Western Cape

VAI was accused in mid-June by Kvaernar, the Norwegian engineering group, of stealing confidential technical and contractual documents from Davy International

The British High Court last month granted permission for a raid on VAI's offices in London, which uncovered 2 000 confidential documents from Kvaernar's subsidiary and correspondence discussing the offer prices for a steel plant in Saudi Arabia, the Financial Times reported

The evidence has implicated Horst Wiesinger, the president of VAI, and Kvaernar is taking legal action Bernard Smith, the chairman of Saldanha Steel, said "We have placed an order for Corex processing plant technology, which VAI owns exclusively" He said Saldanha Steel was confident that VAI also had the rights to the technology being supplied to his company in a joint venture with Midrex, the US company

The news has come as a surprise to VAI's other big clients in South Africa, Iscor and Columbus Stainless Steel But both are adamant that they too will be unaffected by the damaging allegations

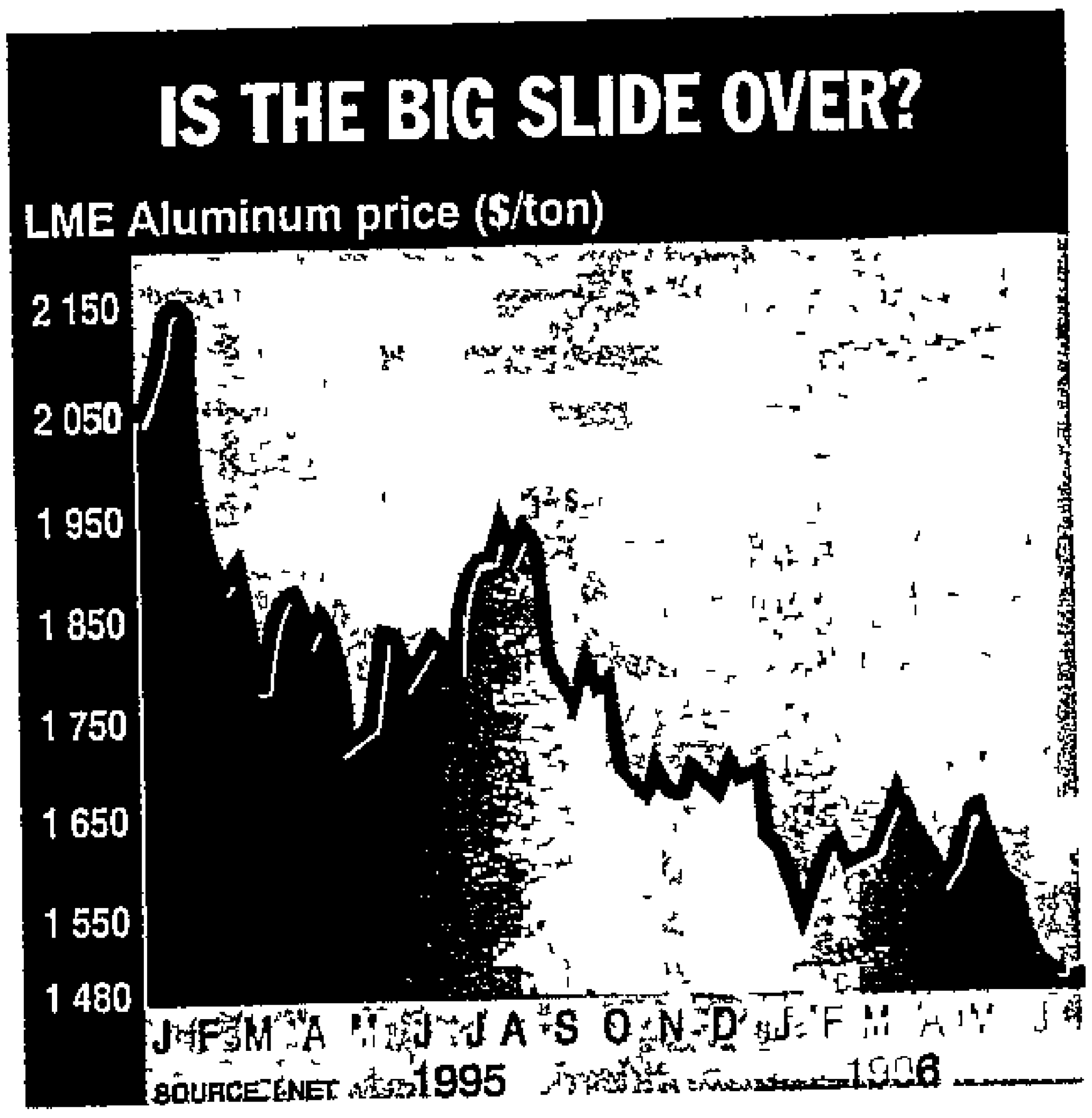
ALUMINIUM (189)

Hillside glows in gloom

FM 5/7/96

The world aluminium price is now at its lowest level for some time. In the past month, it has lost 10% — in line with copper's 30% collapse.

As the *FM* went to press, the latest London Metals Exchange cash price was US$1 458/t, well below the premised price used (US$1 750/t) to justify Alusaf's Hillside smelter development. However, Hillside's cash costs are only about $700/t. Including interest and capital repayments, the total is around $1 100/t.



The Hillside project, therefore, isn't remotely approaching danger.

The fall in the world aluminum price over the past year mainly results from a long destocking process by major European customers. This followed an equally long period over 1994 as customers restocked ahead of expected price rises and because the famous Memorandum of Understanding between producers was taking visible effect.

The memorandum was an accord among the main Western producers of aluminium-related products which came into effect in February 1994 but which incorporated cutbacks effected in late 1993.

In large part, the memorandum was a response to the flood of aluminium-based exports (about 2 Mt) which poured on to markets from the Commonwealth of Independent States after the collapse of the Russian command economy. Ironically, Russia also signed the pact.

The memorandum was seen by consumers as a cartel intended to maintain prices. Complaints to the US Justice Department that it contravened antitrust legislation almost resulted in a blow to producers.

As it transpired, the issue was allowed to drift and the memorandum has since fallen into disuse. Philip Murphy, a commodities analyst with broker Rice Rinaldi, says: "It crumbled in the first quarter of this year. It wasn't deliberately terminated, though — that just happened."

A curious development is that Alusaf's earnings capability needs to be examined in rand rather than dollar terms as the rand's depreciation has been accompanied by falling aluminium prices in dollars.

Even so, Murphy estimates that spot aluminium over the year to June 1996 would have averaged about $1 600. Over the next year, despite the present low price, he expects an average of $1 700. That should drive Alusaf to bottom-line earnings of R490m off Hillside production of 490 000 t.

Alusaf's saving grace in circumstances such as these is that its Hillside smelter is geared to matching energy and feed prices with end-product earnings — as the aluminium price rises and falls, so input prices move contracyclically. At $1 200/t, it is estimated that Alusaf would be among the world's three lowest cost producers, the kind of positioning most of its competitors would cheerfully give an arm and a leg to achieve.

What happens from here in world markets is the crucial issue. If, as some observers now canvass, a period of economic synchronisation sets in, with growth in Europe and Japan stepping a gear to match the continued American progress, then consumers will move rapidly to restock.

Given that a small deficit exists in aluminium (unlike copper where the supply surplus is moving into overdrive), demand should encourage prices to rise. Taken overall, the outlook for Alusaf, now an important world producer, must be considered optimistic. The pity of it is that, since it's unlisted, it remains beyond investment reach. *David Gleason*

Stainless steel quality 'not good enough'

Container firms shun Columbus

(189) CT (BR) 5/7/96

By Jonathan Rosenthal

Johannesburg — Quality problems with stainless steel produced by the Columbus plant in Middelburg have forced the R500 million-a-year South African tank container industry to import 66 percent of its stainless steel needs, industry sources said yesterday

Yesterday Columbus denied these claims, saying its deliveries to the local market were increasing and its quality was up to scratch

The local tank container industry produces more than 4 000 tanks a year and uses at least 9 000 tons of stainless steel a year

Of this, 66 percent is imported because of inconsistencies in the quality of the cold-rolled stainless steel supplied by Columbus, said David Jenkins, the chairman of Multistar, a tank container investment company

"Wastage and returns of defective steel are so high as to make it impossible to run a manufacturing operation," he said

Consani, the world's single largest producer of tank containers, imports stainless steel for its tank shells and only uses local stainless for the ends

"We compete with manufacturers internationally who use high-quality, wide, cold-rolled 2B material for their container shells," said Hans Guttler, Consani's acting managing director

"The finish demanded by our clients simply cannot be achieved with the material supplied by Columbus at present We frequently have discussions with Columbus regarding their shell material quality and deliveries, and when they can meet all of our requirements, we will procure material from the mill," Guttler said

Another manufacturer said importing material for the tank bodies was "the safer option even though we would like to use local stainless steel"

He said cold-rolled 2B material supplied by Columbus could not be used on tank bodies because of its visible scratches and pit marks

Columbus denied the allegations that it was unable to supply stainless steel with the finish required, saying it "has the equipment and the capability to provide a product suitable for the tanktainer manufacturers' needs"

But John Rowe, Columbus's general manager of sales and marketing, admitted "there have been some delivery and quality problems during the commissioning phase of the expansion project"

He said "these problems are being addressed and during the past six months there has been a vast improvement in quality and on-time delivery"

"For the first half of 1996 we have invoiced 5 000 tons (to the tank container industry)," he said

Adding to the problems is Columbus's pricing policy, which manufacturers allege pitches the price of local material at just below the landed cost of imported steel

Despite the slightly higher price for imported steel, wider rolls on the imported steel reduce the number of welds, and consequently the labour costs, of a finished tank

Rowe denied this "Columbus makes an allowance in its pricing for the cost of additional welding"

Allegations of quality defects have bedevilled Columbus since rumours of commissioning problems at the Middelburg plant began earlier this year

☐ See Business Watch, Page 18

Numsa calls for action on Eskom 'privatisation'

Renee Grawitzky (189) BD 5/7/96

ANTI-privatisation action by Cosatu affiliates is gaining momentum, with the National Union of Metal Workers calling another march on the issue

Numsa's call follows anti-privatisation marches this week by the Transport and General Workers' Union and the SA Municipal Workers' Union Affiliates have called on Cosatu to co-ordinate protest

Numsa's Witwatersrand leaders said there would be countrywide marches today, to protest against what it believed were plans to privatise Eskom.

At the same time, the Communication Workers' Union restated its opposition to privatisation, amid speculation that the union had been "cowed to accept the notion of privatisation of the parastatals".

Numsa's Wits regional secretary Bheki Magagula said the protest aimed to ensure the electricity supply industry remained a national asset and "must be reclaimed from big business".

The union began to mobilise members at Eskom after the Electricity Working Group, which excluded labour, proposed the restructuring of electricity supply to create independent regional distributors The union views this as a form of privatisation

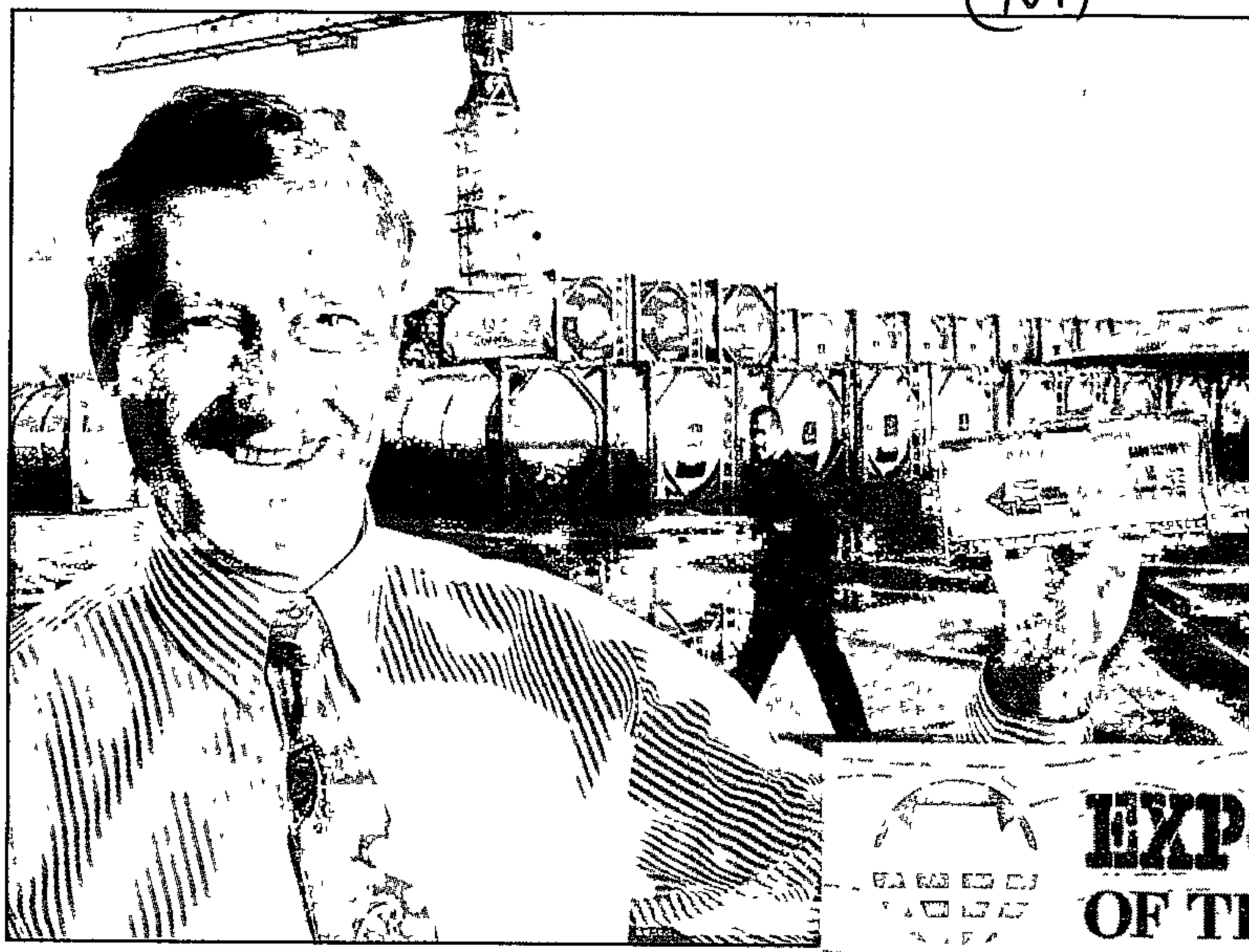
Eskom chairman Johan Maree said that Eskom had no intention of privatising itself or to be privatised In line with the National Framework Agreement a process of restructuring had been initiated which involved all unions including Numsa

ARG 6/7/96

Consani's eye fixed on bigger share of rich export markets

(189)

MAUREEN MARUD
Business Reporter



IN THE PALM OF HIS HAND Exporter of the Year finalist Consani Engineering managing director Hans Guttler shows off a model of the tank containers his firm makes for export

EXPORTER OF THE YEAR

Boosting SA's economy: A Weekend Argus promotion in association with the Cape Chamber of Commerce and Industry

CONSANI Engineering, the largest heavy engineering concern in the Western Cape, expects its export turnover to climb to 75 percent of total turnover this year

Based in Elsies River, it employs 1 224 people – 732 work directly in exporting – and its projected total turnover for 1996 is R341 million, well up on last year's R226,6 million

The firm is one of eight finalists in the Weekend Argus/Cape Chamber of Commerce and Industry Exporter of the Year contest Winners in various categories will be announced at a banquet on August 14 at the Cape Sun Hotel where Alex Erwin the new Minister of Trade, will address entrants and guests

"Consani's growth and success have been built on expertise in the field of tank construction of various types in most major engineering materials," says acting managing director Hans Guttler

He said the company was structured into four separate business units, with the intermodal tank container division responsible for 75 percent of turnover

Other units were the petro-chemical division food and beverage division and the aluminium division

All units produced in the tank container division were exported, said Mr Guttler

"Consani's new semi-automated production facility currently produces 2 500 tank containers a year, which is 28 percent of world production, with the potential to grow to 4 000 units a year with minimum capital expenditure "

The company has a sales/marketing office plus a service/repair depot in Rotterdam

It also has offices in the USA and the UK All supported the export of tank containers from Consani Cape Town

The petro chemical division manufactures bulk tankage and pressure vessels Consani is tendering for projects in the Middle East

The food and beverage division serves the South African beer and wine industries and is the major supplier of high quality stainless steel process, fermentation and storage vessels, says Mr Gutter

Consani's agency agreement with Filtrox of Switzerland had put the firm in a position to offer brewhouse vessels as well as complete filtration plants, he said

The aluminium division had developed a production line for manufacturing aluminium bus bars, expansion joints and various specialised components for smelters

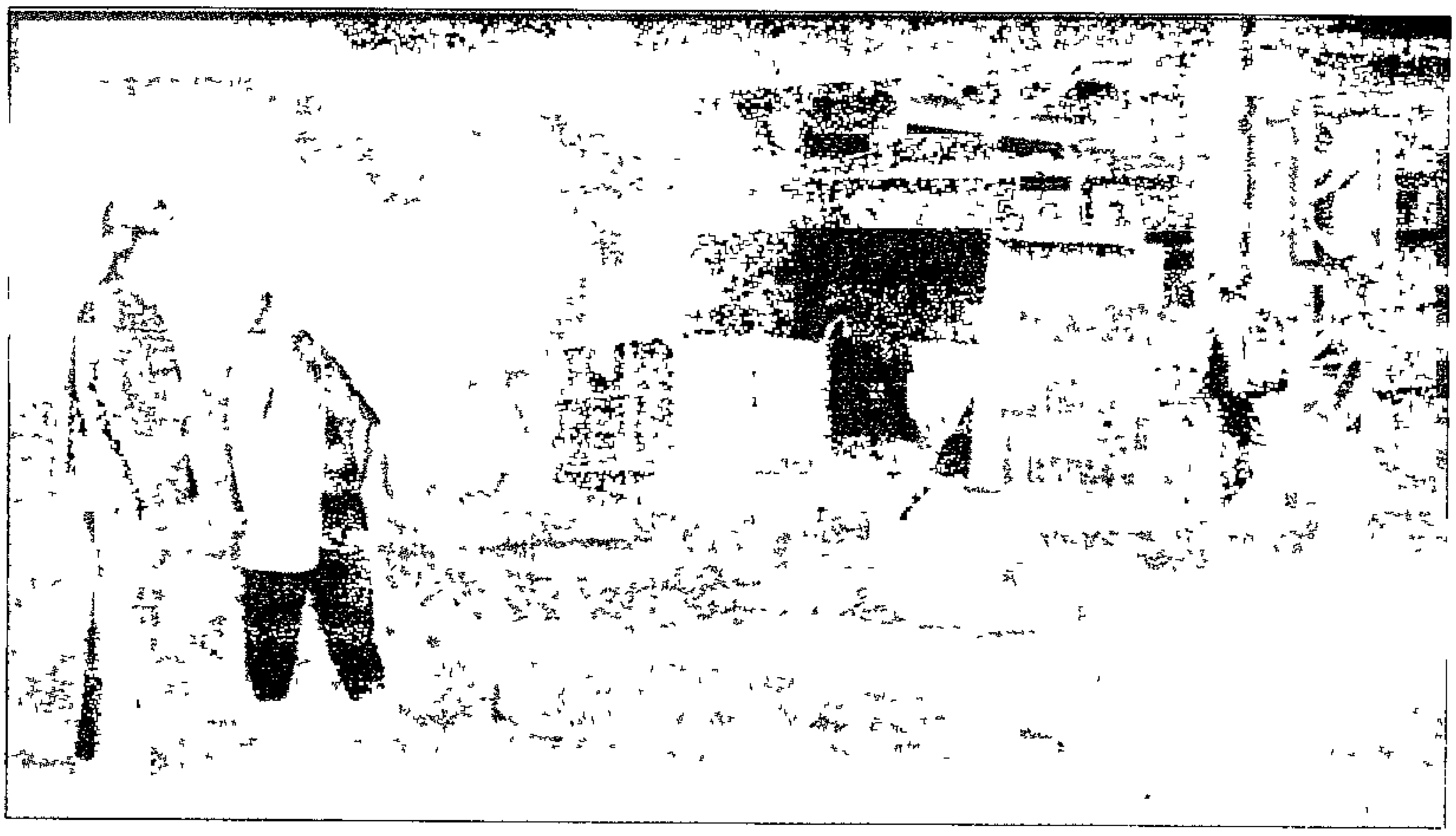
"This expertise has been harnessed as a result of extensive world-wide investigation, and the establishment of long-term technical agreements with the best international partners available "

Other finalists in the Exporter of the Year contest are Africa Trading, Duncker & Louw, Grosvenor Tours, Louvreflex International, The Natural Corporation, Technical Systems and Warwick Estate

Tickets to the black tie dinner are R100 a head This includes pre-dinner sherry and a four-course meal

Contest sponsors are Kaizen Auto & Electrical Specialists, Safmarine, Tusk Paints, Marmoran, Portnet, Ellerman and Bucknall and Indetech (Africa)

Bookings for the dinner can be made by calling Jennifer Dearham at the CCCI at telephone 418-4300



Samancor aims to establish joint ventures to create a more stable and predictable environment

Adding shine

(189) CT (BR) 10/7/96

Ann Crotty

As a happy industrial coincidence, the pressing need by South Africa's ferrochrome and manganese leader, Samancor, to stabilise its markets and the sod-turning today at a ceremony to start work on a new R200m facility at Meyerton, takes some beating

As industrialists, the bosses of South Africa's mining houses have remained stubbornly loyal to the old "dig-it-up-and-ship-it-out" school of business But the Meyerton project is special It is the first stage in the construction of new facilities for a joint-venture company whose partners are Japan Metals & Chemicals (JMC) with 35 percent, Mitsui of Japan with 15 percent and Samancor with 50 percent

With those partners as customers, Samancor secures markets for a big chunk of its manganese output and the plant will add real value to the manganese, a raw material that has traditionally been exported to Japan for beneficiation The bulk of the plant's output will be exported

The Meyerton project marks the first large joint venture undertaken by Samancor's manganese division The group's ferrochrome division also signed its fifth joint venture recently, which secures sales for about 50 percent of Samancor's ferrochrome output

With the exception of a joint venture with Columbus, the other joint ventures have come into play in the past three years Mike Salamon, Samancor's executive chairman, says it is unlikely that the deals could have been implemented in the absence of South Africa's improved status in the international environment, despite a willingness on the part of the players involved He refers to the official position of the Korean and Japanese governments towards investment in South Africa during the apartheid era

Salamon says the primary reason for establishing joint ventures is the "desire to create a more stable and predictable environment" on the part of the ferrochrome and manganese producers as well as the first-stage consumers

The group's difficult operating environment is compounded because manganese and ferrochrome have no end-consumers

"It is used as input into other commodities In addition, the value of chrome in the end product is insufficient for the price to affect demand If we gave away chrome we wouldn't increase the demand for it," Salamon says "There's a given market and we can't influence it"

Salamon points out that Samancor is the largest supplier of ferrochrome in the world In the inherently unstable world of ferroalloys, even long-term relationships are subject to price changes every quarter The effects of this instability are considerably aggravated by the capital intensity of the industry

"If we do not operate at a reasonably high capacity utilisation level, we face a damaging cost structure in terms of idle equipment"

The peaks and troughs also aggravate the problem "Moving in line with these swings not only means that we're frequently faced with mothballing equipment, but also means having to retrench thousands of workers"

He says out that since 1991 employment has moved from 16 000 to 9 000 and back to 12 000 "This causes great insecurity among management and the workforce, and is detrimental to long-term industrial relations"

Now management can commit more vigorously to training and development, he says

Between financial 1990 and last year, turnover for the group, which includes manganese as well as chrome interests, dropped from R2 billion to R1,8 billion, rose to R2 billion, dropped to R1,8 billion, rose to R2,2 billion and last year went up to R2,7 billion

The erratic flow in the group's attributable income is not as dramatic, but is likely to have represented a significant deterrent to investors who like steady earnings streams

The joint ventures are expected to enable the group to lock into higher utilisation capacity with more stability

Given the compelling benefits of a more stable environment and South Africa's greater international acceptability as a business partner, in the early 1990s joint ventures with customers became inevitable

"Our customers are also concerned about the volatility of the industry," he says

The joint ventures represent win-win situations, but tying up 100 percent of ferrochrome output is not on the cards

"Inevitably in a win-win situation there is some compromise while we don't suffer all of a volume slump we also don't benefit fully from a price hike"

An additional advantage for Samancor and South Africa is that, in many instances, the joint ventures have led to increased local investment as value is added to the ore resources

The joint venture with Japan Metals & Chemicals and Mitsui is installing new facilities at Samancor's Meyerton manganese alloy works for the production of refined manganese alloys

Part of JMC's motivation for the deal is its desire to lock into a lower cost structure as well as to secure supplies JMC will be reducing its production of refined manganese alloys at its plant in Japan and replacing it with output from the Meyerton facilities

Construction of the new facility, which will involve an investment of about R200 million, has just begun and commissioning of the plant is expected next year

Eighty percent of the equipment will be manufactured locally South Africa will also pick up technology benefits as the technology that is to be used in the plant's output has been developed by JMC in its Japanese plant JMC will send engineers and operators to South Africa to ensure the efficient transfer of technology

In response to fears that South Africa may be picking up smoke-stack rejects from more environmentally aware nations, Salamon says "Anything new we build uses US standards and is more environmentally friendly than would be tolerated in Japan"

He believes that forward integration will increasingly take place in the developing world, which is the source of the raw materials and has lower cost energy than the developed world

New operation could be top producer

Gencor plans to take full ownership of Alusaf smelter

(189) CT (BR) 10/7/96

By James Lamont
INDUSTRIAL EDITOR

Gencor, the mining group, yesterday signalled its plans to take full ownership of Alusaf, the R5 billion aluminium smelter at Richards Bay, by taking over the Industrial Development Corporation's 32 percent interest in the plant and the holdings of other investors

Gencor, which already has a 45 percent stake in the project, and the Industrial Development Corporation have agreed to exchange the latter's holding for the equivalent of 135 million Gencor shares

Gencor's share price, at the close of trade yesterday, stood at R16,05 a share, putting a value of R2,17 billion on the deal

The mining group will have the option to settle in cash or through the issue of Gencor ordinary shares, subject to the right of the corporation to call for up to 25 percent of any settlement proceeds to be made in Gencor shares

The corporation will be able to exercise this entitlement at any time after three years, but until then will receive a dividend equal to the Gencor dividend and retain Alusaf board representation.

The transaction will increase Gencor's holding in Alusaf to 73 percent, which it plans to increase to 100 percent by making an offer to purchase the shares of minority shareholders

Alusaf went into production in June last year The full design production of 466 000 tons a year was scheduled to be reached in November this year

However, the smelter was brought into full production last month, at a capacity of 496 000 tons a year The project was completed at a cost of R1,34 billion below budget.

After the refinancing of Gencor's offshore arm, Billiton, the bigger share of Alusaf will allow the mining group to align the operations of Billiton and Alusaf to become one of the top aluminium producers in the world

The successful commissioning of the Hillside smelter has encouraged investigation into the possibility of erecting a new aluminium smelter in Mozambique

R1,8bn offer for minorities' shares

(189)
BD 10/7/96

Gencor buys IDC's Alusaf stake for R2bn

David McKay and Reinie Booysen

GENCOR has bought the Industrial Development Corporation's stake in aluminium producer Alusaf in a deal worth nearly R2,2bn

The mining house said yesterday it would issue preference shares to the IDC in exchange for its 32% Alusaf stake, lifting its own stake to 73% It would also offer to buy the remaining shares, worth about R1,8bn, held by Sanlam, Eskom, Old Mutual and other minorities, including Genbel.

The deal follows Gencor's decision to reshape its operations along commodity lines in a drive to become an international mining company Alusaf will now be aligned with the aluminium businesses run by Gencor's offshore arm Billiton.

The IDC, which previously said it wanted to keep the stake, said the deal would allow it to realise its investment in Alusaf to fund other developments.

MD Carel van der Merwe said the deal had left it with a R1,2bn profit on its original investment in Alusaf

In terms of the deal, Gencor will issue 135-million preference shares at the current R16,05 ordinary share price The preference shares could be swapped for ordinary shares after three years — a move which would leave the corporation owning nearly 9% of Gencor, assuming no new Gencor shares were issued before then

Alternatively, Gencor could settle in cash, but the corporation retained the option to hold 25% of the preference shares as ordinary shares, leaving it with 2,2% of Gencor

The IDC is supposed to hold stakes in developing, rather than mature, businesses, though its current portfolio includes Sasol and Iscor

The IDC will receive a dividend equal to the Gencor dividend and retain representation on the Alusaf board until the settlement is finalised.

One analyst said the deal could contribute an extra 2c to 3c to Gencor's attributable share earnings to the year to June 1997 The earnings were 73,8c a share for the year to June 1995.

Continued on Page 2

Alusaf (189)

BD 10/7/96

Continued from Page 1

Alusaf contributed about R32m to Gencor's bottom line in the six months to December compared with R8m the previous year. When Alusaf's new Hillside smelter goes into full production, the contribution will jump.

Gencor finance director Mick Davis said the deal allowed Gencor access to more cash flow, which it could use at the centre of the group. Gencor, which recently sold its R1bn stake in Malbak, has a string of investments planned.

He said negotiations were under way to buy the remaining stakes in Alusaf, but ruled out a future listing

An analyst said one project likely to be funded with cash from the deal was an aluminium smelter near Maputo. The IDC agreed earlier this year to take a 50% stake in a feasibility study for the R4bn project.

Alusaf has two aluminium smelters producing more than 650 000 tons a year. This includes the R5bn Hillside smelter which was completed in June, five months ahead of schedule and R1,34bn below budget. It produces about 496 000 tons a year.

Van der Merwe said it would not have been easy to sell the Alusaf stake "Most of Alusaf's aluminium has been sold in advance and that reduces the number of possible share purchasers."

The valuation of Alusaf had been done for the IDC on a future cash-flow basis by two outside advisers. "We believe the growth potential of our new interest in Gencor is even greater than our Alusaf stake," said Van der Merwe

Metal industry moves to resolve disputes

(189) ([illegible]) Star 11/7/96

By Xolisa Vapi

Employers and trade unions in the metal and engineering industries have moved closer to agreement during talks in Johannesburg aimed at resolving industrial disputes declared last month.

But no agreement has been reached and a committee consisting of employers and unions will meet tomorrow to formulate recommendations on how best to resolve the standoff.

After four rounds of bargaining, the industry's nine trade unions, led by the National Union of Metal Workers of SA (Numsa), still have more than 90 unresolved demands on the table.

On wages alone, unions are demanding a general increase of up to 25%, while the employers, under the aegis of the Steel and Engineering Industries Federation of South Africa (Seifsa), have offered 7,5% on actual wage rates and improvements in the industry's conditions of employment.

Numsa secretary-general Enoch Godongwana said the major component of their demands was the "closure of the apartheid wage gap" which created disparities in terms of earnings.

Numsa's demand tabled last year was that the minimum wage for unskilled workers should be increased over a three-year period to 60% of the average artisan rate, with a 10% differential between each grade.

Godongwana said the lowest-paid employee earned about 27% of the actual artisan rate.

He said there was a dire need to move from a task-based, 13-grade employee grading system to a skill-based, 5-grade system which called for high levels of productivity and the improvement of skills of the workforce in the industry.

NEWS IN BRIEF

BD 11/7/96

Dispute body formed

PARTIES to the wage dispute in the metal industry agreed this week to establish a small committee to formulate recommendations on how best to resolve the dispute The dispute relates to wage increases which are linked to the finalisation of a new wage model for the industry Union wage demands — depending on the unions — are up to 25% while employers have offered 7,5% The metal industry' industrial council agreement expired last month and the Basic Conditions of Employment Act now applies However, individual employers can apply for certain exemptions from the Act for the interim period (189)

US puts up nearly R1m to develop new SA plant

BD 11/7/96 (189)

Simon Barber

THE US Trade and Development Agency is to give the Industrial Development Corporation $800 000 to help draw up plans for a giant iron carbide plant in Northern Province, agency spokesman Steve Maviglio confirmed yesterday

The grant agreement, which is due to be signed tomorrow, is good news for Houston-based Enron Corporation, which sees the plant as the cornerstone customer for the Pande gas field which it hopes to develop with Mozambique's Empresa Nacional de Hidrocarbonetos

The plant, expected to be sited near Phalaborwa, will be the largest of its kind, and would react powdered iron oxide with natural gas to produce iron carbide for steel production domestically and abroad

IDC MD Carel van der Merwe said he was confident that Trade and Industry Minister Alec Erwin, currently overseas with President Nelson Mandela, now supported the project and was ready to add DTI's signature to a "heads of agreement" between Enron, Mozambique's ENH and the IDC

The document, over which DTI special adviser Paul Jourdan recently expressed strong reservations, would set out the intention of all parties to proceed in tandem on the gas and iron projects, each of which is projected to cost around $1bn

The major portion of the gas investment would go to building a pipeline to bring the gas to Phalaborwa, either directly across the Kruger National Park or around its southern end, via Maputo and Mpumulanga province

On the iron end, Northern province would benefit not only from the siting of plant but from the upgrading of rail links between Phalaborwa and the Maputo-Gauteng corridor

The IDC has budgeted about $2,4m for feasibility work on the iron facility. The US contribution, which is unusually large, will be used to hire a US engineering firm with a view to participation in the full project

Meanwhile, opposition to Enron within the Mozambican government appears to be waning The IDC's Van der Merwe said Maputo had extended its deadline for Enron to find a firm market for the gas to the end of the year

Watchers of the negotiations noted that Mozambique's Mineral Resources Minister John Kachamila, long an Enron critic, praised the company at the US Embassy's July 4 celebration in Maputo

Gencor's offer could hit problems

BD 11/7/96 (189)

Reinie Booysen

GENCOR could hit problems with its offer to buy out minority stakeholders in aluminium producer Alusaf, with at least one offer to Eskom in February already rejected, industry sources said yesterday

Gencor said on Tuesday it had acquired the Industrial Development Corporation's (IDC's) 32% stake in Alusaf, in a share-swap deal, taking Gencor's stake to 73% It would also be making offers to other minorities

Gencor needs a 100% holding in Alusaf to realise fully potential rationalisation benefits, particularly in avoiding secondary tax on companies on dividends declared by Alusaf

Alusaf has a R300m loan from electricity company Eskom, which is convertible, upon Eskom's election, into shares amounting to about 8% of Alusaf's equity The other minority shareholders are Sanlam, Old Mutual and Genbel.

The February offer to Eskom is understood to have been pitched about 15%-20% below the offer accepted this week by the IDC, which valued the IDC stake of 32% at about R2,2bn An equivalent offer to Eskom for its effective 8% stake would be about R550m

An Eskom spokesman declined to say yesterday whether Eskom would accept such an offer, but said no feelers had been put out by Gencor

A well placed industry source said Eskom was unlikely to accept a share swap "They want cash"

COMPANIES

Samancor pads itself against volatile markets

BD 11/7/96 (147) (189)

Hilary Joffe

THE nine joint ventures Samancor has formed with foreign and local customers since 1993 have locked in markets for its products, cushioning it from the wild swings of the ferroalloy markets in which it operates. And they have brought new technologies and products to the Gencor-held group, the world's largest ferrochrome producer and one of its larger producers of manganese ores and alloys

But Samancor's strategy also fits into more macro trends The whole "ferrous" sector — steel, stainless steel and the ferroalloys which go into making them — is of growing importance to SA's trade balance. Rice Rinaldi analysts Mike Wuth and George Grohmann see it as the industry which will replace forex inflows lost from gold

Expansion in SA's steel, ferrochrome and stainless capacity could, they estimate, raise the sector's exports by two thirds to R6bn a year by 2000, when they will rival gold exports of R7bn.

SA is gaining production capacity which is being shed by developed economies In commodities such as ferroalloys, SA has the competitive advantage of superb ore resources And ferroalloy production is energy intensive — Eskom power is among the world's cheapest These advantages have proved a draw card, particularly for Southeast Asian producers

It is no accident that most of Samancor's joint venture deals have been with Southeast Asian partners, including the world's two largest steel producers: Japan's Nippon and Korea's Posco It is also no accident that no such deals were done before 1993 — those countries had banned direct foreign investment in SA.

Samancor executive chairman Mike Salamon says the world of steel has grown most rapidly in Southeast Asia. Security of supply is a major concern because of its lack of natural resources, and many facilities built to process imported ore are not competitive

For Samancor, helping customers become more competitive is part of becoming more so itself Forming alliances, says Salamon, "is a marketing strategy which is related to a production strategy"

With guaranteed markets for a proportion of its output, the group can operate at high-capacity utilisation, with economies of scale making for lower unit costs It also gains a more stable environment in which to plan capital projects and human resources

It is building a very sustainable market share and strong customer relations, says Salamon. "We were living on a very short string — political change has made it possible to change that," he says.

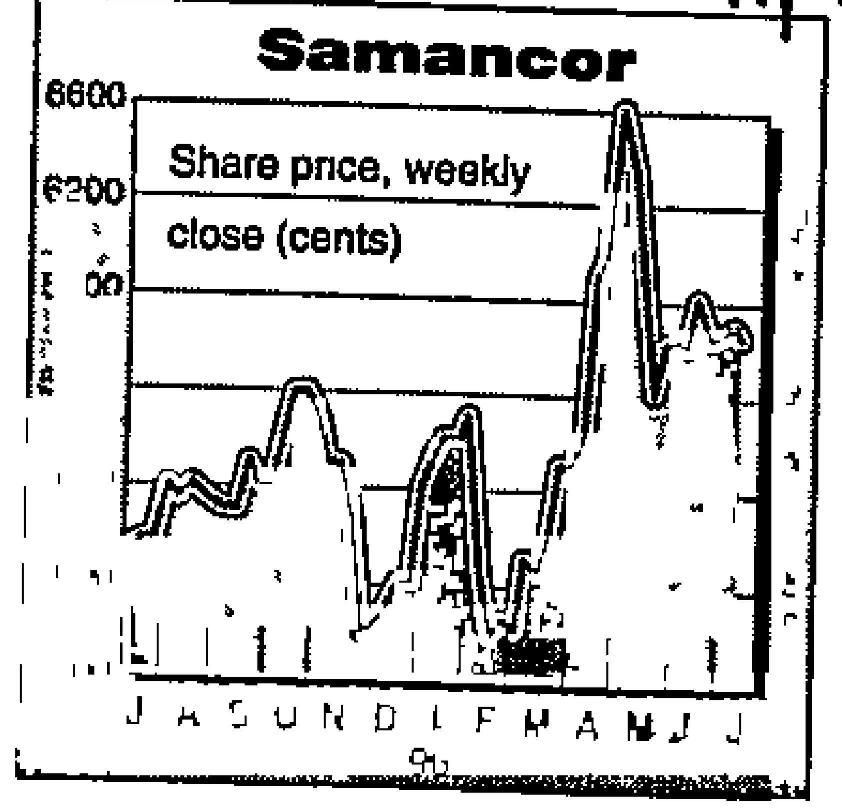
The markets for ferroalloys are particularly volatile because prices (and volumes) are negotiated each quarter directly with customers. None of Samancor's products are traded on terminal markets such as the London Metal exchange

Ferrochrome, used in stainless steel, swings even more sharply than do manganese alloys because of relative sizes of the markets.

World stainless production was 15-million tons last year against 745-million tons of carbon steel.

Samancor's ferrochrome alliances are more significant, covering more than half its production capacity, Salamon says. In manganese, the percentage is lower.

The arrangements cover tonnage rather than price, which is still negotiated quarterly. Samancor loses some of the price upside as



equity joint-venture partners own a share of the production facility Some are supply contracts, others involve the transfer of production — in some cases of technology — from foreign to local plants Samancor has brought in foreign capital, and invested offshore.

In chrome, the group:

☐ Tied up first, in late 1993, with Nippon Denko, which shut its ferrochrome production capacity, bought 50% of Samancor's Tubatse Number 5 furnace, now NST Ferrochrome, with a long-term supply arrangement in which it buys all NST's output, half of it at cost;

☐ Formed Middelburg Technochrome, a 65:35 partnership with Showa Denko and Marubeni. Showa Denko is relocating its Japanese production of standard and specialty low carbon ferrochrome to the group's Middelburg works, whose capacity was expanded. Marubeni brought new markets to the deal;

☐ Signed an agreement last month with Posco subsidiary Postrade and Korea's Samsun, who will each have 25% of the joint venture, Poschrome It will supply Posco with 50 000 tons of ferrochrome a year, over and above the long-term agreement Samancor already had with Posco. The agreement has been secured and extended;

☐ Funded and taken a one-third share, along with Anglo's Highveld Steel and the IDC, in the new R3,3bn Columbus Stainless Steel, which is expected ultimately to buy 200 000 tons of ferrochrome a year from Samancor; and

☐ Signed two 10-year supply contracts with French stainless steel maker Ugine, one for 50 000 tons of ferrochrome a year from Samancor, the other for 50 000 tons of hot rolled coil a year from Columbus. As part of the 1994 deal, Samancor took a 4% stake in Ugine, but was bought out by parent company Usinor (France's Iscor) last year, for a capital profit of R76m. The supply contracts remain in place.

In manganese, Samancor:

☐ Last month entered into a joint venture, Adv-Alloy, with Japan Metals & Chemicals (35%) and Mitsui (15%), which brought technology, people, new high-value products and new markets to the group. New operations are being built at its Meyerton plant to reproduce JMC's Takaoka works, which will be phased down;

☐ Took a 5% stake in the Gulf Ferro Alloy company, Sabayek, which is building a plant alongside the new Hadid steel mill at al Jubail, Saudi Arabia. Samancor will supply 60 000 tons a year of manganese ore to Sabayek, whose energy source is the offgas from oil production. "It is a way of converting some of our ore to alloy in a competitive environment," Salamon says; and

☐ Formed a 50:50 marketing venture between its Manganese Metal Company and Japanese chemical company Tosoh Corporation.

In Hong Kong-based Universal Ore and Alloy, the group can convert ore in times of a capacity shortage in SA. UOA is a 50:50 joint venture between Samancor and Itochu, a trading house with a wide Chinese distribution network.

Salamon says the group may do one or two more joint venture deals but there is a limit to the strategy. A high proportion of output, especially of chrome, is in a secure environment. Samancor still wants exposure to the less secure side, and wants to be able to exploit changes in the market, he says

It also has to watch how far it goes into competition with its own customers — particularly in manganese, where it still sells ore from its mines, as well as beneficiated products. In manganese the group is 60% integrated, up from 40% a few years ago. In chrome, integration is 85%-90%.

Samancor reports results for its year to June on August 5. It is not expected to match the 105% earnings increase at interim stage.

Ferrochrome prices, which rocketed last year in response to strong growth in world stainless steel production, declined steeply this year after cutbacks in stainless production and a big build-up of European stockpiles. An analyst notes the spot price (an approximate guide to the market) has fallen from US 75c/lb at end-December to 40c/lb — almost back to the 36c level of two years ago Manganese alloys have done better, but world carbon steel production has also been below expectations, falling by 4% in the first five months of this year.

Samancor began forming alliances when the market was tough. Last year's ferrochrome boom might have raised questions of whether it was giving too much away Though prices are expected to firm this year, the latest downswing suggests the wisdom of the group's strategy in a volatile world.

INDUSTRIAL COMMENT

All that glitters

James Lamont

CT (BR) 12/7/96 (189)

Gencor's plans to take full ownership of Alusaf, the Richard's Bay aluminium producer, and become one of the top aluminium producers in the world make good sense

If the minority stakeholders prove as happy to surrender their Alusaf holdings as the Industrial Development Corporation (IDC) was, then Gencor would be able to mould its aluminium interests into one management unit That step would also give it direct access into Alusaf's operational cash flow

Gencor could then take its own decisions to govern a potentially valuable business and it would have a strong cash generator to tap for expansion and use elsewhere in the group

Negotiations with the minority shareholders begin today

Gencor's buyout of the IDC's 32 percent of Alusaf this week hardly rocked its share price Gencor now has 73 percent of the company after a deal worth an estimated R2,2 billion This falls in line with its step from a gold producer to greater involvement in base metals It had previously resisted the suggestion that Alusaf be listed and that the IDC's stock be offered for public purchase

If the second half of the plan comes together and the smaller investors such as Eskom, Sanlam, Old Mutual and Genbel are bought out, the mining house will be left heavily exposed to aluminium

A new division might be formed, but it is unlikely to take a separate listing

Though the commodity price for aluminium is low, the plant is one of the lowest-cost producers in the world Signs in the United States market also suggest the metal will not remain in the doldrums for much longer

The Hillside smelter and the upgraded Bayside plant together produce 650 000 tons a year

The smelter's production costs are $1 100 (about R4 763) a ton

The new smelter produces more than 490 000 tons of aluminium a year, much of which is exported without benefication

Alusaf contributed about R32 million to Gencor's bottom line in the six months to December last year, before the new Hillside smelter was fully commissioned

Alusaf's profits were R77 million, with turnover rising 55 percent to R776 million It sold 111 231 tons of aluminium at an average price of R6 976 a ton

Aluminium price is set to soar

Own Correspondent (189) BD 15/7/96

LONDON — Aluminium's dip to a two-year low of $1 467 a ton — down 32% on its 1995 peak — was the result of temporarily suffering from the copper crisis and prices should soar in the next few years, analysts said on Friday

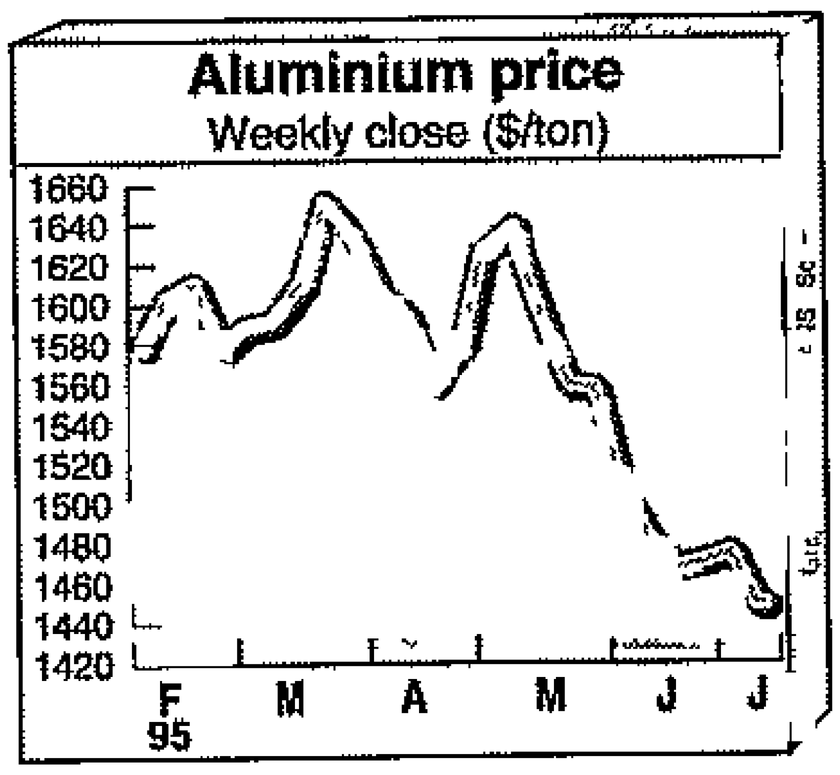
London-based Flemings Global Mining Group director Nick Moore said it was only a matter of time before aluminium prices decoupled from copper quotes

"The copper and aluminium market outlook for the end of the decade lie at opposite ends of the spectrum," he said

Moore said the copper price outlook was "parlous" for the rest of the decade, as a wave of new low-cost production was likely to swamp consumption In contrast, aluminium demand should overtake supply in the next few years and prices would leap, he said

Besides the negative influence of copper, aluminium was also performing poorly because demand in Europe — and more recently the US — was slack

Instead of buying metal from producers, Japanese, European and Chinese consumers were running down stockpiles, meaning there was more than sufficient metal to satisfy aluminium users London Metal Exchange inventories had risen by more than 313 000 tons since the end of last year to 897 000 tons on Friday



Moore said that despite current nervousness, companies such as Gencor believed it was timely to take advantage of low prices and buy or build up stakes in aluminium producers ahead of a price explosion in the late nineties

He forecast that aluminium quotes would exceed $2 200 a ton by 1997

Brandeis research head Robin Bhar said aluminium prices could only shuffle sideways this year, but producers would do well in the long term

Aluminium companies had been far too cautious in the past few years, said Anthony Bird Associates head Anthony Bird. They had failed to build sufficient smelters to match growing demand in industrial and emerging nations, he said

Bird predicted that by 1998 and 1999 there would be such an acute shortage of aluminium that quotes would soar to a peak of around $2 500 He said that prices would only sink back when producers built sufficient aluminium refineries to satisfy customers

Billiton Metals research head Angus MacMillan was more cautious about aluminium He said there would be sufficient aluminium to satisfy demand during the rest of the decade

LME inventories had been rising because a cartel began to unravel last year, he said

US development agency to help fund iron ore reduction project

(189)

Cape Town — The US Trade and Development Agency will give an $800 000 (R3,5 million) grant to the Industrial Development Corporation for its Iron Direct Reduction project CT (BR) 16/7/96

The project aims to produce direct-reduced iron The corporation will therefore examine the technical, financial and environmental aspects of a greenfield direct-reduction plant in the northeastern region of South Africa A pre-feasibility study has been concluded Iscor has also made its iron ore deposits available to the corporation.

A spokesman for the corporation said yesterday that the plant's capacity would depend on the perceived market opportunity and the technology selected The capacity was expected to be between 1 million tons and 4 million tons a year — Marc Hasenfuss

Tongaat plans to cut work force by 1 100

SUGAR (189) BD 16/7/96

Nicola Jenvey

DURBAN — Tongaat-Hulett plans to trim its 22 000-strong work force by 5% this year as it enters the final phase of a long-running rationalisation drive.

MD Cedric Savage said yesterday the losses would stem from outsourcing non-core activities, and natural attrition

Savage believed Tongaat, whose operations include aluminium, sugar and bricks, would optimise its labour requirements with the plans

The group had a work force of 50 000 before the long-running cutbacks. The moves were vital to sharpening its competitive edge.

"The programme will produce a finely tuned internationally competitive group with a high proportion of youth in its management and skills within its work force," Savage said

Early retirement encouraged four years ago had accelerated the natural attrition programme and the group's affirmative action drive, he said.

The group had also rationalised its building materials division, including Corobrik, to match current sluggish demand

Corobrik MD Harry Voorma said plans were under way to close its Maritzburg factory as outdated technology had rendered the plant inefficient

The division was involved in "sensitive" negotiations with unions and the factory's closure date still had to be decided It would result in about 100 jobs being lost

The group's restructuring helped underpin a 41% rise in attributable income to R403,6m for the year to March, on sales just 6% higher at R4,1bn

Tongaat is now engaged in a heavy expenditure drive It is involved in a R2,5bn expansion at Hulett Aluminium, and is spending R720m on a starch and glucose factory at Klip River

The group closed up 25c at R53 on the JSE yesterday, against a R69 year high in January

Metal employers increase wage offer

(189)

Renee Grawitzky BD 18/9/96

METAL employers increased their wage offer in an attempt to resolve the wage dispute and avoid a national strike in the metal industry.

National Union of Metalworkers of SA general secretary Enoch Godongwana said while the union welcomed the movement by the Steel and Engineering Industries' Federation of SA (Seifsa) on wages, it had hoped there could have been movement on other disputed issues.

Seifsa spokesman Brian Angus said the two main divides were wages and the public holiday penalty clause, which formed the focus of a recent Supreme Court case. The metal industry industrial council agreement stipulates that an employee would not be paid if he is absent the day preceding or post a public holiday.

Godongwana said the union inherited this clause when it joined the council and wished to have it removed, while Seifsa wished to retain it.

Break-even point expected next year

Columbus puts R600m second phase on hold

(189)

BD 19/7/96

David McKay

PRODUCTION difficulties at Columbus Stainless Steel have prompted management to shelve a R600m-R800m expansion plan.

CE Fred Boshoff said yesterday that the second-phase expansion, which would have nearly doubled the Middelburg plant's capacity and boosted profit, would remain on hold until technology at the plant had been proved The company had also scaled back production targets for this year

He dismissed suggestions, however, that the decision had been driven by oversupply in the world stainless steel market. "We can sell what we make."

Shareholders Gencor subsidiary Samancor, Anglo American Industrial Corporation subsidiary Highveld Steel and Vanadium and the Industrial Development Corporation had given the go-ahead for the expansion, which was due to start early next year.

Boshoff said shareholders had been informed of the decision to hold fire. He did not know when the prospective R3,5bn plant would be ready to start expansion The company expected to move into break-even next year But it was producing between 40% and 50% of projected capacity, against a 60%-70% break-even level on its product mix. He said Columbus had still to prove the "in-line cold reduction technology" which cold rolls the steel immediately after the annealing and pickling The technology had been developed in 1992

The second phase would add 240 000 tons a year to Columbus's cold rolled stainless steel output He said cold rolled product added about \$450 to \$500 a ton on basic hot rolled black band In terms of the fully expanded plant, Columbus would produce 240 000 tons of cold rolled steel (with up to 200 000 tons being exported), 80 000 tons of hot rolled black band and 280 000 tons of white hot band

Columbus has cut back its revised production target for the end of this year to 300 000 tons from a previous 350 000 tons

Analysts said the international stainless steel market was still in a state of torpor after last year's production excesses The price for cold rolled product had stabilised at \$1 800/t against \$3 100/t in June last year

The production difficulties follow snags in other parts of the plant Earlier this month SA's R500m tank container industry accused Columbus of neglecting local consumers' quality requirements Problems had arisen when Columbus tried to switch from hot rolled product to a heavy gauge cold rolled material in wider sizes

The plant had also suffered start-up problems leading to an order backlog

Immigrants now have to pay

(258) Star 23/7/96

Pretoria – South African taxpayers no longer had to carry the cost of applications by foreigners to immigrate or to stay in the country temporarily, the Department of Home Affairs said yesterday

Applicants now have to pay a set fee "in line with the international practice of self-compensatory tariffs," said spokesman Hennie Meyer.

An individual applying for an immigration permit now had to pay R5 580. A family comprising a breadwinner, spouse and no more than two children was being charged the same amount, with R360 for each additional child

The cost of an application for temporary residence permits of various types ranged from R108-R360. And R360 was being charged for an extension or alteration of a temporary permit.

The practice of issuing all visas free of charge had also been changed to a "principle of reciprocity"

"If the applicant is from a country which charges South Africans for visa applications, we levy a fee of R108," he said. – Sapa.

Robert Bosch workers halt over wages

(189) (258)

By Goba Ndhlovu

Fifty nine Robert Bosch workers downed tools at noon yesterday, forcing a large section of the company in Faraday, Johannesburg, to shut down.

All the workers belong to the Metal Electrical and Allied Workers Union (Mewusa), affiliated to the National Council of Trade Unions. Their strike is legal as workers took a vote last week in terms of a recognition agreement between the union and the company.

Robert Bosch is involved in the sale and marketing of refrigerators and related appliances.

Mewusa's Gauteng vice-chairman, Zola Manake, said the action arose from a wage dispute.

Numerous meetings have been held in an attempt to resolve the dispute. The most recent talks took place at the industrial council for the motor industry, but bore no fruit.

Star 23/7/96

Iscor builds ferrosilicon facility

(189)

CT (BR) 24/7/96

By Roy Cokayne

Pretoria — Iscor has completed construction of a new R11 million ferrosilicon facility at its Pretoria works.

Ernst Venter, the general manager of consulting services at Iscor Mining, said the plant was designed to produce 3 500 tons of improved quality ferrosilicon a year, which would be used by Iscor's mines.

He said ferrosilicon was blended with water to create a medium through which high and low density iron ore particles could be separated.

Venter said the ferrosilicon plant project was launched because of quality problems with Iscor's current supplier. The objective of the project was to create a superior quality ferrosilicon facility.

He said the process would result in better quality iron ore, improved utilisation of Iscor's iron ore reserves and cost advantages because less ferrosilicon would be used in the process.

"The cost saving compared to the capital cost of the plant is more than sufficient to meet Iscor's investment criteria," he said.

Venter said would take about three months before it was operating at full capacity.

He said the construction of the facility, using sub-contractors, lasted only 73 days and Iscor itself was taking responsibility for the project management and construction.

Venter said the equipment for the plant was sourced from a Welsh company and involved a technology transfer agreement.

Iscor's Sishen and Thabazimbi mines would be the main clients of the plant, with the Vanderbijlpark works providing the scrap metal that produces the ferrosilicon.

Hulamin gets R1,1bn German financing

(189) CT (BR) 25/7/96

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — Bayerische Vereinsbank, the fourth-largest German bank, and Hulett Aluminium (Hulamin), the Pietermaritzburg-based manufacturer of flat aluminium products, yesterday signed a R1,1 billion financing package for a hot and cold rolling and processing mill

The loan financing package for the new mill in KwaZulu-Natal is the largest ever undertaken in southern Africa between a commercial project and a single bank, Ulrich Salzer, the chairman of Bayerische Vereinsbank, said

The contract with the bank forms part of Hulamin's R2,4 billion expansion, including a remelt and recycling facility

The project at the Pietermaritzburg aluminium operations are being undertaken by the Tongaat-Hulett Group in partnership with the Industrial Development Corporation and Anglo American Industrial Corporation

The new rolling mill will begin production in the first quarter of 1999 and boost Hulamin's rolled products capacity from 50 000 tons to 150 000 tons a year

The funds will be made available by the bank through export credit facilities for the supply of machinery by Mannesman Demag, the German industrial engineering group, and other suppliers and an investment loan for local contracts

Part of the financing package agreed yesterday, a $85 million investment loan, is the first to take advantage of the German government's political risk guarantee, a new product developed by the German bank that involves linking its return on the loan to the the profitability of the product

The bank maintained a presence in South Africa during the apartheid era, financing projects for Columbus Stainless, Mossgas, Iscor, Eskom and Sasol

Union battles to calm striking metal workers

(1189) Star 26/7/96

By Goba Ndhlovu

Striking members of the Metal and Electrical Workers' Union (Mewusa) have threatened to take the law into their hands if their company, Robert Bosch in Faraday, Johannesburg, continues to employ scabs

Twenty-eight temporary workers have been engaged since the strike started on Monday Mewusa vice-chairman in Gauteng, Zola Manake, said the union was battling to keep its members under control because they were watching their jobs being taken away.

Manake denied that there was an agreement between themselves and management that, in the case of a legal strike, temporary workers could replace them.

As the strike enters its fourth day today, anger is seething among workers who have been

Wage dispute not resolved

kept under control in the union offices in the city Communication between the two parties is breaking down fast.

Manake said he wrote management a letter on Wednesday complaining about the 28 scabs

But the manager of employee relations, Joe Lakhasi, who spoke on behalf of the company, denied receiving such a letter

Lakhasi said management's door was wide open to negotiation.

"I am surprised they have complaints because we have a joint-monitoring committee This committee will sit on Monday," Lakhasi said

The strike by Mewusa follows a wage dispute which could not be resolved last week.

The union is demanding R226 across the board, or a 10,4% increase. Management is offering R186, or 9,4%

Metal workers poised for ballot on national action

BD 26/7/96 (189)

Reneé Grawitzky

ONE-hundred-thousand National Union of Metalworkers of SA (Numsa) members will ballot next week for a national strike in the metal industry following a breakdown in wage talks last night.

Metal employers warned that if workers decided to ballot for a strike, then employers would give serious consideration to balloting for a lockout

Numsa general secretary Enoch Godongwana said employers were provoking a strike on an issue which should not be the subject of an industry dispute.

Godongwana said the parties had not deadlocked over wages last night, but rather over employers' refusal to agree to remove a penalty clause in the metal industry main agreement which related to public holidays

In terms of the clause, if an employee was absent the day preceding or after a public holiday, he would not be paid for that holiday

He said the fundamental issue was whether workers "should waiver their rights granted to them in terms of the law The penalty clause contained in the industrial council agreement which we inherited when we joined the council, ensures that workers waiver their rights (granting) them a paid public holiday "

Seifsa spokesman Brian Angus said employers had offered the union a compromise clause which had been rejected

The compromise position provided for retention of the clause, but amended so as to exclude protected protest action in terms of section 77 of the new Labour Relations Act

This issue formed the basis of a Supreme Court case after employers refused to pay workers who embarked on a lockout strike prior to a public holiday The court's ruling was that the clause was acceptable

Godongwana said the clause ensured that workers would be penalised twice.

Angus said employers had tabled a revised wage offer ranging from 8,5% for artisans to 9,75% for unskilled workers

Angus indicated that the union said it would accept 10% if the penalty clause was dropped The other unions indicated that they were prepared to settle on 10%.

He said it was a great shame as it appeared that the parties were close to reaching a settlement.

Meanwhile, negotiations in the mining industry continued between the Chamber of Mines and the National Union of Mineworkers The Chamber reported that employers had tabled a revised wage offer ranging up to 9%-10% for collieries and up to 7,5% for gold mines The Chamber said its revised offers were in "the settlement zone"

Other issues for discussion included the establishment of an education and training fund, maternity leave and compensation for occupational injuries.

Saldanha Steel may use planned new gas supplies

■ The multi-billion-rand Saldanha Steel project is to consider using gas instead of coal.

(189) ARG 27/7/96

WILLEM STEENKAMP
Staff Reporter

SOEKOR plans to supply the Western Cape with natural gas as a cheap and clean alternative energy source to coal

Saldanha Steel spokesman Tom Ferreira said the company would consider using gas as an energy resource in further phases of the project, but the company had already committed itself to using coal in the first phase

SATURDAY Argus recently revealed that Soekor was investigating the feasibility of piping natural gas from the Bredasdorp Basin to the Cape

In Europe and America gas is piped thousands of kilometres from the source to the user

Soekor spokesman Johan Visagie said at the time that the company had established there was a substantial local market for gas

It also found that gas in the offshore Bredasdorp Basin could supply the Western and Eastern Cape for at least 25 years and that more gas may be discovered in the meantime

The switch to gas has proved a catalyst for industrial and economic growth in the past in other areas

Carrying coal from Gauteng to Cape power stations costs about R200 per ton, and since the conversion of coal-burning power stations to gas would be fairly simple, the use of gas – which would be transported through a 45 cm pipeline – would be much cheaper in the long run

It was envisaged that a gas pipeline could be built between Mossel Bay and Cape Town with branches to major centres identified as growth points including Paarl, Atlantis, Riebeeck West, Piketberg and Saldanha Bay

The gas delivery chain could be owned and operated commercially by private companies with no requirement of state funding

Mr Visagie said that during talks Saldanha Steel had shown a keen interest in the use of gas at its steel mill in further phases of the project

Residents in the Langebaan/Saldanha area earlier raised concerns about the environmental impact of the off-loading of millions of tons of coal for the steel mill

Many feared the dust from such an operation could cause serious pollution but Saldanha Steel claimed the coal would be washed down, preventing pollution

Tongaat-Hulett shuffles management

CT(BR) 29/7/96 (189)

By Jon Beverley & James Lamont

Durban — Sweeping changes have been made to the top management of the Tongaat-Hulett group as three directors go into retirement

Cedric Savage, the managing director, announced more than 20 other promotions after the company's annual meeting last week

Among the most significant changes is the retirement of Errol Rutherford, the head of Corobrick. "JB" Magwaza will replace him as non-executive chairman

Jim Crook, the head of the textiles division, retires and Steven Saunders, the son of chairman Chris Saunders, comes in as non-executive chairman

Des Winship, the chief executive of the aluminium division, steps down but will remain involved in the Hulamin rolling-mill expansion worth R2,4 billion Peter Staude will become the managing director

Savage said the group had been changing for the past four years because it had to respond to international competition "right on the doorstep" It needed fewer, but more skilled, people at the top

The group would be investing R1 billion this year and expected to end this financial year with about R250 million in cash and keep borrowings within prudent ratios

In another development Sej Motau, the former group corporate affairs manager at Transnet, is to take up a high-powered post at Sasol, the synthetic fuels producer, from the beginning of August

Motau will replace Pat Davies as the group communications manager Davies, will remain in top management as a special adviser

Iscor likely to approve R2bn titanium plant for Richards Bay

(189) CT (BR) 29/7/96

By Chris Jenkins and Shirley Jones

Durban — Iscor was poised to approve the development of a titanium slag mining and smelter project in Richards Bay, worth as much as R2 billion, sources close to the company said at the weekend

The move will result in it competing directly with Richards Bay Minerals

Iscor has been negotiating to buy a 30ha site in Richards Bay for the smelter

The operation is expected to be in full production by 2000

Richards Bay, the fastest-growing industrial town in South Africa, is also expecting accelerated industrial growth with direct investment of R14 billion over the next five years

At the forefront of the proposed developments are the Iscor project and a multimillion-rand plant for Blue Circle Cement

Though details of the cement plant are still sketchy, the site for the operation is believed to be alongside Indian Ocean Fertilisers and negotiations with the city council are under way

Dirk Duits, Iscor's technical manager, said the high-profile Iscor project included the mining of heavy-mineral sands near the Felixton sugar mill in Zululand and a smelter in Richards Bay

Iscor is also planning to mine titanium in the Northern Province, railing production to Richards Bay

Duits said the outlook for titanium slag demand was promising The two mines were being evaluated on a 20-year period, but their lives should be considerably longer, he said

Iscor would operate in opposition to Richards Bay Minerals, which already supplies 28 percent of the world's titanium oxide and other strategic minerals such as rutile, zircon and ductile iron

Richards Bay Minerals recently announced a R1,3 billion expansion project for the next five years

The two producers would result in KwaZulu Natal dominating the production of these strategic minerals into the next century, providing good foreign-exchange earnings

The general consensus in Richards Bay is that the R5,5 billion Alusaf Hillside smelter development paved the way for several large projects in the area These include a proposed R500 million dry dock, a proposed container terminal and a multimillion-rand sodium chlorate plant for National Chemical Products, a division of Sentrachem and Huston Technical of the US

National Chemical Products has commissioned an environmental impact assessment and has bought a 48ha site in Richards Bay Because just 5ha will be needed for the sodium chlorate plant, this indicates significant further development

In addition, Portnet is investing in excess of R200 million on quays in the port

The city council has committed itself to the development of tourism infrastructure including R1 billion worth of marinas Speculation is rife that Richards Bay stands to gain a five-star hotel in the near future

Numsa and Seifsa lock horns

ET (BR) 29/7/96 (189)

Johannesburg — Wage talks between the National Union of Metalworkers (Numsa) and the Steel and Engineering Industries Federation of South Africa (Seifsa) are deadlocked, according to the federation

"A meeting held on Thursday to try to resolve the current wage negotiation dispute between employers and trade unions in the metal and engineering industry ended in deadlock," Seifsa said at the weekend The main points of contention were wage increases and public holiday clauses

Seifsa said employers had increased their previous differential wage offer of between 8 and 9 percent to between 8,5 percent for skilled employees and 9,75 percent for unskilled workers

"The union has not modified its wage demand of between 8,5 percent for skilled employees and 10,5 percent for unskilled employees."

It said Numsa continued to demand the scrapping of provisions for the non-payment of workers who were absent on the day before or the day after a public holiday — Reuter

Tongaat-Hulett to commit R1bn to capital expenditure

BD 29/7/96 (189)

Nicola Jenvey

DURBAN — Tongaat-Hulett had committed R1bn in capital expenditure for the year to March 1997, as the R2,5bn Hulett Aluminium project and R720m African Products greenfields expansions got underway, chairman Chris Saunders said at the weekend

Saunders told the group's AGM the expenditure — R690m to the aluminium division and R310m to starch and glucose — was within Tongaat s financial capabilities and that it aimed to hold R250m net cash-on-hand by year-end

Tongaat had met expectations in the first quarter and operating results reflected "a satisfactory" improvement over the corresponding period 1995/96. Saunders said current year prospects remained "encouraging" and further real growth in earnings could be expected

Group MD Cedric Savage announced extensive board changes, key executive appointments and retirements

Doug Aitken and Menanteau Serfontein were appointed full directors of the group board, while Steve Saunders was appointed to the executive committee

CPC Tongaat Foods MD Richard Baker, properties division MD Gordon Hibbert, starch and glucose division MD Nico Kruger and aluminium division MD-designate Peter Staude were appointed alternate directors

Textile division executive chairman Jim Crook and Corobrik executive chairman Errol Rutherford would retire.

Saunders said the above-average rainfalls meant sugar was projecting a 63% improvement in production to 940 000 tons.

Building materials would continue concentrating on structural cost reductions through overhead and production rationalisation. However, the division was "poised" for a quick reaction to any upturn

CPC Tongaat Foods had shifted to branded foods and the division would launch new products in the medium-term in addition to the three launched in 1995/96.

Saunders said textile margins had been under pressure from illegal imports, but the division benefited from strong competitive advantages in fabric design, decoration and finishing

The group closed up 50c at R53,50 on the JSE on Friday, against a R69 year high in January.

Analysts forecast upturn on new projects

Iscor earnings face decline

ST(BR) 30/7/96 (189)

By John Soderlund
FINANCIAL NEWS EDITOR

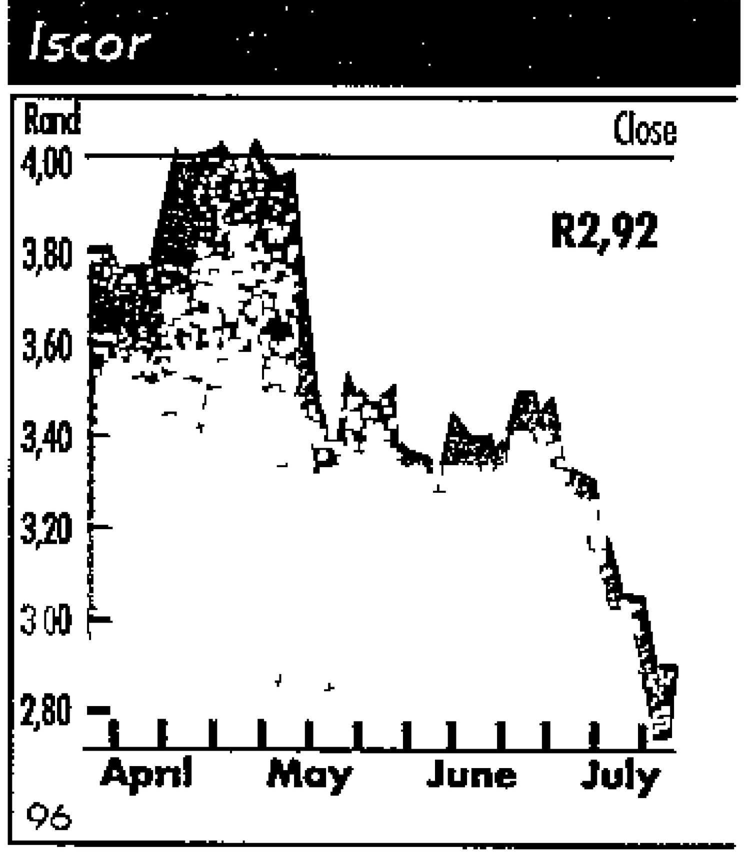
Johannesburg — The 30c slump in the share price of Iscor, the steel producer, to 276c last week was understandable, given expectations of a 20 to 30 percent fall in earnings a share for the year to June 30, analysts said yesterday

But the gloss should return to the group's market rating as several large projects were being brought on stream in the coming years, they said

Iscor shares fell to 276c from 306c in the first four days of last week, before bouncing back up to 292c yesterday

The group is to release full-year results late next month, but it has already primed the market at the interim stage to expect a decline in earnings in the second half and flattish earnings for the full year

Analysts said the latest fall in the share price was probably sparked by panic selling from smaller investors, of which Iscor has thousands, caused by renewed concerns that the world steel market remained depressed and would only recover materially next year



Steel prices had also fallen recently in smaller consumption areas of the world

A quarterly World Bank report released recently fuelled these concerns with a forecast that steel prices would only begin to recover late in the second half of the year

Last year's prices had suffered after a moderate oversupply in the wake of buoyant production

The report said the world steel market had been weakened by the slow Japanese economy and by China's rising exports, though China remained a net steel importer

Continued strong exports by the US, Western Europe, Russia, Ukraine and the eastern European countries were enough to overload demand and reduce prices last year, it said

Analysts were mixed in their reaction to the fall in the Iscor share price, but most noted that the results for the year were not encouraging

Analysts polled forecast full-year earnings would come in at between 27 and 31c, between 19 and 30 percent lower than the 38,5c a share in the previous year

But the outlook was likely to recover markedly with the phased commissioning of the Pretoria Stainless Steel works in the coming 12 months and of the huge Saldanha mill in the middle of 1998

Earnings were expected to rise to between 30c and 35c in the year to June 30 next year, and then jump sharply to as high as 64c a share the following year

Paul Smith, an analyst at BoE Natwest, said the weaker rand would close a window of opportunity for importers and help Iscor to increase its share of the local market, which had been particularly hard hit by recent global price weakness

"Carbon steel prices have shown a generalised bottoming out on the international markets Steel prices are firming in the US, while some prices in Japan are unchanged or slightly lower European prices are flat, with minor price increases holding on certain products"

Smith looked forward to a recovery in sales volumes, which had already shown signs of picking up in the past few months

He expected the share price to rise about 56 percent in the coming 18 to 24 months Together, these more bullish factors suggested the latest fall in the share price offered a good buying opportunity, he argued

Striking metal workers hold administrative staff captive

(189)([illegible]) Star 31/7/96

About 300 striking workers held 15 administrative staff captive in their offices at a Pretoria metal factory for 12 hours yesterday before police freed the captives

Police spokesman Captain Dave Harrington said none of the trapped staff had called the police, although they had access to telephones

Police arrived at about 7pm after a patrol noticed something was amiss at Besaans-Du Plessis Pretoria Foundries

A shock grenade was thrown and two rubber bullets fired before the strikers dispersed, and the group was set free

Metal workers at the plant began the strike on Monday over what they described as discrepancies in pay rises

Management consultant Darran Ross said the strikers became violent yesterday morning and injured a supervisor, who was admitted to hospital

At 8 30am the strikers barricaded all entrances to the administrative building, preventing staff from leaving They maintained the blockade throughout the day.

In the afternoon the company obtained a court order barring the workers from entering the premises

Ross, who had been among the captives, said police were not alerted as staff were convinced the situation could be defused through talks. – Sapa

— METAL PRODUCE

MANUFACTURING – ~~IRON, Steel, Engineering, etc~~

1996 ~~– 1997~~

SHIPBUILDING

DEATH KNELL FOR SHIPYARD

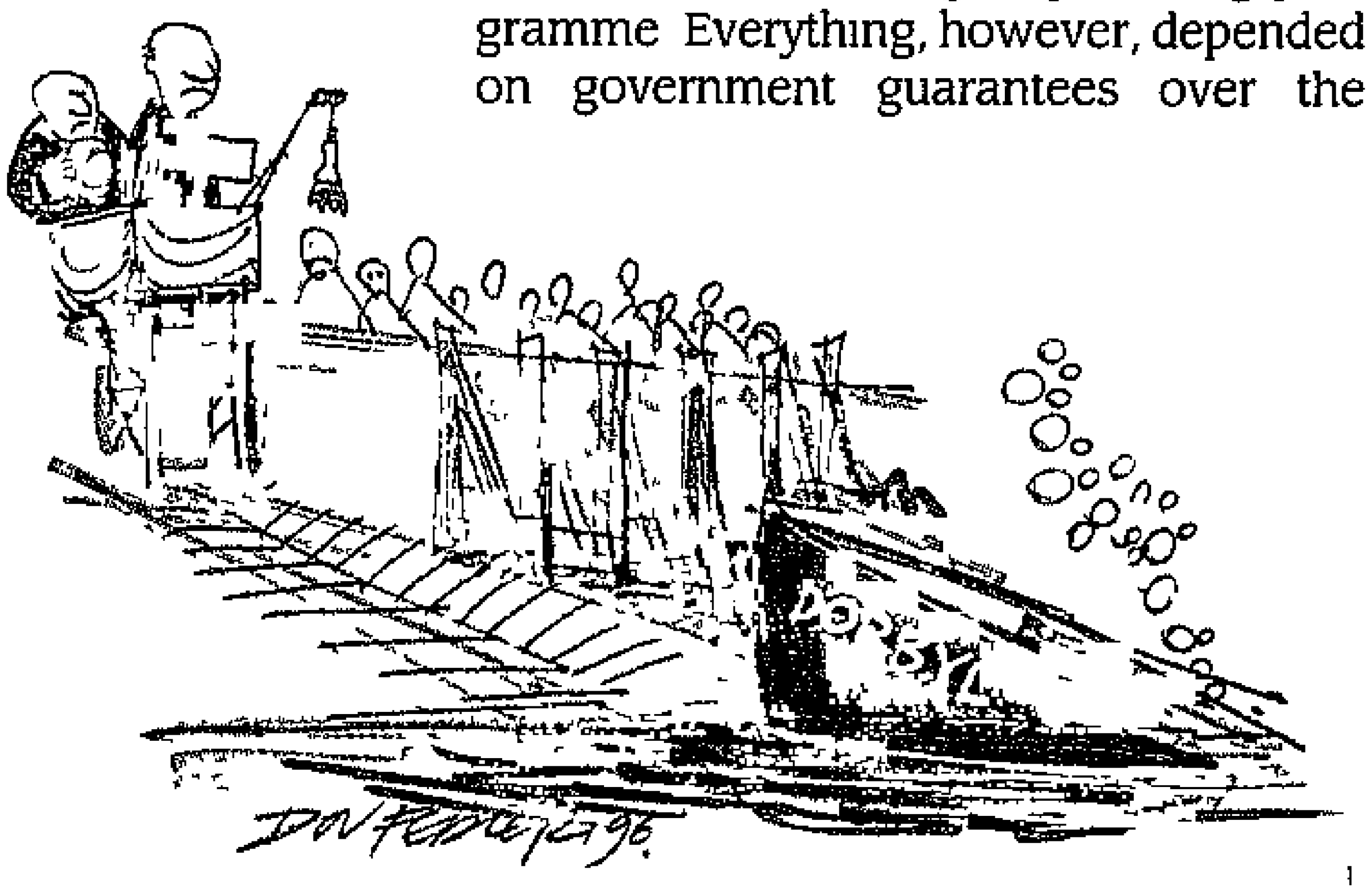
(189B) FM 26/1/96

Government appears to have scuppered SA's shipbuilding industry — for good After months of bureaucratic dithering and delay, a multimillion-dollar investment from Germany that would have breathed new life into the nation's only shipyard — plus an R800m contract for seven ships — has been lost

This week, directors of Dorbyl, the country's only surviving shipbuilder, will hear CE Bill Cooper propose that the company quit the business for good

Until now the story of how German shipping magnate Henning Oldendorff tried in vain to keep SA's shipping industry afloat has been kept a close secret It starts a year ago

Oldendorff is head of Germany's largest privately owned shipping company, Egon Oldendorff Shipping With a fleet of 56 ships, it also has its own shipbuilding yard in Flensburg, with a full order book for the next two years



The Flensburg yard specialises in bigger ships, up to 60 000 t, and has only one building slipway For the past two years, Oldendorff had been looking for another yard, to build vessels in the 20 000 t-25 000 t range

This brought his technicians to SA early last year, to assess Dorbyl's shipbuilding facility in Durban Dorbyl Marine's Joe Bullough, MD at the time, recalls "They had visited 22 other yards over two years and said that, of them all, Dorbyl's was the most suitable "

When Bullough retired last February, Dorbyl retained him as a consultant He says "Dorbyl asked me if I would pursue this particular (Oldendorff) inquiry and any other that I came across "

The deal that Dorbyl lined up with Oldendorff included

- A R800m contract to build seven 17 500 t bulk carriers — described as "minibulkers" — with an option on three more,
- A multimillion-dollar investment by Oldendorff to revive SA's ailing shipbuilding industry The plan was to form a new shipbuilding company, owned jointly by Oldendorff and Dorbyl — with the German company building up its 50% stake over four years, and
- A technology transfer agreement under which Oldendorff would provide Dorbyl with design and engineering drawings for the seven ships it was ordering

Bullough is confident that the German company's involvement would have resulted in a continuing shipbuilding programme Everything, however, depended on government guarantees over the R800m seven-ship contract Discussions with Trade & Industry Minister Trevor Manuel, his director-general, Zav Rustomjee, and advisers in Chris Liebenberg's Finance Ministry took place over the past four months

"We were asking for guarantees which would be equal to a tax incentive," says Bullough "If tax legislation changed, such as the corporate tax rate or the wear and tear allowance in respect of ships, that could have a positive or negative impact on the financial package

"We said that in the event of a deficit (on the contract), we would look to government to stand in for the effect of that adjustment — with cash That's the guarantee we were looking for If tax changes generated surplus funds, they would go to government They said that would be difficult — and threw it out "

Dorbyl's final suggestion was that government pay it a direct 10% cash subsidy of the R800m contract price The company must still get government's decision on this But time has run out for Dorbyl

Oldendorff sent a letter of intent stipulating that the R800m contract must take effect from December 15 With no response from government, the German company agreed to extend the deadline to January 26 — this Friday

Cooper says "Government was not prepared to give us direct assistance or assurances in terms of tax incentives for the future So, as far as I'm concerned, Dorbyl is now out of shipbuilding "We'll close those shipyards We'll sell off for whatever we can get "

Says Bullough "We've advised the owner (Henning Oldendorff) that the conditions pertaining to the letter of intent would not be met by January 26 And because he has to take delivery of these vessels in the second half of 1997 he's now compelled to go to another shipyard "

Had the deal gone ahead, it would have created 1 000 shipyard jobs plus, says Bullough, another 6 000-8 000 for suppliers, manufacturers and subcontractors

About a third of the 20 ha shipyard in Durban's Belfast Road is used by the company's profitable ship repair facility This will be retained, but talks have already started with Portnet, which owns the valuable waterfront site, over disposal of the remainder Dorbyl's lease still has 40 years to run

From his office in Germany's northern town of Lubeck, Henning Oldendorff says "I really don't want to comment on this because it's dead " ■

BMW

CASH WITH STRINGS

(113) FM 26/1/96

German car giant BMW is ready to invest R1bn in its SA subsidiary — but only if government gets a grip on soaring crime

Group chairman Bernd Pischetsrieder

'Tariffs a threat to SA electronics industry'

(189D)

STAFF WRITER

TAX WOES *Altron's Bill Venter says the government is misguided*

Durban — The electronics industry could be reduced to a group of importers unless the government reviews certain GATT-related tariff structures, according to Bill Venter, chairman of the Altron Group

The industry employs hundreds of thousands of people and has an important design and manufacturing component It also focuses strongly on exports

In a statement released yesterday, Venter said he believed that the government was misguided in its decision to maintain tariffs at 5 percent GATT imposed 15 to 20 percent tariffs

CT (PM) 10/1/96

"The 5 percent tariff prevailed in the sanctions era only because very few countries would trade with South Africa and significant local manufacture incentives applied

"GATT allows five to eight years for tariff revisions, but government has implemented its revision within a year," he said

David Jacobson, Altron's executive director of science and technology, said "We have a dangerous, anomalous situation where several of the duties on electronics and telecommunications products are below the GATT binding levels

"This gives importers an unfair advantage and makes export from South Africa more difficult because other countries have import duties at the GATT binding levels"

Jacobson urged the industry to put pressure on the Department of Trade and Industry to reset import duties at appropriate levels

Venter said despite this problem and the fact that unemployment and crime remained stubbornly high and productivity low relative to cost, business prospects for this year appeared favourable

He lamented that too much consultation with bodies such as Nedlac delayed delivery and hampered the competitiveness

There were obvious advantages in the restructuring of parastatals now that the National Electrification Forum and the National Telecommunications Forum had reached a consensus, he said

Jacobson added that prospects for small, medium and large companies in electronics and telecommunications appeared particularly bright this year He said there were more opportunities for business and investment opportunities, as well as the prospect of job creation.

The re-awakening of the South African economy and the resultant expansion of infrastructures had already stimulated the industry

Important markets were being opened for South African companies in countries to the north that wanted to refurbish and enhance their telecommunications and electrical infrastructures

Local industry had extensive investments in manufacturing, testing and development that could not be matched by overseas counterparts It could therefore offer greater support, said Jacobson.

He said that products designed, developed and manufactured for the RDP were a major export opportunity

"The unique combination of manufacture under licence and local design of niche products has led to the South African telecommunication and electronics industry being able to supply both local and export markets with a portfolio of unique products unlike those distributed by conventional suppliers," he said.

Illegal imports cripple SA electronics sector

CT (BR) 11/1/96 (189D)

Shirley Jones

Durban — Smuggled electrical goods cost the fiscus, and ultimately the South African taxpayer, more than R400 million in lost duties last year

Retailers say it is common knowledge that the identical grey market version of audio equipment worth R1 500 is available for R800 Some video recorders can be bought for R1 000 less than the shop price and grey-market goods retail at 20 percent less than legitimate equipment

According to one retailer, many so-called reputable discounters are expert at mixing stock which often involves crass over-and-under-invoicing

The managing director of Tek Electronics, Richard Ferrer, says it is extremely difficult to monitor just how much merchandise is coming into the country fraudulently

Two thirds of the video recorder market and more than 50 percent of the audio market is thought to comprise illegally imported goods, making the consumer electronics industry largely unprofitable, he said

Richard Ferrer of Tek Electronics PHOTO JOHN WOODPOOF

Ferrer says smuggling syndicates in this sector are notorious for bribing customs officials — R10 000 to R20 000 ensures goods worth millions slip through duty-free

He says it is also common for the value of merchandise to be misrepresented For example, a container worth R1 million is valued at just R50 000 The balance is made up by inflating the value of other imports on which no duty is payable

Another common loophole, the removal of goods in bond for export to neighbouring states in transit, may be closed in February

Ferrer says that at some points of entry, there are no customs officials Pietersburg international airport has no customs presence and no customs officials are on duty at night at Lanseria airport, where grey market goods are often unloaded under cover of darkness

Another problem is the customs clearance of goods in Southern African Customs Union countries such as Lesotho and Swaziland, from where the goods move freely across the borders into South Africa

Ferrer and the chief executive of Daewoo Electronics, Mike Bosworth, believe that high duties, which were only adjusted in October last year, were "manna from heaven" for smugglers

They remain divided on whether the removal of tariffs, which amounted to as much as 130 percent on hi-fi equipment alone, will provide a long-term solution

Ferrer, who says that excise duties of up to 37,5 percent still remain in some categories, believes smugglers will simply concentrate on these sectors

DAEWOO

FM 26/1/96
(189D)

Too far, too soon?

Is the jump in Daewoo's share price justified? In under a fortnight, it has risen from 235c to a high of 338c and settled at 325c But delays in the satellite TV industry lead some analysts to think that it will come under pressure They fear market forecasts for the financial period ended last month may not be met

Daewoo Electronics is a subsidiary of a joint venture between Daewoo South Korea's SA subsidiary and Amic It imports, distributes, markets and services brown and white electrical goods Last year it won a MultiChoice contract to retail Pace satellite decoders and dishes imported from the UK

In the year to April, net operating income was R4,9m (1994 R1,4m) on sales of R91,5m (1994 R44,2m), EPS jumped from 1,4c to 10,2c Doubts stem from a change in year-end — now December, in line with Amic — that has cut the information As Daewoo will report for the subsequent eight months in February, no interim results were published

CEO Mike Bosworth admits that sales of satellite decoders began more slowly than expected "That may have been a good thing Distribution still turned out to be logistically difficult "

But turnover was helped by strong sales in the new white goods division This started distribution in May

Frankel Pollak's Arjan Buikema believes satellite dish and decoder sales will not have the hoped-for impact on earnings for the period just ended, citing the delay in the satellite programme

"The Gatt agreement also dented sales in July-September Then the delay in the

rights issue brought substantial interest costs in May-August " Buikema advises investors to wait for weakness in the share price after year-end results, but thinks EPS will grow substantially

Bosworth is confident decoder sales will pick up After a fire destroyed the Cape Town assembly line of sole competitor Panasonic in December, Daewoo became the only distributor of MultiChoice decoders But by mid-year, competition will intensify

Panasonic MD Mike Tiffin hopes production will resume in March and be at full capacity by the end of that month

MultiChoice has also appointed Philips and French company Sagem to supply decoders, and these will probably become available in June

An announcement that Daewoo Korea would export cars to SA from March has given the local group much publicity recently But neither the Daewoo/Amic joint venture nor its subsidiary Daewoo Electronics will benefit from this

At 31,9, the p e ratio is one of the highest in the sector and way above the sector average (19,1) But with the pedigrees of parent Amic and Daewoo SA — plus the backing of Daewoo Korea — doubts about short-term prospects shouldn't lessen the share's medium-term attraction *Michelle Joubert*

Wiseman Nkuhlu's Worldwide takes 26%

Black group boosts stake in Plessey

(1890)

CT (BR) 8/8/96

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Worldwide African Investment Holdings, a black-owned holding company, has paid R228 million to boost its 5 percent stake in Plessey to 26 percent

Wiseman Nkuhlu, Worldwide's chairman, said yesterday that the deal gave his company joint control of the telecommunications and electronics company with Sankorp, which had sold off 21 percent of its controlling stake in Plessey

Sankorp and Worldwide would each hold a 26 percent stake in Plessey

Nkuhlu said the increased interest in Plessey was in line with Worldwide's focus on investment in growth sectors of the economy that offered opportunities for empowerment and job creation

Market sources said the deal was significant because black investors had committed a sizeable investment into the manufacturing industry Most previous black empowerment deals have targeted the financial, media and service sectors

Plessey, whose turnover exceeds R1 billion, manufactures telecommunication equipment and general electronics The company also services and installs communications and electronic equipment and distributes consumer electronics

Dave Brink, the chief executive of Sankorp, said the deal was a first-class empowerment initiative and believed it would create significant future opportunities

"Our new partners have an enormous contribution to make and we look forward to working with them," he said

Worldwide, which is only two years old, already has an interest in Afric Oil, a 100-strong chain of service stations in Gauteng The company also has several small interests in the financial services sector

Joe Makobe, a Worldwide spokesman, scotched speculation that the company would be joining Nail and Real Africa Investments by listing on the JSE

He stressed that the company's immediate plans were to consolidate its existing interests

"It's premature to talk of us listing on the JSE at the moment We could look at this later, but we prefer to hold things privately for now," he said

Nkuhlu, who serves on Plessey's board, said there were significant opportunities with Plessey in the medium to the long term, particularly in light of the need to extend the telecommunications network in South Africa

"These opportunities can enhance black empowerment and job creation for disadvantaged sectors of the economy Plessey is associated with two finalists for Telkom's multimillion-rand tender through Marpless and Ericsson SA," he said The Marpless tender was submitted through a consortium with Worldwide

Boetie van Zyl, the chairman of Plessey, said Worldwide's investment was a step along the path of Plessey's transformation to a truly South African company

John Temple, the chief executive of Plessey, said· "We are especially pleased to be working with Worldwide whom we have come to know well whilst preparing the Marpless tender for the million line project"

Sources said last night that Plessey's tender for a slice of the million line project looked promising with Worldwide as a joint controlling shareholder

Plessey shares closed 75c down at R10,50 as shares worth R2,6 million changed hands.

Worldwide takes Plessey stake to 26% in R288m deal

Samantha Sharpe

BLACK empowerment group Worldwide African Investment Holdings had bought an additional 21% stake in electronics group Plessey from holding company Sankorp in a R288m deal, the companies said yesterday

The announcement was followed by strong trade in Plessey shares, with the group's share price finishing 75c down at R10,50 after more than 200 000 shares changed hands

Worldwide chairman Wiseman Nkuhlu said the deal would give his group joint control of Plessey with Sankorp Worldwide's original 5% interest would rise to 26%, with Sankorp's 55% stake falling to 34%, in line with its strategy of investing in growth sectors of the economy

Genbel Securities, NBS and Norwich Life had helped facilitate financing for the transaction, which involved creating a special-purpose vehicle with equity and preference share funding, all at market rates

There would be no immediate changes to Plessey's management Worldwide obtained representation on the Plessey board when it took up its original 5% interest, but changes could not be excluded at a later stage

Nkuhlu said the increased Plessey stake offered significant opportunities for empowerment and job creation in SA, especially given the electronic group's role in satisfying SA's telecommunications needs "Plessey is associated with two finalists for Telkom's multimillion-rand tender through Marpless and Ericsson SA " The Marpless tender was submitted via a consortium with Worldwide

Worldwide MD Phuthuma Nhleko — also a Plessey board member — said Worldwide had already worked with Plessey through Worldwide African Construction, which targeted joint ventures in telecommunications infrastructure installation.

Plessey CE John Temple said the change in shareholding boded well for future growth "We are especially pleased to be working with Worldwide whom we have come to know while preparing for the Marpless tender for the Million Line Project "

Sankorp CE David Brink said the deal was strong empowerment initiative, which could create a number of significant future opportunities

Plessey posted a 35% rise in attributable income to R51,31m in the year to March, with earnings 34% higher at 41,5c a share.

BD 8/8/96 (1890)

Satisfactory Seardel results expected

CT (PM) 9/8/96 (1890)

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Seardel, the clothing, textile and consumer electronics company, should produce a satisfactory performance in the year to June 30, posting earnings a share of 47c and paying a dividend of close to 10c, analysts said.

Seardel, whose mainstay clothing manufacturing interests are complemented by Seartec and its associate company Frame, reports its results next week

A clothing industry analyst noted that Seardel's share price, ranging between R1,30 and R1,60 for the ordinary and N-shares, seemed out of synch with the expected profit performance

He said there were no fireworks in second-half trading, which meant that the year-end performance would be in line with the company's initial earnings predictions made at the interim stage

Though the shares were trading low, the analyst was reluctant to punt Seardel as a short-term buy

"The expected 20 percent return for this year is not enough for such a risky industry Only when demand picks up considerably will Seardel provide excellent returns"

The analyst said there had been some recent interest in Frame, Seardel's textile associate

He said there were high hopes that revenue could flow from leasing Frame's prime industrial sites in New Germany and Pinetown in KwaZulu Natal

"However, indications are that it may be some time before the full benefits from these properties flow through to bottom line"

The analyst said Seartec, whose office-automation, consumer electronics and stationery sales include leading brands such as Sharp and Scripto, would continue to build its reputation as the gem in Seardel's crown

"All indications are that Seartec's strong profit trend should continue this year"

Satisfactory Seardel results expected

Star 9/8/96 (7/8 9D)

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Seardel, the clothing, textile and consumer electronics company, should produce a satisfactory performance in the year to June 30, posting earnings a share of 47c and paying a dividend of close to 10c, analysts said

Seardel, whose mainstay clothing manufacturing interests are complemented by Seartec and its associate company Frame, reports its results next week

A clothing industry analyst noted that Seardel's share price, ranging between R1,30 and R1,60 for the ordinary and N-shares, seemed out of synch with the expected profit performance

He said there were no fireworks in second-half trading, which meant that the year-end performance would be in line with the company's initial earnings predictions made at the interim stage

Though the shares were trading low, the analyst was reluctant to punt Seardel as a short-term buy

"The expected 20 percent return for this year is not enough for such a risky industry Only when demand picks up considerably will Seardel provide excellent returns"

The analyst said there had been some recent interest in Frame, Seardel's textile associate

He said there were high hopes that revenue could flow from leasing Frame's prime industrial sites in New Germany and Pinetown in KwaZulu Natal

"However, indications are that it may be some time before the full benefits from these properties flow through to bottom line"

The analyst said Seartec, whose office-automation, consumer electronics and stationery sales include leading brands such as Sharp and Scripto, would continue to build its reputation as the gem in Seardel's crown

"All indications are that Seartec's strong profit trend should continue this year"

Seartec thrives by keeping a sharp eye on consumers

(189D) ST (BT) 11/8/96

By JEREMY WOODS

IN A highly competitive market, Seartec, the JSE-listed holding company for Sharp Electronics, increased net profits by 26% to R14,2-million for the year to June 30

Seartec is also declaring a final dividend of 5c a share, bringing the total dividend for the year to 7,5c a share, against 4c in 1995.

"Turnover rose by 15,6% to R225,9-million and all marketing divisions produced strong growth, despite a slow first quarter when most customers held back purchases to take advantage of the abolition of the customs duty surcharge and other reduced duties," says Seartec chief executive Chris de Bruin

Earnings a share were 23,9% higher at 23,3c and the net asset value a share, excluding goodwill, was up 14% to 138,3c against Thursday's share price of 150c

Seartec benefited from strong operating cash flow amounting to R18,5-million, which reduced its interest bill by 61% and interest-bearing debt to R500 000 Cash reserves improved by R14-million

Apart from selling the Sharp range of products nationally, Seartec distributes the Scripto range of writing instruments and stationery products.

"Our products performed exceptionally well across the board with noteworthy increases coming from our photocopier range, video projectors, fridges and microwave ovens, " says De Bruin

"The office automation division benefited from increased awareness of its products with good increases coming from calculators, fax machines, and currency-handling equipment The strength of our business lies in its broad base of quality products which does not rely on any one range"

De Bruin says the Sharp name has proved itself as a quality brand in the office-automation industry and the potential for further growth was increasing with the addition of new digital technology and multi-functional devices.

"New products in the pipeline for Seartec include an Internet-compatible colour PC notebook, digital-based multi-functional devices and wide screen television with the first-ever intelligent picture function.

"In our business you have to keep ahead in technology and provide user-friendly products for an increasingly demanding and sophisticated consumer

"We are confident that our existing product range from Sharp Japan will continue to provide the growing South African market with what it wants," says De Bruin

Seartec looks sharp with income up 26%

(189D) CT (BR) 12/8/96

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Seartec confirmed its status as a rising star in the Seardel Group with a 26 percent rise in attributable income to R14,2 million in the year to June 30

The company distributes Sharp electronic equipment and Scripto stationary products

Earnings a share came in 24 percent higher at 23,3c a share because of more shares in issue A final dividend of 5c a share was declared, pushing the annual payout up 88 percent to 7,5c

Turnover increased 15,6 percent to R226 million Chris de Bruin, Seartec's chief executive, reported that all marketing divisions produced strong growth

"This was notwithstanding a slow first quarter caused by most customers holding back purchases to take advantage of the abolition of the customs duty surcharge and reduced duties," De Bruin said

De Bruin also said the company scored almost R1 million in non-sustainable income from customs duty refunds relating to previous financial years

That amount was included in the company's after tax income, de Bruin said

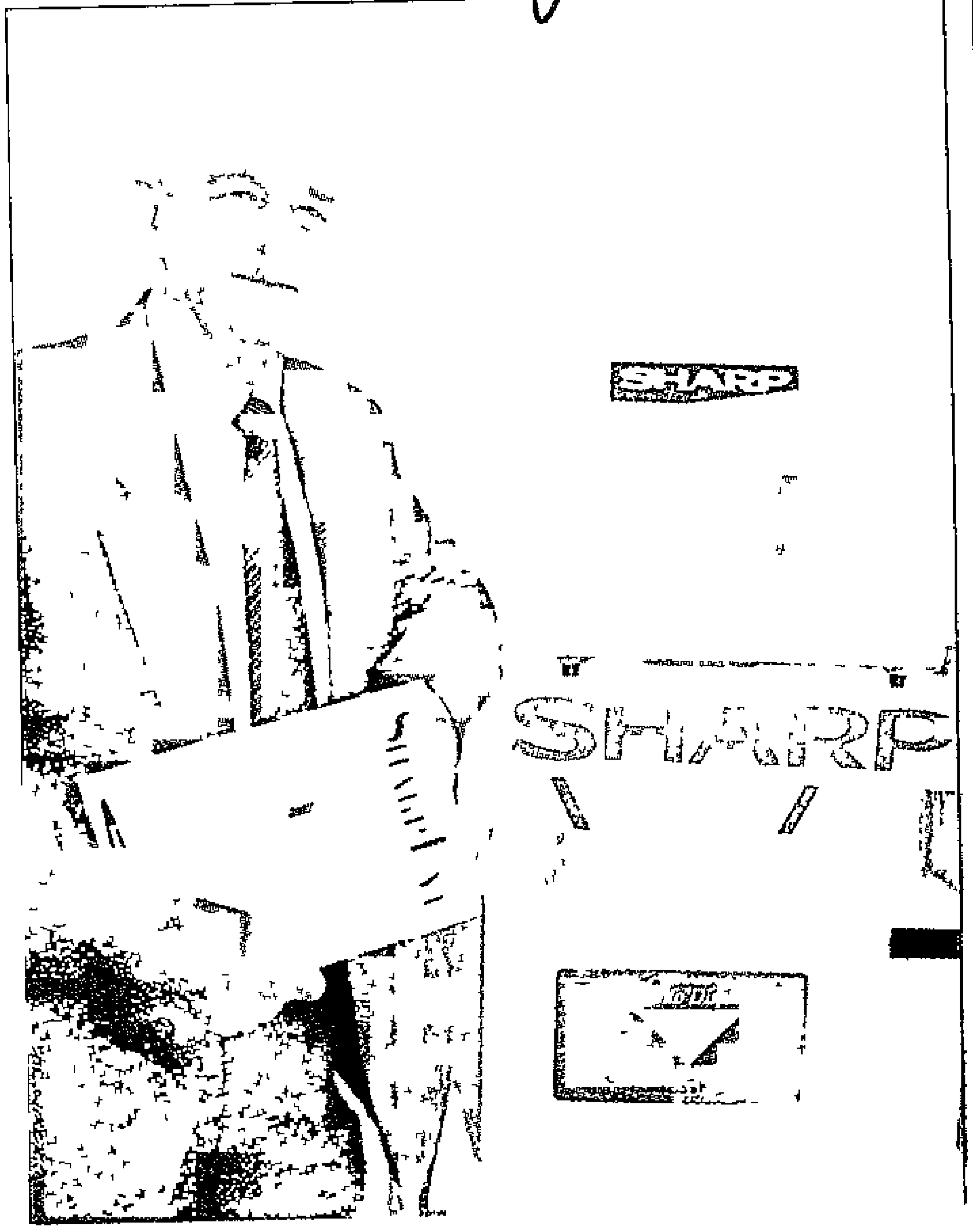
He attributed the performance to a concentrated effort in a highly competitive market "Our products performed exceptionally well across the board with noteworthy increases from our photocopier range, video projectors, fridges and microwave ovens"

The office automation division benefited from increased awareness of its products Sales of calculators, fax machines and currency-handling devices increased noticeably, De Bruin said

Seartec's balance sheet also ended the period in good shape, with interest-bearing debt a mere R500 000 and cash reserves well up at R14 million The company's strong operating cash flow of R18,5 million slashed the interest bill by 61 percent to R187 000

De Bruin said new products, including an Internet-compatible notebook computer and a wide-screen television set, would help Seartec maintain its market share

"We are confident that our existing product range from Sharp Japan will continue to provide the growing South African market with what it wants," he said



PROFIT WAVE *Chris de Bruin, the chief executive of Seartec, with his profit-spinning product range* PHOTO ANDREW BROWN

WBHold looking forward to a plum year

By Marc Hasenfuss

Cape Town — WB Holdings (WBHold), the JSE-listed fruit farming company, is in line for a bumper year, with interim profit more than doubling to R1,5 million on the back of a markedly bigger deciduous fruit harvest

The company's turnover, which is made up of the export and local sales of pears, plums, apples and nectarines, climbed 57 percent to R8,1 million in the six months to June Trading margins improved to more than 20 percent from 12 percent in the first half of last year, lifting operating income by more than R1 million to R1,7 million

Alan Silverman, the managing director of WBHold, attributed the strong showing to increased production and sales this season

The bigger fruit tonnages were partly expected after last year's production fell to 25 percent on 1994 levels

Silverman said operating costs for the interim period had exceeded budget "This was due to increased labour costs in harvesting the bigger crop, but this will be well compensated for by the increased fruit income"

He said WBHold's revenue and expenditure did not accrue evenly throughout the year and indicated that the first six months' profit did not necessarily represent half the full year's profit because less than 50 percent of the fruit had been sold

Silverman predicted profit for the full year would be substantially higher than last year "Prices are in line with those received in 1995, but the weaker rand will give export fruit income a boost"

Confidence for a strong full-year showing was underlined by the interim payout of 5c a share, covered more than three times by earnings of 16c a share The half-year dividend is only 3c short of last year's full payout of 8c a share

In line with the company's capital development programme, the balance sheet showed an increase in fixed assets to R37 million and short-term loans of R5,1 million

This capex programme resulted in new plantings of 21ha and a further 4ha of replanting Silverman said two-thirds of the new plantings, which were expected to be completed by the end of the year, would be a new apple variety and the remainder pears

Further expenditure this year would include a new orchard development at a cost of R2 million, new plant and machinery and additional staff housing

WBHold closed unchanged at R3,70 on the JSE on Thursday The current price, which is a considerable discount to a stated net asset value of R4,08 a share, reflects the mixed fortunes of the company in the past five years

Seardel's earnings higher despite tougher conditions

BD 14/8/96 (189D)

Samantha Sharpe

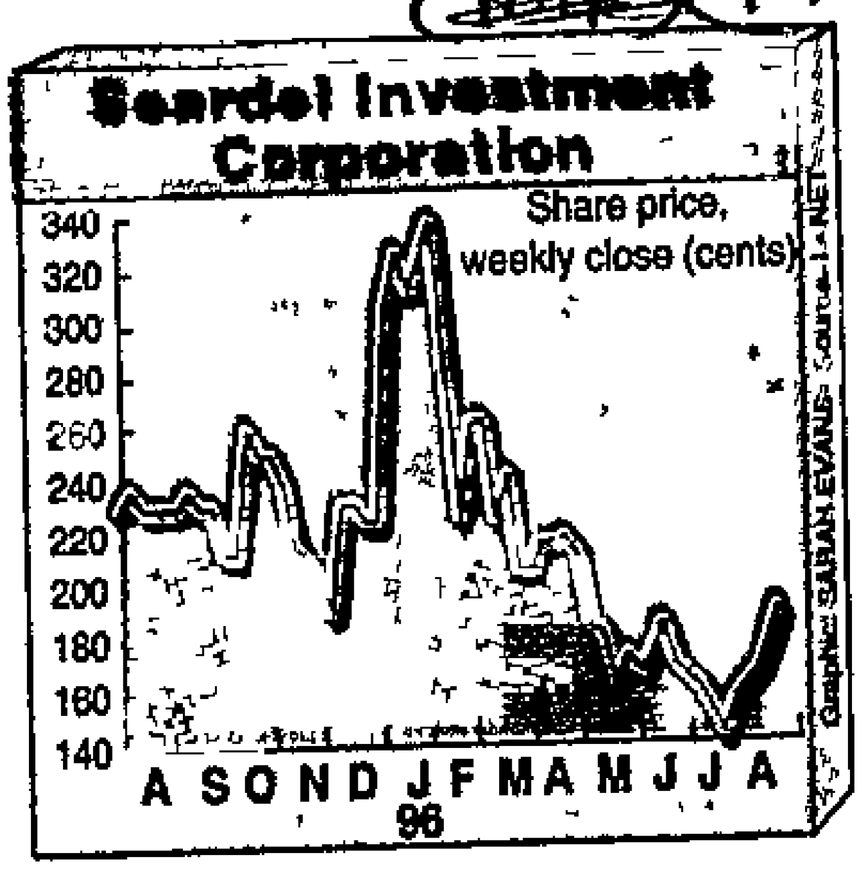
CAPE TOWN — Clothing, textile and electronics group Seardel lifted headline earnings 11,4% to R47,6m in the year to June in spite of substantial smuggled imports and government's softer stance on import tariffs

The earnings figure reflected for the first time the consolidation of subsidiary Frame Group Holdings Headline share earnings before exceptional items rose 1,3% to 45,5c and a total dividend of 9,25c (8,875c) was paid on an increased number of shares in issue. Headline earnings after "Frame-related" exceptional items slipped 4,8% to 47,6c a share, with all comparative figures restated to reflect the Frame consolidation

Chairman Aaron Searll said although last year had produced robust growth, "this year has been one for a breather and consolidation" and had followed difficult trading conditions in the industry.

However, the group had managed to lift turnover 4,1% to R2,34bn, with export sales rising 33% to R80m.

This was achieved in the face of higher interest rates, declining import tariffs on imported apparel



and textiles and substantial levels of smuggled imports of apparel, textiles and electronic goods.

"As is seen in the recent seizures of enormous quantities of illegally imported textiles, clothing and electronics, the government is making meaningful progress in dealing with this problem and its efforts are to be applauded . (but) this is a serious problem that needs to be continually addressed as a matter of urgency," Searll said.

Pre-tax income rose 17,6% to R136m, with after tax income 7,7% higher at R94,7m.

On the balance sheet side, Searll said the Frame consolidation has had a "dramatic" effect, with group equity rising from R271,6m to just under R1bn

Restated for the consolidation the rise was a more moderate 12,6% to R989,1m

"Accordingly the balance sheet reflects nil borrowings.

"Last year the debt/equity ratio was 39% In fact, cash reserves of about R51m are reflected," Searll said

The group's net asset value rose to 379c a share compared with 250c at the same time last year, without Frame.

He said performance in the new financial year would be hampered by difficult trading conditions, with volatility in SA's financial markets and high interest rates pointing to reduced consumer spending.

The cost of the recent strike in the clothing industry would also take its toll on the industry "It should never have been allowed to take place — all that trauma over a 1% increase in wages."

"I am reluctant to make a profit forecast down the line to June next year our budgets however reflect a sales increase of 8% and hopefully this will be achieved with profit in line with this "

CT (PM) 14/8/96

Strong balance sheet is likely to impress investors

Seardel cuts its cloth to fit tough times

(189D)

GEARED FOR GROWTH *Aaron Searll, the chairman of Seardel, reported satisfactory profit and a sound balance sheet*

PHOTO ANDREW BROWN

By Marc Hasenfuss
CAPE EDITOR

Cape Town — The Seardel Group, whose interests include clothing manufacturing, textiles, consumer electronics and stationery, shrugged off tough trading conditions to notch up a 7,7 percent increase in after-tax income to R94,7 million in the year to June 30

Profit was buoyed by a better-than-expected showing from Frame Group Holdings, Seardel's textile subsidiary, and another strong contribution from Seartec, which distributes the Sharp electronics, Scripto stationery and Primá Toys brands

A final dividend of 5,75c a share was proposed, pushing the annual payout up 4 percent to 9,25c a share. The dividend was covered about 5 times by headline earnings a share of 45,5c

The strong balance sheet and ungeared position, which set a sound platform for future growth, are likely to draw approving nods from investors

The consolidation of Frame, now a subsidiary company, pushed Seardel's group equity from R272 million to close to R1 billion The balance sheet was without borrowings at the end of the year and cash reserves stood at a healthy R51 million

Seardel's share price, which has been languishing below R1,50 recently, spurted to R2 before falling back to close 24c higher on the day at R1,90 on the JSE yesterday

Aaron Searll, the chairman of Seardel, said the year had been one of consolidation, unlike the previous year, which had produced robust growth

Turnover crept up 4 percent to R2,34 billion, but there were more noticeable gains on the export front, with international sales increasing 33 percent to R80 million Operating profit increased 18 percent to R136 million despite slimmer-than-expected margins of under 6 percent Searll said the tight margins reflected the tough trading conditions in the industry "We'd be more comfortable if our margins were closer to 8 percent"

He cited high interest rates, declining import tariffs on clothing and textiles and smuggled imports of apparel, textiles and electronic goods as factors hindering Seardel

Searll responded cautiously to speculation that further diversification of the company was on the cards through acquisitions in the year ahead

"The principle of acquisitions is always on our minds, but we would have to find an exciting area with strong growth prospects This is difficult because we would want to enter a market where we could be dominant"

He said the tough trading conditions were likely to continue in the next financial year, with volatility in the financial markets and abnormally high interest rates depressing consumer spending

"I am reluctant to make a profit forecast down to June 1997 In fact, it is impossible to do so Our budgets, however, reflect a sales increase of 8 percent"

☐ See Business Watch

Delta feels the effects of faltering confidence

(189D) BD 15/8/96

Adrienne Giliomee

DELTA Electronics lifted attributable income 11% to R19,1m for the six months to June, after difficult trading conditions during the period saw operating income increasing a marginal 2%

Share earnings increased 42,7c (38,7c), with headline earnings improving 12% to 39,5c. An interim dividend of 12,5c a share was declared Turnover rose 6% to R246,3m, but operating income was up only 2% to R27,8m.

MD Evan van Zyl said the group suffered as a result of faltering business confidence, especially in the second quarter of the year

"People are not becoming involved in new ventures and business is easing off," he said.

Net interest received of R2,3m was earned primarily from cash deposits, giving rise to income before tax of R31,6m (R27,8m).

A reduction in the tax rate owing to a decrease in secondary tax in on companies, came in at R11m (R10m).

Van Zyl said the company was ungeared, but the expansion costs of the electrolytic manganese dioxide plant in Nelspruit, together with the costs of buying Genwest Industries, would leave gearing still at a "comfortable" level.

He said the Nelspruit plant was on course for completion by the end of the year. "We are confident that we will sell the full production of the expansion."

Subsequent to the half year-end, the group sold 5,7-million shares in Jasco Electronics for R17,7m. Van Zyl said the group preferred to invest in core businesses such as the Nelspruit plant.

Delta Electronics bought the business assets of Genwest as a going concern for R51m, effective from July 1. Delta has not assumed responsibility for the liabilities of Genwest.

Van Zyl said the acquisition would give the group an opportunity to restructure its electrical repair distribution network It would benefit from Genwest's distribution agreements with General Electric.

The deal would not have a significant impact on earnings per share in the short-term but would have a beneficial impact in the medium-term.

Van Zyl said he did not expect trading conditions to improve for the remainder of the year.

Good year for Grintek exports

(1690) BD 20/8/96

Edward West

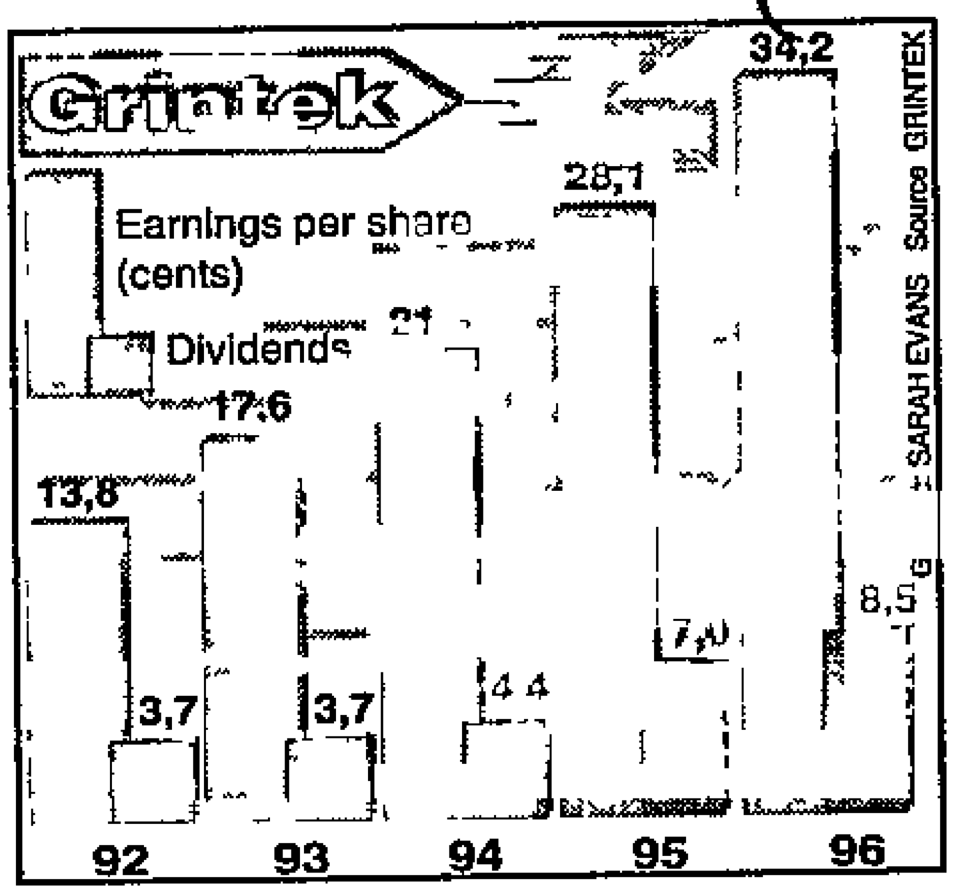
ELECTRONICS and information technology group Grintek lifted earnings before extraordinary items 22% to R69,4m to June, after a sharp increase in interest and associate income offset a 1% drop in operating profit Share earnings before exceptional items increased 22% to 34,2c A final dividend of 6,5c (5,3c) was declared, bringing the total for the year to 8,5c (7c)

Grintek chairman Jack Saulez said management expected real earnings growth in the new year

Turnover increased 9% to R2,23bn Operating profit fell to R112,2m from R113,6m The sale of Centera to Q Data contributed to the zero growth in operating profit. Centera was brought to account as an associate after being consolidated previously

Associate income increased 123% to R15,2m. Cash and deposits increased to R187,2m from R114,1m

The sales of Centera and of Large Scale Systems were reflected as exceptional items of R125m Earnings after exceptional items had increased 193% to R138,6m



Saulez said there had been strong competition and pressure on margins, but the group had a good year Business confidence, which began to grow in the second half, was curtailed by a sharp drop in the value of the rand "This was offset to some extent by making our exports more price competitive " Group exports, from software to radio equipment, improved significantly Grinaker Electronics' radio equipment had been chosen by British Aerospace from opposition products around the world

The group's information technology subsidiary Siltek boosted earnings 20% before exceptional items to R93m HiPerformance Systems performed well Software business Pastel and Associated Computer Solutions penetrated export markets in the UK and Australia Distribution of its Teleboss range of business communication equipment had been streamlined by a franchised distribution operation

Siltek Distribution Dynamics faced sharply lower margins on PCs and peripherals while undergoing reorganisation. Siltek Distribution's market position had been strengthened by an agreement to distribute IBM's entire range of PCs and peripherals

Q Data lifted earnings 50% Grintek subsidiary Grinaker Electronics lifted turnover 7,4% to R318,9m, raised pre-tax profit by 35% to R18,1m and increased earnings by 27,8% to R18,4m Saulez said the group's balance sheet was strong and order books looked good

Joint venture aims at an upgrade in SA industry

(1890)

BD 29/8/96

Edward West

IBM SA, in association with Unisa Graduate School of Business Leadership and the London Business School, is sponsoring an international competitiveness benchmarking exercise targeted at the performance of up to 450 SA manufacturers

The initiative was intended to help the country's successful return to international markets, said IBM Consulting Group managing principal Paul Aucamp Aside from benchmarking individual manufacturers against European counterparts in terms of international standards, the initiative would also identify what each manufacturer might need in order to succeed in the global economy, he said.

The initiative involves using scientifically researched international "best practice and performance" study methods first used in 1993 when 400 manufacturing sites were assessed by IBM and the London Business School The exercise culminated in the publication of the Made in Britain report, which highlighted the state of UK manufacturing and served as a catalyst for a white paper on competitiveness

The methodology for the project was subsequently rolled out to manufacturers in Europe, providing a wide benchmark against which SA companies could measure themselves IBM would sponsor the first 100 sites in the initiative, which would be used to determine SA-specific issues in the manufacturing sector The findings of the total assessment, in conjunction with conclusions relating to SA issues, would be published in a Made in SA report

Unisa Graduate School of Business Leadership executive director Willem Hugo said SA manufacturers saw the global market only as a place to market products But it was an ability to source globally which had made the manufacturing sectors in most Pacific Rim countries so effective.

SA manufacturers appeared to place too much emphasis on labour issues The assessment would highlight what technology and knowledge was available to improve local competitiveness outside conventional labour issues, which represented a relatively small portion of production costs

IBM consulting group team leader Gert Schoonbee said the assessments were stringent According to the model, only 2,8% of German and 2,3% of UK companies assessed were world class. He was confident the initiative would assist in developing a workable macro-competitive strategy for SA

Alusaf lifts turnover by 132%

(189A) CT (PMR) 28/8/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Alusaf, Gencor's aluminium producer, posted sharply higher results for the financial year to June 30 as the Hillside smelter came into production, lifting turnover by 132 percent from R1,125 billion to R2,6 billion and earnings a share by 161 percent

Earnings a share for the first six months of this year were 89,4c, up from 34,2c in the first half of last year

Alusaf declared a 30,91c dividend. No dividend was declared in the previous year

Alusaf's income after taxation increased by 289 percent from R57 million to R165 million and income before taxation increased from R63 million to R256 million

Taxation rocketed to R91 million from R6 million

Retained income was more than double last year's R42 million at R88 million

Operating income increased to R420 million from R65 million and net finance costs rose to R187 million from R20 million

The success story of the financial year has been Alusaf's Hillside smelter, which was fully commissioned in June, five months ahead of schedule Alusaf said 21 percent was saved in capital costs, amounting to R1,34 billion, and the smelter came in at 5 percent above original estimates of its capacity

Hillside's entire production is exported

The Bayside smelter continued to operate at full capacity and more than half of its production was destined for the local market

Demand for primary aluminium this financial year was slow, reflecting a slowdown in the North American and European economies, resulting in de-stocking during the second half of last year that carried over into this year

Alusaf income soars to R165m

BD 28/8/96 (189A)

David McKay

GENCOR-owned aluminium operation Alusaf lifted attributable income to R165m for the year to June from a previous R57m, amid higher volumes and prices

The operation has expanded with the Hillside smelter commissioned in June, lifting share earnings to 89,4c (34,2c), and paying a maiden 30,91c dividend

Alusaf said the performance was driven by higher output, thanks to the Hillside smelter and higher realised rand prices

The aluminium market had weakened sharply, trading at around $1 500/ton at the end of the period from $2 195/ton in January last year

Prices are expected to remain subdued, but full benefits from the Hillside expansion are expected to come through this year, allowing "significant growth in earnings".

Turnover rose 132% to R2,6bn, while operating income' rose to R420m (R65m) Finance costs jumped to R187m (R20m) to leave pretax income at R256m (R63m) The tax bill rose to R91m (R6m)

The Bayside smelter continued to function at full capacity producing 173 960 tons (176 562 tons), with 57% of the output sold in the local market Hillside produced 237 619 tons, all exported. The average realised price rose to R6 531/ton (R6 156/ton), and unit costs dropped 5,1% to R5 502/ton Total production this year was expected to hit 665 000 tons

Alusaf said Hillside's operating performance exceeded expectations and the final cost of the project at R5,05bn was a R1,3bn saving against original estimates

This had allowed the operation to leave untouched loan finance from local banks (R300m) and the Industrial Development Corporation (R900m)

Slower economic growth in North America and Europe had led to destocking which started in the second half of last year The destocking had coincided with production build-ups, including those at Hillside to bring prices down.

The prospect of further capacity coming on stream meant it was unlikely demand would outstrip supply in the near future

Columbus holds back on mill payment

(189A) BD 29/8/96

David McKay

COLUMBUS Stainless has withheld full payment on a contract worth £250m until it solves commissioning glitches on the first phase of its R3,5bn expansion

The operation said yesterday it had held back part of the payment to UK-based steel mill contractor Kvaerner Davy The contractor supplied the steckel mill which is the "heart of the hot-mill" — an area singled out as a major commissioning problem by stakeholder Gencor. Spokesman Laing Geldenhuys said Kvaerner Davy had returned to solve the problems jointly with Columbus.

"This was part of the contract with the contractor. It was also part of the contract that the full payment would not be made until the machinery was running to specification," he said

Columbus had already paid up to 98% of the contract, and there had been an improvement on the hot mill over the last two weeks

The steckel mill rolls the stainless steel from a gauge of 20mm to a minimum of 2mm producing black plate or coil The product can be sold or passed on for annealing and pickling

Kvaerner Davy said costs on completion of "outstanding items" still had to be paid

A spokesman said "normal" operational problems on the steckel mill had halved the plant's planned monthly tonnage — estimated at about 40 000 tons Columbus chairman Mike Salamon said it was difficult to quantify the final cost of the plant's commissioning as it depended on the rate of build up and stainless steel price Rising steel prices would allow Columbus the option of reducing the capitalised amount in favour of funding part of the running costs from sales, he said

Gencor, which owns 16% of the project through Samancor, said this week that a further R500m of extra commissioning costs had been capitalised

Columbus said it had to reach 65% to 70% of total capacity, a production of 40 000 tons a month, to break-even It had not yet reached this level

COLUMBUS STAINLESS

WHO ELSE WILL CATCH COLD?

(189A) FM 20/8/96

Finally, the truth about Columbus Stainless is beginning to emerge, so confirming a cascade of market rumours in recent months And the news isn't good

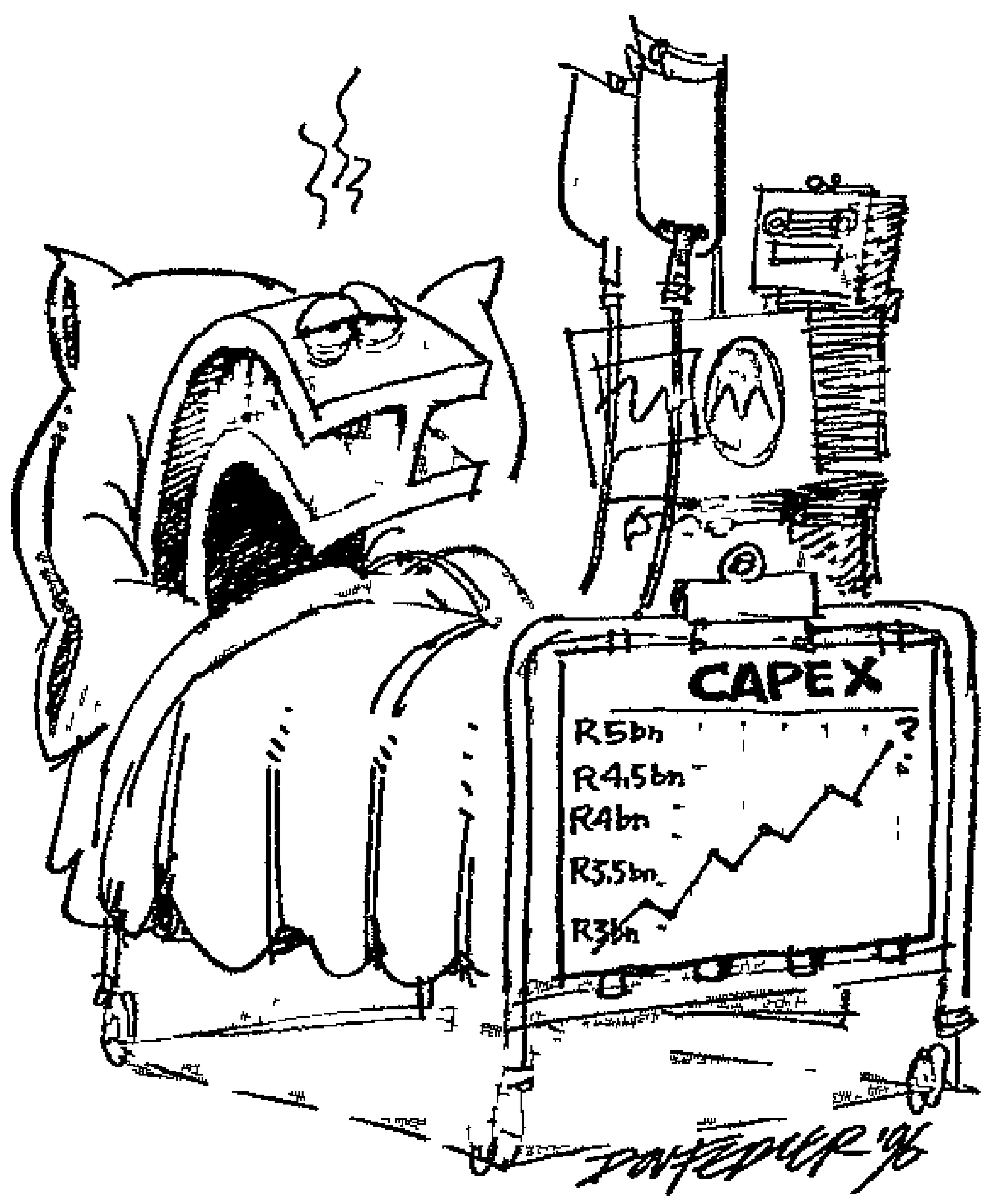
Gencor chairman Brian Gilbertson made his worries plain this week "I am concerned," he told shareholders, "about the start-up problems that have emerged at the Columbus stainless steel complex at that stage (when the plant was opened in February) the project was on schedule and within the capital budget of R3,5bn Since then it has become clear that we have underestimated the complexity of the plant, particularly the hot mill section, and the cost, effort and expertise that will be required to bring it to full production "

This brings to a shuddering stop all the pussyfooting of recent months, during which executives connected with the project succeeded in deflecting media inquiries — but not market information, which suggested that Columbus's commissioning difficulties were becoming progressively more serious

Already, another R500m has been spent in commissioning, this has been capitalised Asked how much more would be needed, Gilbertson responded with an opaque shrug Columbus CE Fred Boshoff said he thought it would be better to visit the plant to see first-hand the nature of the difficulties (the *FM*'s man will definitely be there)

What becomes clear is that, though Columbus's problems aren't intractable, more money will have to be thrown at the project, more importantly, perhaps, a lot more time will be needed The original schedule was a three-year commissioning period, but the honeymoon was so stunningly successful that it lured managers into believing in miracles The benefit of hindsight now suggests that the earliest — and prudent — timetable was, in fact, the correct one

Columbus's technical problems appear concentrated in the centre of the operation — the hot roll mill — and are as much concerned with electronics as with anything else Even nontechnical investors will understand this produces a litany of difficulties



The joint venture is owned equally by Samancor, Highveld Steel and the IDC And the impact on the two listed companies is likely to be severe over their respective financial years

Samancor's EPS are forecast by Rice Rinaldi analyst George Grohmann to fall from 355c to 166c over financial 1997 before resuming an upward trend the following year It's also affected by the sharp fall in ferrochrome demand and prices so, in a sense, Columbus's problems couldn't have come at a worse time

Highveld's EPS are expected to fall from 218c last year to 101c this year, and it would probably have been worse if it hadn't been for the impact of stable vanadium demand and prices — vanadium has always been the joker in Highveld's pack and, now that SA controls 85% of the world's seaborne trade, an important measure of stability is now evident

There's little doubt Anglo and Gencor between them will make certain Columbus's commissioning is successfully turned But this hiatus demonstrates how far behind SA has fallen in technology applications and how much the catch-up school fees really are *David Gleason*

SILVEROAK INDUSTRIES

A PENCHANT FOR PENSIONS

Why has insurance broker First Bowring resigned as actuary of the R32m-plus Silveroak Industries pension fund? The answer could lie in a letter said to detail an attempt to raid the fund to benefit a group of top executives of new owner Kolosus

The aggressive meat and leather group acquired Silveroak in a takeover from German investor Claas Daun last September

Silveroak's pension fund is now in the process of being wound up It is claimed that after the takeover, Kolosus group MD Tito Vorster planned to use a R2m-plus surplus in the fund to buy back years in it for himself and senior Kolosus group executives This would have resulted in substantial payouts to them

The controversial proposal is said to be outlined in a letter from the fund's consultant, Brokers 2000, to Greg Woolls of First Bowring, its administrator and former actuary It was discussed at a meeting of the fund's board of trustees — but orders were given to remove all mention of it from the minutes

Brokers 2000's letter is being subpoenaed by four former Silveroak employees, including ex-director Alan Sparg, who left and set up a rival hide trading company, Springbok Trading Kolosus is suing them in the South Eastern Supreme Court, alleging unlawful action, and is seeking a restraint of trade agreement

The defendants are calling for the let-

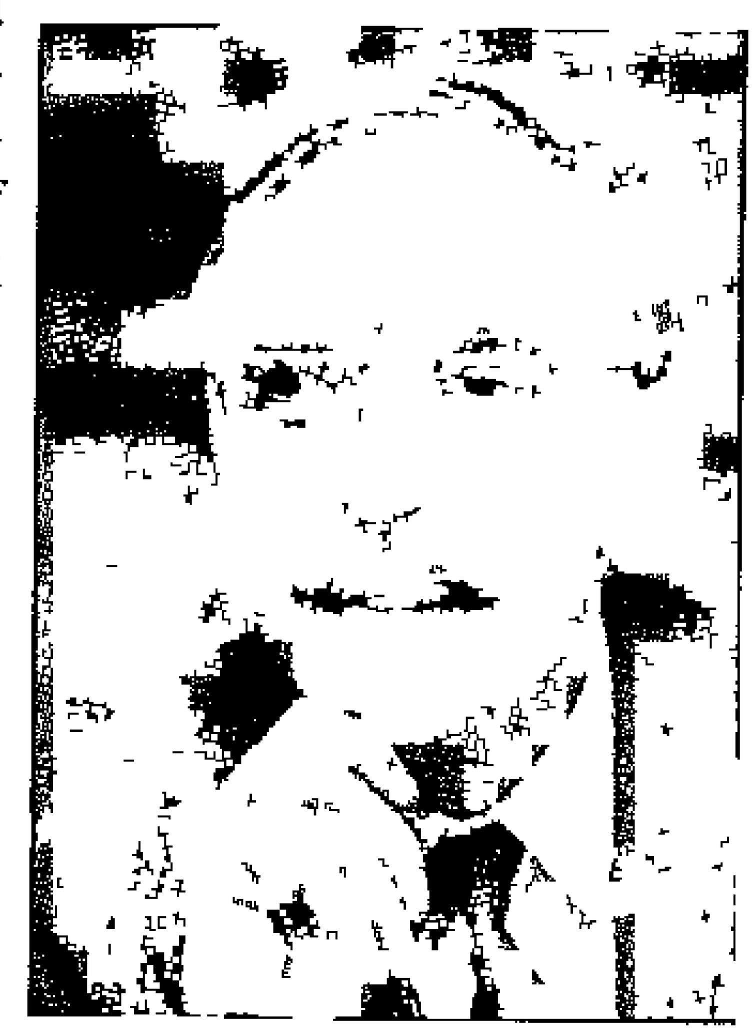
ISCOR (189A)

PRODUCTION HURDLES

FM 30/8/96

If ever anyone needed a demonstration of the effect of exceptional items, steelmaker Iscor's result for financial 1996 provides a classic example Headline EPS of 26c turn into 35,7c when a string of exceptionals are brought to account

Investors need to concentrate on operating earnings, though some aspects of the exceptionals certainly deserve attention The nub of Iscor's troubles break down to production problems, the sudden hiatus in domestic economic growth and a perceptible slackening in demand for carbon steels (and allied commodities) internationally


Hans Smith

Two important production difficulties — unfortunately in areas of crucial profitability — are those relating to the two blast furnaces at the Vanderbijlpark works and the logistics of the Sishen-Saldanha railway line The blast furnace which has been brought down at

FOREIGN CONFIDENCES

Year to June 30	1995	1996
Turnover (Rm)	11 162	11 602
Operating income (Rm)	1 158	826
Attributable (Rm)	778	853
Earnings (c)*	34,1	26,0
Dividends (c)	16,5	16,5

* Headline.

Vanderbijlpark (for more than three months to permit relining) means casting is being carried out at Pretoria — expensive, though probably unavoidable

The carrying capacity of the Sishen-Saldanha line is clearly curbing Iscor's ability to sell bulk iron ore, half of which this calendar year is destined for China and Japan Despite a lengthy presentation by Iscor management, the causes for this transport constriction remain unclear Executive chairman Hans Smith says, however, that Transnet is working energetically to clear the problem

An aspect of this business is the strength of its balance sheet — indeed, after last year's rights issue and given the existing difficult trading conditions, it could easily be considered Iscor's most important asset

Two further production issues need to be addressed The first is that progress with the construction of Saldanha Steel is exactly on schedule Being built at a capital cost of R4,5bn, it is due to be commissioned in November 1998, not exactly the best time according to Iscor's own (current) cyclical expectations

The other is the conversion of the Pretoria plant to stainless steel production Because of the downturn in international demand, Iscor is treating the final commissioning at a more leisurely pace

A concern is that Iscor has hedged 42% of its expected dollar cash flows at US$/R4,12 Smith is unrepentant His view is that if Iscor chooses now to hedge the balance, the average for the year will be a lot closer to $/R4,50

Foreigners certainly seem to think — or know — something SA investors don't Since last year when the external shareholding stood at 11%, it has moved to the current 27% and, according to Smith, a large part of that jump has occurred in the last four months

At 271c, the share is returning an historical p e of 10,4 against headline EPS Most analysts forecast an increase of 25% from this base for the next year — to about 32c, a forward p e of just more than 8 By and large, there is consensus the company is priced correctly for now

The comparatively low price (it is at a 12-month low) is tempting However, given the uncertain state of domestic demand and the fragility of international commodity markets, it may be better to wait a while *David Gleason*

Trying market conditions test Iscor's mettle

(189A)

DON ROBERTSON reports that interest earnings and the inclusion of exceptional items have distorted the company's results

ST(BT) 1/9/96

THE appointment of Hans Smith as managing director of Iscor in September 1993 was accompanied by a steady rise in the share price to a peak of 500c one year later But a turn in local and international steel demand in recent months has taken all the excitement out of the price

Controversy surrounding dual pricing, Competition Board investigations into an export deal with Macsteel, and delays in the start of the new Saldanha steel project added to the problems, pummelling the price to 270c, well below the net asset value of 328c at the end of June

At first glance, results for the year to June show a meaningful improvement in attributable profits to R853-million against R778-million last year, producing earnings on an increased share capital of 35,7c a share compared with 36,4c

However, the real reason for what appears to be improved results has been the inclusion of exceptional items worth R268-million and the fact that in the past year the company earned R60-million in interest, compared with charges in 1995 of R149-million

The real story is not quite as bright Without the R121-million surplus on the Yskor Landgoed purchase, the taxed R65-million on an insurance claim for the burnout of a furnace, and the R47-million on the sale of the rest of Usko, the taxed profit is R611-million — a 21% fall. This left earnings at 26c a share compared with the previous year's 34,1c a share The dividend has, however, been maintained at 16,5c, covered 1,5 times, compared with the 22,2 times in 1995 Shareholders may hope that the past year's results merely reflect the cyclical nature of the steel industry

In his forecast, Smith says despite current market conditions, Iscor has set itself the target of improving on the past year's earnings

The company will be aided by the fact that its debt burden has been wiped out a year ahead of schedule — Smith's dedicated task when he was appointed in 1993 was to reduce the R2,2-billion debt by the middle of 1997 Hence the income on investments, rather than expenditure on borrowings this past year

Before his appointment, Smith said. "I am averse to gearing because I am conservative. We must be able to finance the operation, even at the bottom of a business cycle."

At an investment analysts' meeting this week, Smith said it would be hard to achieve good results at the bottom of this cycle, "but we have our feet on the ground and I don't think we will be far off the mark in terms of earnings this year although there will be no excitement in the short term"

Smith is confident that a number of growth projects will start contributing to earnings before Saldanha Steel is commissioned in the second half of 1998

The first stainless steel slabs were produced in March at the Pretoria works. The downturn in the market has, however, forced the company to slow down the conversion from carbon steel to stainless steel

The construction of the 100 000 ton-a-year stainless steel billet plant in Durban is being commissioned

Earnings from Iscor's 35% interest in Australia's Ticor group were affected by the decline in prices, but a strong recovery is expected next year The export agreement with Macsteel will come into effect in January. The delay, caused by a Competition Board investigation, cost the venture lost sales of 412 000 tons on the international market. Further development at Grootegeluk, Leeuwpan and Tshikondeni as well as the Australian coal project are expected to add to growth.

Total steel sales amounted to 5,2-million tons, of which 2,9-million tons were sold on the domestic market, a 12% drop on the previous year's figure

Export sales were 1% down at 2,4-million tons, but world steel prices declined from the second half of last year and are unlikely to improve until next year

CONFIDENT . . . Hans Smith believes growth projects will assist earnings

Heavy-metals project will cost R1,5bn

Iscor favours Richards Bay for processing plant

(189) CT (BR) 3/9/96

By Shirley Jones

ENVIRONMENTAL EDITOR

Durban — Iscor, the iron and steel producer, has chosen the Richards Bay-Empangeni area for the proposed R1,5 billion heavy minerals mining project and central processing complex.

The complex will process heavy metals mined in the Northern Province, KwaZulu Natal and the Eastern Cape.

Acer Africa, the consultancy which completed the social impact assessment, said Iscor had identified five sites with the necessary infrastructure in the greater Empangeni-Richards Bay area.

They are the Hillview area west of Empangeni, the Felixton industrial area, the Mondi south-west industrial area of Richards Bay, Nsenzi and the Mzingwenya siding area near Empangeni.

The social impact study and the environmental impact report on the project will be released to the public on September 9.

Acer Africa said Iscor planned to start mining in the Richards Bay and Empangeni area in 1998. Mining in the Northern Province would begin by 2000.

But a spokesman for Iscor said many details about the project remained uncertain because it would only be put to the board of the company in November.

That would determine whether Iscor began mining in the Northern Province and KwaZulu Natal simultaneously or separately. That, in turn, would determine the scale of investment necessary.

If the mining operations go ahead, together they will employ about 600 workers directly.

There will also be work for a further 250 contractors.

The mines are being evaluated on 20-year life spans, even though they will probably operate for far longer.

The Iscor spokesman could not provide employment statistics for the processing complex because the company had not decided on the technology and type of smelter to be built.

Once commissioned, Iscor expects the complex to produce 220 000 tons of titania slag, 130 000 tons of pig iron, 35 000 tons of zircon and 15 000 tons of rutile a year.

Acer Africa said the heavy metal ilmenite, a composite of titanium and iron, occurred in all three deposits Iscor intended to mine. Iscor plans to convert the ilmenite concentrates into high grade titania slag and pig iron for the export market.

Titania slag is used to produce a white pigment for the paint, plastics and paper industries. Pig iron is used for casting high quality metal in the foundry and steel making industries.

Some of the deposits Iscor plans to mine also contain rutile and zircon.

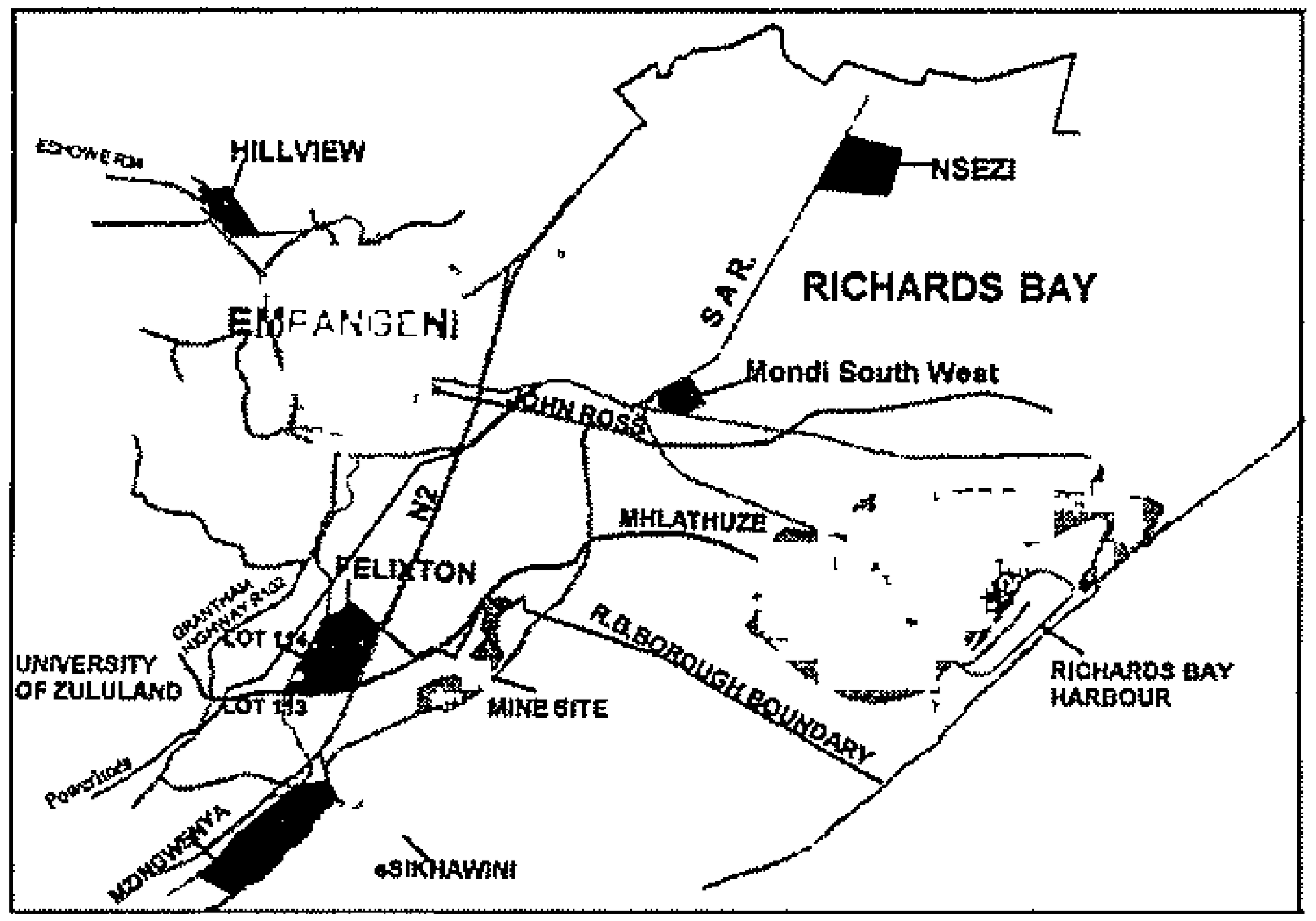
The former is used in welding rod fluxes and the latter for a variety of applications in the ceramics and refractory industries.

The Empangeni-Ngwelezane local council has held several meetings with Iscor's mining management concerning the site of the proposed smelter.

Pieter Odendaal, the town clerk, said the council raised the issue of the environmental impact study at a meeting last week and emphasised that it should encompass "the whole environment, including roads and services and the impact on the town itself".

Odendaal said he was optimistic that the smelter would be built at Empangeni.

"Ultimately it will be a business decision based on what in the long term will give them the best return," he said.



IMPACT *Iscor has identified five sites with the necessary infrastructure in the greater Empangeni-Richards Bay area*

Apology to UCT prof after Saldanha slurs

MELANIE GOSLING
STAFF WRITER

MEC for Planning and Tourism Mr Lampie Fick has publicly apologised to UCT environmental scientist Professor Richard Fuggle for comments he made about Fuggle's competence as a scientist and university lecturer.

In a joint statement yesterday Fick and Fuggle said they had met to resolve differences of opinion between them concerning the Saldanha Steel project. The differences had arisen because of Fick's reaction to a public lecture given by Fuggle who said the Saldanha Steel debacle had been a "classic lose-lose" situation.

Yesterday's statement said: "Mr Fick unreservedly retracted all allegations he had made in his media release of June 9 that might be construed as reflecting on Prof Fuggle's integrity or competence as a teacher or scientist and offered his apologies to Prof Fuggle and the University of Cape Town for any embarrassment that may have resulted from adverse publicity about this matter."

After Fuggle's comments on Saldanha Steel were reported in the media in June, Fick issued a press statement which said: "The way in which Prof Fuggle misled the public, makes one think how he is able to teach his students to be precise and base their conclusion on facts."

Fick had added that Fuggle's view that the Saldanha Steel debacle was a "classic lose-lose situation", was the view of an "Utopian idealist", "definitely not scientific" and that Fuggle's statements were "unsubstantiated and factually incorrect"

In his apology yesterday, Fick said he "acknowledged Prof Fuggle's scientific expertise in relation to various aspects of environmental management" and expressed his appreciation for Fuggle's assistance and advice in land use planning of the Cape Peninsula mountain chain

● See Page 5

(189) CT 3/9/96

Grinaker chalks up 24% earnings rise

BD 4/9/96

Robyn Chalmers

GRINAKER Holdings, Anglovaal's construction and electronics group, overcame competitive market conditions to post a 24% increase in earnings before exceptional items to R63,4m for the year to June

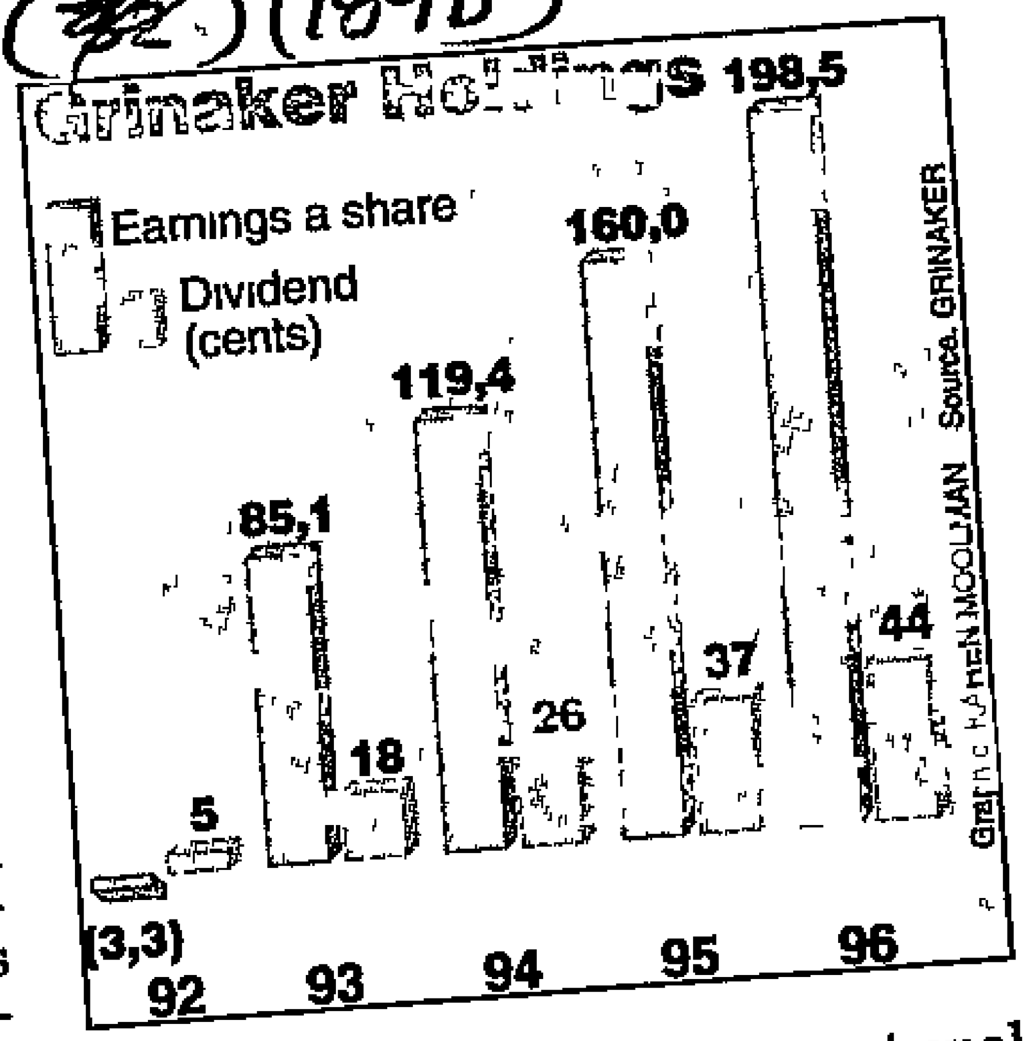
Chairman Richard Savage said all the group's major subsidiaries — Grinaker Construction, Grintek, Siltek and Grinaker Electronics — posted earnings growth of 20% or more during the review period

Prospects for the current financial year were encouraging, with strong expansion and investment opportunities expected in the construction and electronics fields, he said

Turnover rose 10% to R4,1bn, while profit before exceptional items increased 11% to R176,6m

Exceptional items arising mainly from Siltek's sale of computer networking company Centera to associate Q Data, added a net R40m to attributable earnings, which jumped to R109,8m (R50,8m)

(32) (1890)



Share earnings before exceptional items rose to 198,5c (160c) while a final dividend of 35c (29c) was declared, bringing the total dividend to 44c from 37c previously

Savage said competition, particularly in the electronics and information

Continued on Page 2

Grinaker (32) (1890)

Continued from Page 1

BD 4/9/96

technology sector, had intensified following the return of several multinationals to the SA market.

"SA companies are having to make major adjustments to compete, and have had to accept a smaller share of the limited skills pool and accelerate their internal development programmes," he said.

The group announced recently that Grinaker Construction would seek a separate listing under direct control of Anglovaal All the group's electronics interests would be concentrated in Grinaker Holdings, and Grintek would be delisted Details of the proposals would be published on September 17

Grinaker Construction's earnings before exceptional items rose 32% to R29,7m on an 11,5% rise in turnover to R1,9bn. MD Bean Bornheimer said the company performed well during the second half after a first half which did not live up to expectations.

The civil engineering division contributed 30% to profit before interest and tax, while the supplier and services division and building division contributed 29% and 17% respectively.

Bornheimer said the company was looking at opportunities in Malaysia and planned to invest a "substantial amount" in business ventures, training and development of employees and upgrading plant and equipment.

Siltek posted a 20% increase in earnings to R92,8m on a 9% rise in turnover to R1,9bn, with HiPerformance Systems producing a strong performance but disappointing results from Centera contributed to zero growth in operating profit.

Grinaker Electronics saw earnings rise 23% to R17,7m on an 8% increase in turnover to R318,6m as a result of improved trading in several areas and an increase in export orders.

Columbus fights back in quality row

(189) CT (BR) 6/9/96

By Jonathan Rosenthal

Johannesburg — Columbus Stainless Steel, the world's largest integrated producer of stainless steel, has drawn up a firm plan of action to win back domestic customers who have complained of erratic quality in the steel it supplies

The plan includes quality improvements and the refinement of its hot-rolling process

South Africa's R500 million-a-year stainless steel container industry, the largest in the world, has complained that it has to import up to 66 percent of the stainless steel used in tank containers because Columbus is unable to meet its specifications

Industry sources have said that domestic producers who used Columbus stainless steel have experienced production delays that cost the industry R5 million in lost contracts

David Jenkins, the chief executive of Multistar Container Transport and one of the most vocal critics of the quality of steel supplied by Columbus, said he had been given an undertaking by Columbus at a meeting last month that could lead to the industry again using domestically produced stainless steel

"If the the reassurances we have been given by Columbus about improving quality and delivery standards are met, we will be very happy (to use its product)," Jenkins said yesterday

Fred Boshoff, the chief executive of Columbus, confirmed yesterday that he had agreed to a "firm plan of action" with Jenkins

Carla Eckersdorff, the managing director of Multistar, said the industry would begin using hot-rolled stainless instead of imported cold-rolled material in the tank barrels. But she said cold-rolled was the preferred material for tank containers and that, in accepting hot-rolled, the industry was "meeting Columbus halfway"

Boshoff said that continuous improvements in the hot-rolling mill could produce a product with a finish comparable to that of cold-rolled steel

Since its start-up, Columbus, in Middelburg, Mpumalanga, has been bedevilled by commissioning problems with its Steckel mill, which rolls stainless steel slabs into coil, and has called Kvaerner Davy, the suppliers, back to rectify this

Samancor and Highveld Steel, two of the shareholders in Columbus, said recently that losses in Columbus and a collapse in the international stainless steel price had dampened their performance during the first half of the year

But Boshoff said that "promising progress" had been made in solving the plant's commissioning problems

Numsa's appeal petition turned down

(189) CT 6/9/96

The Appeal Court backed a 1993 decision yesterday to hold the National Union of Metalworkers (Numsa) liable for any losses incurred to Benoni's Jumbo Products during an illegal strike in November 1989 to protest the retrenchment of eight workers. Chief Justice Corbett said yesterday that Numsa's petition for leave to appeal against Judge Plewman's judgment in the Rand Supreme Court should be struck from the roll. Corbett said the Plewman judgment was not subject to any critical analysis regarding its findings of fact or its exposition and application of the law.

Numsa said it had been advised that the issues of fact and la[w] set out in detail in the heads of argument annexed, marked Numsa 6 and Numsa 7, were such that there was a reasonable prospect that the Appeal Court might uphold an appeal. — Sapa, Bloemfontein

SA meter manufacturer inches itself into world markets

(189D) CT(BR) 9/9/96

By Stuart Rutherford

Durban — Swiss-based Landis & Gyr last week signed an agreement with Amic subsidiary Conlog to market its range of utility payment systems internationally

Conlog, which manufactures prepayment meters, controls 'over 60 percent of the SA market and is the first local manufacturer to have delivered more than one million units

Landis & Gyr is one of two companies that dominate the international metering market, with core business centres in Asia, the Americas and Europe

Conlog's products will be marketed abroad as Landis & Gyr Conlog Payment Systems and will include the highly effective smart-card-based prepayment metering systems for gas, water, telephones and electricity

Herman Bos, Conlog's director of international and new business development, said the alliance with Landis & Gyr would significantly increase the company's overseas business of its products

"Give it another three years and our export market should greatly exceed our South African market," said Bos

The company's only major export project to date has been a R44-million contract to install 40 000 prepayment meters in Dar-es-Salaam, Tanzania This was the biggest prepayment metering site outside of South Africa

Bos said the company had suffered a setback this year when it managed to secure only 20 percent of the 300 000 meters ordered by Eskom, the biggest single South African prepayment meter customer

"We have developed new products and will be launching these towards the end of the year, which will help us leap-frog over our competitors and regain market share," he said

Voltex improves in tough conditions

(189D) CT(BR) 10/9/96

By Jonathan Rosenthal

Johannesburg — Voltex Holdings, an electrical equipment manufacturer and distributor, yesterday reported a 20 percent improvement in attributable income to R91 million and 17,6 percent growth in earnings a share to 21,5c for the year to June 30

A final dividend of 4,5c a share was declared, taking dividends for the year to 7,25c, from last year's 6,95c a share

Turnover rose to R1,5 billion from R1,4 billion in a year "characterised by highly competitive trading conditions and continuing economic and social problems", Myron Berzack, the joint chairman, said yesterday Operating margins improved as a result of a cost containment strategy with operating income rising 13 percent to R146,2 million

But increases in the Bank rate pulled net finance charges up by 5,9 percent to R19,4 million

The group managed, however, to contain the finance charge increase by reducing net borrowings by R40 million

Interest on compulsory convertible debentures was less than the previous year as a large number of debenture holders elected shares in lieu of interest, resulting in a R2,8 million credit adjustment

The group's effective tax rate was 28 percent and management said it expected the rate to be maintained at about 29 percent for the next few years The company increased retained income from R119 million to R194 million

Voltex's controlling shareholders, Berzack, with an effective 38,4 percent holding, and Bivec, with an effective 19,4 percent, lifted headline earnings a share by 18,3 percent to 137,3c and 18,6 percent to 97,4c respectively

The two companies, with the now-defunct Singer Sewing Machine, offered shareholders a capitalisation share issue in lieu of a final dividend Voltex offered debenture holders a similar offer of 1,7 capitalisation for every 100 debentures held in lieu of interest

Seton undertakes to fulfil its contracts

CT(BR) 11/9/96

Vehicle leather companies take battle to court

CT(BR) 11/9/96

(189)

By Stuart Rutherford

Durban — Seton, the US motor vehicle leather company, and South African food group Kolosus Holdings will take their battle to the Port Elizabeth Supreme Court today, when Kolosus attempts to have Lindgens Ladysmith Trimming (LLT) liquidated

Kolosus and Seton jointly control Ladysmith Leathers, which consists of LLT and Ladysmith Lindgens Leather (LLL), with Kolosus holding a 50,1 percent majority in LLT and Seton a similar majority in LLL

Kolosus obtained this stake in Ladysmith Leathers last year when it acquired Silveroak Industries for R106 million The implications of this deal are the focus of a Competition Board investigation.

If Kolosus succeeds in its application, LLT will lose much of its motor vehicle leather business, which will in turn knock LLL, whose only customer is LLT.

"If it was liquidated there would not be a business left, because Mercedes, Opel, BMW and Toyota would not want to get products from a liquidated company And (Kolosus-owned) King Tanning would do their best to acquire LLT's clients themselves," said Robert Appelbaum, Seton's local attorney LLL and LLT jointly employ 320 people

Ronnie van Rensburg, the executive director of finance at Kolosus, said the decision to apply to liquidate LLT was taken because it owed LLL R16 million and had a negative net asset value

He said Kolosus did not want to close down LLT to poach customers for King Tanning, since King did not have the capacity to handle all of Ladysmith's customers and its product range differed from that of LLT

Appelbaum said Seton and Silveroak had decided to create LLL and LLT so that each could have a subsidiary, and that the expenses had been allocated randomly since all profit was pooled and split between the two.

He said that though it appeared that LLT was insolvent, the two companies were successful Ladysmith Leathers recorded a profit of R1,3 million in the first six months of the year

"What we are expecting is either for the court to say it is not insolvent or that it is impossible to determine the facts from the affidavits and call for oral evidence"

Appelbaum said Seton had come to South Africa because Mercedes had asked it to, and Seton would fulfil its contracts even if this was not through Ladysmith Leathers

Mark Bennett, the Southern African Clothing and Textile Workers' Union spokesman, said Kolosus had not given the union assurances regarding workers' job security He said their future could be jeopardised because of the boardroom squabbles

Saldanha Steel's R4,5bn project 'is well on track'

(189A) BD 12/9/96

CAPE TOWN — Construction of the Saldanha Steel project was under way and on track to begin production in January 1998 within the R4,5bn budget, deputy project director Ras Alberts said yesterday

In a presentation to Parliament's environment affairs committee, Alberts rejected media reports that cost overruns and falling steel prices threatened the project's viability

The project is a joint venture between Iscor and the Independent Development Trust (IDT)

The current slump in world steel prices would not undermine the viability of the controversial plant being built near an iron ore terminal in Saldanha Bay and close to the ecologically sensitive Langebaan Lagoon, north of Cape Town, he said

"Steel prices are cyclical and the company expects that the current slump will have ended before we begin production in 1998 But we will make a profit even at current prices," he said

Alberts declined to answer a question on how Saldanha Steel had qualified for a R1,6bn tax incentive, but promised a written response

He said later that in terms of the tax incentive, Saldanha Steel would be obliged to export its full 1,25-million-ton annual production of hot-rolled coils, which would be marketed in 1mm to 8mm forms

Downstream beneficiation, which could include independent pipe-making and galvanising plants planned alongside the steel mill, also would have to focus on export, he said

Alberts denied media allegations of a deal for Saldanha Steel to take over production from Iscor's Vanderbijlpark facility, saying the companies would operate in competition.

Logistics and environment manager Alex Holmes said the company would meet all the environmental obligations imposed by the provincial administration as conditions for approval of the plant, which was opposed by environmental watchdogs

He said the firm would use a daily average of 12 600m³ of water from the nearby Berg River and a previously untouched underground lake

Holmes said the plant would not dump effluent, but would produce slag products for sale to other industries and 40 tons a day of solid waste that would have to be disposed of in a licenced facility.

A downwind monitoring facility and 22 boreholes would guard against air and ground pollution — Reuter.

SAMANCOR

LINKED TO GLOBAL EXPANSION

(189A) FM 13/9/96

- **ACTIVITIES** *Produces base metal ores and alloys including ferrochrome and ferromanganese*
- **CONTROL** *Consolidated Nominees (Gencor) 53%*
- **CHAIRMAN** *M Salamon*
- **CAPITAL STRUCTURE**· *191m ords Market capitalisation R10,8bn*
- **SHARE MARKET** *Price 5 650c Yields 3,0% on dividend, 6,3% on earnings, p e ratio, 15,9, cover, 2,1 12-month high, 6 700c, low, 4 300c Trading volume last quarter, 1m shares*

Year to June 30	'93	'94	'95	'96
Turnover (Rm)	1 791	2 190	2 721	3 792
Pre-tax profit (Rm)	144	374	506	839
Attributable profit (Rm)	176	231	372	676
Earnings (c)	93	148	196	355
Dividends (c)	50	40	60	170

The company's latest annual report and the startling results for its 1996 financial year deserve close examination

Even though analysts and seasoned investment observers will tell you they fully expected this return, Samancor's performance was little short of astonishing — though this judgment is tempered a little by the inclusion of two abnormal items which realised a net R100m

Mike Salamon

Turnover rose nearly 40% to R3,79bn, more important, the operating margin rose from 18,6% to 22,1% Taken with the huge increase in sales, this produced an 82% increase in attributable profit EPS were 355c compared with 1995's 196c

Despite the funding calls which have been made on it from its one-third stake in the Columbus Stainless Steel joint venture, Samancor's balance sheet continues to reflect a zero net gearing Even calculated on a gross basis, ignoring the cash resource of R513m and assuming the notes of R436m are repayable in full, the debt equity ratio is still at a modest level of 0 18

No-one, however, and this includes Samancor executive chairman Mike Salamon (and he should know, after all), expects this to be repeated over financial 1997 The world has changed a lot in a few months, so much so that it is worth looking at this business from a longer-term perspective

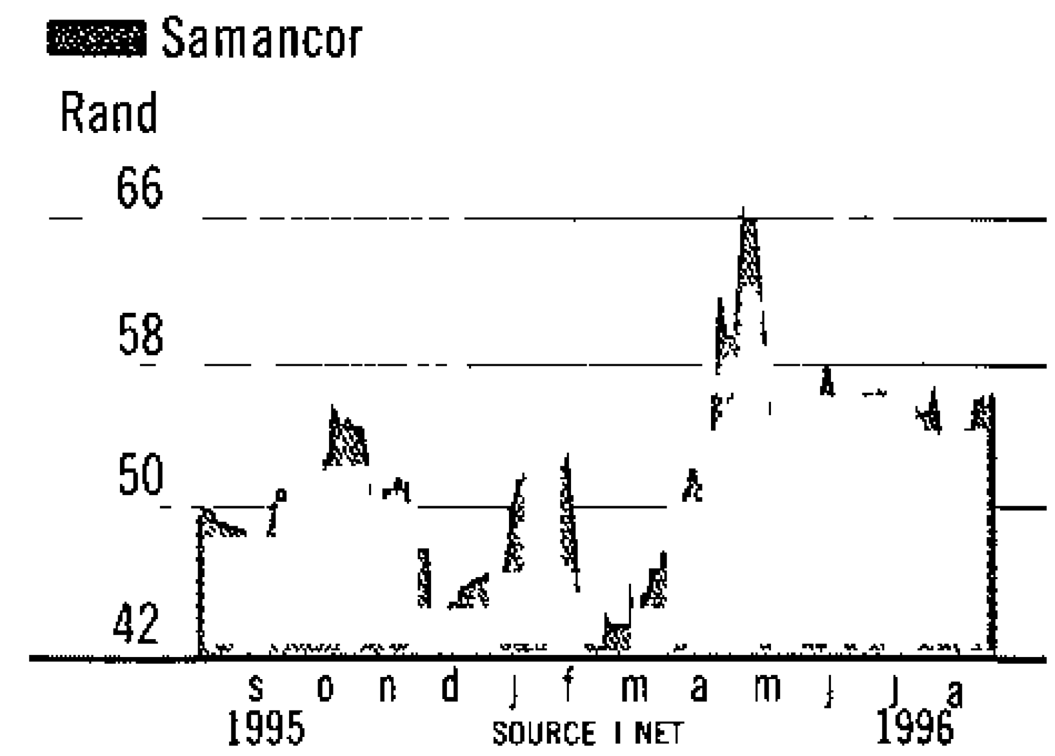
Samancor concentrates on producing ores and major interrelated alloys which go into steel-making chrome ore and ferrochrome to produce corrosion resistant and stainless steels, ferromanganese which hardens and toughens carbon steels, ferrosilicon and ferrosilicomanganese to increase tensile strength

In a recent paper (carried in *Geobulletin*), Rice Rinaldi analysts Mike Wuth, George Grohmann and Philip Murphy point out most of the raw materials needed for steel-making are present in SA in abundance Indeed, this country holds 69% of known world chrome reserves and 81% of manganese reserves

In addition, the key ingredient of cheap power tilts the production balance conclusively in SA's favour An independent survey shows Eskom's unit costs in 1994 at the lower end of the world cost curve

These factors explain why SA is rapidly making huge inroads into the global ferroalloys industry Instead of shipping the basic raw materials to industrialised countries, where they are applied further along the value-added chain, SA's major suppliers are themselves moving robustly into the business

This explains why so many joint ventures have been entered into recently Without access to the basic material, ferroalloy makers elsewhere have moved to secure supply by agreeing to deals which, in effect, transfer manufacture and technology to SA, leaving marketing and sales to be served by the overseas partners



The development of Columbus Stainless has to be seen in the long-term context as part of a massive integrated steel-making industry The Rice Rinaldi analysts say this is starting to demonstrate the capacity to rival the export earnings of the gold industry "The value of exports from this sector is expected to double by the end of the decade," they say

Prospects for companies in this industry — Samancor, Iscor, ChromeCorp, Highveld, CMI — are driven by the fortunes of the international stainless and carbon steel markets

Already the signs are that the carbon steel market (about 720 Mt/year-750 Mt/year) is turning, with indications of a revival in demand from the Far East and Europe Product prices are improving, which may explain the recent firming in Iscor's share price The imponderable is the sustainability and depth of the turn

The world stainless steel market, infinitely smaller than its carbon brother (only about 14 Mt/year-15 Mt/year and growing at a compound rate of 5%/year since 1980), is struggling to absorb the additional 2 Mt of productive capacity thrown at it in the past two years

This includes Columbus, now experiencing the commissioning pains many thought it might miraculously avoid As it turns out, it won't and the process will have a heavy impact on Samancor and Highveld in their current financial years

This industry has profound prospects for expansion and profit-making over the next few years In the short term,

P.T.O.

though, the magic of the past year cannot be reproduced in 1997 These are not stocks for itinerant speculators but they do promise ample reward for those with patience *David Gleason*

CONSOL

SPENDING MOUNTS UP

FM 13/9/96

Faced with soft markets and another three years of substantial capital expenditure, Consol is braced for the load The annual report depicts a group holding its own so far

- **ACTIVITIES:** *Manufactures and markets glass, plastics and paper packaging and tableware, manufactures, markets and distributes new and retreaded tyres and industrial rubber stock*
- **CONTROL:** *Anglovaal Industries 63,1%*
- **CHAIRMAN** *J C Robbertze MD P J Neethling*
- **CAPITAL STRUCTURE:** *64,4m ords Market capitalisation R2,8bn*
- **SHARE MARKET·** *Price 4 360c Yields 2,3% on dividend, 8,3% on earnings, p e ratio, 12,0, cover, 3,6 12-month high, 5 350c, low, 3 700c Trading volume last quarter, 570 465 shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	43,9	107,5	230,5	313,9
LT debt (Rm)	63,3	169,4	270,4	236,5
Debt equity ratio	n/a	0,34	0,37	0,43
Shareholders' interest	0,40	0,37	0,41	0,44
Int & leasing cover	33,3	10,1	5,9	4,5
Return on cap (%)	17,3	16,2	13,3	14,1
Turnover (Rm)	2 166	2 443	2 979	3 320
Pre-int profit (Rm)	280,5	285,5	339,5	389,3
Pre-int margin (%)	12,9	11,7	11,4	11,7
Earnings (c)	243	257	224	363
Dividends (c)	70	74	88	102

A good first half in 1996 outweighed the slowdown in the second half to deliver full-year growth in turnover of 11%, with operating profit up 15% and margins returned to 1994's 11,7% (11,4%)

The biggest short-term drain on resources has been the capex programme — though the long-term benefits of moving to world-class manufacturing equipment and standards should more than justify the expense

Capex for 1996 totalled R286m In 1997, it is budgeted at R480m — R180m for a new furnace and production lines at the Bellville plant For the following two years, cash spend will drop to R300m, to be funded from cash flow and debt

Group MD Piet Neethling says much of the 1996 capex also went to the glass division As the SA glass packaging industry cannot get the economies of scale available to the many times larger European industry, its competitive edge must be derived from modern technology

The installation of an SAP R3 information technology system, which will replace a number of older systems, was also begun in the first half of this year

A drawback of such major capital expenditure is the disruptive effect on normal operations, where productivity has fallen But where refurbishment is complete, benefits should start flowing

Negative cash flow improved to R133m from last year's R170m, though it was below the forecast R100m Neethling says capex costs rose because of the weaker rand

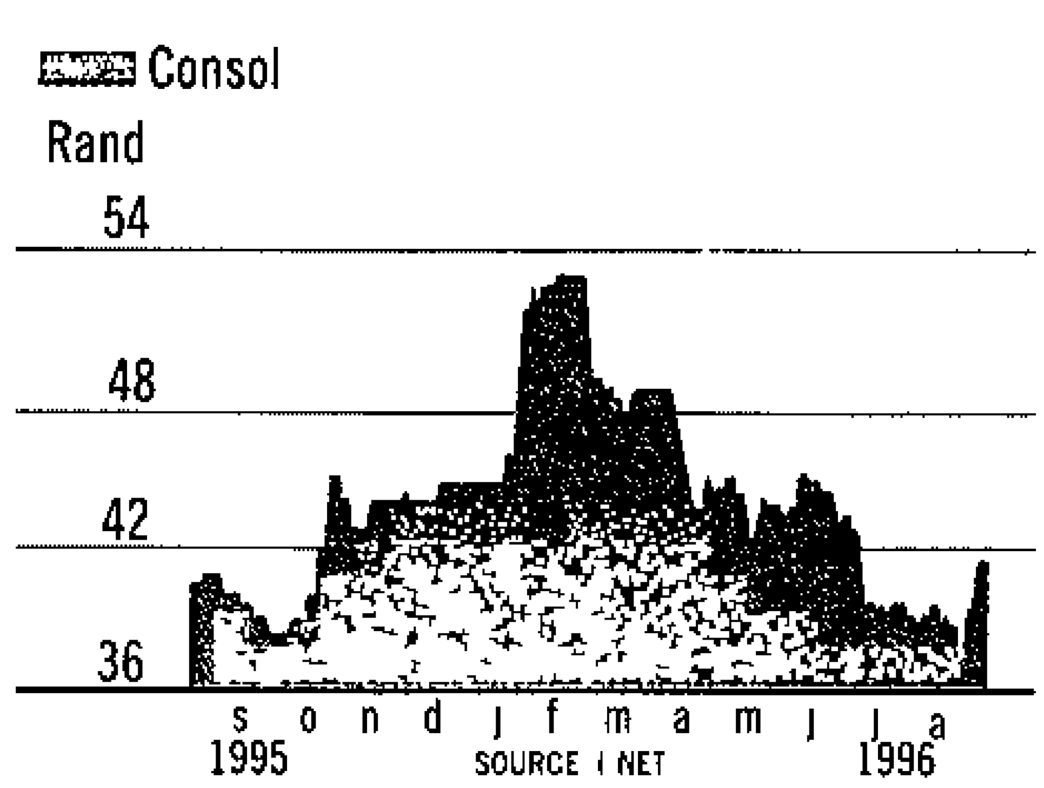
However, the capex programme is expected to peak in the current financial year Cash flow will be about R140m negative and net borrowing will reach about R670m, but in 1998 cash flow should turn positive (about R40m-R50m) and debt will decrease

The increase in net borrowings pushed gearing to 43%, which is high but not unmanageable Neethling stresses that the development programme was carefully planned and is on time and within cost limits Provided the markets hold up, the group should be back to producing strong positive cash flows by 2000

Another imponderable in the equation is the reappearance of Goodyear on the scene It is considering a move back into the local company, though Neethling says the options are still wide open

One possibility is the US company's acquisition of a controlling shareholding and the separate listing of the glass and tyre divisions "The likelihood is more than zero," says Neethling It would also inject a hefty chunk of cash into the balance sheet

A key issue for the Americans is the rationalisation of product lines from about 300 to 100 and a restructure of the im-



Base metal producer Hudson Bay faces closure

BD 18/9/96

David McKay

MINORCO would begin closing its Canadian base metal producer Hudson Bay from 1998 if no new deposit was discovered this financial year, the resources group said yesterday

Executive director Tony Lea said the project was not a world class operation, and that a reserve of 80 000-100 000 tons a year was needed if the project was to be viable beyond 2004

The group had earmarked several possible new targets in its winter drilling season

If unsuccessful, Hudson Bay would be put into a "sunset scenario" — from 1998 — in which production would be phased down until closure

"The group would be disappointed if no new reserve was found to prolong Hudson Bay's life as it is expected to produce modest profits from now on "

Hudson Bay sustained a $22m operating loss for the year to December last year, against a $13m loss the previous year

It recovered in the six months to June, producing 40 800 tons of copper (1995 (1994) 36 000 tons) and 45 400 tons of zinc (1995 46 800 tons) The recovery was due to improved production at its smelter where repairs to the refractory lining had been completed It had run above budget, reducing concentrate stockpiles to normal throughput levels of 15 000 tons to 20 000 tons, Lea said

The contribution to Minorco's earnings by its base metals operations in the six months was unchanged at about $20m

Lea said the group aimed to produce 400 000 tons of copper a year by 2000 It currently produces about 120 000 tons

When the $450m Venezuelan Loma de Niquel project comes on stream, Minorco will produce 23 000 tons of nickel a year But it aimed to have an ideal nickel ouput of 50 000 tons a year by 2000, he said

Minorco was close to signing competitive gas and electricity contracts at Loma de Niquel, Lea said The group, which lifted its stake in the project from 10% to 85% in April, said the green light for the scheme depended on tying up competitive power contracts

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Newman, Greg

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Iscor blames market conditions

(189A) BD 18/9/96

David McKay

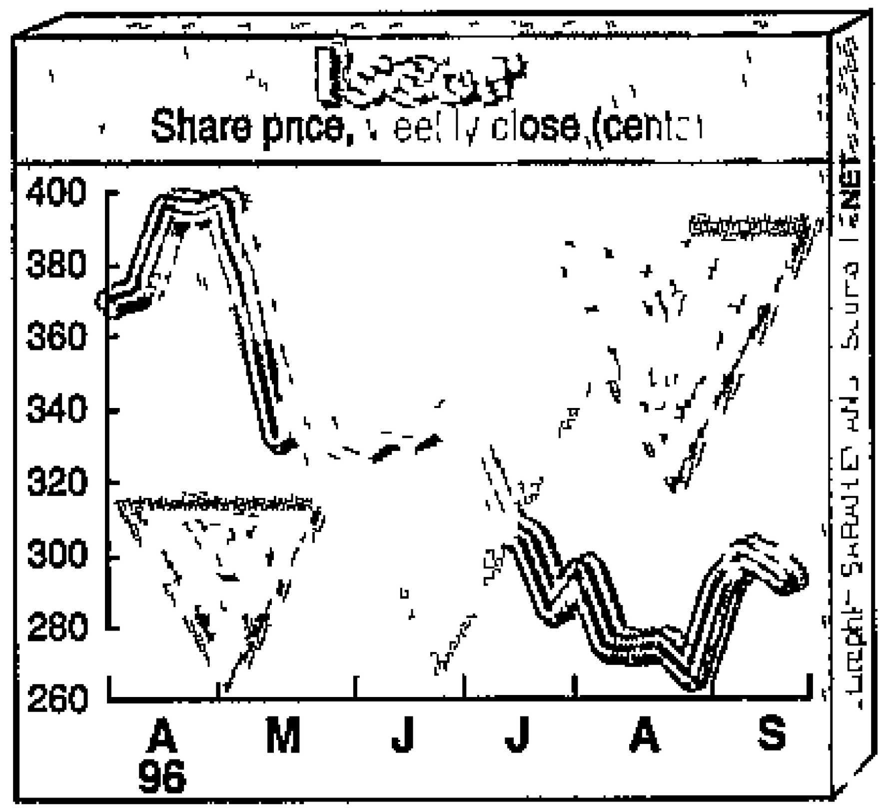
STEEL producer Iscor's earnings before exceptional items for the six months to December would fall short of the more than R400m reported for the same period last year, the group said yesterday.

It blamed persistently weak market conditions.

In addition, company spokesman Piet Combrink said 42% of dollar revenues expected this year, equal to \$462m, had been sold forward at an average price of R4,12. This represented a loss of about R176m in potential revenues, assuming the current rand-dollar exchange rate of about R4,50. Combrink said the group's dollar export inflow would be about \$1,1bn for the year.

Iscor said it would better last year's full-year earnings a share of 26c (35,7c a share, including exceptional items), despite poor prospects in the local market and indications that the international market had not yet bottomed out.

Industry sources said that, in addition to these cost pressures, Iscor had to contend with the burden of transporting slab to Vanderbijlpark from its Pretoria mill, which is undergoing a conversion to a stainless steel producing facility. This was necessary to accommodate a reline at Vanderbijlpark's C furnace, planned for a 102-day period beginning on July 1. Combrink said the reline was on schedule and would not affect the Vanderbijlpark mill's ability to fulfil local and international contracts.



Meanwhile, MD Ben Alberts said operating costs on Iscor's 11 mines in the mining division could be reduced "significantly" over the next two to three years.

On-mine costs would be cut by more than 10% in the current financial year due to a focused productivity drive. Improved blasting efficiencies and the use of better technologies were being implemented at all mines, he said.

The division was considering Sunday work, particularly at mainstay mine Sishen in the Northern Cape, and had started implementing a seven-year programme to improve technology at the mines. New equipment purchases totalling R750m had been approved in the past financial year, he said.

As a result of railing problems and other technical difficulties at refractories, Iscor's mining division posted a drop in income to R449m (R466m) for the year to June.

The group confirmed it had been accused by Taiwan of selling steel at below domestic prices. However, it could not comment on the allegation until information on the products and tonnage that were allegedly being dumped had been supplied, Combrink said.

Iscor's share price ended 6c lower at 292c on the JSE yesterday, slightly offsetting an 8% gain so far this month. The share hit a year-low of 265c in August, following the release of results for the year.

EU opposes $78-m Saldanha plant loan

(189A)

Europe fears world steel glut

ARG 21/9/96

Brussels – The European Commission is opposing a planned US $78-million loan for the Saldanha Bay steel plant in spite of fears that such a move could strain relations between Brussels and Pretoria, European officials and diplomats said here.

The commission had given the thumbs-down to the planned loan by the European Investment Bank (EIB) because of fears that the new steel plant would add to the glut on world steel markets, the officials said

But development experts in Brussels say the commission's decision runs counter to its avowed aim of promoting rapid economic development in South Africa

European Development Commissioner Joao de Deus Pinheiro, who is trying to negotiate a new free trade agreement with South Africa, "regrets" the hard-line stance adopted by his commission colleagues, say sources in the European Commission

"He did not share the view of his colleagues and believes that there must be more coherence in the EU's development actions," one official said.

But the commission's stance proved that the South Africans must accept the idea of "reciprocal" concessions if they wanted closer relations with Europe, the official added

Pretoria has yet to respond to the EU's offer to negotiate a free trade pact with South Africa, believing that the trade concessions on offer, especially in the farm sector, are not generous enough

But development experts in Brussels say the commission's decision to block the EIB steel loan to South Africa proves that the country cannot hope to receive the same trade and aid concessions as those granted to poorer African states

The EIB contribution would account for under five percent of the plant's total cost. EIB rules, however, require that all loans first secure the official backing of the European Commission.

The commission decided against the loan for reasons of "international competition"

A commission official said: "It was difficult to justify giving a loan to a South African steel company at a time when steel-making plants in the EU are being forced to close down."

An increase in steel-making capacity in South Africa, the commission added, would lead to a slump in world prices and make life even more difficult for the EU's embattled steel producers. – Sapa-DPA

Growth requires black empowerment – AHI

ARG 21/9/96

BUSINESS REPORTER

Economic growth is not possible without black economic empowerment, warns Mof Terreblanche, president of the Afrikaanse Handelsinstituut (AHI).

He told members of the George Business Chamber thatd past inequalities had placed a heavy burden on South African society, the economy and individuals.

Black empowerment represented the other side of growth

"We cannot have one without the other," he said

But black empowerment would not provide an immediate solution, because it required the development of skills, knowledge and expertise

Mr Terreblanche said he had been astonished time and time again by the enormous potential that had been overlooked in the past

"We have to learn how to recognise and unleash this potential by providing information, by making resources accessible and by forming mutually beneficial partnerships"

In this way, he said, the burden of responsibility could be shared and joint responsibility could be taken for the domestic economy

"Only through economic growth can we create the capacity to enable the state to fulfill its social responsibilities"

South Africa's domestic economy, according to Mr Terreblanche, lacked the capacity to create jobs fast enough or to turn the present deficit in total production around, "unless we bring about black economic empowerment". But this did not mean taking away from those who had been advantaged in the past in favour of previously disadvantaged people, Mr Terreblanche said

But empowerment, he warned, had to be based on potential or on merit, otherwise it would not succeed

"It is totally unfair to concentrate on merit alone, because unless black people are allowed a foot in the door, no opportunity will arise for them to become part of the mainstream economy"

Mr Terreblanche told the gathering that he felt it was worthwhile to take a risk and fail a few times, rather than not take any risk at all and fail anyway

He said performance and endorsement of healthy business ethics should enjoy greater prominence in South Africa.

Europeans to block Saldanha steel mill loan

Star 21/9/96 (189A)

Brussels – The European Commission was opposing the European Investment Bank's planned R350-million loan to a new steel plant in South Africa despite fears that such a move could strain relations between Brussels and Pretoria, European officials and diplomats said yesterday

The commission gave the thumbs-down because of fears that the Saldanha Bay plant would add to the glut on world steel markets, the officials said

However, development experts in Brussels said the commission's decision ran counter to its avowed aim of promoting rapid economic development in South Africa

Sources said European development commissioner Joao de Deus Pinheiro, who was trying to negotiate a new free-trade agreement with South Africa, regretted the stance adopted by his commission colleagues

Development experts in Brussels said the decision to block the loan proved that South Africa could not hope for the same trade and aid concessions granted to poorer African states

The European Investment Bank's contribution would account for less than 5% of the plant's total cost However, the bank's rules required the Commission's backing on all loans

A commission official said "It was difficult to justify giving a loan to a South African steel company when steel plants in the European Union were being forced to close down " – Sapa-DPA

EC blocks Saldanha project loan

David McKay (189A)

THE European Commission (EC) has blocked a $78m loan to Iscor's R6,8bn Saldanha Bay steel project, casting a pall over free trade negotiations between Europe and SA

The commission decided against the loan because it believed the planned 1,25-million tons offtake from Saldanha Steel could not be supported by the world market

Saldanha Steel would start production in 1998, building up to capacity, which will be 100% exported, by late 1999 A downturn in the international price of steel from about October last year was reducing margins at European steel mills, forcing some to close

Samantha Sharpe reports from Cape Town that government sources said the move to block the loan was "disappointing" in the context of current negotiations for a free trade area and its stated objective to fast track economic development in SA.

Continued on Page 2

BD 23/9/96

Saldanha (189A)

Continued from Page 1

BD 23/9/96

"However, there might still be an opportunity to reverse the decision and we are currently liaising with the European Investment Bank (EIB) to determine specifically the reasons behind the commission's thumbs down," one official said

A trade and industry source said the issue was more about relations between SA and the commission than it was about steel and it was unfortunate that a political connotation had been added to the commission's decision

Sapa reports that European Development commissioner Joao de Deus Pinheiro, who was negotiating a new free trade agreement with SA, regretted the hard line stance adopted by the EC However, EC officials believed SA had to accept the idea of reciprocal concessions if it wanted closer relations with Europe. SA has yet to respond to the EC's offer to negotiate a free trade pact, believing the trade concessions on offer, especially in the farm sector, were not generous enough

Saldanha Steel executive chairman Bernard Smith said that the loan from the EIB would have reduced the cost of financing the project It was a "soft loan" comprising lower interest rates than standard loans and was offered over a longer 15-year period

But the loan was not part of the project's original funding, accounted for less than 5% of the plant's total cost, and was therefore "not the end of the world", Smith said

Peak funding for the project was about R6,8bn Half of this would be covered by supplier credits and foreign loans while equity funding of R1,5bn would be paid 50% by Iscor and 50% by the Industrial Development Corporation (IDC) The balance of the funding would be supplied from conventional loans through the IDC and local banks

Numsa shows its mettle in fifth congress

(189)

STAFF REPORTER CT(BR) 26/9/96

Johannesburg — The National Union of Metalworkers of South Africa (Numsa), the largest metalworkers' union in the country, began its fifth national conference in Johannesburg yesterday

Numsa, a Cosatu affiliate, has a membership of about 232 000 The union is open to workers who assemble, sell and repair car parts, and make steel and other products such as aluminium

It has 59 offices and nine regional offices with almost 300 full-time union officials

The four-day congress will address socio-economic and political issues and hold elections for new office bearers

Tom Mtutuzeli, a shop steward for Mercedes-Benz, is the president; Enoch Godongwana is the general secretary, Phil Bokaba, an ATC shop steward, is the first vice-president, Vincent Mabuyakhulu, a Lennings Manganese shop steward, is the second vice-president, and Peter Dantje is the national secretary

The union was formed in 1987, with the merger of the Metal and Allied Workers' Union (Mawu), the Motor Industry Combined Workers' Union (Micwu), the National Automobile and Allied Workers' Union (Naawu), the United Metal, Mining and Allied Workers of South Africa and the Motor Assembly and Combined Workers' Union of South Africa

Mawu was the first union formed in Durban from the General Factory Workers' Benefit Fund It was then illegal for black workers to belong to trade unions, so the fund operated as a cover for workers without rights to form trade unions The organisation was bolstered significantly after the Durban strikes of 1972 and 1973 Mawu was formed in 1973 and the Transvaal branch two years later

Micwu, which represented workers in the motor industry, originated in 1961 as a union for coloured workers, because apartheid laws forced organisation along racial lines Its white sister union was a member of the Trade Union Congress of South Africa (Tucsa), but in 1984 Micwu left Tucsa, accusing it of racist and reactionary politics, and joined discussions with Naawu to form a single metal union in South Africa

Naawu was established in 1980, after the merger of two unions formed in the 1960s These unions were also forced to organise along racial lines and membership was coloured.

Given Numsa's history, it is not surprising that the union's principles enshrine the ideals of non-racialism, democracy, worker control and the union of all metalworkers domestically and internationally

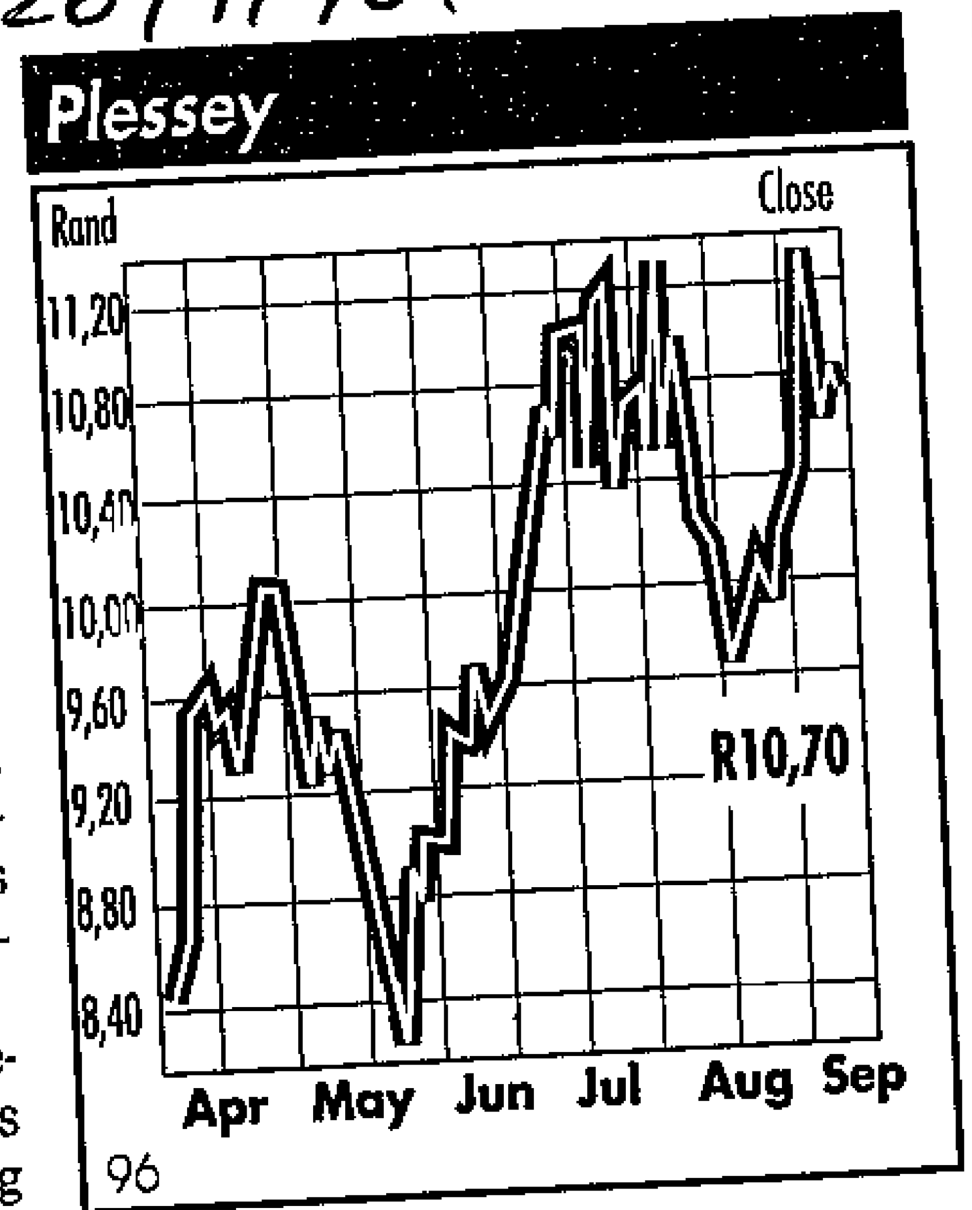
In 1993 Numsa adopted a threeyear bargaining strategy to secure higher wages through greater training for its members

The strategy emerged from the conditions at the time when there was a grading system It was unclear how movement to a higher grade could be achieved because the grades were linked to tasks, not skills There was no training for most of the black workers because apartheid legis-lation had excluded blacks from artisan training Many members did not possess enough schooling to register for training anyway

Plessey's consortium for electronic meter market

CT(BR) 26/9/96 (189D)

MARC HASENFUSS



Cape Town — Plessey Corporation is planning to increase its involvement in the $3 billion (R13,5 billion) a year international metering market by forming a global consortium with British Polymeters Response International (PRI) and India's Secure Meters Limited (SML)

Mark Chewins, the marketing manager of Plessey's metering division, said the new partnership, Entity Consortium, would pool the companies' skills and resources in the fast-growing electronic metering market

"The world market for electronic metering technology, which comprises about 10 percent of the total metering market, is expanding by an estimated 50 percent a year and the consortium has been established to respond to this opportunity," Chewins said

He said that most electricity meters internationally were still electro-mechanical devices with the familiar rotating disk

"This outmoded technology is now being replaced by electronic meters which will revolutionise metering in the same way that personal computers have changed the face of computing"

Chewins said the consortium was not a legal entity but a trading arrangement, pointing out that PRI, SML and Plessey had been working together for five years, establishing a distribution network covering 30 countries

He said the collective experience of the three participating companies would be fundamental to the consortium's success

"For example, new prepayment meters are being designed by a team led by Plessey, who have the greatest experience in this market, having installed over 600 000 meters in 15 countries all over the world"

Saldanha to benefit from new steel mill

(189A) BD 26/9/96

Roinie Booysen

A NEW R520m steel rolling mill which would add a substantial premium to the value of part of Saldanha Steel's output is being investigated by the Industrial Development Corporation, in a joint venture with Dorbyl's Baldwin Steel and Swiss steel trader Duferco.

The mill, which would also be sited at Saldanha Bay, would further process about a third of the steel made by Saldanha Steel, a R6,8bn joint venture project involving Iscor and the Industrial Development Corporation due to begin production in the first quarter of 1998. The additional processing would entail rolling the Saldanha Steel product into thinner sheets, which fetch higher prices in the export markets. A portion would also be galvanised.

Baldwin Steel executive director Willie Coetzer said yesterday a feasibility study was under way

The plant under consideration is of the "minimal concept" variety, with a planned total output of about 400 000 tons a year, against total projected Saldanha output of 1,25-million tons a year. A more traditional, large-scale cold-rolling mill capable of processing most of Saldanha's output would cost "four or five times" as much as the plant under consideration, he said.

The mill would be based on a "push-pull" pickling line and reversible rolling line. "Push-pull and reversible lines allow more flexibility than the integrated continuous lines used in larger mills," said Coetzer.

The venture would be the first in manufacturing for Duferco, which would sell the steel on international markets. The plant's total output would be exported. Saldanha Steel was obliged to export all its steel or sell it to companies beneficiating for the export market in terms of a tax incentive arrangement with government.

Current plans envisage 400 000 tons a year of output from the mill, of which about 55% would be galvanised steel, 30% thin-gauge cold-rolled steel, and 15% would be "pickled and oiled" steel suitable for cold rolling. These products mostly enjoy substantial premiums to hot-rolled steel, which costs about $290/ton fob, while 0,35mm-0,5mm gauge cold-rolled steel is about $100/ton more expensive. However, a large portion of output would be relatively thin gauge at about 0,22mm.

COMPANY NEWS

Group is geared for a promising year with all operations budgeted to increase contributions

Fraser Alexander sustains profit rebound

(189E) CT (BR) 27/9/96

JOHN SPIRA
DEPUTY EDITOR

Johannesburg — Fraser Alexander, the diversified engineering and waste-management company, continued to rebound satisfactorily from its 1993 profit slump with a 20 percent headline earnings gain in the year to June 30

On turnover, which rose 23 percent to R514 million, attributable earnings increased 20 percent to R29,5 million, with earnings a share increasing from 156,1c to 187,3c.

The final dividend has been lifted from 39c to 48,5c a share to raise the total for the year to 62,5c against last year's 52c

The company sold its remaining stake in Randgold, thereby helping to reduce gearing at the year-end from 50 percent to 34 percent

Fraser Alexander announced yesterday that it had sold its Elandsfontein colliery and the associated mineral and surface rights for R66,4 million after the end of the financial year The company said the proceeds would be used to further reduce its borrowings

Dennis McIntosh, the chief executive, said Fraser Alexander was now well placed to take advantage of new growth opportunities and was investigating possible acquisitions He characterised the year ahead as very promising, with all group operations budgeting for increased contributions

He said the bulk materials handling and construction divisions produced "exceptionally good performances" The tailings division had also done reasonably well

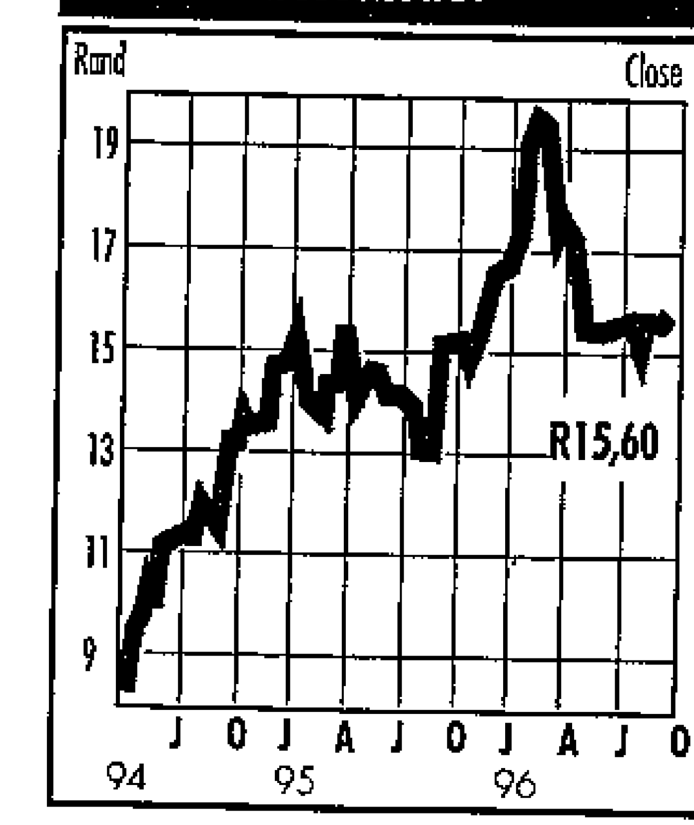
Waste-tech, which had been forced to withdraw from the hazardous waste market in Gauteng midway through the year, had refocused its operations

McIntosh said despite that setback, Waste-Tech, the group's biggest division, had achieved satisfactory results

The mining division had suffered a R6 million loss in December, but this had been reversed in the second half despite operations having been disrupted by heavy rain

McIntosh said Fraser Alexander had made a strategic investment in Bohlweki Enviro-Waste and had bought a 34 percent stake in Union Mineral Concentrators, a new company specialising in the recovery of metals from tailings Union Miniere of Belgium held another third of the company's equity

Fraser Alexander



Steel loan 'on hold'

MHG 27/9-3/10/96 (189A)

Madeleine Wackernagel

THE European Commission has not blocked a $74-million loan to the Saldanha Steel project, merely reserved judgment, says Erwan Fouéré, the European Union's ambassador to South Africa The EC has sent the file back to the European Investment Bank, says Fouéré, for further consideration; the EIB will review the issue and then decide whether to go ahead at a later stage.

Discussions between the EIB and Saldanha Steel have been going on for months, says Saldanha's executive chairman Bernard Smith, but he has still not heard through official channels why the loan was sent back to the drawing-board. Even so, the company did not budget for it, so if it falls away, it "will be unfortunate, but not the end of the world".

As the world's biggest player on the capital markets, the EIB can command very advantageous lending rates; as a result, every potential loan has to be thoroughly investigated. But before a decision can be taken, all loan considerations have to be rubber-stamped by the EC, and there is speculation that a faction within the commission is balking at the prospect of lending to a potential competitor.

In addition, the European steel industry has been going through a difficult restructuring, resulting in significant lay-offs, so it may not be politic to lend to a competitor outside the EU.

But, says Fouéré, steel would form part of the free trade agreement with South Africa. Talks are currently stalled by South Africa's objections to the EU's stand on agricultural products.

"We are very keen to discuss the nitty-gritty of the free trade agreement as soon as possible," says Fouéré.

"We need to send a clear message to potential investors, both in Europe and South Africa, about our future trade relations, and the quicker we reach a clear agreement, the stronger the message to business partners," says Fouéré.

US group Duracell buys Eveready SA for R525m

BD 17/4/96 (189D)

Edward West

US group Duracell has bought battery producer Eveready SA from UK conglomerate Hanson for R525m.

The US group, which has been distributing its imported alkaline batteries in SA for two years, said yesterday it would use Eveready as a springboard into markets in sub-Saharan Africa

The deal ends Hanson's involvement in SA and forms part of its attempts to streamline its empire prior to a demerger later this year. Eveready SA was its last battery business

Eveready dominates the local market, with 99% of retail sales. It manufactures zinc carbon batteries in Port Elizabeth, employs 900 people and had a R365m turnover last year.

Duracell chairman and CEO Charles Perrin said Eveready SA was profitable, with profits in line with Duracell's 20% pre-tax profit margin.

The US company wanted to expand Eveready's sales in line with the increased use of electronic and battery-operated devices in SA as tariff levels for such devices fell and average disposable incomes improved

Eveready SA would be Duracell's only zinc carbon battery manufacturer. "We need its factory," Perrin said.

"Its exports are currently small, around 1%-2% of sales, but we hope to use this factory to push zinc carbon batteries into other African countries."

He did not expect restructuring or retrenchments following the deal, though he said some management overlap was possible with the eventual merger of Duracell's local distribution subsidiary and Eveready SA. Relocation of top management from the US was unlikely, he said. The Competition Board had cleared the deal.

"Duracell did not compete with Eveready in zinc carbon and layer-cell batteries," Perrin said. "The deal does not make it any more non-competitive than it already was.The difference is we will be bringing research and development, new products and financial resources to the local company "

Mitsubishi TVs for assembly in SA

BD. 23/4/96 (189D)

John Dludlu

MITSUBISHI Electric Corporation has announced its return to SA after a six-year absence.

The Japanese electronic and electrical giant, with annual sales of $3,7bn, said yesterday it had acquired Mitsubishi SA Manufacturing, the SA distributor of its products, for an undisclosed sum

MSA Manufacturing MD Alex Walt said the deal, which would provide financial muscle to the SA operation, signalled Japanese confidence in the country's future

MSA Manufacturing has been distributing factory automations, electrical switchgears, air conditioners and Mitsubishi consumer products

Plans for the next two years included assembling TV sets, cellular phones and Mitsubishi Apricot computers in SA The country would be used as a springboard to the sub-Saharan African market, in which MSA Manufacturing's activities had been limited to air-conditioners and TV sets

The group's plan to assemble TV sets in SA had been prompted by prohibitively high import duties in SA, which limited the sale of Mitsubishi TV sets to the upper end of the local market, said Walt.

The move follows the recent closure of Phillips SA's TV manufacturing plant in Martindale due to high costs and low productivity, and Korean group Daewoo and Anglo American Industrial Corporation shelving their plans to set up a $200m colour television tube plant in Gauteng, ahead of a response from government on supply side measures for the project

Assembly would be implemented through MSA Manufacturing's existing facilities or the use of "struggling" plants with spare capacity Walt said there was no possibility of a joint venture with any local firm.

He said the transaction would result in the reintroduction of the sale and maintenance of Mitsubishi elevators and escalators to the SA market, which were stopped at the height of SA's political isolation

Production targets for the expansion plans and the invasion of the African market were still being worked out, he said

The Japanese parent employs 110 000 people in 31 countries through 120 subsidiaries

Electronics sector hits new high

(1890) BD 23/4/96

Edward West

THE JSE's electronics sector surged 56,6 points or 1,82% to peak at a new 12-month high of 3 166,7 yesterday, spurred by strong earnings prospects in several of the sector's leading companies and in line with a sharp uptick in the industrial index.

JSE analysts said the electronics sector had not regained last year's status as one of the top performers on the JSE. However, investors favoured it because of the high earnings potential of information technology companies relative to the inflation rate

They attributed yesterday's jump in the index to the introduction of computerised trading in the sector, the recent announcement by Persetel that it had bought a 40% stake in German computer group Comparex, the 10-for-one share split in Dimension Data — effective yesterday — and favourable earnings prospects for some companies

Persetel settled at R15 yesterday after 61 deals, 90c up on the day, but just short of a new 12-month high of R15,60 which was reached during the day

Analysts said that the share price had fallen from R15,60 on profit-taking

Dimension Data notched up 22c or 3,5% in 107 deals to close at a new high of R6,40 yesterday — taking into account the share split An analyst said the trades indicated that the share split had improved the share's liquidity

Plessey added 5c to its 50c gain over the month to close at R10,05 Another analyst said this was probably on expectations that the company was likely to meet its listing earnings forecast of 39,6c a share when it released its results early next month

The companies in Bill Venter's Allied Electronics Corporation (Altron) stable also reported relatively strong gains

Altron gained 5,56% or 50c to R9,50, Allied Technologies climbed R2 to R82, Power Technologies increased 2,94% or 25c to R8,70, while Ventron closed 1,75% or 50c higher at R28,50c Q-Data fell 50c from its 12-month high, closing at R63,50 Reunert firmed 50c to R22,10 and Siltek increased 20c to R22,80

Philips in joint venture plan

(189D)

Samantha Sharpe

BD 3/5/96

CAPE TOWN — Philips Business Electronics and Western Cape black empowerment company Siphumelele Investments have formed a multimillion-rand joint venture aimed at providing telecommunications franchise opportunities to disadvantaged communities.

Philips Business Electronics spokesman Tinie Krige said the franchise operation, EXPERcable, would be owned 51% by Philips Business Electronics and 49% by Siphumelele.

Siphumelele would locate entrepreneurs interested in the telecommunications infrastructure franchise for their financial backing, while Philips would handle franchise design and quality control, Krige said.

Philips Business Electronics MD Alan Sparks said EXPERcable would enable the company to develop its social responsibility programmes, while endorsing full support for the RDP programme.

"There is no doubt that a nationwide network of EXPERcable franchisees will become a formidable force, particularly as this concept has the full support of all the major system suppliers." The franchise would enable franchisees to compete against more established companies in installation and customer service. About 10 franchisees would soon be operational in Pretoria and Johannesburg and would be extended to other areas shortly, Sparks said.

Huge write-off drags Altron profit down 36,2%

BD 9/5/96 (1890)

Edward West

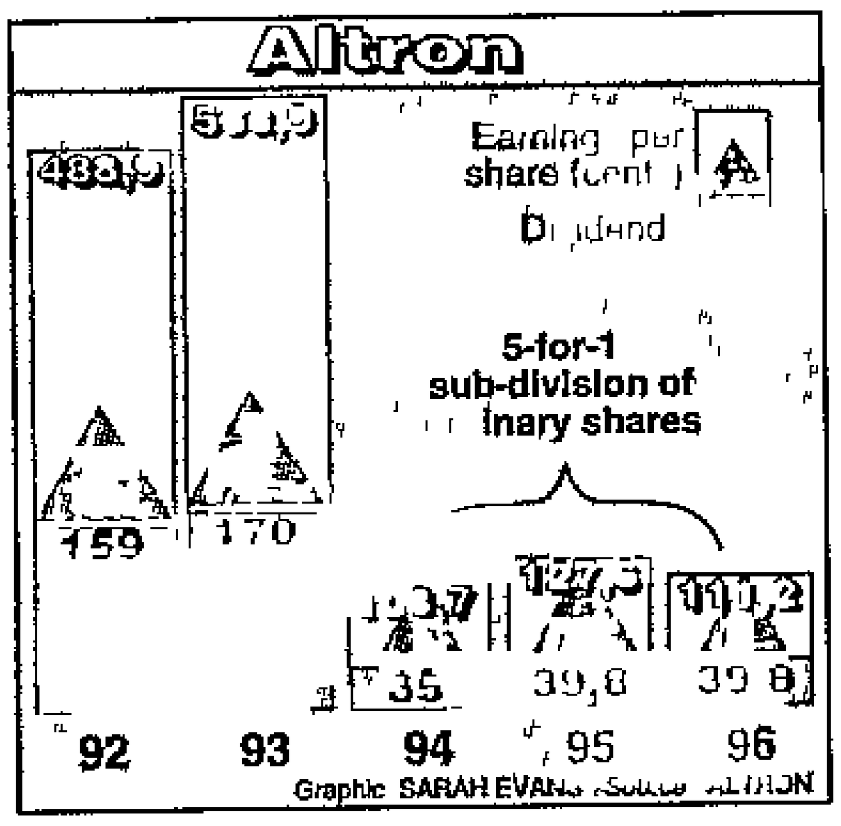
ALLIED Electronics Corporation's (Altron) attributable profit slumped 36,2% to R72,1m in the year to February due to subsidiary Altech's huge electronic mining detonator write-off and tough trading conditions

Share earnings after exceptional items came to 74,8c from 117,6c a year before, while share earnings before exceptionals were 111,2c (127,6c) Final ordinary and participating preference share dividends were held at 19,9c, maintaining the total payout at 39,8c

Chairman Bill Venter said the group expected increased turnover and profitability this year in view of more incoming orders Greater emphasis would be placed on restructuring and streamlining, management in underperforming operations had been changed and controls tightened

Venter said the group would place people in positions in which they were more effective, concentrate on exports and diversify as much as possible away from relatively captive markets

Turnover rose 18,8% to R4,63bn, but operating income was 15,1% lower at R270,2m,



mainly due to difficult trading conditions in subsidiaries Gentech, Mining Technologies and Willard Batteries

Net interest of R2,5m was paid compared with interest income of R3,1m last year, while dividend income nearly doubled to R25,3m from R13,6m Income before exceptional items was 12,5% down at R292,9m

An R85,6m exceptional item comprised R76,9m written off for the development and industrialisation costs of the electronic detonator and R8,7m for closure of a Gentech factory

The balance sheet was relatively strong with cash and marketable investments of R197m (R188m), and net asset value increased to 663,4c from 640,4c Goodwill of R15,2m was written off in the income statement after an accounting policy change Goodwill was previously written off against distributable reserves

Venter said subsidiary Fintech was again the star performer, lifting share earnings 31% to 454,9c Power Technologies' earnings rose 5% to R61m, including an R8,7m extraordinary item related to Gentech, while Altech's earnings were R5m (R64m) after the detonator write-off

Meanwhile, Thebe Investment Corporation will participate with Altron on specific projects after plans for Thebe to buy a stake in the group were scuttled "We realised that there is far better empowerment at operating level," said Venter

The two groups said yesterday they had jointly created Uthingo Telecommunications Networks, which would form part of a bid led by Altron's Alcatel Altech Telecoms (AAT) to supply Telkom with at least 1-million telephone lines

Thebe's industrial arm Vuna Industrial Holdings, AAT and Alcatel Contracting would hold equal stakes in the company The bid was submitted last Friday

COMPANIES

Reunert lifts income 9% and considers cutbacks

(189D)

BD 9/5/96

Edward West

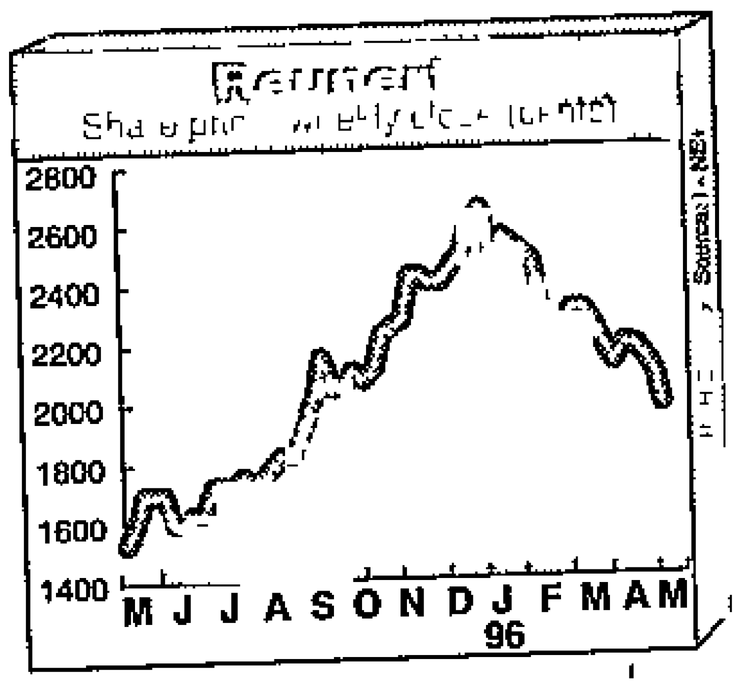
ELECTRONICS and electrical group Reunert lifted attributable income 9% to R90,8m for the six months to March, and said it faced severe cutbacks and factory closures if government decision making was not speeded up

Share earnings were only 6% higher at 46,3c, in line with the group's forecast at the last year-end, and an unchanged interim cash dividend of 11c was declared. An alternative capitalisation share award would be made

Chairman Clive Parker and CE Tony Ellingford said the inflow of orders from government, municipalities and certain parastatals for infrastructure development had been slow For example, Reunert's earnings from telecommunications had fallen by 54% to R7,2m in the six-month period because Telkom had deferred orders

Disruption caused by a fire at Reunert's consumer and commercial division factory in Parow, particularly in the build-up of stocks, had also affected profitability

Group turnover was virtually static at R2,3bn (R2,28bn), while operating



profit fell to R141,1m from R156,5m.

However, the results were not comparable because Reunert's telephone cable manufacturer ATC was deconsolidated after a restructuring of the cable interests last year As a result, last year's interim figures could only be compared at attributable profit level

The debt equity ratio fell to 10,4% (37%), but cash holdings dropped to R85,6m from R403,4m Thus interest of R12m was paid against interest income of R7m last year

Parker said higher stocks, due to the Parow factory fire, and a R44m capital expansion programme were the main reasons for tighter liquidity Stock levels at the end of the first half had risen to R1bn from R848,9m

An analysis of attributable profit showed electrical engineering earnings down 6% to R33,6m Electrical machine sales improved and African Cables remained profitable The lamp manufacturing operation was disrupted by the installation of a new plant

Profit from defence and allied industries increased 188% to R19,98m, but activity levels were the same as last year and the sharp increase in profits was merely a result of the different phasing of contracts, Parker said

The consumer and electronics division, housing Panasonic, Nashua and Airomatic, lifted half-year earnings 20% to R29,9m Tariff reductions from October 1 gave some relief from competition from illegal imports Demand for commercial products was buoyant

Parker said in addition to the slower orders from government, the economy appeared to be slowing "Unless the decision-making process in government improves, our order books are likely to remain thin Under these circumstances it is difficult to forecast a meaningful improvement in earnings in the second half," he said

Fuchs Electronics in R48m deal with Swiss

BD 9/5/96 (189D)

John Dludlu

REUNERT subsidiary Fuchs Electronics has clinched a R48m deal to sell electronic bomb fuses to the Swiss army.

The company said yesterday it would supply 80 000 M9327A1 mortar proximity fuses to Switzerland's defence procurement agency

A similar order was possible in November The fuses would be used for the Swiss army's 81mm mortar system.

The company, part of Reunert's Reutech operation, said the Swiss had had extensive trials with other international suppliers, but the Fuchs fuse had outperformed its rivals

The mechanical fuse components, representing 29% of the contract value, would be supplied to Fuchs by Swiss group Dixis, with Fuchs supplying the electronics and assembling the products The first 5 000 units would be produced this month

Fuchs commercial director Chris Bezuidenhout said the deal was passed by government's national conventional arms control committee

The deal was the first of its kind between SA and Switzerland

The company was negotiating with other defence forces to supply the fuses, and was confident of getting more business

Thebe pulls out of Altron deal

CT (BR) 9/5/96 (189D)

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — Thebe Investment, the black empowerment group, has pulled out of the R81,7 million deal to buy a 5 percent equity interest in Allied Electronic (Altron), the technology group

Instead, the two companies announced the joint creation of Uthingo Telecommunications Network yesterday

The company's ownership is split equally between Thebe's industrial arm Vuna Industrial Holdings, Altron's Alcatel Altech Telecom (AAT) and Alcatel Contracting

According to Yaseen Bhayat, the chief executive of Vuna, the new company was launched as part of a bid led by AAT to supply Telkom with at least a million telephone lines on a turnkey basis

A decision on the tender will be made shortly

If the bid for the turnkey project were successful, Uthingo was "potentially worth millions of rand", said a spokesman for Thebe

She said last November's deal with Altron would have restricted Thebe to information technology, though it had broader interests

She also said the new arrangement would allow Altron to enter deals with other black groups

The bid to make Thebe one of the larger minority stakeholders in Altron was heralded as one of the most significant business shareholdings by a major black group Thebe would have had two seats on the Altron board

Thebe, which has a turnover of R450 million a year, was to raise funds on the capital markets to finance the deal Altron was to make a private placement of 9,61 million participating preference shares at R8,50 each, which qualified for equal participation in Altron's earnings and dividends

Altron's share price has dropped sharply since then and the cost of raising funds on the capital market has increased significantly

Thebe said at the time that the Altron deal would give it an opening into telecommunications and information technology and help it build up its investment in industry

It said it wanted to get involved in mature companies like Altron and still participate in grassroots initiatives

Altron released highly disappointing results for the year to February yesterday, but said it had reached an amicable decision to participate with Thebe on "specific projects in certain industry sectors"

☐ See Business Watch, Page 14

Altron's earnings drop 12,9%

By John Spira (1890) CT (BR) 9/5/96

Johannesburg — Poor results from Gentech, Mining Technologies and Willard Batteries combined to depress Altron's earnings before exceptional items 12,9 percent to 111,2c a share for the year to February

Earnings after exceptional items fared worse, with a 36,4 percent drop to 74,8c a share This, the most severe earnings setback in the electronics group's history, came on the back of an 18,8 percent rise in turnover to R4,6 billion and a 15,1 percent fall in operating income to R270 million

An unchanged 19,9c a share dividend was declared on ordinary shares and participating preference shares The directors said greater emphasis was being placed on restructuring and streamlining the group's operations to address "the growing aggressive and competitive markets" in which it operated

Management in areas that had been underperforming had been changed or strengthened, controls tightened and strict attention to customer care was in place Profit margin improvement continued to be a priority and good progress was expected this year "With the continued high level of incoming orders, the group expects increased turnover together with improved profitability," the directors said

They emphasised Altron's balance sheet, with cash and marketable investments of R197 million against R188 million a year ago and net asset value which had risen from 640,4c to 663,4c a share

Top company Ventron, whose sole investment is 52,7 percent of Altron, reported earnings down 36,3 percent at 141,4c a share

Altron's share price drifted down 14 percent over the past year, with the bulk of the fall occurring since February

COMPANIES

Reunert returns slower growth in first half

CT (BR) 9/5/96 (189D)

By John Spira
DEPUTY EDITOR

Johannesburg — Electronics and electrical group Reunert's earnings rose 6 percent to 46,3c a share in the six months to March

The result follows earnings growth of 33 percent in the year to September 30 last year But in January Clive Parker, the chairman, said that earnings growth would slow in the first half of the current financial year, so the interim result was not unexpected

Reunert has announced a capitalisation share award, with the cash-dividend alternative unchanged at 11c a share

Turnover for the six months was unchanged at R2,3 billion, while operating profit declined 10 percent to R141 million

The directors noted that, as a result of last year's cable restructure, Reunert's telephone cable manufacturer ATC had been deconsolidated Last year's interim figures could be compared only at the level of taxed attributable profit, which rose 9 percent to R90,8 million

Parker ascribed the lower level of earnings growth to the slow inflow of infrastructural development orders from the government, municipalities and certain parastatals

At the attributable profit level, electrical engineering was 6 percent down at R33,6 million, telecommunications fell 54 percent to R7,2 million, defence and allied rose 188 percent to R20 million and consumer and commercial electronics was 20 percent ahead at R29,9 million

Parker noted that activity levels in the defence and allied division remained the same as in the previous year, so that the year-end profit was unlikely to improve on last year's Demand for commercial products from the consumer and commercial electronics division was buoyant

Parker said that in addition to government dragging its heels on ordering processes, the economy had been slowing down He therefore warned of a "less buoyant" second half than last year

"Under these circumstances it is difficult to forecast a meaningful improvement in earnings a share," he said

Coronation almost trebles income with top-notch results

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Coronation Holdings, the financial services group, nearly tripled attributable income to R21,7 million in the half year to end March on the back of strong performances by all its operations

Operating income climbed 128 percent to R20 million The bottom line was boosted by marked increases in net interest at R4,5 million and R4,3 million earned from the recently formed Sage Coronation Fund Managers

Earnings were diluted by an increased number of shares in issue, but the 56,7c a share was more than double the 24,1c declared in the same period last year

The increase in issued shares follows the conversion of preference shares, a R90 million rights issue in December and a recent N-share capitalisation

Gavan Ryan, the company's chairman, was extremely pleased with the performance He said that net asset value had surged by 161 percent to R216 million and would reach R440 million after factoring in the new Natrust acquisition

However, Ryan said that financial markets were volatile and growth for the full year could be more modest

Ryan said Coronation Specialised Funds enjoyed a strong increase in management fees in the period, and securities development and trading had benefited from the volatile financial markets This made a solid contribution to group income, he said

Earnings for Coronation Overseas Trust were boosted by the weak rand and performance-related fees payable to the Spes Bona fund

He said the alliance with the Sage group through Sage Coronation Fund Managers was performing satisfactorily Funds under management rose to about R11 billion

Coronation Asset Management performed well again and was ranked in the top quartile by all South African investment performance standards

17 percent interest and

COMPANIE

Telecommunications infrastructure could delay growth

Plessey earnings rise 35% to R51,3 million

CT(BR) 28/5/96 (1890)

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Plessey, the telecommunication and electronics group, managed a 35 percent increase in attributable earnings to R51,3 million in the year to end March 31 on the back of a sound performance from all its business divisions

Earnings a share were 41,5c, or 40,6c on a diluted basis, just ahead of the pre-listing forecast of 39,6c A maiden dividend of 13c a share was declared, but shareholders may opt for a share capitalisation award

John Temple, Plessey's chief executive, said turnover from the core telecommunications business, the general electronics and mining division and the consumer electronics division Tek, was up 28 percent to more than R1 billion

Operating profit increased a modest 10 percent at R77,2 million as margins shrunk to 7,4 percent from 8,4 percent last year

Temple said operating profit was stifled by a one-off charge against income for arrear funding of Tek's provident fund, a 70 percent increase in own-funded research, development for two major products and lower margins in consumer electronic products

He said this was partially offset by increased project management, such as the expansion of the MTN cellular network and telecommunications, broadcast installations in Malaysia and a contribution from the newly-acquired BSW-Data

John Temple, Plessey's chief executive PHOTO ANDREW BROWN

Astec, the company's cellular-service provider, performed better than expected, despite being small in the context of Plessey's total business

Income from investments of R1,9 million, interest earned of R2,3 million against interest paid previously of R4,5 million, and a static tax bill of R31 million helped bottom-line growth

Temple said that a fire at one of Plessey's Cape Town plants had not affected earnings or prospects as the company was adequately insured

He said Plessey faced the future with confidence because of its dominance in growth niche markets in telecommunications and electronics within South Africa and an increasing strength in selected export markets.

"We should achieve acceptable real growth given the excellent medium- to long-term prospects for telecommunications, but the ability to achieve it may be limited in the short term by possible delays in the growth of the telecommunications infrastructure"

Malbak labour plan sees opening of new factory

Nicola Jenvey BD 4/5/96 (189C)

DURBAN — Behind the recent opening of a new factory by Amalgamated Appliances, Malbak's small domestic appliance manufacturer, is an unusual story of the positive outcome of co-operation between management and workers

For two years prior to November 1993 the factory, then situated in nearby New Germany, had incurred monthly losses exceeding R500 000 and suffered continuous industrial action

More than 3 800 man hours were lost over an eight-month period, and the decision was taken to close the facility and relocate operations to the Reef

However, in January 1994, while a facility was being established in Johannesburg, about 180 of the retrenched workers were employed on a one-year contract to produce a limited range of products. During that period the workers and management had turned the business around and Malbak reconsidered its decision to close

"On the strength of the commitment and the output of the Amalgamated team, not only were jobs saved but new ones were created, and R12m was invested in a state-of-the-art factory," said MD Wally Solomon The 10 000m² factory could produce 14 000 units daily per shift, but was currently operating at 8 000 units The venture employed 290 people

Solomon said the rapid growth in electrification would soon push demands to the point where current production would be expanded

Poor response to company's public offer

(189a)

STAFF WRITER CT (BR) 24/4/96

Johannesburg — Masterfridge, the fridge and freezer manufacturer that plans to list on the JSE next week, attracted full support for its private placing and preferential offers of shares, but its public offer was only 29,5 percent subscribed

The company has recently been hit by negative publicity about litigation against its founder, Charlie Palmer, arising from a restraint of trade agreement with his former employers

Firstcorp said Masterfridge's private placing of 18 million shares, at 275c a share, had been fully taken up by financial institutions and pension funds

The preferential offer of 1,5 million shares, to company employees, clients and business associates, was oversubscribed

The public offer of 3 million shares was 29,5 percent subscribed

The excess applications for the preferential offer will be allocated from the shares not applied for in terms of the public offer, with the underwriter, or his nominees, taking up the balance of the public offer

A spokesman for FirstCorp said there was great interest in the private placing ahead of the release of the prospectus

The spokesman said that the preferential offer was 143 percent subscribed

This reflected strong support by those close to the company in spite of the recent negative publicity, which did affect the public offer

Masterfridge will list on the JSE and the Swaziland stock market at the end of April

The listing will raise close to R62 million, which will be used to reduce gearing, and provide the initial capital for a R50 million doubling of production capacity over the next five years

Numsa looking for social wage

(189) Sowetan 3/4/97

By Abdul Milazi

Numsa general secretary Enoch Godongwane

THE critical test of the labour movement's success would be its ability to achieve a social wage as opposed to bargaining for percentage increases on the shop floor

This is the approach the National Union of Metalworkers of South Africa (Numsa) is taking to its National Bargaining Conference to be held in Johannesburg today

According to Numsa general secretary Enoch Godongwana, the conference is to prepare the union for this year's annual wage negotiations, which begin next month

Numsa, which is the second largest trade union on the African continent, is also by far the most technically advanced

While many unions and federations fought for wages in terms of rands and percentages, Numsa drew its negotiation plans for the future which included training and other socially-related demands

Godongwana says the key factor in the workers' struggle is how trade unions and the labour movement position themselves in the global labour market

He argues that the greatest mistake that labour committed when the negotiations began at the National Economic Development and Labour Council (Nedlac) was approaching the process without a clear vision and strategy

This, he said, gave organised business time to regroup and come up with their own strategy, which came out in the form of the *Growth for All* document

"When fighting for better working conditions for our members, we should look at the root of inequalities instead of dealing with symptoms

"In that sense, access to training is vital in the transformation of the work place and our society in general," says Godongwana

He argues that a better trained workforce is more productive and better wages means an improvement in workers' and their families' lives

Other issues to be tackled at the conference include multi-tasking, multi-skilling, flexibility, levels of bargaining and wage related issues

Bargaining congress for Numsa today

(189)

Sowetan 3/4/97

By Abdul Milazi

THE National Union of Metalworkers of South Africa (Numsa) will hold a national bargaining conference in Johannesburg today to prepare for annual wage negotiations in May

Labour Minister Mr Tito Mboweni is expected to address the conference on the Government's Human Resources Development Green Paper

Numsa general secretary Mr Enoch Godongwana told a Press briefing in Johannesburg yesterday that the conference's discussions would be on key issues affecting workers in the auto, engineering and motor industries

The main focus would be on creating better access to training for workers "Training is of vital importance in the transformation process for economic and equity reasons"

Godongwana said black workers had been deprived of education and training at the workplace They had been subjected to inferior education and sometimes had no access to education at all

"Most of our people cannot read and write and yet bosses are not prepared to train them Their argument is that they can teach workers how to operate machines provided they can read and write, but how workers learn to do that is their own problem," said Godongwana

He said employers were indirectly saying they were not prepared to train workers "If they cannot facilitate adult basic education, they are denying workers access to the technical training they claim they are prepared to carry out If these workers are not able to read and write, they cannot learn to operate those machines

"The narrow training we see now in the sector is the result of apartheid. It is only technical and does not focus on developing the whole individual The traditional artisan training has all along been biased in favour of whites who could read and write

"It is now time to train our workforce to improve production and get a social wage at the same time Access to education and training has two-pronged implications, economic and equity"

Numsa gears up for fight

By Abdul Milazi (189)

THE National Union of Metalworkers of South Africa expects a tough fight with employers as it approaches its annual wage negotiations next month. Sowetan 7/4/97

Addressing a Press conference on the last day of Numsa's National Bargaining Conference in Johannesburg yesterday, general secretary Mr Enoch Godongwana said their key demand was for workers to get 200 hours time off for training, and that this might not be acceptable to employers.

Numsa is currently in disagreement with employers on the type of training to be given to employees and payment for skills acquired by workers.

"We want workers to be compensated for skills acquired, while employers say they are only prepared to pay for skills applied," said Godongwana.

The main focus of Numsa's demands for this year's negotiations is on access to training. "Employers are only prepared to offer technical training, while we want them to empower those workers who are illiterate so that they too can be able to access the technical training."

Godongwana said he did not see any problem with other issues to be tabled during negotiations because of Numsa's five-year agreement with employers both in the engineering and metal industries on wages and productivity.

He said Numsa was demanding a 12 percent wage increase for the lowest paid workers in the engineering industry and a 16 percent hike in the motor industry. "The motor industry, and in particular petrol attendants, are the lowest paid which is why our demand in this industry is higher."

Numsa's campaign also includes fighting for workers to have a share in productivity benefits in their companies, defending jobs in companies that are retrenching staff and fighting for one bargaining council for the motor industry.

Godongwana said the union wanted to defend jobs especially in state parastatals that were targeted for restructuring or privatisation such as Telkom and Eskom.

CONTRACTOR REJECTS R7 MILLION JOB

Paying workers less (189) 'part of Saldanha deal'

CT 17/4/97

AN ELECTRICAL CONTRACTOR was told to register with another union, as part of a deal which would have resulted in workers receiving lower pay **CHRIS BATEMAN** reports

A SMALL Peninsula electrical contracting company has walked away from a R7,6 million affirmative action business deal with Saldanha Steel, claiming that attempts were made to "railroad" it into "underpaying" its own staff by nearly R2m

Director of PEMD electrical contractors, Ms Mercia Isaacs, says the joint venture company, to which she was due to sub-contract, insisted she register her company with the Steel Engineering Federation of South Africa (Seifsa), thus enabling workers to be paid lower rates.

The Seifsa rates meant a basic labourer rate for her 350 staff members of R7,40 per hour (the metal workers' rate) versus R7,74 per hour (the electrical workers' rate)

Saldanha Steel is under massive time and budget pressures following prolonged environ mental controversy over the proximity of the R3,6 billion mill to the Ramsar Convention-protected Langebaan wetlands

Isaacs has complained to Eco nomic Affairs MEC Mr Chris Nissen whose function it is to ensure small and medium businesses are empowered — and has received the firm backing of her employee union, the Metal and Electrical Workers' Union of SA (Mewusa)

Mewusa has vowed to block any other company from getting on site unless the correct rates are applied and are due to enter arbitration with Saldanha Steel next Wednesday, claiming an unfair labour practice.

Mewusa's national secretary Mr Russel Sabor said that he "respected and admired PEMD's courageous stand", adding that his members had declared a dispute with Saldanha Steel.

Isaacs said she had secured a

WORK IN PROGRESS A computer simulation of the proposed factory seen from the hill at Saldanha town

FILE PICTU

declaration of intent from the joint venture company but had refused to sign the contract once the "underpayment" emerged.

Sabor said it was "very seldom that you find a business walking away from a R7,6m contract on principle"

The joint venture company which Isaacs was due to sub-contract to is known as SEC Joint Venture, and incorporates LTA Autecon, Siemens and Group Five.

Isaacs said she had calculated that the technical change of registering with Seifsa (thus enabling lower pay) would save at least R2m over the 14-month contract period.

She claims to be some R80 000 out of pocket after relocating offices in Cape Town to prepare for the deal.

Saldanha Steel gave a public undertaking at the outset to include historically disadvantaged companies in the awarding of construction and project management contracts

Nissen's private secretary, Mr Norman Michaels, said the ministry was concerned that a competent company like PEMD was missing an opportunity because of an insistence on wages being tied to a particular industry

"The point is that if PEMB move off the site — who then will be the black contractors to take over that role and what calibre contractor will be able to fill th position, given the disparity wages?" he asked.

"The least one can do is p them proper wages," he added

SEC's contracts manager, M Beau van Wyk, declined to cor ment.

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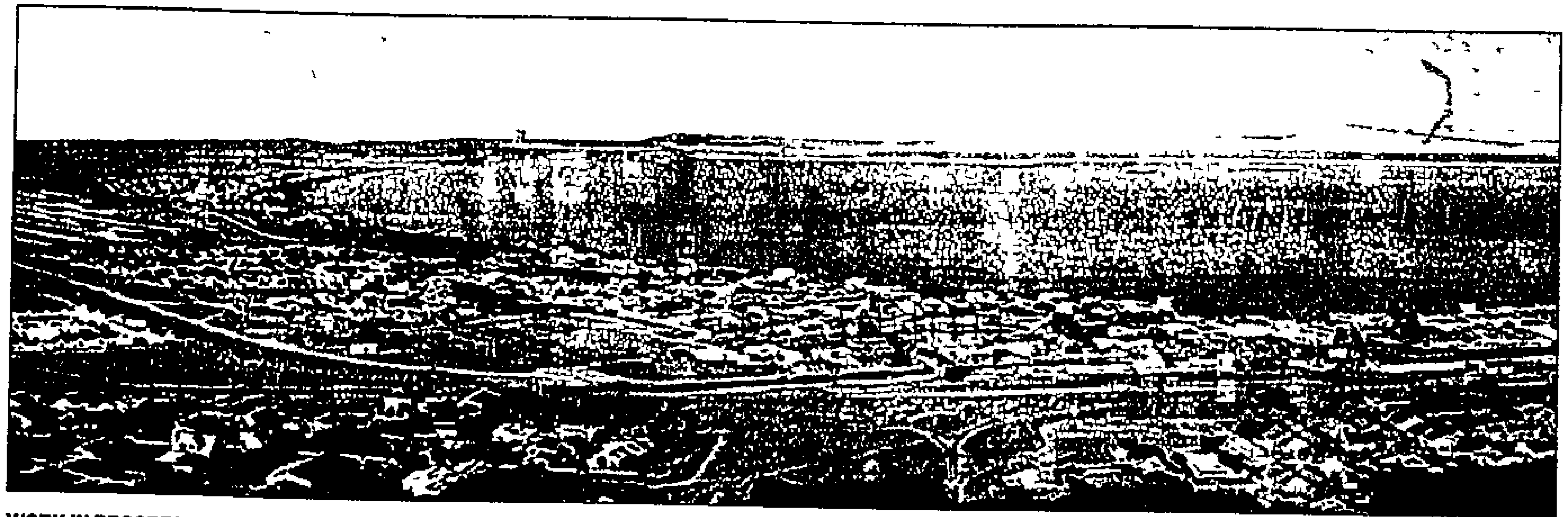
SEC's contracts manager, Mr Beau van Wyk, declined to comment.



WORK IN PROGRESS: A computer simulation of the proposed factory seen from the hill at Saldanha town

FILE PICTURE

HIGHVELD STEEL & VANADIUM (189)

WAITING FOR COLUMBUS

FM 18/4/97

Given its blue-chip status, it has been interesting to watch Highveld Steel & Vanadium (Hiveld) perform like a rubber ball over the past months as investors vacillate on its prospects

The share collapsed to a 12-month low of R14,20 in December from a high of R31 but has since recovered to R19 where it seems investors are re-assessing the situation

The issue is how long it is going to take to get operations at Columbus Stainless on to a profitable, even keel This is all-important to Hiveld because of its 33,3% stake in the operation

Rice Rinaldi Turner analyst George Grohmann is predicting Hiveld's net EPS could recover to 108c during 1997 from last year's 73,6c and then more than treble to 370c in 1998 but the caveat is this assumes Columbus comes right in the current financial year

Highveld chairman Leslie Boyd does not offer investors a clear forecast on Columbus "The commissioning of this high-technology, fully integrated plant is more difficult and costly than expected"

Columbus lost R140m in the year to December and worse financial results seem possible this year despite anticipated better production volume and quality performance That's because stainless steel prices remained low while, in January, Columbus stopped capitalising interest and start-up costs

In early February Columbus MD Fred Boshoff forecast saleable production of 370 000 t to 390 000 t for calendar 1997 compared with 235 000 t for calendar 1996, which would generate turnover of R2,6bn against last year's R1,4bn

Hiveld has funded its one-third share of the cost of Columbus through retained income and debt Costs of this policy are now apparent in the income statement

Boyd says at December 31 Hiveld's borrowings excluding Columbus amounted to R143,9m but including its share of the stainless steel producer boosted the net debt to R707,5m The effect for Hiveld was a swing from net interest income of R16,4m in 1995 to net interest payments of R33,7m last year

Boyd has better news on the carbon steel front where, he says, there are signs of export prices improving after production cuts in Japan and Europe last year

It is forecast world carbon steel consumption will rise by more than 3% this year after an increase of just under 1% last year He says prices are firming for most of Hiveld's key products, particularly vanadium

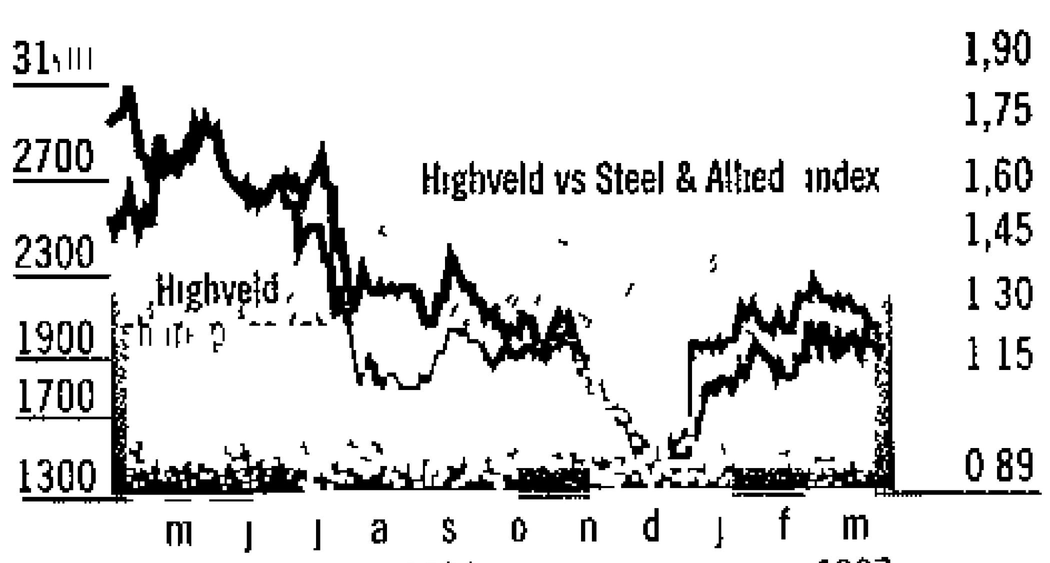
Boyd forecasts a modest increase in group earnings for 1997 The issue facing investors is whether it is worth continuing to buy Hiveld as a recovery stock at present levels and the answer may well be to wait a while longer *Brendan Ryan*

Leslie Boyd does not offer investors a clear forecast on Columbus

- **ACTIVITIES** *Integrated iron, steel, vanadium and ferro-alloy producer which also holds a one-third stake in Columbus Stainless*
- **CONTROL** *Amic 52%*
- **CHAIRMAN** *L Boyd MD T E Jones*
- **CAPITAL STRUCTURE** *95,4m ords Market capitalisation R1,8bn*
- **SHARE MARKET** *Price 1 900c Yields 1,8% on dividend, 3,9% on earnings, p e ratio, 25,8, cover, 2,1 12-month high, 3 000c low, 1 420c Trading volume last quarter, 5,7m shares*

Year to December 31	'93	'94	'95	'96
ST debt (Rm)	185	258	166	176
LT debt (Rm)	276	717	746	1 005
Turnover (Rbn)	1,69	2,14	2,54	2,7
Pre-int profit (Rm)	52	126	245	101
Pre-int margin (%)	3,1	5,9	10,0	3,7
Earnings (c)	144	131	219	74
Dividends (c)	50	60	90	35
Tangible NAV (c)	1 354	1 455	1 627	1 656

Highveld Steel & Vanadium Corp
Cents vs Steel & Allied index



SOURCE I NET

COMMERCIAL UNION OF SA

PROTECTION WILTS

Like other short-term insurers, this company has sought to temper exposure to the volatility of its market

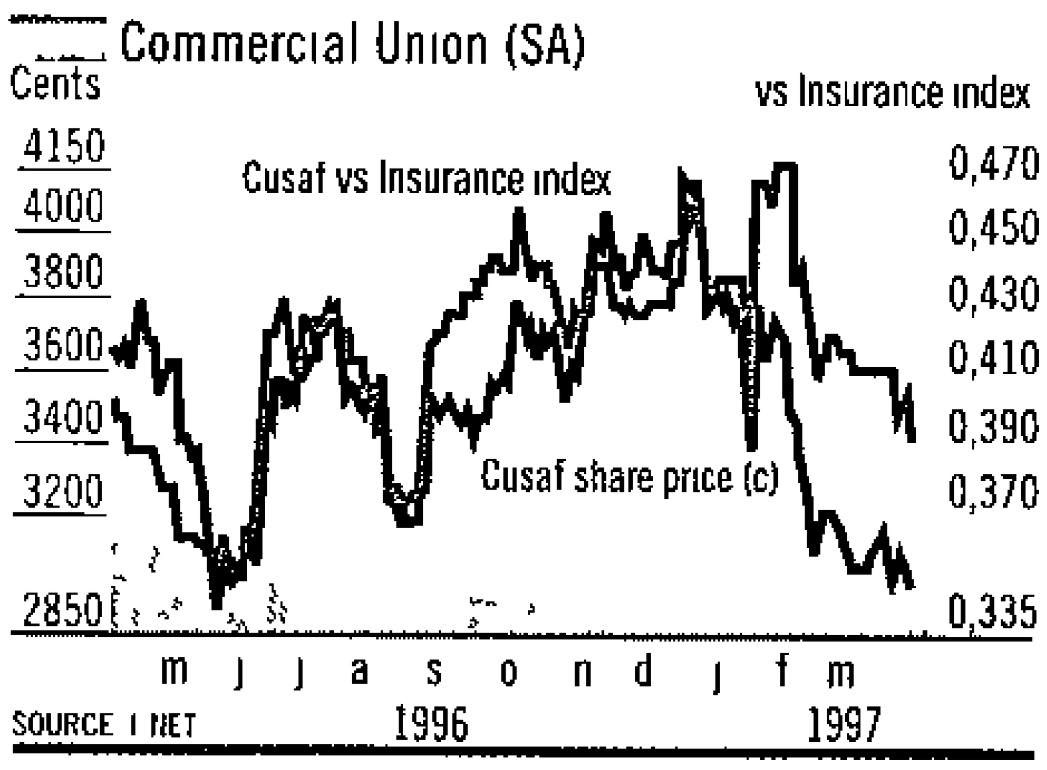
Short-term insurers have typically buttressed income contributions from investments Cusaf, a composite insurer, has gone further, developing insulation through its life assurance activities

- **ACTIVITIES** *Short- and long term insurance, and related financial services*
- **CONTROL** *Commercial Union Assurance Plc 51%*
- **CHAIRMAN** *A M D Gnodde MD R R McL Wanless*
- **CAPITAL STRUCTURE** *50m ords Market capitalisation R1,74bn*
- **SHARE MARKET** *Price R34 70 Yields 2,6% on dividend 7,3% on earnings p e ratio, 13,8, cover, 2,8 12-month high R41, low, R29 Trading volume last quarter, 73 052 shares*

Year to December	'93	'94	'95	'96
Ins net premium inc (Rm)	430	487	601	883
Lfe net premium inc (Rm)	673	554	603	637
Pre-tax profit (Rm)	103,7	72,8	141,7	224
Taxed profit (Rm)	81 6	68,7	130,3	191,1
Net income (Rm)	80,2	67,8	126	176,6
Lifeprofit (Rm)	22,8	21,5	25,7	19,2
Underwriting profit (Rm)	19,1	(13,6)	38,1	33,3
Solvency ratio (%)	95,4	100,8	83,9	71,5
Headline earnings (c)	160	136	251,9	252,2
Dividends (c)	50	60	75	90
Tangible NAV (c)	1 243	1 597	1 908	1 896

The degree of protection the life company afforded Cusaf last year shrank though CU Life's contribution amounted to 8% of group pre-tax profit compared with 18% in 1995

The life operations' net distributable surplus dropped by a quarter to R19,2m mainly because of lower investment returns in difficult markets Individual life's recurring premiums jumped 36,5%, helped by a 17% gain in new business recurring premiums Single premiums fell 27% as individual investors mainly opted for better returns in cash with last year's high interest rates



Chairman Dru Gnodde believes the individual life business's capability — which accounts for 56% of CU Life's net taxed surplus — has been strengthened through the acquisition of Protea Life at the start of November last year

Cusaf bought Protea Life and Protea Assurance Investment Management for R252m, financing the purchase from internal resources Protea Life's clients are mainly focused at the individual investment and savings end of the assurance market CU Life provides a life and employee benefit products and services

"It (Protea) has over time developed a range of products which are carefully differentiated and targeted," he says "It will make a growing contribution to group premium income and profits "

Protea added R1,2m to shareholders' profits last year Also aiding Cusaf's earnings was the inclusion for the first full year of Sentrasure

Sentrasure, held 60% by Cusaf, buoyed group investment income, which grew by nearly 60% to R118m The agricultural insurer helped lift net premiums of CU Insurance, the short-term activities, to R883,4m from R601,4m Excluding Sentrasure, CU Insurance grew net premium income 15%

"The underwriting performance of Sentrasure has improved dramatically following the refocusing of this niche insurer on its core agricultural business," says Cusaf MD Roger Wanless

CU Insurance's underwriting surplus dropped to R33,3m from R38,1m, reflecting the higher incidence of flood and fire claims experienced by the industry

"Not only has the frequency of arson risen alarmingly, but it is apparent there has been a breakdown in risk management and controls in the workplace," says Wanless He believes premiums charged for fire insurance in the commercial and corporate sectors are "well underpriced" and need to be raised if fire portfolios are to regain profitability

Analysts have expressed concern that short-term insurers will struggle to raise premiums on their large corporate business because of increased competition from foreign and domestic players

"The short-term insurance market will soften further (this year) in the light of the entrance of at least one direct writer into the market," says Wanless

On a (headline earnings) p e of 13,8 and given the expected difficulties in short-term insurance, Commercial Union is fairly priced The prospect of rising contributions from the life operations, mainly because of the purchase of respected Protea, make the stock, at just under R35, a long-term buy *Sean Feely*

SA EAGLE

THE CYCLE GOES ON

Short-term insurers never learn Now that SA Eagle has gone through the process of increasing rates and introducing stricter underwriting controls, MD Peter Martin is anguishing about competitors offering cheaper rates And so the cycle continues Rates are pushed down again and underwriting controls slacken The question is, when will the next downward cycle start?

SA Eagle has only just recovered from losses in the last cycle It posted an underwriting profit of R23,3m in the 1996 financial year from a loss of R23m in 1995 and R135m in 1994 "We increased rates, were more selective in our underwriting and encouraged clients to install alarms

Peter Martin *anguishing about competitors offering cheaper rates*

- **ACTIVITIES** *Short-term insurance*
- **CONTROL** *Eagle Star Insurance 58,3%, ultimate control lies with BAT Industries Plc*
- **CHAIRMAN** *C F Coates MD P T Martin*
- **CAPITAL STRUCTURE** *12 2m ords Market capitalisation R1 34bn*
- **SHARE MARKET** *Price R110 Yields 3 2% on dividend, 11 4 on earnings p e ratio 8,7, cover 4 12-month high, R123 low R80 Trading volume last quarter, 43 208 shares*

Year to December 31	'93	'94	'95	'96
Gross premium (Rbn)	1,06	1,36	1,46	1,56
Investment income (Rm)	74,1	76,3	95,6	133,4
Pre-tax income (Rm)	77	8	213	197
Earnings (c)	490	309	1 511	1 257
Dividends (c)	200	200	250	350
Tangible NAV (c)	8 218	9 091	10 765	11 044

and similar systems to protect their assets," Martin says

These stricter controls and rerating which started in 1995 particularly helped the motor account, which makes up around 52% of SA Eagle's total gross premium income Rates were raised an average 10% in 1995 and 10% in 1996

The fire account, making up 15% of SA Eagle's total gross premium income, is, however, still operating at a loss An increase in rates can be expected

Also contributing to better 1996 results is a 40% increase in investment income to R133,4m Investment of the proceeds of the sale of about 10% of its equity portfolio in interest-bearing investments was the major reason About half the portfolio is in equities while cash and interest-bearing investments make up most of the balance

"Unless the stock market falls, we'll keep at these levels," Martin says

Because of better investment and underwriting performances, headline EPS (derived from these two components) doubled to 860,8c

Some lost market share could be regained now that SA Eagle is on a more even keel 1996 premium income rose a pedestrian 6%, mostly because of higher rates, 1997 could see a higher increase

But don't get excited In one breath, Martin speaks about better profits in 1997, in another, he complains about greater competition, especially in the fire account where international competition is hotting up To keep and regain lost market share, SA Eagle will have to lower its rates sometime

The market has already rerated the share in anticipation of a turnaround in 1996 It climbed to a high of R123, it's

Samancor warns of drop in profit

(189) BD 24/4/97

David McKay

SAMANCOR, SA's largest ferroalloys producer, warned shareholders yesterday that year-end profit to June would be 25% lower than forecast owing to sluggish manganese prices, a firmer rand and production hitches at its manganese plant

MD Wilrich Schroeder said the combined results of these setbacks had compounded the negative affects of the group's interest burden and costs associated with the expansion of Columbus Stainless, which were no longer capitalised

The ferroalloys producer had a R1,1bn stake in Columbus, a project which had encountered a number of commissioning problems. The group's share of the losses at Columbus at the interim stage was R14,6m

Schroeder said that Samancor's income from operations for the second half would be about 50% of that forecast at the interim stage Samancor earned R171m in the six months to December

Its production problems centred around the furnaces at Metalloys, a manganese producer in Meyerton in Gauteng, which was slowly overcoming a "vicious cycle" in which unstable furnace conditions were leading to equipment problems These required rebuilding and were taking time to solve, he said

Corrected

Although the problems were being corrected, this was unlikely to benefit the group in the short-term

The furnaces should be operating at an optimum level in the first quarter of 1998, he said

Manganese prices had stultified in Europe and coupled with a firmer rand, this meant revenues from manganese sales were disappointing

Ferrochrome prices were also relatively poor and were therefore unlikely to compensate for manganese price weakness Ferrochrome is one of Samancor's staple products

Revenue from manganese sales accounted for about a third of Samancor's total turnover of R1,8bn in the six months to December, during which the Gencor-controlled company suffered a 55% reduction in attributable income to R171,4m

However, the group expected a large exceptional item — payment for its sale of a 50% stake in graphite electrode producer Emsa — to compenstate for its production and revenue losses

Emsa would be sold for about R335m as it was not a core asset for the group, Schroeder said

Numsa rejects Seifsa's 'miserable' wage offer

BD 25/4/97 (189)

Vuyo Mvoko

WAGE negotiations between the Steel and Engineering Industries' Federation of SA (Seifsa) and the National Union of Metalworkers of SA (Numsa) and eight other unions have ended with the union rejecting the federation's offers

During the first round of negotiations, which began on Wednesday, employers offered to increase actual and scheduled wage rates by 6% across the board, which would raise the industry's minimum wage by 44c an hour to R7,84 an hour

Numsa chief negotiator Elias Monage said the employers' 6% increase offer was "miserable This is a non-starter We reject it completely "

"Numsa's wage demand is a guaranteed inflation-linked increase plus 12% for the bottom grades and 8% for the higher grades so as to close the apartheid wage gap With inflation currently running at 10,1%, the employers' offer of 6% comes nowhere near meeting our demand "

The employers' offer included the introduction of a 60-day notification period regarding the introduction of new technology which would affect employees' job security, improved maternity leave benefits, maternity leave for adoptive mothers and a three-month injury-on-duty allowance

Seifsa industrial relations director Dave Carson said that in addition to wage increases ranging between 18% and 21,4%, the unions also put forward 63 other separate demands

Among the demands — a majority of which Carson said were rejected — were a reduction of working hours a week to 40 without loss of pay, annual leave increases, shift work allowances and overtime rates, the introduction of 200 hours' training per employee a year, five days' paternity leave and five days compassionate leave

Numsa said the argument by employers that "training is very expensive" would not take the industry very far if it wanted to compete on an international level

The parties agreed to report back to their contituencies and then meet again on May 20 and 21.

(189)

Metal workers' wage talks fail to yield results

THE first round of wage negotiations in the metal and engineering industry ended yesterday without significant progress as employers and workers failed to agree on labour's core demands

The Steel and Engineering Industries Federation of South Africa (Seifsa) rejected demands by the National Union of Metalworkers of South Africa for the reduction of working time to 40 hours a week and the introduction of 200 hours training time per employee per year

Seifsa also rejected Numsa's demand for five days paid paternity and compassion leave, an increase in shift work allowance and overtime and an increase in annual leave

Numsa in turn rejected Seifsa's six percent subsistence allowance increase offer

Seifsa also offered to introduce a 60-day notification period when introducing new technology which would affect the jobs of some employees – *Sowetan Reporter*

Sowetan 25/4/97

Bernard Smith *commercial issues need to be finalised*

STEEL INDUSTRY

Swiss plan huge plant for Saldanha

Industrial Development Corp tees up offshore cash injection for Western Cape industrial zone

(189)

FM 25/4/97

Swiss-based international steel trader Duferco has entered into a US$150m joint venture with the Industrial Development Corp (IDC) to build a huge steel mill at Saldanha Bay beside the IDC/Iscor steel plant now under construction

Paolo Foti, who heads new projects at Duferco's Swiss head office, says "I'm finalising the contract for the supply of equipment so that we can start our building operations by next month"

Saldanha Steel executive director Bernard Smith confirms that negotiations with Duferco have "reached an advanced stage"

He says the Swiss joint venture will take about 450 000 t/year of hot-rolled product, with a possibility of "toll-treating" additional tonnages

"Certain commercial issues still need to be finalised, but we hope that this can be done within the next month" Smith says the R6,8bn Saldanha Steel plant should start production by mid-1998, with output approaching 1,25 Mt/year by the first half of 1999

Foti says Duferco will export product to the US, Europe and the Far East "within 20 months" Apart from cold-rolled coil, the new plant will also export pickled and galvanised cold-rolled steel product

"As a trader, Duferco annually moves about 13 Mt of steel-related product around the world Now we are using some of our profits to invest in manufacturing plant"

Direct reduction iron (DRI) projects already on the drawing board in southern Africa include the Maputo-based IDC/Enron venture and the JCI plant to be built near Beira JCI proposes to use gas from Arco's gas field in central Mozambique But rumours persist in the industry that another DRI project is being planned for the Northern Cape

JCI is said to be involved in the project and an announcement is expected by the middle of May JCI refused to be drawn on this Namibia's undeveloped Kudu gas field is a potential energy source for a gas-fuelled DRI plant Shell Exploration (Namibia) MD Ger Kegge says "I know the Northern Cape government is interested in the use of Kudu gas in the province Talks were also held with the IDC about a Kudu gas-based DRI plant, using Iscor's Sishen iron ore"

Other possible projects are a gas-fired power station in southern Namibia and a gas pipeline to serve possible mineral beneficiation opportunities in the north and western Cape such as Gold Fields' undeveloped Gamsberg zinc deposit **Arnold van Huyssteen**

Tongaat-Hulett keeps busy schedule

(189) BD 30/4/97

THE past six months have been busy ones at Tongaat-Hulett

The food and industrial group has entered a partnership with Scandinavian giant Norsk-Hydro in its aluminium profiles business, and committed R200m to expanding its Zimbabwean sugar operations It has sold a cotton ginning operation to Lonrho, its edible oils business to Lever Brothers and Tongaat Food Distributors to Namibian company CIC

And work has continued on two mega-projects — its starch and glucose division's R720m expansion, which is on track to start up in August, and the R2,4bn expansion of Huletts Aluminium's rolled products capacity, which is due for commissioning late next year or early in 1999

It appears a jumble of activities But all are in line with a strategic thrust, the essence of which was devised some five years ago That was when management, led by then newly appointed group MD Cedric Savage, decided to restructure the KwaZulu-Natal based group to compete in the more open economy then just coming over the horizon

Implementing change in sugar baron country has taken time, tough choices and plenty of money But it has resulted in a dramatic transformation — one the market has recognised with a strong rerating of the Tongaat-Hulett share over the past couple of years

The group, which is due to report March full-year results next month, is on track to raise earnings per share more than 30%, following increases of 30% last year and 53% in 1995 Return on equity rose to 12,7% in financial 1996, from a low of 7,4% in 1993 For financial 1997 the figure should come in at 13-14%, a level the group last recorded in 1988

Its share, which in the past tended to trade at the discount to net asset value typical of conglomerates, has over the past couple of years traded at a premium at R71, the share price is more than double net asset value

Sugar remains the mainstay of the group — more so if its operations outside SA are included

The group revealed the extent of its Zimbabwean operations for the first time last year, bringing dividends (of some R20m) to account in its September interims The group employs about 8 000 people in Zimbabwe, where it plans to spend R200m over the next 12 months to modernise its 200 000 ton a year Triangle sugar mill and expand its estates It is also involved in rehabilitating Mozambique's sugar industry, managing one state-owned mill and negotiating to run another

The group's investment strategy in sugar focuses on low cost facilities, southern Africa-wide Much of its market is in the Indian Ocean Rim, where southern African producers have a freight cost advantage

It will be a keen bidder when Lonrho's sugar operations — in Swaziland, Malawi and Mauritius — come up for sale as part of the UK-based group's unbundling

Savage is careful to note, though, that he expects Lonsugar to be offered to all the big sugar companies, Tongaat's Anglo parentage will not give it preferred status despite the Anglo-Lonrho link

SA sugar operations will provide a strong boost to earnings for the year to end-March with the drought ended, the 1996/97 crop is now expected to yield 902 000 tons for the group, up from 538 000 tons good rains this summer indicate sugar output will be as large in 1997/98

The aluminium division, which has brought in new management and cut overheads, has had "a good run since November", says Savage Aluminium's contribution was sharply down at interim stage, reflecting weak markets and the effect of last year's sale of 50% of the rolled products business The sale, to parent Amic and the IDC, aimed to ensure Tongaat could finance the R2,4bn rolled products expansion project without straining its balance sheet About R1,3bn has now been spent on the project, which will triple output to 150 000 tons a year, half of it for export.

The focus on rolled products could have meant less attention being paid to Hulamin's profile products, hence the recent deal in which world leader Norsk-Hydro bought 30% of the business, with an option to raise this to 50% It is to be renamed Hulett Hydro Aluminium, and should benefit from Norwegian technology and expertise

Aluminium is expected to be a key source of earnings growth longer term so is the group's property division, a product of the 1992 decision to squeeze more out of its assets — in this case 45 000 hectares of canelands in what were becoming prime urban areas

Property profits more than quadrupled from 1992 to 1996 Savage believes the division can sustain earnings growth for 20 years

Starch and glucose subsidiary African Products is a consistent money spinner, benefiting from heavy investment over the past three years the R720m new plant at Klipfontein is the latest and largest of projects aimed at upgrading and expanding capacity About R500m has been spent to date the project will start commissioning in July and is expected to be working well by October

In textiles, one analyst comments, the group's strategy is "the only game in town" Its only remaining textiles business, the niche producer David Whitehead, exports 30%-40% of sales, and is one of few SA textile companies to make profits

The group's underperformers are consumer foods and building materials Fifty per cent of Tongaat Consumer Foods was sold three years ago to US-based branded foods multinational CPC, but the venture has been slow to yield benefits, primarily because the division was weighed down by non-branded food businesses Edible oils has now been sold, as has Tongaat Food Distributors, three quarters of whose sales were non-Tongaat products Savage predicts higher earnings in coming years

Building materials subsidiary Corobrik has undergone major rationalisation, but is unlikely to advance until housing-spend takes off

Given its diversity, some analysts feel Tongaat-Hulett, listed in the JSE's food sector, would be more appropriately listed in industrial holdings The food divisions (sugar, starch and consumer) contributed 56% of operating profit last year they are projected to contribute just over half of the group's earnings in 10 years' time, says Savage, who believes food remains the place for the share Worth noting is profits — and assets — in food are understated because the group does not consolidate its Zimbabwean sugar operations

Some analysts believe the share is expensive. they want to see results from the group's expansion drive

Soaring costs face poultry producers

(Poultry)

BY SHIRLEY JONES

CT (BR) 20/3/96

Durban — The South African poultry industry has little chance of being internationally competitive if soaring input costs are not contained

The primary costs are for feed and day-old chicks

Wally Eggers, the chairman of the East Coast Broiler Association, said yesterday there was a clear need for an independent audit of the poultry industry's production costs These costs were 10 times higher than those of producers in the United States Adjusted for exchange rates, input costs should be no more than four times higher, he said

Chicken prices have dropped by up to 50 percent in some cases over the past month

However, two substantial price hikes within four months from the chicken-feed suppliers Meadow and Epol had caused feed costs to rise 25 to 31 percent between February last year and last month. The price of day-old chicks was expected to rise 5 percent from April

Guy Bestel, the managing director of Meadow Feeds, a Pietermaritzburg-based Tiger subsidiary, said his company had had little choice but to pass on massive price increases to end users

Bestel said a huge demand from China and Japan for fish meal had caused a world shortage and prices had shot up by 90 percent The same demand applied to maize and Meadow had to import maize and soya at inflated prices Fish meal and maize constitute 80 percent of chicken feed

Bestel said he hoped the price of maize would drop with the expected good local crop this year, but poor crops elsewhere in the world would cause a worldwide shortage

Macadams' earnings rise 112%

(1898) CT (BR) 20/3/96

BY MAGGIE ROWLEY

Cape Town — Macadams Bakery Supplies Holdings, the Cape-based bakery equipment supplier, more than doubled its earnings for the year to December 31 on the back of soaring exports and domestic sales, which exceeded budgets by more than 20 percent

Turnover was 38 percent higher at R77,7 million with exports accounting for about 36 percent of total sales

Stricter controls of overhead costs and lower interest-bearing debt saw operating income up 113 percent to R8,6 million As the assessed tax loss had been utilised fully, taxation increased resulting in attributable earnings rising 112 percent to R5,9 million

Because of the larger number of shares in issue, earnings at the share level were diluted to a 108 percent improvement of 33,5c

A final dividend of 3c a share brought the total payout for the year to 5c a share, a 150 percent improvement on the previous year

Kevin McEvoy, the financial director, said the company, which won the Exporter of the Year Award in the Western Cape in August, was exporting to 60 countries including the Pacific Rim

Further growth in exports was expected during the current financial year and the company was budgeting for a 40 percent rise in total turnover for the year to December 31

This would include a contribution of about R25 million from Livanos Brothers, which also manufactured and sold equipment for the bakery and confectionery industry It concentrated on the bake-off and pie markets, which was acquired by Macadams in January this year at a purchase price of about R2 million

A re-rating of the share, trading at about 60c in April last year, began in September after the release of strong interim results and the resumption of an interim dividend The share is trading at 175c to 185c

Portnet inks deal for Richards Bay

BY THABO LESHILO

QUAYED IN *Gérard Perceau of Basil Read, left, and Neil Oosthuizen of Portnet sign the R120 million contract for the Richards Bay extensions*

Johannesburg — Portnet signed a R120 million contract yesterday for extensions to its general cargo quay at Richards Bay to accommodate the increased volumes of freight

The contract for the additional 700m quay wall has been awarded to the Basil Read construction company and Boskalis South Africa, its consortium partner

Project management and design will be undertaken by Protekon, a Transnet business unit

Neil Oosthuizen, Portnet's chief executive, said yesterday that the 3,8 million tons of general cargo that passed through the port was expected to increase to 4,5 million tons next year

The total volume of cargo that was shipped through the port increased from 6,8 millions tons in 1976 to 76,1 million tons last year

The decision was taken after various alternatives, including redirecting some cargo to Maputo and Durban and improving productivity, showed an that extra quay would still be needed

Oosthuizen said an environmental impact study had shown the project would have no significant, long-term detrimental impact on the environment

Work has already started on the project, which is expected to be completed by early July next year

Local builders and suppliers would be used in support of the RDP and the project would provide jobs for about 300 people

NOT UNATTACHED. Bronwen Phillips, repudiated by her own prospectus

Fridge maker overlooks its assets on ice

(189C) ST(BT) 31/3/96

By JULIE WALKER

MASTERFRIDGE, the fridge company seeking a JSE listing, denied in a public meeting this week that any of its subsidiary's shares were attached — a day before the company published its prospectus stating otherwise

The prospectus points to two areas of litigation One is that the Rand Supreme Court recently authorised an attachment of certain shares in 100%-owned Masterfridge subsidiary Fridge Master SA to establish jurisdiction in an action which KIC and KIC Manufacturing intend pursuing against a former group company, Refrigerators Swaziland Ltd

Charlie Palmer, founder and chairman of Masterfridge, was previously employed by KIC, now owned by Gentech in the Altron stable, but formerly owned by Picardi Appliances The Masterfridge prospectus says the directors have been advised that the attachment has no effect on Masterfridge or on its financial position Elsewhere in the prospectus it says Masterfridge took over the liabilities of Refrigerators Swaziland

Asked at a presentation on Wednesday whether any group company shares had been attached, Bronwen Phillips, a director of Masterfridge and joint managing director of Fridge Master SA, said no shares had been attached, only two properties owned by Mr Palmer in Natal

"Charlie is a resident of Swaziland, they can't touch him there," said Miss Phillips

Mr Palmer is the subject of the second item of litigation KIC and KIC Manufacturing have instituted legal action against him relating to the period during which he was employed by KIC Manufacturing as well as certain periods after his employment was terminated

The prospectus does not specify an amount, but a sum of R30-million damages for breach of restraint of trade was confirmed by Mr Palmer

At the presentation, Mr Palmer said the action had been brought five years after he left KIC

"It's to get your eye off the ball," he said "We try to go to court but they won't give us a date"

All the directors disputed that the group faced a potential tax liability, although they stated that a competitor had sent the taxman to investigate and he had given them a clean record Gentech denied it sent the Receiver

However, it is understood that the Receiver of Revenue will investigate possible transfer-pricing The prospectus shows Masterfridge to have earned R21,7-million in the year to June 1995, yet Fridge Master SA had an assessed loss of R1,35-million at the same date in spite of accounting for the bulk of the R234-million Masterfridge turnover

Masterfridge is offering 22,5-million shares of which 3-million will be offered to the public at 275c At listing, there will be 79,7-million shares in issue, valuing the company at R220-million Masterfridge forecasts earnings of 25,9c a share for the year to June 1996 and an 8,2c dividend

Protocol would penalise us, say dissenters

Electronics clean-up hits a snag

(189)

ET (BR) 7/3/97

SHIRLEY JONES

Durban — Two companies refused to sign a Consumer Electronics Association document presented to the customs and excise department yesterday which sought to establish minimum values for various electronic imports in an attempt to erase rampant under-valuation scams within the industry

Omega Holdings and Connoisseur Marketing refused to sign it on the grounds that the document did not cater for the complete spectrum of imported electronic products

However, Alan Coward, the chairman of the association, said yesterday that the document stipulated minimum free-on-board (FOB) values for all consumer electronics goods to assist customs officials in identifying the many instances where product values had been altered or reduced to avoid duties In a recent incident, Durban customs seized television sets valued at $6 each

Richard Ferrer, the vice-chairman of the association and chairman of the Customs and VAT Enforcement Caucus, said duty evasion applied to about 90 percent of car stereo imports, 95 percent of radio and CD cassette imports and more than 80 percent of video recorder and mini hi-fi imports with a combined loss of R262,6 million a year to the fiscus

Coward said that, although the system was not yet perfect, it reflected a concerted effort by legitimate operators to clean up the industry He said duty evasion was not synonymous with lower retail prices and in many cases it simply resulted in greater profit

Shaun Lane, the financial director of Omega Holdings, which marketed a range of brands including Tempest, Supersonic, Autodek, Aiwa, Alpine and Toshiba, said while his company endorsed the document and the principle behind it, it disagreed with the stipulated values

Lane said Omega had demanded a two-tier system which provided separate FOB prices for internationally branded products and a second tier for those aimed at the lower end of the market He said the document was submitted for signing the day before presentation and believed more time was required to iron out problems Ross Cederwall, a director of Connoisseur Marketing and Martin Ellert, its managing director, voiced similar sentiments

Cederwall explained that Connoisseur imported from China and Malaysia where prices were significantly below that of the Japanese brands brought in by other signatories "This system would result in our goods being topped As a small company we would be penalised when we were doing nothing wrong," he said

INDUSTRIAL DEVELOPMENT CORP

HEADING FOR MAPUTO

FM 14/3/97 (189)

Plans for the Industrial Development Corp (IDC)'s multibillion direct iron reduction plant took a dramatic twist this week when the corporation announced it is investigating relocating the project to Mozambique

Originally costed at US$1bn (1996) and destined for Phalaborwa, the project is now on the drawing board for Maputo at an estimated cost of R5,2bn

The plant will produce 4 Mt/year of iron carbide for export Globally, the proliferation of ministeel mills has seen serious shortages of scrap on world markets, prompting the need for the development of alternative sources of iron The Maputo plant is the first foreign project the IDC has been involved in

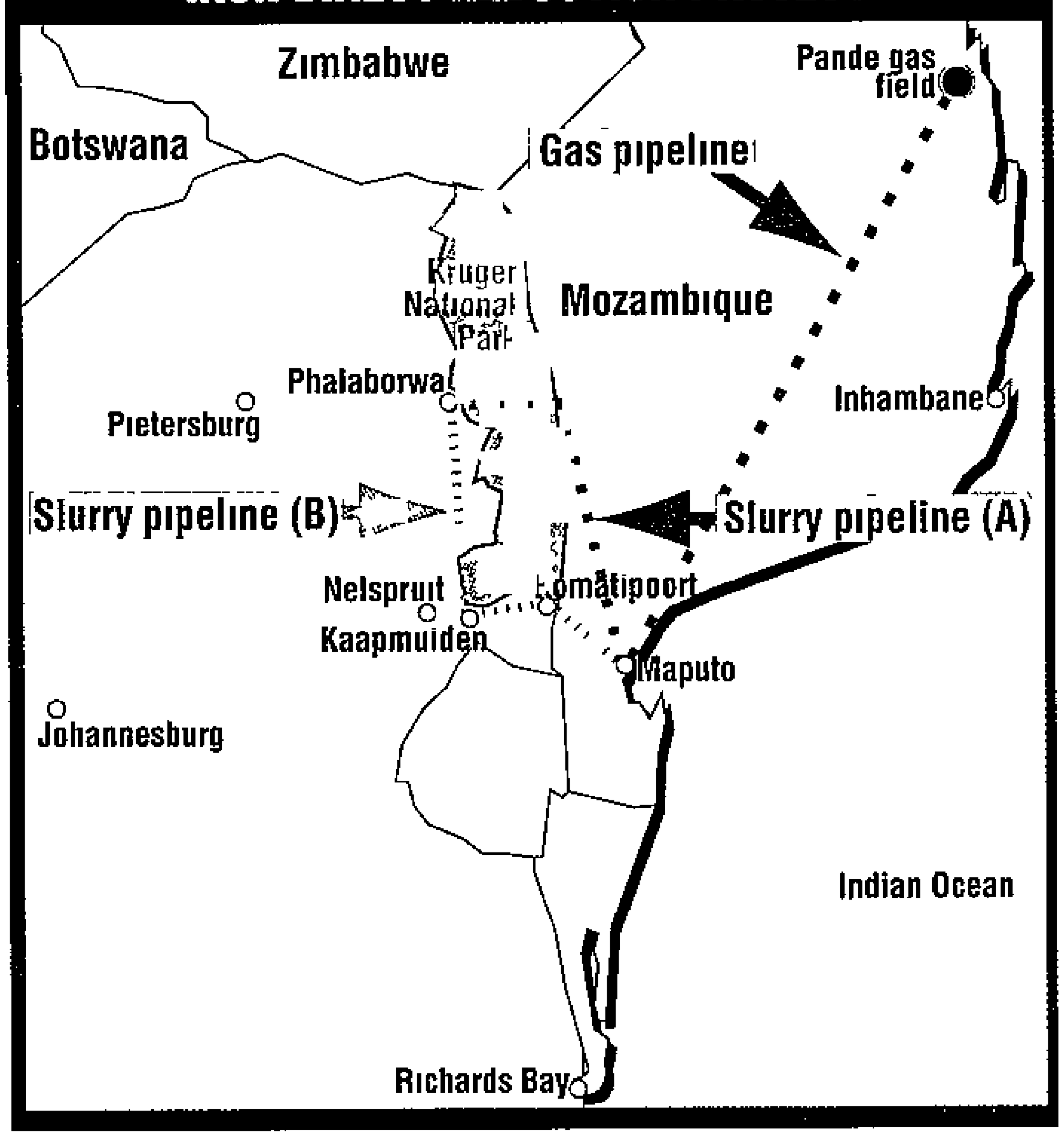
Explaining the sudden shift, IDC GM Ted Droste says the only energy option considered was gas from the Pande field in Mozambique This would have required a pipeline from Pande to Maputo and thence to Palaborwa — a distance of 900 km — resulting in expensive gas The distance from Pande to Maputo is 550 km

But US developer Enron has an agreement with Empresa Nacional de Hidrocarbonetos of Mozambique and the Mozambican Ministry of Mineral Resources & Energy which allows it to develop the fields, provided that gas is also made available in Maputo Enron also desperately needs an anchor client for the Pande project

So, says Droste, it's a case of when Mohammed can't come to the mountain, then the mountain must come to Mohammed The mountain in this case being the huge 200 Mt of magnetite at Palabora Mining Company (PMC) coupled with the 60 Mt at Foskor But how do you move mountains? "Simple," says Droste "We can use a slurry pipeline to pump a mixture of magnetite suspended in water from Phalaborwa to Maputo " The slurry pipeline will cost R900m

If the plant had remained in Phalaborwa, not only would gas have to be piped from Pande but product would have to be railed (an expensive process) to either Maputo or Richards Bay

But now comes the controversial bit There are two possible slurry pipeline routes between Phalaborwa and Maputo The first is through the Kruger National Park (see graphic slurry pipeline A), the other is around the park, to the south Though not substantially shorter, the route through the park offers topographical advantages



IRON DIRECT REDUCTION PROJECT

Droste is sensitive about the environmental issue He emphasises transparency "An important component of our studies will be a comprehensive Environmental Impact Assessment, which will be conducted with full public participation This will be of more interest than usual, given the sensitivities of a pipeline through either the Kruger National Park or the scenic areas to the west and the south of the park, and of locating additional heavy industry at Phalaborwa, adjacent to the park "

He adds the pipeline could contribute, by way of royalties, to the development of conservation But what is probably of prime significance — and should mollify most enviromentalists — is that the pipeline will be buried in order to minimise its impact on the area

The public participation process will be launched soon by mailing briefing documents to hundreds of interested and affected parties who will also be invited to become involved

Steel giant Iscor has also made its magnetite deposits in the Northern Province available for evaluation as a feedstock These deposits contain magnetite which can be upgraded to a relatively pure form Because all of the Phalaborwa deposits contain unwanted impurities these can be reduced by blending in purer magnetite from Iscor sources

Final blend ratios will depend on price and quality The cost of a slurry pipeline from Iscor's deposits at Pietersburg to Phalaborwa will be R800m

Feasibility studies are expected to be completed by August, with a preliminary investment decision by the end of the year The project could be in production within three years *Mick Collins*

PALMAG PROJECT

FOSKOR CLEARS THROAT

The phlogopite project at Phalaborwa has always been guaranteed to bring on an attack of the jitters in media circles A nightmare to TV news readers, it's un-

TOYOTA SA

EQUITY NO SWEAT, SAYS BERT

Toyota SA "isn't breaking into a cold sweat" on whether it can afford to fund its latest capital expenditure plans, says CE Bert Wessels

Having announced at the end of 1995 that Toyota would invest R1,5bn from 1996-2000, Wessels upped the figure last week to nearly R1,7bn Of that, R412m was spent in 1996, mainly on the new Corolla From now to the end of the century, another R1,275bn has been budgeted, for a total of R1,687bn

The demands of the motor industry development plan (MIDP), and the increased competition that has stemmed from it, have played an important part in raising investment needs The quest for exports, particularly, mean all SA manufacturers must strive for world-class standards in quality, cost and supply

Last October's purchase of 27,8% of SA shares by Japan's Toyota Motor Corp (TMC), gives Toyota SA added clout in striving for those targets The SA company has just appointed three Japanese directors to help both Toyota SA's manufacturing and marketing efforts

Wessels says competition in the SA market requires Toyota to offer more up-to-date products than in past years Like other SA motor companies, model introductions were often years behind major foreign markets, some new models were skipped altogether "We want to follow TMC more closely in future," says Wessels "In the new environment, we must have the latest models "

Toyota SA's export efforts have been hampered in the past through the lack of a formal relationship with TMC The shareholding in Toyota SA has already seen a change in that attitude Wessels says TMC has immediately given the SA company six new export markets in Africa Angola, Ghana, Togo, Burkina Faso, Senegal and Gambia More export opportunities are likely to follow

David Furlonger

pronounceable, abhorred by headline writers and has driven many a publicist to despair The only thing to do — and one PR man has now done it — was rename it Hence its rebirth as the R4,1bn Palmag project

Foskor MD Danie Vorster concedes phlogopite is not a household name (no kidding) and most find the word difficult to utter, spell or remember

But more importantly, says Vorster, Palmag is about to come a step closer to fruition when a R107m pilot plant is commissioned in July

"Industrial acceptance tests of the pilot plant's products will continue into 1999 before a decision is taken on whether to go ahead with the construction of the commercial plant "

The plant will recover alumina, magnesia and potassium sulphate from phlogopite, which is being discarded as waste from Foskor's phosphate mining activities at Phalaborwa

A comprehensive environmental impact assessment, launched in April 1996, will be finished before the end of 1998

The project, Vorster says, will have benefits for the economies of the Northern Province and Mpumalanga and of SA as a whole The net positive effect on SA's BoP is estimated at R1,1bn/year

The alumina produced will be enough to supply Alusaf's Bayside smelter on an annual basis Alusaf currently imports all the alumina it uses

The envisaged commercial project will produce 330 000 t of alumina, 300 000 t of high grade magnesia and 230 000 t of potassium sulphate annually To meet these production rates, the plant will require about 1,5 Mt of phlogopite and 860 000 t of calcined clay a year Magnesia is used in a variety of industrial processes while potassium is used extensively in agriculture *Mick Collins*

KWV PRIVATISATION WINE

VINTAGE STUFF

FM 14/3/97

Wine industry wholesalers will not be the only victuallers affected if the proposed transformation of KWV to a private company gets the nod from the Cape High Court on March 25

Gary May, branded liquor CEO of Gilbeys, comments "Wholesalers, co-operatives, retailers and independent wine farmers will all be affected "

He adds that due to KWV's grip on production, standing contracts and arrangements with raw material suppliers, a "privatised" KWV will distort the industry This may have a serious effect on the availability and pricing of many brands

"Because KWV controls the surplus wine, a huge distilling capacity was built which was made possible only through legislation Through transformation, KWV can become a private company with no cost of capital — but with control over available stock," says May

Last year, 83% of KWV's members approved the change If granted, all benefits gained over the years will be transferred to a private company, KWV Group, owned by the wine farmers

This implies that most of the wholesalers — represented by the Cape Wine & Spirit Institute — may be locked out of the new supply chain says the institute's executive director Riaan Kruger Shares will not be listed so the market will not be able to put a fair price on the deal

However, KWV MD Willem Barnard intends to go into competition with wine traders and create new brands Initial steps involve a black empowerment deal

"Such an investment will provide KWV with the necessary capital for the first phase in our extension programme This is the reason the transformation to a private company is a prerequisite," Barnard says in an affadavit prepared for the court Talks are under way to decide which black group will be invited to take up to 20% of KWV's offshore interests

"Initially, the export market will be targeted," says KWV public relations director Theo Pegel But, to the dismay of local wholesalers, there are no assurances that the local market will be left alone At present, legislation — reinforced by a gentlemen's agreement — restricts KWV in supplying bottled products to Africa south of the equator

KWV now operates as a private producer co-operative, with additional powers of regulating the wine industry through the Wine & Spirit Control Act The Competition Board is still investigating the implications of the proposals

According to Steven Goldblatt, an adviser to Agriculture Minister Derek Hanekom, "the Steyn report appointed to assess KWV's assets raises issues that have to be clarified For this reason, another inspector will be appointed "

One can only hope the appointment will be made sooner rather than later for the benefit of all concerned — not least the consumer *Piet Badenhorst*

Macsteel buy hardens up the Benelux option

David McKay (189) BD 17/3/97

MACSTEEL International, the offshore trading arm of SA steel producer Iscor, has bought a Belgian steel merchant for an undisclosed — but "competitive" — sum to represent Iscor in Benelux countries, deputy chairman Steven Levitt said at the weekend

The company, G&C International, is based in Antwerp and has been Iscor's distributor for some time. It would continue to distribute a "general range" of Iscor's products One foreign source said this excluded steel tubes however.

The advantage to Macsteel International was that G&C International, to be renamed Macsteel International Belgium, would be integrated with the group's large European network

For example, where it is uneconomic for one office to ship 15 000 tons of hot rolled coil to Europe, they can now join forces to bring material in

There was also the possibility of selling steel into Scandinavia, but if this did not take place, a further acquisition by the group was likely, sources said

C&G International co-owner Vincent Cobbaert had been retained and appointed the MD of Macsteel International Belgium

Levitt declined to disclose the yearly tonnages passing through the Antwerp office.

Hulett Aluminium to sign deal with Norwegian partner

BD 17/3/97 (189)

Nicola Jenvey

DURBAN — Hulett Aluminium plans to sell a 30% share in its R200m Profiles company to Hydro Aluminium Extrusion, a member of the Norwegian Norsk Hydro group

The new company will operate as Hulett-Hydro Extrusions when the deal takes effect at the beginning of next month.

Hulett Aluminium MD Peter Staude said the partnership with Hydro Aluminium marked the culmination of extensive research into locating a suitable international technology and marketing partner for Profiles.

The partnership would benefit from Hulett Aluminium's strong presence in SA and regional markets and from Hydro Aluminium's expertise in extrusion technology, and product and systems development, he said The partners aimed to double the annual production of aluminium extrusions in the SA market over the next few years

Staude said Hulett-Hydro' Extrusions would act as a launch pad for Hydro Aluminium's advanced extrusion system, since this expertise — specifically in building, domestic windows, transport and automotive component systems — was "unrivalled"

Hydro Aluminium Extrusion president Ivar Hafsett said the agreement formed a vital part of a strategy to expand into emerging markets. Norway-based Norsk Hydro is a industrial group with interests in light metal, oil and gas, agriculture and petrochemicals Last year's sales were $13bn

Hydro Aluminium Extrusion operated numerous extrusion, building systems and automotive component companies throughout America, Europe and Asia and was a leader in the world of aluminium extrusion, producing about 300 000 tons a year.

NEWS

W Cape to get R1,2-bn Saldanha plant boost

New furnace spells jobs bonanza

ARG 26/3/97 (189)

ALIDE DASNOIS
BUSINESS EDITOR

A total of R1,2-billion is to be pumped into the Western Cape economy with the construction of a new smelter for the Namakwa Sands project at Saldanha Bay.

Anglo American Corporation, part-owner of the R2,1-bn project, said today that work on the second phase would start at once

This phase involves the construction of a second furnace at Saldanha to smelt the mineral ilmenite to produce pig-iron and titanium slag, which is used to whiten ceramics and paper

The R1,2-billion investment will create 90 jobs in Saldanha-Vredenburg and an additional 170 jobs upstream in the Vredendal-Lutzville area, where the minerals for smelting are processed

A thorough environmental impact assessment of the project was done by the environmental evaluation unit of the University of Cape Town and an environmental management plan was formulated based on the information gathered

The Namakwa Sands project, launched in 1994, produces zircon and rutile, also used in ceramics, and ilmenite

The minerals are mined at Brand-se-Baai on the West Coast and the concentrate is processed at a plant near Koekenaap Zircon and rutile are used directly in industry and the ilmenite is sent to Saldanha, where the first smelter was opened in 1995

When the second phase comes on stream, a total of 760 permanent jobs will have been created, nearly three-quarters of them for residents of the area

Construction would start at once, Anglo American said, and should be completed by April 1999

The new plant will be in full production by 2001 and will increase production of titanium slag from 97 000 tons a year to about 235 000 tons Production of pig-iron will climb from 56 000 tons to 130 000 tons a year

The Namakwa Sands heavy minerals project was financed by equity capital from Anglo American Corporation (80 percent) and De Beers Holdings (20 percent), and a R370-million loan from the Industrial Development Corporation

The first phase of the Namakwa Sands Project cost R942-million and Phase 2 will cost R1,2 billion, bringing the total capital investment in the project to R2,1-billion

DAEWOO (189D)

INTO ORBIT

FM 1/3/96

Daewoo Electronics' results to December 31 not only reveal stronger accounts Developments in this period also leave the company well placed to take advantage of growth areas in the electronics sector, especially the distribution of satellite TV equipment

The group is not likely to have competitors in this market until April

Financial 1995 was shortened due to a change in year-end In the eight-month period, operating profit improved by 93% to R9,8m on a 110% turnover increase to R141,8m

Various aspects favour Daewoo Firstly, it has the support of the Amic-Daewoo (Korea) joint venture, which also distributes products (Daewoo cars, for example) Secondly, it distributes Daewoo and Kenwood brown and now white electronic appliances Though its product range grew in 1995, its brand focus narrowed to these two middle- and upper-priced labels

Thirdly, a fire which destroyed part of Panasonic's satellite equipment factory left Daewoo — sole distributor of UK-based Pace satellite equipment — the only local supplier of this new and relatively high-margin product

Analysts are forecasting strong medium-term growth from the satellite division The lack of competition in this part of the usually fiercely contested electronics sector is particularly important

Analysts say operating margins will remain under pressure in more mature markets such as TVs But MD Mike Bosworth says what Daewoo loses by cutting prices it makes up for in volumes

A fourth factor is the group's new infrastructure, which is now in place to cope with rapidly growing distribution needs, including new divisions

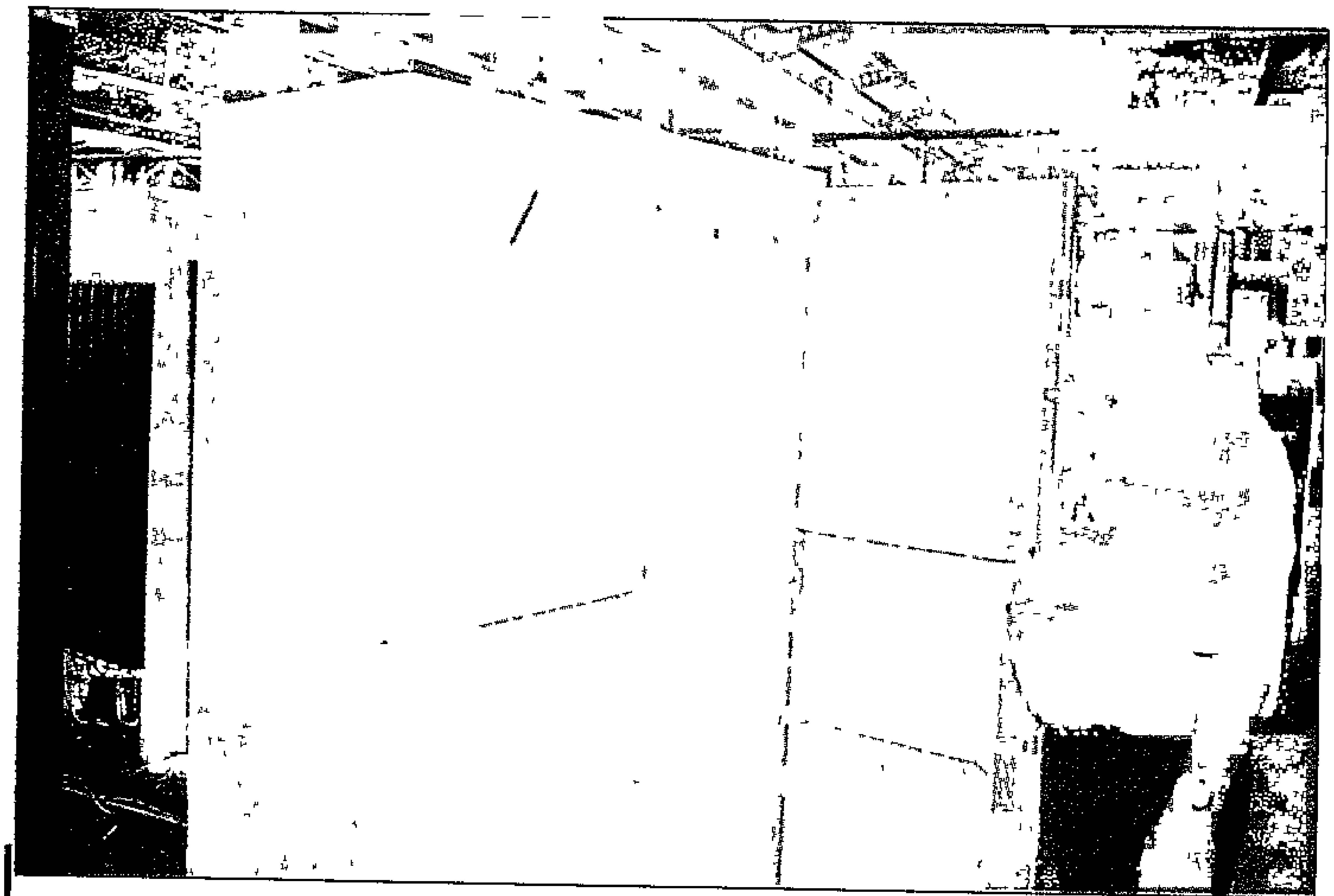
Lastly, growth was helped by the reduction of surcharge and import duties, which Bosworth reckons will continue to lessen the attraction of grey (illegal) goods

There are areas of concern, though Last August's R27m rights issue cut gearing from 200% to 60%, which is still too high Bosworth will be comfortable when gearing reaches his 50% target

Finance charges rose relative to operating income — for the eight months, interest absorbed more than a third of pre-interest income

The share price indicates market approval, it has almost doubled in fairly heavy trade since end-December Many analysts still rate the counter a buy, even at the current price

At R4,25, the historical p e ratio of 30,7 is among the highest in the sector — way above the average (20) But, if profit growth continues at this rate for another year as some predict, there is value in the counter *Michelle Joubert*



COOL *Charlie Palmer, the founder and executive chairman of Masterfridge, intends to lead the fridge and freezer company to a listing on the JSE in April*

Masterfridge to list on JSE

(189D) CT (BR) 7/3/96

By Charlotte Mathews

Johannesburg — Masterfridge, a Swaziland-based company that produces domestic fridges, freezers and a growing number of commercial refrigeration units, would raise R60 million through a listing on the JSE in April, it said yesterday

The company, which would have a market capitalisation of about R220 million, would list on the Swaziland stock exchange at the same time

"The R60 million is a public and a private offer

The funds raised from the listing would be used to eliminate debt and increase production by about R50 million

Demand for the group's household products outstripped supply, a spokesman said

"This demand is driven not only by the quality of the products but also by the nationwide electrification programme, so much so that overall sales of domestic fridges have risen by 50 percent in just three years," said Charlie Palmer, the executive chairman

"The housing element of the RDP will boost the fridge market further as it gathers momentum"

Masterfridge's manufacturing operations are based in Swaziland, but it also has offices in Midrand

It has a cluster of four factories in Swaziland that make 1 100 units a day, mainly for South Africa

Most of the products are sold under its own brand names, Fridge Master and Super Frost The rest are sold under the brand names of some of its major customers, including Hyperama, Joshua Doore, the OK, Russells, the Shaw group, Game and Ellerines

These groups accounted for more than half of Masterfridge's turnover of R235 million last year

SPESCOM (1890) 29/3/96

BROADER HORIZONS

FM ~~29/3/96~~

Spescom has undergone structural changes over the last two years which have done much to improve its earnings prospects

- **ACTIVITIES**· *Develops, makes and distributes electronic products*
- **CONTROL**· *Directors 35%*
- **CHAIRMAN** *T Farah*
- **CAPITAL STRUCTURE:** *20,3m ords Market capitalisation R76,1m*
- **SHARE MARKET** *Price 375c Yields 2,3% on dividend, 6,7% on earnings, p e ratio, 14,9, cover, 44,1 12-month high, 440c, low, 250c Trading volume last quarter, 2 439 930 shares*

Year to April 30	'92	'93	'94	†'95
ST debt (Rm)	9,4	10,2	13,4	11,2
LT debt (Rm)	1,1	1,4	2,3	1,5
Debt equity ratio	1,47	—	0,07	0,15
Shareholders' interest	0,56	0,72	0,66	0,68
Int & leasing cover	1,9	2,5	2,5	2,3
Return on cap (%)	11,8	9,1	7,6	19,5
Turnover (Rm)	50,0	61,4	54,4	115,6
Pre-int profit (Rm)	3,4	5,1	4,7	12,7
Pre-int margin (%)	7,4	8,3	8,7	11,0
Earnings (c)	15,6	9,3	12,6	23,9
Dividends (c)	3,0	5,0	4,0	8,5
Tangible NAV (c)	76	206	207	219

† 17 months to September 30

It has broadened its products range, greatly increased export sales, gained the backing of a multinational group and transformed its balance sheet through a rights issue

Spescom and Siemens last year launched a joint venture to supply prepay electricity meters in SA and overseas It has won an Eskom contract worth R60m over two years, and has several sites in other developing countries

Financial director Hilton Isaacman describes this market as immature, and says there are "many more possibilities "

To counter growing competition, Spescom is seeking to cut production costs and continues to develop its technology "This is a volume-orientated business," says executive chairman Tony Farah "Securing contracts requires hard-sell, and should gain impetus through the Siemens link "

Though this division will generate a growing percentage of Spescom's income — Isaacman hopes earnings will double by the 1997 year-end — product lines and agencies are also being added to the telecommunications and multimedia divisions This should help reduce the risk of exposure

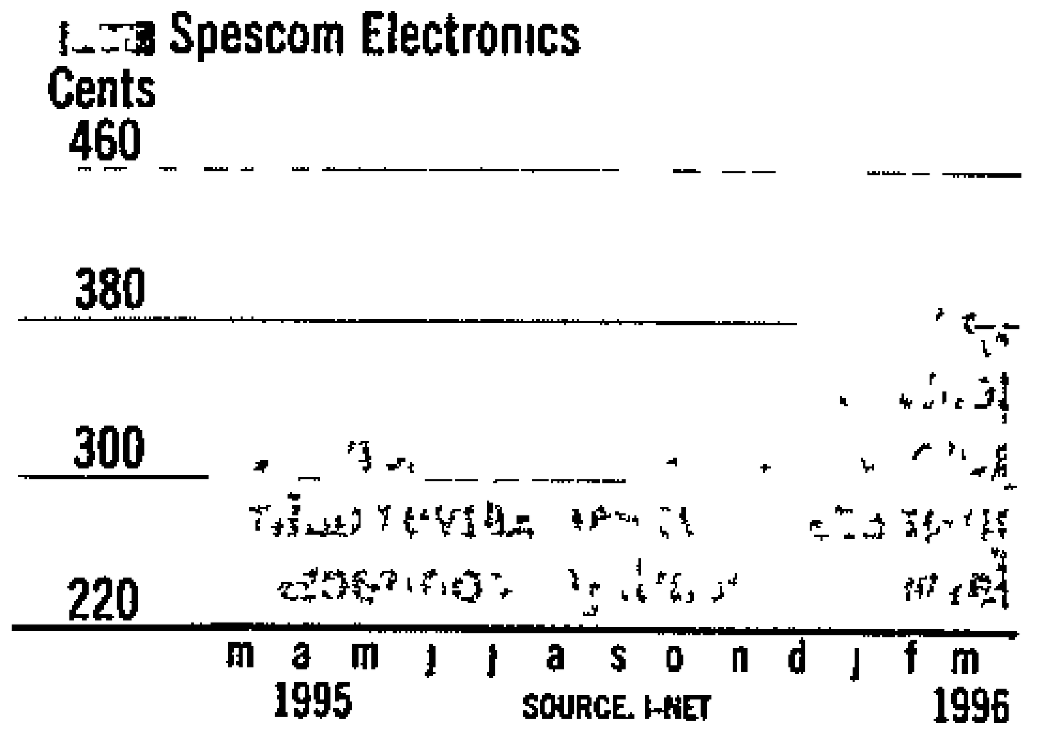
Part of the equity raised through the R30m rights issue last December may be used for an acquisition The company is involved in negotiations that could result in a deal

The rights issue leaves Spescom effectively ungeared At year-end finance charges absorbed almost half of pre-interest profit

Comparisons of fiscal 1995's results with those of previous years are made problematic by the acquisition of a new business and a change in year-end because of the joint venture

For the record, pre-interest profit for the 17 months to end-September rose 170% to R12,7m on a 113% turnover increase to R116m, EPS jumped by 318% Annualised comparison of the final 11

Tony Farah *this is a volume-orientated business*



months of financial 1995 with those of the previous financial year indicates a 65,9% turnover increase to R90,2m, with EPS rising 89,7% to 23,9c Isaacman hopes that current earnings will double by financial 1997 year-end

Assessed losses have kept the effective tax rate at a low 8,6%

Last year's developments have found favour with the market, as is emphasised by the confidence of institutional shareholders Though the counter eased recently, it stands on a fair p e of 17,3 at its current R3,80

Assuming management maintains tight control on the pace and cost of expansion, the share's market rating could improve further It's worth watching

Michelle Joubert

Wind-up to excise duties

MtG(BM) 2-8|2|96 (189D)

South African import duties are preventing the sounds of music from reaching the man in the street, reports **Jacquie Golding-Duffy**

THE South African company which manufactures wind-up radios has appealed to Deputy President Thabo Mbeki to lift crippling import costs which have scuppered local sales

Cape Town-based BayGen Power Manufacturing, which launched the radio last October, targeting South Africa's rural poor, said *ad valorem* tax on import costs of the radio's components put its selling price beyond the reach of the local market.

The wind-up radio, a "godsend to cost-effective communications in poverty-stricken areas", has proved to be the opposite with a crippling 37,5% *ad valorem* on radio components forcing the price to be pushed up by the same percentage, the company said

Baygen sales and marketing manager Leigh Murray said about 10 000 radios had been sold abroad but not one radio had been sold locally

"Because of taxes imposed on the sale of goods locally, we would have to up the price to cover costs and this in turn will not make the product, in this case radios, affordable to the man on the street," Murray said

The Baylis generator, a British invention which powers the radio, was developed into a South African venture with funding from, among others, the British Overseas Development Administration, Liberty Life and Kagiso Trust Investment (the business arm of Kagiso Trust)

But shareholders have yet to reap the benefits of their investment and rural expectations have yet to be met with the supposedly cheap transistor because the *ad valorem* — a form of excise duty levied on the sale of certain domestic products, like the wind-up radio — are increasing factory manufacturing costs

BayGen Power secured exclusive rights to manufacture, market distribute and sell products generated by the Baylis generator

BayGen financial manager Brian Barrett said the company had given distribution rights to Windup Technologies and the latter was responsible for selling the radios

"Windup Technologies have not sold any radios but orders for next month had been agreed on in principle," Barrett said

He said the onus was on the distributor to "find ways and means of getting around the excise duty by convincing government to lift it"

BayGen general manager John Hutchinson confirmed that no radios had been sold locally He said the problem with local sales was that the radios were seen by government as "luxury items" rather than necessities The excise duty tax would have to be slapped on to the factory price which in turn directly affected consumer prices

Hutchinson said the base in Cape Town was responsible for meeting international as well as local demands, but a labour force of 100 workers was unable to meet the annual target of 500 000 units "We are producing about 10 000 to 20 000 units in Cape Town," he said, but added that the majority of radios manufactured thus far had been for overseas buyers and consumers in Africa

He was reluctant to reveal the cost of manufacturing the radios but said all profits, which at the moment were non-existent, would go to various shareholders, among others, the Disability Employment Concerns, which contributes 30% of the workforce at the BayGen factory

"Profits will go back to shareholders proportionate to their shareholding," he said

Windup Technologies, the distributing company, said informal talks with government were being followed up with a written application to have the tax lifted Its financial director, Clive Ferreira, said the radio would cost about R300 and that buyers would save at least R200 annually on batteries

"We're limited by the production available to us and will not be able to meet all demands but we are intending, together with local black businessmen, to set up a chain of stores to sell the radio in the Gauteng metropolitan area," Ferreira said

He said many influential businessmen were being approached in a bid to get sales going in various local regions but stressed that the tax issue would have to be sorted out first

"Local interest has been very slow but I have no doubt that it will be a success, given time," he said

Wound for sound The wind-up radio is a 'godsend to cost-effective communications in poverty-stricken areas', if you can afford one
PHOTOGRAPH HENNER FRANKENFELD

Sony deal sees Tedelex axe 400 workers at Atlantis plant

BD 5/2/96 (189D)

Paul Vecchiatto

CONSUMER electronics company Tedelex has retrenched 400 of the 890 staff at its Atlantis factory in the run-up to a new marketing deal between parent Malbak and Japan's Sony Consortium.

Malbak executive director Hugh Brown said at the weekend that production of Tedelex's audio products had halted in December after lower import tariffs had rendered the operation non-profitable. The products were now imported. Tedelex — which has represented Sony in SA for 35 years — would also transfer its direct marketing and sales staff to the new joint venture Sony SA.

Sony will hold 75% of the new company and Malbak 25%.

Sony representative Toshi Mashima said the company planned to produce car audio equipment at the plant, but no details were available until negotiations with Malbak/Tedelex were complete. The deal is expected to be finalised later this month

The Atlantis plant, which currently assembles 15 000 Sony TVs a year, will be used as a subcontractor to the new venture Tedelex will continue to distribute Casio and its own products.

The job losses represent another blow to SA's consumer electronics industry. Philips SA warned before Christmas that its television manufacturing plant would close, with the loss of 200 jobs.

Tedelex's attributable earnings were R14m (R12m) for the year to August 1995, on sales of R617m (R503m) Brown said Sony had accounted for between 35% to 40% of Tedelex's income.

Altron eyes new markets in Angola, Mozambique

Lukanyo Mnyanda BD 6/2/96 (189D)

ELECTRONICS group Altron is considering Angola and Mozambique as potential sources of new markets in a bid to boost exports.

Chairman Harold Serebro said at the SADC conference last week that the group, which currently exports goods worth R100m to the rest of Africa, was also targeting the Pacific Rim, the UK and other east African countries.

Total exports accounted for 12% of manufactured goods valued at R1,2bn.

Serebro said it was crucial for Africa to form a trade bloc with its own regulations as soon as possible. This would create a large market for the continent's goods and might even rival other trade blocs such as North American Free Trade Agreement (Nafta) and the European Union.

"We can not wait for Nafta and the EU to take us in because they won't. We have to fend for ourselves and create a powerful base."

Altron was investing about R175m in technology development annually in a bid to increase its international competitiveness, Sarebro said.

The company has created employment for many citizens in its countries of operation.

"We have trained engineers to maintain our systems in host countries. This does not only create international goodwill but also provides employment opportunities."

Altron was committed to transferring technology to the rest of the region and had formed joint ventures and trade alliances with an unspecified number of companies from the SADC region.

Detonator write-off to blow a hole in Altron's earnings

(1896)

CT (BR) 14/2/96

By Charlotte Mathews

Johannesburg — Problems with the marketing of new electronic detonators for the mining industry have forced Allied Technologies (Altech) to write off R54 million from its bottom line this financial year

Altech is a telecommunications, cellular telephone and electronics group owned by Altron

Bill Venter, the chairman of Altech's holding companies Altron and Ventron, said yesterday that Altech had started to develop its electronic sequential blasting detonators about eight years ago

These were intended to replace the cap-and-cord detonators used in the mines with something safer and more cost effective

Development work had been expensive, involving simulations and the services of about 30 engineers for the past eight years About 18 months ago a prototype had been built, Specialised parts had been ordered on the understanding that demand from the mining industry would be about 45 000 detonators a day, out of the industry's estimated 700 000 detonations a day

However, demand from the mining industry was only about 3 000 to 4 000 detonators a day "Based on that, management said there is still work to be done in marketing this product and we would write off the development costs," Venter said.

It had been decided to take the write-off immediately rather than over five years

Venter said that Altech's management was still committed to the product

Due to the write-off, Altech would not meet its earnings forecasts It would report a profit of "a couple of million" for the year to February, he said

Venter emphasised that Altech's other operations — industrial and telecommunications — had performed exceptionally well

Were it not for this write-off, Altech would have reported a 28 percent to 35 percent improvement in profit in this period compared with the previous year

Altron, which owns 54 percent of Altech, will report a 30 percent drop in earnings Both Altech and Altron will maintain unchanged dividends

The total market for detonators could be worth about R5,4 million a day, based on the current price of R7,50 to R8,00 for a single Altech detonator.

The company would aim for a 10 percent to 15 percent share of the market that would be worth about R243 million a year

Altech's electronic detonator competes with the cap-and-cord method, which costs about R2,20 a detonation, and AECI's non-electronic Shocktube, which is about R7,00 There is also a product in the pipeline from a joint venture between Plessey and Sasol

Growth lifts Daewoo's income

Edward West (189D) BD 21/2/96

DAEWOO Electronics raised net income 60% to R4m in the eight months to December after aggressive growth in the consumer electronics and home appliance industry boosted turnover 110% to R141,8m.

Weighted share earnings improved to 9,1c from 8c in the previous comparable period and a 2,5c final dividend was declared

Chairman Mike Sander said further real earnings growth was expected over the next year.

Results for the Anglo American Industrial Corporation (Amic) and Korea-based Daewoo Corporation joint venture company were not strictly comparable with those for the eight months to December 1994 as its year-end was changed to December 31 to fit in with that of Amic. In addition, new products and brands were added to its range since it changed its name from Supalek last July

The company, which distributes white and brown goods, lifted operating income to R9,8m (R5,1m), while the interest bill more than trebled to R3,5m.

Sander said a R27m rights issue in August had strengthened its capital base for expansion and gearing had fallen to 60% from 200% last April.

The aim over the period had been to grow rapidly and build a springboard for feasible manufacturing operations in the future.

Sales of Daewoo home appliances had been good and the company's microwave ovens had become market leaders

Its white goods range was being expanded locally, while the Kenwood brand had continued to show sales and earnings growth.

Daewoo turnover up 110% on white goods' growth

(189D) CT (BR) 21/2/96

By James Lamont

Johannesburg — Daewoo Electronics yesterday announced a 110 percent surge in its turnover to R141,8 million in the eight months to December last year This was up from R67,6 million for the same period to December 1994

The rise in turnover reflected the company's considerable growth in the consumer electronic and domestic appliance industry

Net income for the exclusive distributor of Korean manufactured Daewoo products for the eight months to December last year was about R4 million, compared with R2,5 million for the eight months to December 1994

Mike Bosworth, the chief executive officer of Daewoo Electronics, said a strengthening of brands, Eskom's household electrification programme and growth in the satellite industry were factors in the company's growth Daewoo Corporation's (Korea) "solid commitment" also helped, he said

During this period the company was awarded sole rights to distribute the Daewoo range of white goods This includes microwaves, refrigerators, washing machines and floorcare products It also has sole rights for importing, distributing and marketing its own range of brown goods, including television sets, video machines and home and car audio systems

A rights issue of R27 million at R1,40 a share was successfully concluded in August last year The additional capital strengthened the capital base and helped finance the company's expansion programme

Gearing has accordingly been reduced from more than 200 percent in April last year to 60 percent at the end of December

The board of Daewoo Electronics expects to announce an award of capitalisation shares to ordinary shareholders by March

Mike Sander, the chairman of the board, said the year had been a turbulent one, with the company working hard to develop a strong distribution capacity for the product range, including Daewoo and Pace — to which it had access

He said the company's focus would now be on manufacturing Daewoo products for export to the international market

Bosworth said Daewoo Electronics' share of the R3,5 billion brown and white goods and satellite industries would be 16 percent this year He expected its share of the satellite industry to be more than 45 percent

Delta Electrical holds off dividend until Budget

(189D)

BD 22/2/96

Edward West

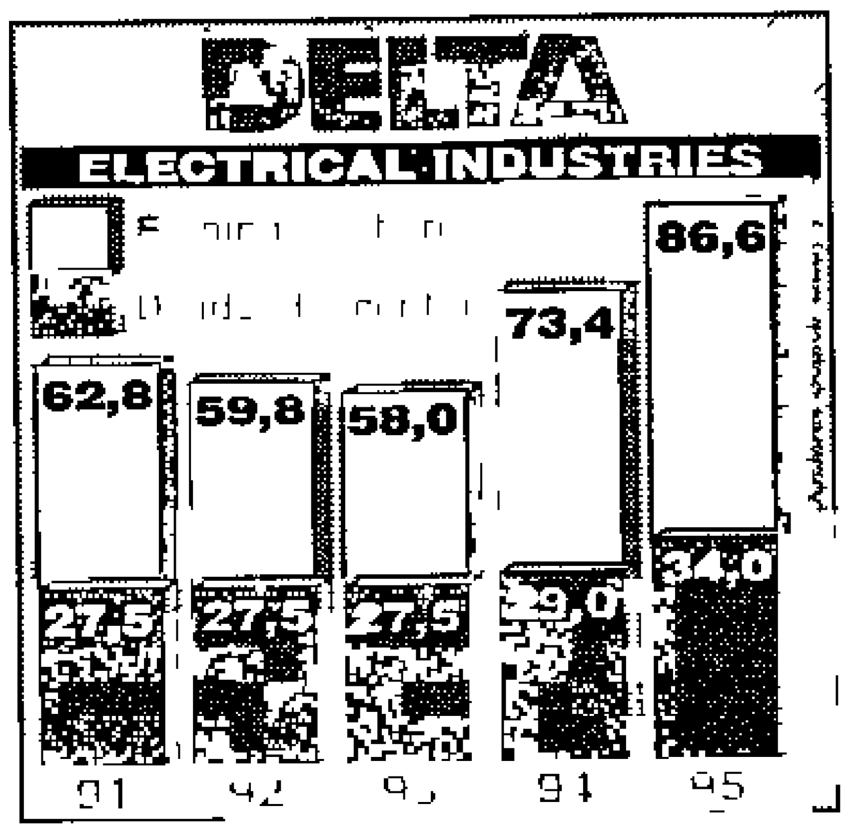
DELTA Electrical Industries raised net attributable income 23% to R38,7m in the year to December with the help of strong sales and improved efficiencies at its electrolytic manganese dioxide, industrial distribution and repair companies.

Share earnings were 18% up at 86,6c and a final dividend of 22,5c was proposed.

This will be declared after the Budget, a step taken because of uncertainty surrounding secondary tax on companies.

MD Evan van Zyl said sales from continuing operations had improved 16% to R481m. Operating income was 18% higher at R64,1m, he said.

Net interest paid fell substantially to R45 000 from R2,8m, leaving pre-tax profit up 24% at R64,1m, while the tax bill rose 36% to R24,4m because of assessed losses being fully utilised and because export incentives became taxable.



As a result, net income was 16% up at R41m.

Outside shareholders' interest fell slightly to R2,2m from R3,9m.

Van Zyl said that the sale of Delta Cables on January 30 for R17,2m, together with an "exceptionally" positive cash flow from operations, had left the company ungeared for most of the period under review.

It had a net cash balance of R25,3m at year-end, while cash generated from operations increased 20% to R74,6m.

Further expansion of the electrolytic manganese dioxide plant in Nelspruit — used in the manufacture of dry cell batteries — had been approved and production would be increased to 20 000 tons a year from 14 000 tons, putting the company among the biggest of the approximately 12 producers worldwide, he said.

The expansion project was on schedule for completion at the end of this year.

The company warned shareholders last Friday that negotiations which could affect its share price were in progress, but Van Zyl said he could not comment on the talks at this stage.

He said improved performances across the board had contributed to earnings growth, with the electrical repair businesses in particular having achieved better results after poor trading conditions in 1993 and 1994.

Current trading conditions were much the same as in the second half of last year, Van Zyl said.

Electronics division sparks Grinaker's rise

BD 22/2/96 (189D)

Edward West

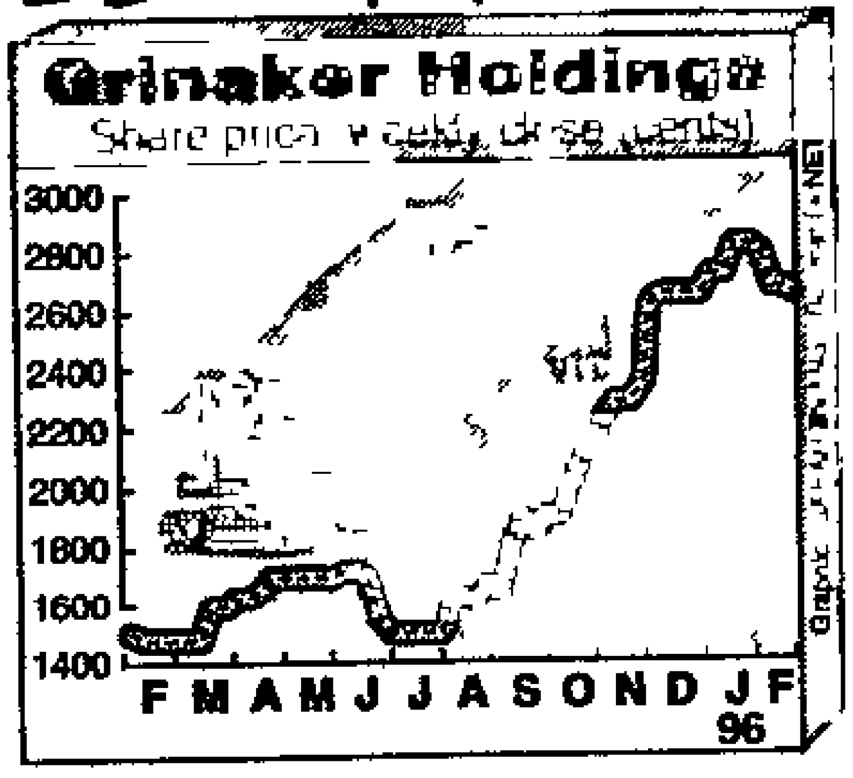
ANGLOVAAL's Grinaker Holdings improved earnings before exceptional items by 18% to R21,9m in the six months to December after good earnings growth from its electronics operations offset an earnings decline from its construction division

Share earnings before exceptional items were 18% up at 62,7c, and the group said it intended declaring an interim dividend of 9c (8c) before the end of April

Grinaker chairman Richard Savage said turnover grew 14% to R1,95bn and operating profit after depreciation was 14% up at R62,5m.

Income from investments slipped 15% to R9,2m, while interest paid was static at R6,8m and profit before exceptional items increased 10% to R65m.

Exceptional income of R4m had resulted from the sale of investments and other assets, less goodwill written off. Earnings after exceptional items were 75% up at R24m



Grinaker's electronics arm and holding company of Siltek, Grintek, posted a 24% increase in earnings to R21,1m on turnover which rose 19% to R1,04bn. Siltek's earnings grew 14% to R32,1m before exceptional items on turnover rose 25% higher at R908,4m

Cash and deposits at the end of the review period had surged to R166,6m from R55,4m, and contingent liabilities as at December 31 had amounted to R1,97bn, substantially below the R3,8bn reported a year before. Net asset value climbed to 928c from 698c

Savage said the computer systems division had performed well Siltek's associate Q Data had turned in a 55% profit hike, but the distribution division had performed below what had been expected.

Grinaker Electronics had recovered from the effects of a fire which destroyed part of its manufacturing facility in Pretoria last year, he said. Product delivery was now satisfactory and export orders were growing.

Grinaker Construction's earnings were lower due to the pressure on tender margins as large projects such as Columbus and Alusaf reached completion. The slowing of government capital expenditure before the outcome of the November elections had also squeezed margins

The construction firm had R1bn of work on hand Short-term prospects were positive as there would be an upswing in the number of tourist-related opportunities and government appeared to be making progress in removing blockages which had restricted the RDP programme, particularly in housing However, the benefits of this were likely to be felt only in the second half

Delta reports 23% profit rise

(189D)

By Fiona Leney

CT (BR) 22/2/96

Johannesburg — Strong sales performances and improved efficiencies at Delta Electrical Industries contributed to a 23 percent rise in attributable income to R38,7 million from R31,5 million for the year ending last December, the company said yesterday

The group, which repairs and distributes electrical motors, cables and diesel equipment, said that earnings a share had risen 18 percent to 86,6c on increased turnover of R481 million (R413 million).

The tax rate rose to 38 percent from 34,6 percent because assessed losses had been fully utilised during the previous financial year In addition, export incentives had become fully taxable from March 1 last year

Having been ungeared for most of the year, the company ended the year with a net cash balance of R25,3 million following the sale of Delta Cables in January last year for R17,5 million and positive cash flows from operations

A final dividend of 22,5c a share had been proposed and provided, although the declaration of the dividend was being deferred until after the Budget because of the uncertainty surrounding secondary tax on companies

Grinaker lives up to analysts' expectations

CT(BR) 22/2/96 (1890)

BY FIONA LENEY

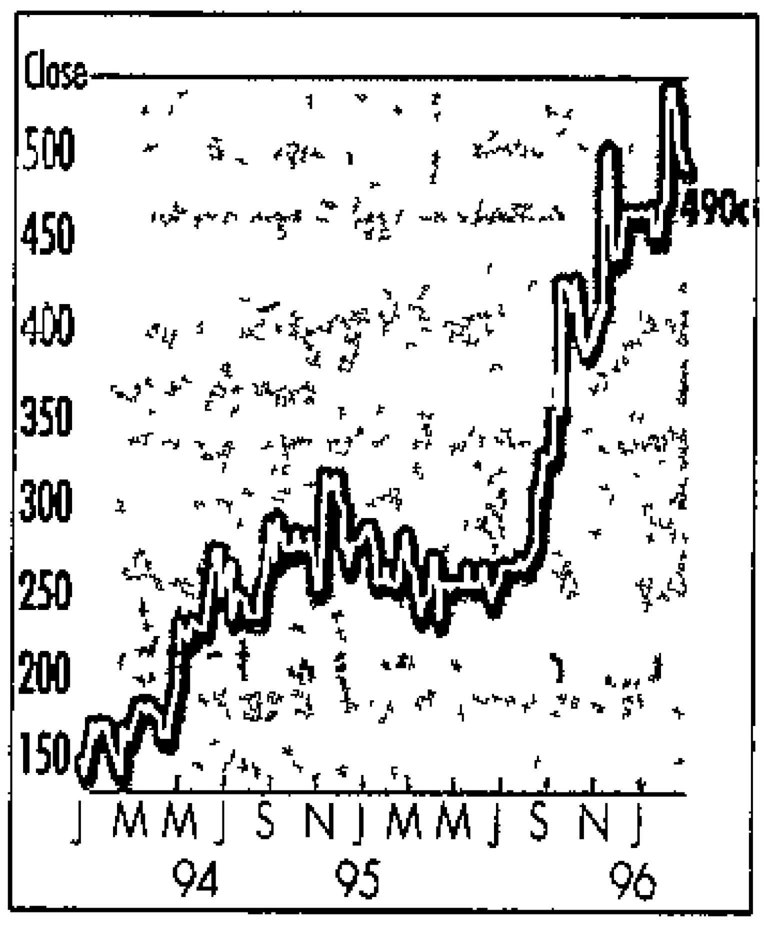
Johannesburg — Grinaker Holdings, Anglovaal's electronics and construction group, yesterday reported modestly improved results for the half-year ended 31 December 1995, roughly in line with analysts' expectations

The group, which draws its income from subsidiaries Grintek and Grinaker Construction, said that attributable profits had risen by 18 percent to R21,9 million before exceptional items Turnover was up at R1,95 billion (R1,71 billion)

This was despite a downturn in the construction business after the completion of large building projects such as the Columbus stainless steel plant and the Alusaf smelter

Government expenditure on capital projects also slowed down during the period of uncertainty around the November municipal elections, said Grinaker chairman Richard Savage

Grintek Ltd.



The subsequent squeezing of tender margins was reflected in the 7 percent fall in attributable earnings to R7,223 million for subsidiary Grinaker Construction.

Work in hand, worth R1 billion, was at a satisfactory level and short-term prospects were good, with promising tourism and RDP-related opportunities

"The intention is to declare an interim dividend of 9c a share before the end of April, which will be a 12 percent improvement on the one paid last year," Savage said

Grintek, the group's electronics subsidiary, also posted improved results, with attributable earnings up 24 percent to R21,1 million on turnover of R1 billion (R877,5 million)

The proposed dividend payable to shareholders would be 18 percent higher than last year, at 2c a share

Siltek, Grintek's information technology subsidiary, also performed well It posted a 14 percent rise in attributable earnings to R32,1 million, with strong performances from the computer systems division, despite weaker-than-expected results from its distribution arm and a mixed performance from its offshore operations

Siltek's management did not expect earnings growth in the second half of the financial year to exceed that of the first six months, it said

Grinaker Electronics, the other Grintek subsidiary, which specialises in electronics communications, expected trading to improve in the second half, with a stronger order book than at this time last year, and growth in export orders expected

The company had recovered from a fire which destroyed part of its manufacturing facility in Pretoria last year, said Grintek chairman Jack Saulez.

Daewoo's sharp growth is 'encouraging'

(1890) ST(BT) 25/2/96

By MARCIA KLEIN

DAEWOO Electronics, a company controlled jointly by the Korean group and Amic, has achieved a sharp rise in earnings in the eight months to December

The 110% hike in turnover to R141,8-million reflects the company's growth in the electronic and home appliances industry

Mike Sander, Daewoo's chairman, says the growth is "encouraging" in view of difficulties experienced by the industry before duties were lowered and surcharges abolished

He says the company is pleased to see a reduction in illegal imports following lower duties

Net income was R4-million against R2,5-million in the previous year

Mr Sander says Daewoo's trading activities have been structured under three brands, Daewoo, Kenwood and Pace

Daewoo, the sole distributor of Daewoo products from Korea, enjoyed good sales, while Kenwood continued to improve sales and earnings Pace was approved by MultiChoice as a distributor of digital satellite receivers, and growth opportunities are good

All trading divisions are expecting growth in 1996, and real growth in earnings has been forecast for the year to December

Plessey scraps digital system plan

Samantha Sharpe (189D)

CAPE TOWN — Electronics group Plessey had scrapped plans to manufacture locally a digital telecommunications system designed for telephone access in rural areas after changes to SA tariff protection

Plessey Communications MD Rob Shaw said yesterday that the system would be imported directly from Japan Its local manufacture would have involved a multimillion-rand investment by the group BD 28/2/96

Shaw said the recent removal of local tariff protection of between 15% and 20% on various items, despite the recommended level under GATT being 15%, had made the system's production in SA "commercially unviable"

"We cannot justify the level of investment with the constant threat that competitors have this advantage in our own backyard The playing field is simply not level"

Potential exports to countries with telecommunications needs similar to SA's would be restricted, while 50 potential new jobs would not materialise

The tariff situation had forced the group into a position where it was faced with higher barriers when exporting to SA's trading partners than international competitors importing to the group's home base, Shaw said.

"Any international customer requires a reference point when purchasing a product... If you're not selling products in your home market successfully, customers are immediately suspicious," he said.

"I would urge that tariff levels be applied at GATT levels, not higher, to ensure a level playing field."

Gentyre deflates in the face of cheap imports

Robyn Chalmers BD 28/2/96

GENTYRE's attributable earnings fell to R21,5m (R33,9m) for the six months to December, as cheap imports gave the local tyre industry a bumpy ride.

Earnings fell to 130c from 214c and the interim dividend was unchanged at 48c. Shareholders were also offered a scrip option

Comparisons with the six months to December 1994 were skewed by the period's write-back of a substantial provision and the realisation of the company's investment in Zimbabwe. Earnings over the past 18 months would have been relatively static excluding these factors, the company said.

Turnover rose to R311,3m from R274,4m while operating profit dropped to R26,4m from R36,3m Interest received of R1,5m (R761 000 interest paid) led to pre-tax profit settling at R27,9m from R51,9m

A significantly lower tax bill of R6,4m (R18m) left post-tax profit of R21,5m (R33,9m)

Chairman Clive Tutton said the results were reasonably satisfactory considering the turbulent state of the domestic market and that Gentyre had been re-orienting itself from a local supplier to an export-directed company. "We saw some years ago that the key to survival was to transform Gentyre into a strong producer," he said.

"We have therefore been placing emphasis on increased production volumes, improved efficiencies, cost reduction and product quality."

Tutton said tyre production had reached a record peak during the review period and costs a unit, while still not at an internationally acceptable level, were reduced.

The company maintained, and in some sectors increased, its share of the domestic market while exports continued to grow Tutton said during the review period, exports accounted for 21% of the company's sales by volume, having increased more than 150% over the past 18 months despite the strength of the rand.

MTN weighs in at R5,5bn

Anti-dum

BD 28/2/96

Colleagues opposed to new shift system behind job queue killings, say workers

Star 3/2/96 (1898)

By NEWTON KANHEMA

Workers at the NF Die Casting factory in Alrode, Alberton, where eight job-seekers were shot dead and 21 injured this week, suspect that the massacre was committed by workers who were opposed to the introduction of a different shift system

The workers, who declined to be named, said there had been opposition to the new three-shift system by the Inkatha-aligned United Workers' Union of South Africa (Uwusa) But the stronger National Union of Mineworkers of South Africa (Numsa) agreed with the three-shift system, which meant the creation of 200 new jobs. The three-shift system effectively translates to fewer hours per shift and results in less remuneration for current workers who collect good money from overtime work

"If the new system is introduced, we will be working 40 hours per week instead of the 53 hours we are working now Of those 53 hours, nine are overtime We are paid an average of R530 per week and if we work 40 hours per week without any overtime our salaries will go down by R130 per week," said one worker.

Asked whether there was a perception that either a political party or a union was involved in Monday morning's killings, all the workers present shook their heads

One said "Although Uwusa was opposed to the three-shift system, we don't believe they planned this killing The victims were a mixture of people"

"I think this is work of *isigebenga* (criminals) who might be working here but are opposed to the three-shift system I don't think Uwusa was involved," said another

The managing director of the company, Barry Hallett, is still puzzled by the brutal attack

"I wish we could get to the bottom of this It is very difficult to come up with a substantial motive for this killing I don't think this is related to the shift systems The workers would work fewer hours and get more or less the same We have been talking about this for three years The only motive we are left with is that of criminality"

Hallett said Numsa had 59% support at the firm while Uwusa had 17% The relationship between the two unions was "much the same as anywhere else" The recruitment of the 200 workers would go ahead "probably in two weeks' time" Consultation with the unions and the police had to be done before a "safe" venue for the exercise could be decided

Dull precious metal prices knock Implats' earnings

BD 14/2/96 (1898)

David McKay

GENCOR's platinum producer Impala Platinum (Implats) reported a hefty 27% drop in attributable income to R92,7m in the six months to December after dull precious metal prices and a relatively strong exchange rate affected the bottom line

MD Michael McMahon said yesterday the second half of the year was likely to produce equally poor results as prices for the next six months would remain depressed The full effect of the fall in prices between July and December would be felt in the second half of the financial year

He said the runout at the No 5 furnace, which accounted for 80% of Impala's throughput, had inflated the cost of sales 17% to R1bn

A substantial shift from the temporarily overstocked position of last year to a zero stock position as a result of the furnace failure was another feature of cost of sales increase, he said.

Unit costs were adversely affected by metal losses on concentration and smelting. Costs of platinum group metals ex-smelter increased about 15% to R28,200/kg However, reduced volumes and slightly higher rand prices received resulted in a 1% increase in turnover to R1,18bn (R1,17bn)

Income from the supply of metals mined fell to R135m (R270m). McMahon said free market prices fell considerably in the period to $588/oz ($604/oz) with the weighted basket of dollar prices an ounce of platinum falling 13%.

Capital expenditure for the half year was marginally down to R145m (R146m), more than doubling for the year to R310m, McMahon estimated

Platinum was predicted to reach $440/oz over the next six months

McMahon was optimistic an agreement could be reached with the Bafokeng tribe following the suspension of litigation and receipt by Impala of a settlement proposal from the tribe

A decision would be made within the next six months.

He confirmed that the merger task force of the European Commission was reviewing the merger with Lonrho and would announce its findings in early May. Implementation of the merger and issue of the appropriate new shares would follow within 10 days of a favourable commission ruling,

McMahon said No 11 shaft would reopen during the current six months The shaft was closed in 1994 pending the re-establishment of ore reserves

Cheap steel exports to SA may prompt anti-dumping action

David McKay BD 14/2/96 (189A)

CHEAP steel exported to SA by several European companies last year, which sold at 40% below local prices, could prompt SA producers to call for anti-dumping duties, SA Iron and Steel Institute spokesman Daan Botha said yesterday.

He said the imports were harmful and could lead to a submission to the Board on Trade and Tariffs to impose anti-dumping duties "A committee meeting SA's major steel producers today would decide whether to take the issue further Anti-dumping duties could be requested if they made commercial sense"

Botha said the institute had conducted an inquiry and had found plate and hot rolled steel imports from several European countries, including Russia and Eastern Europe, to be injurious The steel had been sold in SA at prices 40% below the going rate.

Botha said SA's largest steel-producing concerns such as Iscor, Columbus Stainless, Cisco, Highveld Steel & Vanadium and Scaw Metals had been affected by cheap imports

An Iscor spokesman said the company had noticed the growth in importation of certain types of steel between 1993 and last year

However, it was difficult to quantify the shifts in customer bases between local producers and imports.

"Iscor did not wish to pre-empt its interim results, to be announced on February 27, by stating how its sales had been adversely affected by the imports," he said.

Other products dumped last year were hot-rolled coil, wire rod and deformed concrete reinforcing bars.

The institute proved last year that the imports were taking place below the prices in the producers' own markets. The imports represented more than 3% of the local market.

Botha said cheap imports were increasing and with the domestic steel market starting a downward cycle, local producers had to be protected from dumping.

The board member responsible for dealing with dumping, Leora Blumberg, said the board had been approached but that no formal petition had been made yet.

Saldanha mill: Animals moving

ARG 15/2/96 (189A)

LINDSAY BARNES, Staff Reporter

BUILDING on the controversial R6,8-billion Saldanha Steel project has been put on hold until a group of schoolchildren remove small animals living on the 80 ha plot

The Saldanha Steel project hit a snag last year when environmentalists opposed its siting near the sensitive Langebaan Lagoon Moving to a new location 2 km inland from the lagoon cost the group about R540 million

This week, about 250 pupils from five local secondary schools should have spent a morning clearing the land of creatures such as tortoises, lizards and chameleons and moved them to a nearby protected koppie before the bulldozers moved in But because of rain the children's activities were postponed to Tuesday next week.

Saldanha Steel's communications manager Tom Ferreira said the animals would be carted to their new home in cardboard boxes and the whole procedure should not take more than two to three hours

The exercise is the result of two surveys on the flora and fauna, carried out respectively by Charlie Boucher and Pierre le Fras Mouton of the University of Stellenbosch and includes the removal of bulb plants by the Cape Town Bulb Plant Society

The steel project has been given the go-ahead in spite of the fact that the Environmental Monitoring Committee, which will monitor its performance in connection with environmental issues, is not yet in place

Niel van Wyk, a Cape Nature Conservation director, said the establishment of the committee by the Department of Environmental Affairs should be operational by the end of February

Permission was granted for provisional drilling and ground works to begin, but under certain strict conditions, with environmentally-sensitive areas such as the koppie in the eastern section being avoided

This week, the West Coast Peninsula Transitional Council is to lay a sewage line along the existing one to the ore terminal, said Mr Van Wyk The plant is due to be commissioned in mid-1998 and will need a further 12 to 18 months to reach its full capacity

Highveld Steel income up on higher volumes, prices

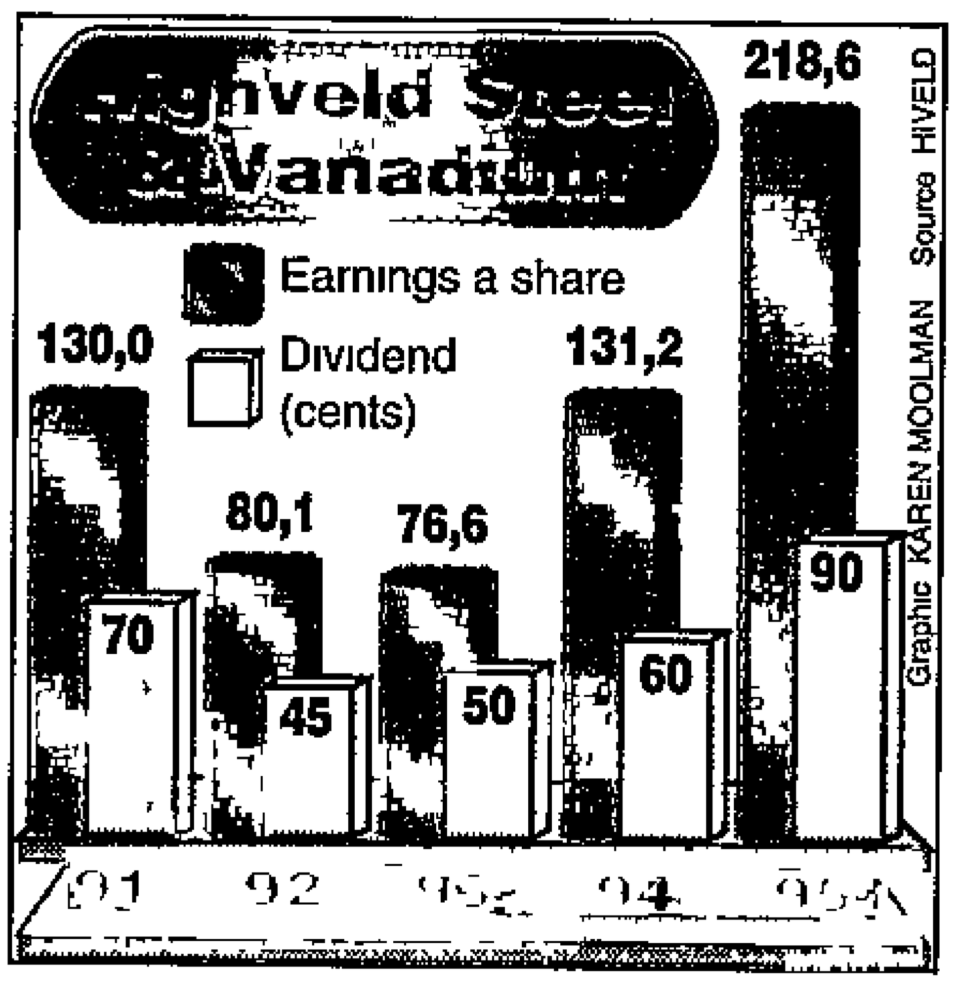
BD 16/2/96 (189A)

David McKay

ANGLO American steel and ferroalloy producer Highveld Steel & Vanadium lifted attributable income after-tax to R200,8m (R118m) in the year to December after increased volumes and higher dollar prices

Earnings a share showing a corresponding increase to 218,6c (131,2c) on a 19% increase in turnover to R2,5bn, allowing a 50% increase in total distribution to 90c a share for the year

MD Trevor Jones said yesterday demand for domestic steel continued to improve, particularly in the water pipe industry, with vanadium consumption rising to record levels



The electric ferrovanadium smelter, commissioned in the last quarter, would increase the company's ferrovanadium between a third to a quarter of total vanadium production.

"This, coupled with the fact that more than 50% of the corporation's vanadium slag production is now converted in SA, will help stabilise the vanadium market," Jones said

Full capacity continued at the ferroalloys facility at Rand Carbide with record production levels being achieved Local demand for ferrosilicon increased and export demand for manganese alloys remained strong.

The new plant at the recently expanded Columbus Stainless had been hot commissioned when the new integrated hot mill started rolling However, Columbus, in which Highveld has a R1bn stake, ran into commissioning difficulties resulting in the return of slab from international customers for further surface grinding

Highveld's borrowings at December 31 came in at R82,5m which increased

Continued on Page 2

Highveld (189A)

Continued from Page 1

BD 16/2/96

to R668,9m after proportionately consolidating its share of Columbus

Highveld's aluminium can producer Rheem Can saw a marked fall in demand from April 1995 and sales were further depressed after one of Rheem's major customers, anticipating supply difficulties, imported a quantity of aluminium cans from the US. However, demand recovered late in the year.

Highveld chairman Leslie Boyd said earnings this year would probably decline as uncertainty in the carbon and stainless steel markets persisted. "The world supply of carbon steel exceeded demand in 1995, with attendant price declines and this oversupply could persist for at least part of 1996," he said.

(189A)

Saldanha steel watchdog team appointed

ARG 16/2/96

LINDSAY BARNES Staff Reporter

AN ENVIRONMENTAL monitoring committee has been appointed to enable people to help the authorities protect the environment during the building of the Saldanha Steel Project

The Western Cape Cabinet announced yesterday the committee is to be led by the president of the Habitat Council, J H Giliomee.

When the controversial project to be developed at Saldanha Bay was approved last year, a condition was the establishment of a committee to monitor the performance of the project with regards to environmental matters

The committee is to monitor the environmental management plan and to ensure that internationally acceptable standards are applied

Good trade for optics dealer

(189A)

Edward West

BD 19/2/96

OPTICAL equipment manufacturer and distributor General Optical Company more than doubled earnings to 30,2c (13,7c) a share in the six months to December, off a low base, after sales increased by more than a fifth

Turnover improved 20,7% to R45,1m, while operating income was 52,8% higher at R3,4m Finance charges of R1,86m were slightly up on R1,52m a year before Tax more than doubled at R526 000 (R253 000)

Net income increased to R903 000 from R396 000 The interim dividend would be consolidated with the final payout in view of possible changes to secondary tax on companies

The directors said that while the results represented a recovery in profitability — share earnings slumped to 22,7c from 69c a share at the last year-end — better margins and increased productivity were necessary. Progress in this regard was expected towards the end of the second half

Director Frank Salomon said demand and trading conditions had improved and the company hoped to extend its first half earnings growth into the second half However, raw materials were imported and full-year results could be affected by the instability of the rand

NEWS IN BRIEF

Sting in the tail

(189A)

BD 1/2/96

THE Competition Board could lay down "sting-in-the-tail" conditions if it gave the green light to the joint venture between Iscor and MacSteel, Iscor CE Hans Smith said

The board is expected to announce its decision on the proposed joint venture this week, after which its recommendation will be passed on to Trade and Industry Minister Trevor Manuel for approval

Gencor looks at Maputo for smelter

ST(BT) 25/2/96 (189A)

By CIARAN RYAN

GENCOR subsidiary Alusaf is conducting a pre-feasibility study into the possible location of a third aluminium smelter in Maputo.

Alusaf managing director Rob Barbour says the company is just one of several aluminium producers considering Maputo as a location for new smelters.

Alusaf's Hillside and Bayside smelters are located in Richards Bay, but environmental factors mean this may not be an ideal location for a third aluminium smelter

"This is not to say we would locate in Maputo to avoid complying with international environmental standards," says Mr Barbour.

"Any plant we put up in Maputo must conform with the highest international standards."

The decision to proceed with a new smelter in Maputo hinges on the price of power from Cahora Bassa, which is contracted to supply Eskom More than 1 000 pylons downed during the bush war are being repaired.

"Because Cahora Bassa is a hydro-electric plant, we would expect to pay less than we pay Eskom at our Richards Bay smelters," says Mr Barbour. "However, we are a long way from making a decision on a third smelter."

The availability of port facilities and low-cost labour are other factors in Maputo's favour, although the harbour is known for its bottlenecks and the port requires frequent dredging

Dredging Maputo harbour is one of the key projects of the Maputo Development Corridor, a joint Mozambique-SA development initiative to make the region more attractive to foreign investors.

Two mines and a number of other mineral beneficiation projects are also likely to benefit from the improved infrastructure offered by the development

Alusaf's existing agreement with Eskom links the electricity tariff to the London Metal Exchange price of aluminium This means that electricity costs will always be equal to 16% of revenue and alumina costs a further 25%

The agreement ensures the smelter's primary input costs vary in line with output prices, providing an acceptable operating margin even in depressed market conditions. The price of aluminium shot up from $1 100 a ton two years ago to a peak of more than $2 000 a ton, at which point Alusaf was paying close to the domestic tariff for electricity. The aluminium price has since declined to about $1 600, although forward sales prices indicate considerable consumer support at this level.

Mr Barbour says prices will probably appreciate from present levels.

This week Alusaf announced a R60-million leap in profits to R70-million for the six months to December and a 55% jump in turnover to R776-million.

Aluminium sales increased by 24% to 111 231 tons. The average realised price was R6 976 a ton in the corresponding period last year.

Despite the fact that aluminium prices are below those anticipated for the year, the company still expects the full-year attributable earnings figure to be within 10% of the R200-million forecast in the 1995 annual report.

Earnings a share multiplied nearly four times to 42,2c although no dividend was declared.

The new Hillside smelter is more than 50% operational and will be fully commissioned by July, when it will have the capacity to export 466 000 tons a year in addition to the 60 000 tons exported from the Bayside smelter.

The R5,05-billion capital cost of the plant, excluding interest and working capital, is R1,34-billion below budget. The construction cost works out at $3 050 a ton which is below the world average for greenfield smelter projects

A further R263-million was spent upgrading the existing Bayside smelter, which will be fully commissioned by July

A business renewal programme at Bayside aims to trim annual cash costs by 10% The Eskom power supply agreement contributed to a reduction in Bayside's operating costs from July 1995.

Unit costs at Hillside were held to a 1% increase.

Fate of Huletts plant expected 'by end-March'

(189A)

BY JON BEVERLEY

CT(BR) 29/2/96

Durban — The fate of the R2,5 billion expansion of the Huletts Aluminium plant could be known by the end of March, Peter Staude, the managing director designate, said at the weekend

He was commenting on a recent report which speculated that the Board of Trade and Tariffs would announce its decision on Hulamin's application for protective tariffs by the end of this month

"That's news to me We expect it to be four to six weeks before we hear," Staude said

Another reason for an early decision is the extension to the end of February of a 10-year raw material supply agreement with Alusaf

Hulamin's negotiations to set up the plant, which included selling 50 percent of the unit to the Industrial Development Corporation and Anglo American Industrial Corporation, hit a wall when the government announced a cut in tariffs from 12 percent this year to 5 percent in November 1999

Staude said that the project, which would generate many downstream jobs, could cope with tariffs at 14 percent for two years, 13 percent for three years and falling to 12 percent and 10 percent in the two years leading to 2003

This was the request presented to the board

Although waiting for ratification, it has been strengthened with proposals to heighten downstream potential, through technology transfers, and training schemes aimed at boosting added-value aluminium exports

He said that the government's proposed tariffs were far below the offer that South Africa made to Gatt

Staude said if the board agreed to the proposals, the plant would be able to treble production to 150 000 tons a year from 1999 This could be followed by a R500 million scheme to increase capacity to 240 000 tons a year and a further plan, at a cost of R1,2 billion, to increase output to 400 000 tons a year

Chromecorp boosted by huge hike in spot prices

(189A) BD 2/2/96

David McKay

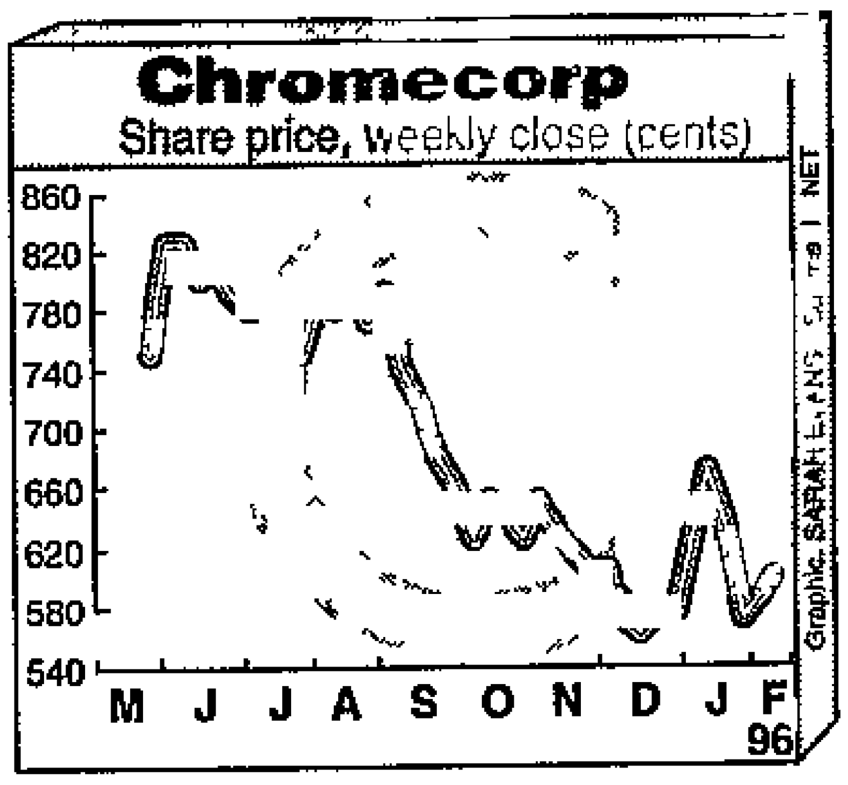
FERROCHROME producer Chromecorp Holdings lifted attributable income to R126,9m for the year to December from a previous R19,4m, propelled by a hefty jump in prices

Higher prices, higher world stainless steel production and a weaker rand lifted turnover to R610,2m (R278,5m) Pretax income rose to R184,3m (R28,3m)

Share earnings rose from 12c to 71c However, the company decided against a dividend, in line with earlier statements, to maintain its expansion programme

Capital expenditure for the year was R132m, with major items including its Wonderkop expansion The Wonderkop programme would cost a further R196,6m in the current year, with total capex rising to R224,6m

Chairman John Vorster said Western stainless steel production had jumped 12% to 14,6-million tons last year, which com-



bined with a shortage in chromium units to push prices in the fourth quarter 83% above their first-quarter level London Metal Exchange spot prices put the high point at $0,76/lb

Stainless steel producers had begun reducing consumption towards the end of the year

Vorster expected prices to fall in the first half of this year, but believed they would stabilise later in the year as stainless steel production recovered The LME spot price is currently $0,625/lb

He said the capital cost of Wonderkop had fallen to R280m from R335m and that production was expected to start in the third quarter The company's plans for a R245m remelting and virgin chrome facility at Iscor's new stainless steel plant in Pretoria had also been modified.

The group would supply Iscor with cold, rather than liquid, ferrochrome, which would allow Chromecorp to take full competitive advantage of the siting of Wonderkop in relation to Iscor The remelting plant would also be built at Wonderkop

Capital expenditure would be funded internally, along with a R110m loan Negotiations were under way for a three-year foreign loan for $30m Bridging finance of $20m from Swiss-based majority shareholder Sudelektra was also still available Current liabilities for the year had risen to R110,3m (R41,3m), but R92m of the figure was not interest-bearing debt

Stainless steel industry to import nickel

CT (BR) 2/2/96 (189A)

By Charles Phahlane

Johannesburg — The country's fast-growing stainless steel industry was scouring the world for nickel supplies, but denied it faced a shortage which would affect production plans.

With the expanded Columbus joint venture due to be formally opened next week and Iscor set to shift production at Pretoria from carbon to stainless steel, the country was moving from being a net exporter of nickel, to being a net importer.

The South African Minerals Bureau forecast that nickel demand would surge from 12 000 tons last year to about 65 000 tons by 2000.

But production of the metal, which is vital to the manufacture of austenitic stainless steel — which is the most widely used kind — is realistically likely to hold steady at about 32 000 tons a year.

Columbus, owned by Highveld Steel & Vanadium, Samancor and the state's Industrial Development Corporation, plans to lift stainless steel output to 600 000 tons by next year from 150 000 tons previously, requiring more than 30 000 tons of nickel.

Iscor has similar output plans, but its venture is a couple of years further down the line, with peak production and annual nickel demand of 35 000 tons expected in 1999.

Columbus has already said it may have to buy up to 50 percent of its nickel overseas.

Pricing

"Nickel is available, it is just a matter of pricing. We certainly will look at all nickel sources worldwide to find the right price," said Columbus's general manager of engineering projects, Phillip du Toit.

Iscor also said it had secured nickel supplies but declined to give details.

"We have secured a contract which should carry us through in the foreseeable future. We are confident we will be able to meet our demands," public relations officer Ernest Webbstock said.

Analysts agreed the industry should ride out the deficit by importing from Cuba and other producing countries. But pricing would be a problem.

Benchmark three-month nickel prices on the London Metal Exchange hit a two-month high of $8 670 a ton yesterday.

The market is being squeezed higher by declining supplies, with the exchange's warehouse stocks falling from an all-time high of 151 254 tons in October 1994 to 40 710 tons by the end of January this year.

The country's structural nickel deficit has refocused attention on the Nkomati nickel project in Mpumalanga, which is a joint venture between Anglovaal and Anglo American.

Anglovaal's minerals managing director, Rob Wilson, said the feasibility study was making good progress and should be completed by year-end.

But the project is still some years away from production and will, in any case, produce only 20 000 tons a year.

That could still leave South Africa with a nickel deficit of about 15 000 tons by the turn of the century.

Toyota fires salvo in car price war

CT (BR) 2/2/96

BY ROY COKAYNE

Pretoria — Toyota South Africa has entered the car price war by announcing a zero-percent fixed-interest rate finance package on selected vehicles.

The package — available to bank-approved buyers — applies to all Corolla, Conquest and Sprinter 130 and 160 models and will result in a saving of R15 000 on Toyota's baseline Corolla 130 and Conquest 130 and more than R17 000 on a Sprinter 130 This amounts to a monthly saving of more than 20 percent over a normal, risk-instalment sale for the same period

The launch of the package follows Samcor's announcement earlier this week of price reductions of between 6 and 9 percent on a substantial number of models, and the price war in the entry-level segment of the market started by Volkswagen South Africa with the launch of the Chico last year

Toyota's package requires an initial 20 percent deposit and provides for vehicle ownership after 36 months with zero residual value

Once the 36th monthly payment is made, ending the financial agreement, the purchaser can obtain ownership of the vehicle.

Toyota SA group marketing director Johan van Zyl said the finance package would be available from the countrywide network of more than 300 Toyota dealers from Monday, February 5. There is no specific limit to the availability of the package.

Van Zyl said the banks would carry the residual value risk for this plan.

Chromecorp reaps benefit of upturn in cycle

(189A) CT (BR) 2/2/96

By Fiona Leney

Johannesburg — The rosy annual results posted yesterday by Chromecorp reveal the tremendous upside to the commodity roller-coaster which South Africa's ferrochrome producers have had to ride in the past five years.

Results from the sector's other giants, Samancor and Consolidated Metallurgical Industries, should show a similar fillip when they come out over the next two weeks. But there is an uglier side to the ride

Huge pressure was put on the industry in 1990 when the price of ferrochrome fell by half from its 1988 levels Several producers operated at a loss and some collapsed.

As supplies of the commodity fell, prices began to rise again and producers, including Chromecorp, started working on increasing capacity

The company's ambitious expansion programme drove it to seek a listing last year in order to raise the R608 million it needed for its plans

But by the time the company's projects reach full capacity, the commodity roller-coaster will be heading towards a trough again, in part due to the rush of the metal drawn into the market by premium prices

"We accept that this is a cyclical business and are preparing for the downcycle now, while times are good," said Peet Nienaber, Chromecorp's managing director.

"We have never yet made a loss and, with volumes increasing, are confident we can ride out the storm."

Chairman John Vorster said the company's expansion programme was part of its management philosophy to add capacity throughout cycles.

REALISTIC *Chromecorp managing director Peet Nienaber sees prices remaining stable this year*

PHOTO JOHN WOODROOF

"The market for stainless steel is big, and growing," he said

Troye Brady, of stockbrokers Frankel Pollak, agrees. He says Chromecorp's relatively small management structures and workforce make it one of the leanest producers, with one of the lowest cost structures.

"Chromecorp's management knows the business inside out; the company will survive, whatever the market conditions," he said.

Proof of their canny approach was yesterday's announcement that they had renegotiated a deal to supply Iscor with hot, or liquid, ferrochrome.

That would have involved Chromecorp in the costly construction of two new furnaces dedicated to the Iscor plant

Under the new deal, Chromecorp will supply cold, or solid ferrochrome from its Wonderkop premises near Rustenburg, which are already being expanded to meet extra export targets

"They are taking a much more cautious approach in expectation of a period of slower growth," Brady said "This way, they can simply switch to increased export production if Iscor cuts back its stainless steel operation"

Chromecorp's fortunes, in fact, rest on twin pillars of steady demand from its domestic clients, the biggest of which is Iscor, and a healthy global economy, where growing stainless steel consumption guarantees export markets

The company has seen the focus of its exports shift from Europe — where it supplies ferrochrome for 50 percent of stainless steel capacity, from more than 60 percent last year — to rapidly growing Asian markets

Last year the company signed an agreement to supply ferrochrome for 40 percent of Taiwan's stainless steel capacity

It also plans to expand into Korea

Chromecorp celebrates first birthday with a R127 million profit

(189A)

CT (BR) 2/2/96

BY FIONA LENEY

Johannesburg — Increases in world ferrochrome prices helped Chromecorp Holdings, one of South Africa's big three producers, to a first birthday present of a higher-than-forecast after-tax profit of R127 million last year

The results were 7 percent better than the R18 million forecast in the company's listing prospectus, issued last May This was largely due to ferrochrome prices, towards the end of the year, rising 83 percent higher than in the first quarter

"Strong demand for ferrochrome resulting from booming stainless steel production worldwide was the basic cause of the price rise," said chairman John Vorster

Ferrochrome is an ingredient in stainless steel and the shortage of stainless steel scrap, a ferrochrome substitute, sent prices soaring

Turnover grew to R610,2 million (R276,6 million), boosted by additional production from the new Number Four furnace No dividend was declared to conserve cash resources for expansion, he said

Capital expenditure for last year was R132 million and was forecast to reach R224,6 million this year

Last September, the group said it planned a R608 million expansion scheme over 15 months with the aim of becoming South Africa's second-biggest ferrochrome producer after Samancor

Vorster said yesterday the programme was progressing well, with production from new Number Five and Number Six furnaces expected to start in the third quarter

Chromecorp has also modified its agreement with Iscor to supply ferrochrome to their new stainless steel plant in Pretoria

Vorster said the new terms, under which Chromecorp would deliver cold, rather than liquid ferrochrome to Iscor, would prove more favourable Managing director Peet Nienaber agreed that local ferrochrome producers were riding the crest of a price wave "Prices in the first quarter of 1996 are already falling from the mid-70s (US cents/lb) to the mid-60s," he said "But we see them remaining stable at a more realistic level in 1996"

□ *Chromecorp rides upturn in world cycle Page 16*

ISCOR

AGGRESSIVE EXPANSION PLANS AND CLEAR VISION

FM 2/2/96 (189A)

The long-term view is bullish

The price of hot rolled carbon steel coil in Europe, a benchmark price for world steel export markets, starkly illustrates the dilemma facing investors in Iscor shares.

Between late 1994 and May last year it jumped from about US$270/t to $470/t (see graph). It has since fallen precipitously and is back to $260, a level last seen in late 1993 when the steel industry's four-year recession of the early Nineties reached its worst point.

Swings in export markets are not the only key influence on Iscor's profits. About 60% of its operating profit is derived from steel and the rest from mining. Of the total 5,65 Mt of steel sold last year by Iscor, 58% went to the domestic market where margins are higher.

The hasty retreat in world steel prices must have repercussions, though. Analysts have been cutting the current year's earnings forecasts. The range of predictions for EPS growth in the year to June 1996 is now about 15%-20%.

The share price is now 348c, well down from the 500c peak seen in October 1994.

However, most brokers' analysts believe insufficient attention has been paid to factors that will support Iscor's earnings growth and enable it to handle this international downturn far better than the last. Also not appreciated is the extent to which radical change in the company has brightened its long-term prospects.

Analysts believe the share is worth 50c-R1 more than the current price. And though adverse sentiment may linger, Iscor offers attractive prospects for patient investors.

Prices of most commodity shares fell sharply during the fourth quarter of last year as fund managers saw the broad commodity cycle turn downward. Foreign investors in particular were quick to sell these counters. About 7,5% of Iscor's issued capital is now held overseas, high for an SA company.

Bearish product markets were part of the reason for souring attitudes towards Iscor. Adding to this has been controversy surrounding new ventures, notably the Saldanha project which is going ahead at a capital cost of R6,8bn instead of the earlier estimate of about R4,5bn, and the Competition Board inquiry into the steel export marketing joint venture with Macsteel.

The market's critical response may have been magnified by a bear market atmosphere. But analysts say chairman Hans Smith needs to concentrate on investor relations and on convincing the market that Iscor's strategic management is as hot as it was cracked up to be.

Attention will be on the efficacy of Smith's efforts to curb costs and ensure that Iscor becomes more efficient.

Smith, the former head of ferro-metals group Samancor, became MD of Iscor in 1993, as world steel prices were poised to recover. He was appointed executive chairman last October. During the first few years of his tenure, Smith could take advantage of surging markets while he slashed debt and operating costs.

Greatest success is probably seen in the balance sheet. In 1993 the group held interest-bearing debt of R2,4bn, with a cash balance of R270m. By the 1995 year-end (June 30), borrowings had shrunk to R1,28bn and cash had ballooned to R1,88bn. This was helped greatly by the R1,3bn rights issue. But it was a huge and timeous turnaround in liquidity.

Efficiencies have improved, too. The number of employees, for example, has fallen to 48 100, down by almost 10 000 since 1992. Asset management ratios reinforce this picture: net working capital (stock plus debtors less creditors) as a percentage of turnover was cut from 25,3% in 1992 to 16,4% last year.

Much of the large capital spending programme of recent years was intended to make Iscor's steel plant produce better quality, cheaper products.

Two key newcomers to the group — Smith and financial director Louis van Niekerk, who was recruited from Sappi in 1991 — are striving to change the corporate culture.

Smith has noted there is now a recognition that profitability must take precedence over production volumes. This is a radical change for the former public corporation which stumbled through its transformation to a competitive company that can attract local and international investors.

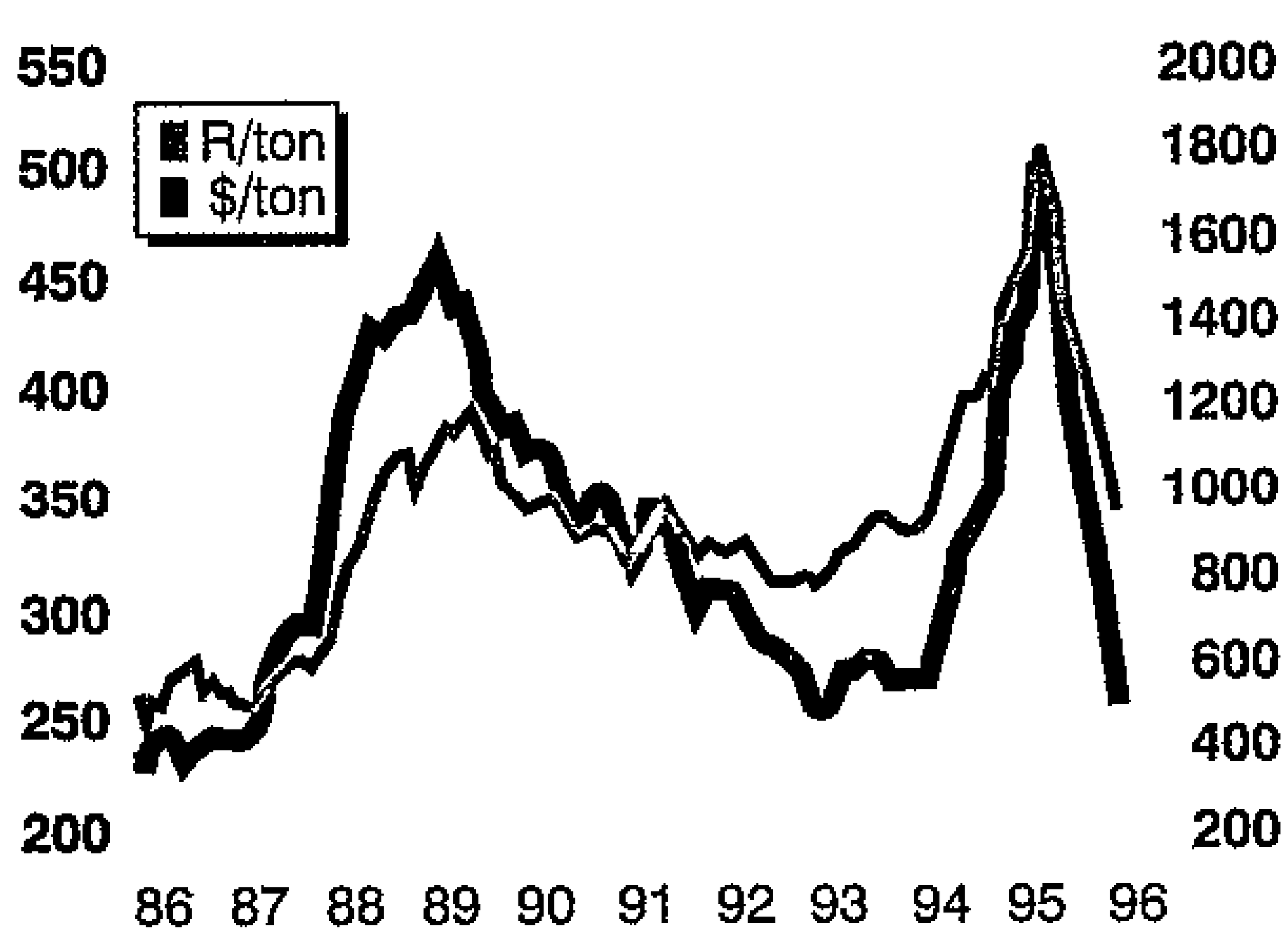
Smith has also pressed forward quickly with a new long-term strategy. In the steel division, investments are aimed at efficiencies and at projects which add value.

These include a R40m conversion of an under-used chrome line at Vanderbijlpark into a specialised beverage can tinplate line, the Saldanha project and the R100m stainless steel conversion at Pretoria.

Initially, Pretoria will produce 480 000 t/year of stainless steel slabs. The mill could be upgraded later.

PRECIPITOUS FALL

Steel - hot rolled coil (fob Europe) 1986 - 1996



In the mining division, investments will be aimed at expansion and diversification An obvious growth area is Iscor's exports of high-quality iron ore

These have grown from 13,6 Mt in 1992 to 18,6 Mt Prospects being considered for Sishen include expansion and an iron ore pelletising plant Margins on ore exports are thought to be attractive

Hans Smith

Iscor is already a major coal miner, having produced 3,5 Mt of coking coal for its own needs and sold 12,7 Mt of coal to Eskom It has a new coking coal prospect, Moranbah Coal, in Queensland, Australia

There could be a much more significant venture into titanium and related resources In SA, Iscor acquired Natal Mineral Sands and plans to complete a final feasibility study this year Last year, it paid R370m to acquire a 35% stake in a listed Australian company, Ticor, which has mineral sands interests

Some analysts have queried the usefulness of this Smith says it was primarily a strategic investment aimed at gaining access to technology

"We have ambitions of adding value to our ilmenite resource in SA and developing the product right through to pigment," he says "We can do that only if we have an appropriate technology agreement and the technology supplier is comfortable about our intentions"

After the hubbub over Saldanha, the mineral sands prospect will have to be handled with care Already, controversy has started over suggestions that Iscor may plan a smelter at Komatipoort

If it goes ahead, it would be a capital-intensive project taking the group further towards a higher group margin and less reliance on the steel cycle

The mining division is also seeking new business elsewhere "We are looking closely at sub-Saharan Africa," Smith says "That is where we have the greatest competitive advantage"

For now, he makes no bones that the group's profit cycle remains linked to the world steel cycle "Many investors fail to appreciate that the bulk of our steel is not in the international cycle But the world is becoming smaller What happens overseas affects us sooner or later"

Investors have clearly been impressed by the slide in European prices for carbon steel These are seen to indicate a trend But several points should be considered

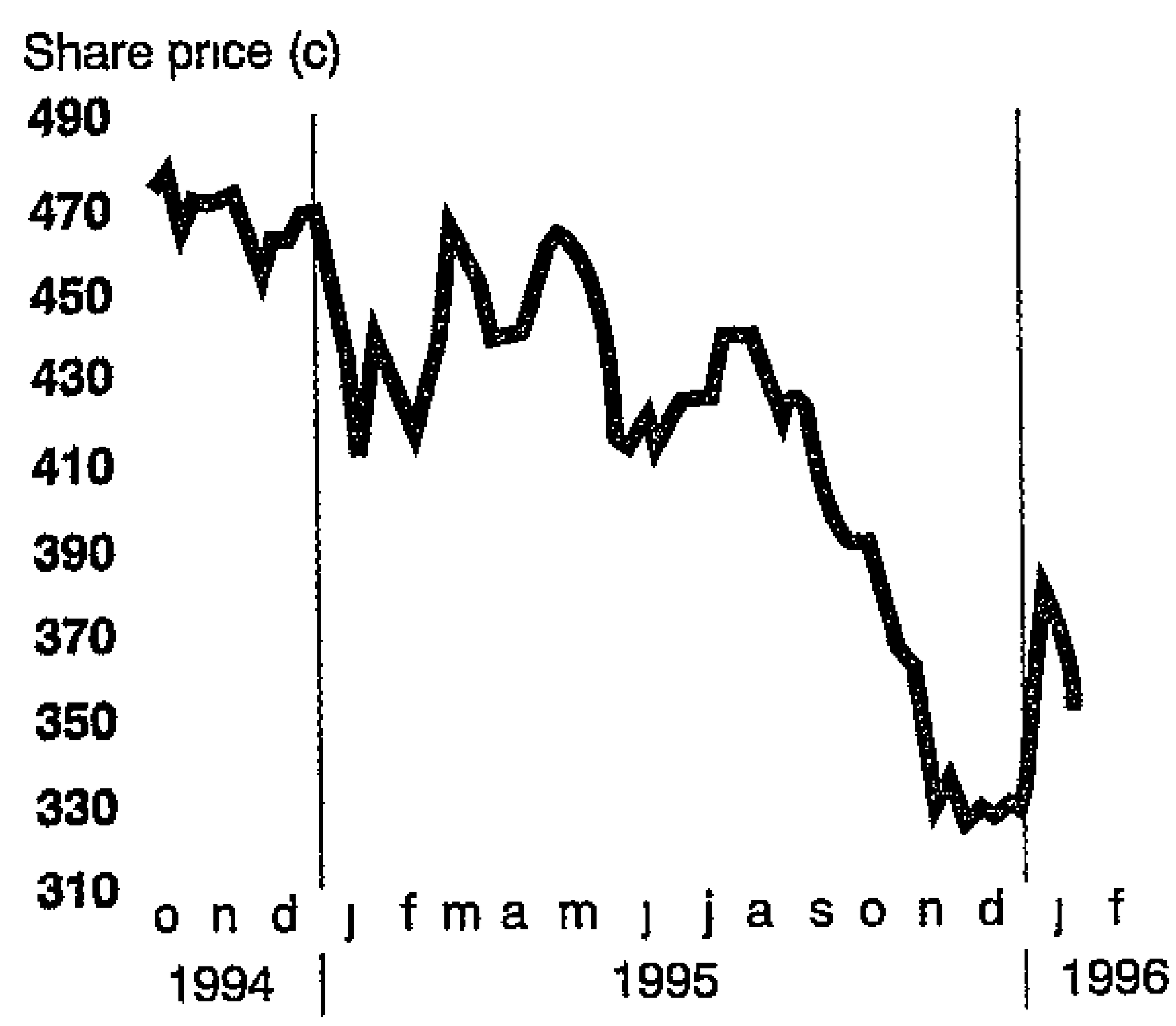
World steel markets differ US producers posted small increases in list prices (about 3%) in early January Markets are comparatively firm in the Far East

Iscor, Smith notes, does not have long-term contracts and will seek to sell into the most attractive markets

The steepness of the price decline may itself offer grounds for optimism In the last downturn, the price of hot rolled coil — most important of Iscor's steel exports — took more than four years to reach its lowest point This time, it has reached that level in six months

Analysts say prices should now stabilise and could start slowly increasing from about the third quarter of this year "If the price fell any further, it would be a catastrophe," says one "I can see no justification for that happening"

OFFERING VALUE?



Smith says management is taking the conservative view that the best of the steel cycle has been seen and it will remain in a downturn until 1998, with the upswing coming the next year

"Second-quarter prices will determine the strategies Meanwhile, we have adjusted our budgets and forecasts to the pessimistic scenario," he says Capex will be adjusted to suit cash flow However, Smith points out that if management's current view turns out to be correct, then the revised schedule for the Saldanha project should no longer be seen as poor timing for market conditions

After Iscor's tough bargaining and temporary retreat from the project, projected returns are again at targeted levels, despite the sharply higher capital cost (see *Business*)

This, at a more fundamental level, should compensate for the impact the withdrawal from Saldanha had on investor sentiment

Current profit prospects are also bolstered by a bullish outlook for the domestic economy The last global downswing coincided closely with the recession Now there is rising confidence that local growth will accelerate this year Expansion could be unusually long

Moreover, the role being played by fixed investment and the probability that infrastructural spending will increase suggests steel consumption in southern Africa could continue to rise The percentage of steel sold locally has climbed from 1992's 44% to 58%

Smith says "We would feel comfortable if exports came down to 20%-25% That could happen within three years or sooner if the RDP takes off It would mean a much better group margin"

Other negatives could develop It has yet to be shown, for example, that production costs at Saldanha will be as low as Iscor believes And a stable or firming rand does not help export revenues

But as an analyst says "There is reason to be bullish about Iscor It is a steel company with aggressive expansion plans and its managers have a clear vision of where they want to take the company It is the most tradeable cyclical stock on the JSE"

After Iscor's price slumped to 61c in the last downswing, it rose more than eightfold within two years Purchases this time may require more patience But it underlines the potential rewards in taking a long-term view during times of adverse sentiment and price weakness

Andrew McNulty

SALDANHA STEEL

IDC SWEETENS THE POT?

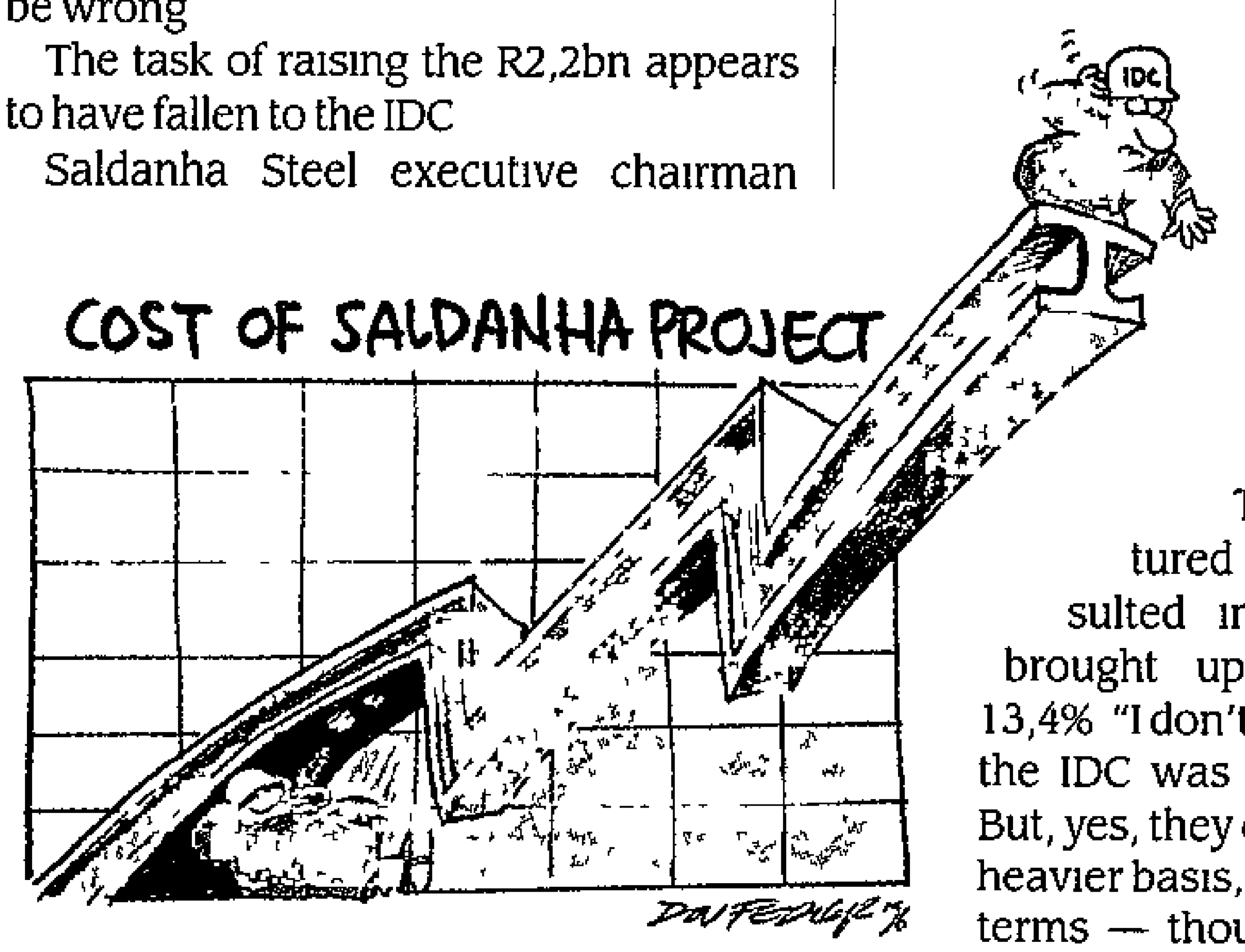
FM 2/2/96 (189A)

First it was R4,6bn Now it's R6,8bn With no detailed explanation provided for the surge in funding for Saldanha Steel, no wonder it has generated speculation

The minimill, which aims to produce 1,2 Mt of hot rolled coil a year — all for export — is being built as a 50-50 joint venture between Iscor and the State-owned Industrial Development Corp (IDC) But those who might expect the partners to share the cost increase could be wrong

The task of raising the R2,2bn appears to have fallen to the IDC

Saldanha Steel executive chairman Bernard Smith merely adds "It's not a single tab," he says of the R2,2bn "Both partners are putting in a bit more equity There are some more loans There is some more supplier credit It's come from all the sources "



But Iscor chairman Hans Smith confirms what was only a speculative whisper Iscor is putting in nothing towards the shortfall No cash, no more equity Nothing Smith says "The R750m is the amount I was originally going to put in — and I'm still only putting in that in terms of equity And I'm guaranteeing no more loans other than the R1,8m I guaranteed in the first structure So my position is unchanged "

Smith won't go into details on the IDC's exposure

Saldanha's troubled background has been well chronicled how Iscor pulled out last September, citing "inordinate delays" over site rezoning permits which had put the project back by almost a year This, they said, was because environmentalists had opposed the original plan to build the mill near the ecologically sensitive Langebaan lagoon

But Iscor returned to the fold in December Now it emerges that there was more behind its storming out than delays over rezoning permits

The *FM* has established that when the project was first mooted, Iscor came in on the IDC's pledge of an after-tax return on investment (ROI) of 13,7% When this plummeted to 10,5%, Iscor walked out

The IDC's restructured financial package resulted in Iscor's ROI being brought up again sharply, to 13,4% "I don't want to divulge what the IDC was prepared to give us But, yes, they came to the table on a heavier basis, albeit on commercial terms — though still far from the sort of advantages which they gave Columbus or Alusaf," says Smith

He adds "They were strict about what they wanted to give at the start and there was a relaxation towards the end, which pushed us back to over 13% and that was my mandate to my shareholders If I didn't get a decent return, I would have stayed out — and they knew that "

In addition to its equity of R750m, the IDC pledged substantial cash loans Export credit finance brought in another R1,1bn and there was a Section 37E tax credit of R1,3bn

Smith says capital costs have gone up by R1bn, he attributes R600m of this to delays and unexpected foreign exchange problems The balance is put down to indirect costs such as environmental controls (R100m) and training local people (R100m)

There are other views, too, on what caused the "delays" that made Iscor quit For 18 months, the joint venture had been negotiating a R3,6bn process turnkey contract with Austria's Voest-Alpine But last March, Saldanha brought in US firm Bechtel to act as project manager

Voest-Alpine sales manager Andreas Pichler says "After 18 months of negotiations, the process started again because Bechtel wanted to be involved from the start That cost a lot of time and money "

Instead of a single turnkey contract, they were split Voest-Alpine is to get the Corex iron-making facility (R800m), Germany's Mannesmann Demag the steel-making plant (R720m) and France's Air Liquide the oxygen plant (R160m) Two major contracts have yet to be awarded for a direct reduction iron-making unit — worth around R500m — and infrastructure (R800m) ■

JULIE WALKER

DIAGONAL STREET

Improved results built on steel's recovery

(189A)

ST 4/2/96

MANAGING CHROMECORP: Peet Nienaber, managing director; John Vorster, chairman; and Deon du Preez, financial director

IMPROVED ferrochrome prices during the second half of last year allowed Chromecorp to beat its prospectus earnings forecast of R118-million by R9-million

The company, indirectly controlled by Swiss group Glencore International, was listed last May at 500c, barely eight times forward earnings The price quickly reached 860c, but has since retreated to 585c despite a number of expansion developments embarked upon by Chromecorp since listing

Chromecorp's price has retreated in line with the sector because commodities are believed to have had their moment and the price of ferrochrome is falling

Chromecorp's ferrochrome revenue averaged a low 40c US/lb level to mid 1995, rising to the mid 60c-range Now, it is back to the lower 60c/lb and could drop more Deon du Preez, Chromecorp's financial director, says cutbacks by stainless steel producers are behind the fall in price but this is expected to be temporary

The stainless steel market is growing at 4% a year but in the last quarter of 1995, new capacity coming on-stream led to a 14% rise in production Mr du Preez expects prices to stabilise from mid-year

Some ferrochrome producers are switching their furnaces to manufacture other alloys but Chromecorp does not need to it is among the lowest-cost producers in the world and able to weather a setback Chromecorp mines its own ore at about $20/ton, the same product was fetching $110 fob Durban last year It takes 2,5 tons of ore to make one ton of alloy

John Vorster, Chromecorp's chairman, is grieved that the rand-dollar exchange rate has held up relatively well he says there is no offsetting upside for Chromecorp in terms of lower expenditure on imported capital goods because everything is sourced locally Mr Vorster is clearly a man who hates waste

"We did a comparison of the costs involved when we built our first plant in 1988 and the expansion we are currently undertaking In spite of the inflationary environment, we calculate that our costs have escalated by only 2% a year

"We have been amazingly inventive The furnace-building takes place on site, our own project manager has trained teams of unskilled men to become basic but competent welders We have done the civils ourselves rather than pay a 25% management fee just to have some firm's signboard up at the site doing the same work"

This thrifty approach has already produced a tangible saving Last year, Chromecorp won a contract to supply Iscor's Pretoria and Durban works with ferrochrome for use in stainless steel manufacture Initially, a dedicated plant was to be built at Iscor Pretoria to deliver liquid ferrochrome but this has been renegotiated Chromecorp's existing Wonderkop plant 80km away is now being expanded and the ferrochrome will be delivered cold, as it is to any other buyer

Chromecorp will be ready for Iscor in May

Peet Nienaber, Chromecorp's managing director, says modifications to Wonderkop's existing pelletising plant, rather than new equipment, have contributed to a R55million saving on overall capital expenditure, now put at R280-million

The outstanding unfunded portion of R110-million will be met through a $30-million three-year loan, to be drawn on after the third quarter of the current year Mining for Wonderkop is also being expanded on ground bought from Salene Mining

Total capital expenditure in 1995 was R132-million, mostly on Wonderkop but an R18,4-million char production unit was installed at Witbank and R13,5-million was spent on a furnace at Rustenburg In 1996, capex is forecast at R225-million, R196-million being on Wonderkop

Chromecorp's 1995 turnover of R610-million was 119% up on 1994, partly on higher volume and weaker exchange rates but mainly on the ferrochrome price-rise Profit before tax hit R184-million compared with R28-million, and earnings a share jumped sixfold to 71c

At the current 620c, Chromecorp is on a historic price earnings ratio of 8,4 — about the same as when it listed at the bargain price of 500c yet with much improved prospects such as a more-than-doubled productive capacity this year

If the shares weaken between now and mid-year, buy them

BUSINESS

Iscor project could boost titanium slag output 30%

(189A) BD 5/2/96

David McKay

SA's total output of titanium slag could jump nearly 30% — from about 1,1-million tons to 1,4-million — if Iscor's proposed R900m export-dedicated mining and smelting operation is given the green light in June

Namakwa Sands, Anglo American's mineral sands project, is set to increase production of slag — used in the pigments industry — from its current level of 33 000 tons a year to 195 000 tons a year by the turn of the century

The other main producer of titanium minerals is Richards Bay Minerals, 50% owned by Gencor, which is the largest titanium slag producer in the world, turning out about a 1-million tons a year

One analyst said Iscor's new venture would boost SA's total production — with Namakwa Sands on full stream — from 1,1-million to 1,4 million tons of slag a year. This is 40% more than the only other world producers in Norway and Canada, which together produce 1-million tons a year

About 75% of SA's titanium slag is developed from better ore, which is more environmentally friendly than the slag of other world producers, he said

Iscor's potential mine reserves — situated in Phalaborwa, Richards Bay and the Gravelotte region — are large enough to support a smelter producing 200 000 tons a year of titanium slag for a life of more than 20 years. Rutile, zircon and pig iron would also be mined as important supplementary products.

Iscor Mining MD Ben Alberts said at the weekend that a feasibility study was on schedule and pilot mining and smelting tests had been completed A range of final products for market acceptance testing had been produced.

The final feasibility report would be submitted to Iscor management in June with detailed planning to start in July if the project was approved Mining operations would begin in 1998

However, Iscor had still to decide where it would situate its smelter Various potential sites such as Richards Bay, Phalaborwa, Komatipoort, and the Eastern Cape were being studied, Alberts said

The environment is a further element of the project. Various specialist studies have been commissioned and would form part of the final project feasibility report Alberts said meetings had been held with a number of interested and affected parties in the areas concerned and would continue

Another unknown in the project is whether Iscor will bring a partner on board to provide finance Alberts said Iscor had not yet decided which of several options would make the most commercial sense

Surface mining would be used in all the mining operations The smelter would produce pig iron and titanium slag Titanium slag pigment would be further processed by downstream companies for use in the plastics, paint and paper industries.

New aluminium import tariffs could affect Maritzburg mill

BD 6/2/96 (189A)

Nicola Jenvey

DURBAN — A decision on aluminium import duties — crucial to the establishment of Tongaat-Hulett's R2,5bn aluminium expansion rolling mill — could be several months away, Board on Tariffs and Trade (BTT) chief director Alwyn Kraamwinkel said

The BTT was scheduled to have reached agreement on the duties by end-January, but government's final decision could take several months, he said.

The proposed duty restructuring on certain aluminium plates, sheets and strips had been gazetted on December 8, with interested parties having had until January 22 to submit comments and objections

"The board is considering the information received and gathered during the investigation and will submit a report and recommendations to the minister (of finance) in due course," Kraamwinkel said

The minister's final decision would then be gazetted, after which the customs and excise department would implement the new tariff structures.

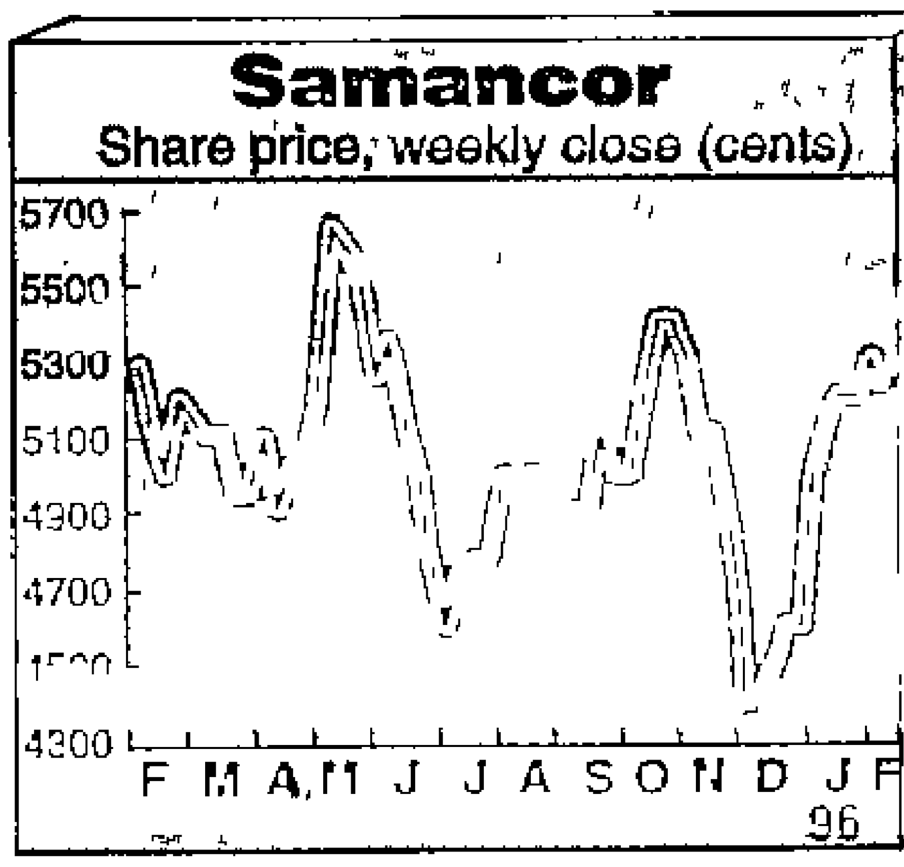
Hulett Aluminium MD Des Winship said the group would be disappointed if a final decision was known only within several months, but MD-designate Peter Staude said a decision was expected within a month.

The BTT last year proposed scaling down the import duties on aluminium from 12% in November this year, to 5% in 1999 Hulett Aluminium had then requested a reduction to 14% in November this year, 13% in 1999, 12% in 2002 and 10% in 2003.

In the December gazette the board said that it was considering raising the import duty to 10% by November 2003 from the 5% gazetted on November 10 last year, with the tariffs applying to aluminium plates, sheets and foil products manufactured by the rolling mill

Hulett Aluminium has warned that the phased reduction of duties was necessary to ensure the viability of the mill project in Maritzburg.

The duties under consideration were lower than those required by GATT, and the project would not be viable at the previous rates.



Samancor lifts income 105%

David McKay 20/6/2/96 (189A)

GENCOR ferroalloys producer Samancor has more than doubled attributable income to R306m (R149,5m) before abnormal items, benefiting from higher chrome volumes and prices

Executive chairman Mike Salamon said yesterday turnover had risen 50% to R1,9bn for the six months to December Earnings a share showed a corresponding improvement to 161c (79c) After an abnormal profit of R76m from the sale of the 4% shareholding in French steel producer Ugine, earnings a share came in at 201c The interim dividend doubled to 60c a share

Salamon said global ferrochrome consumption increased 9% to 3,6-million tons, tracking a 10% annual increase in worldwide stainless steel production to 15,2-million tons Alloy sales volumes increased 19%, with prices realised up 69% All chrome production facilities were fully utilised.

Demand for manganese units improved, with a shortage having a positive effect on alloy prices. However, Samancor's manganese export volumes were lower because of movements in shipping schedules.

Salamon said current spot prices augured well for a price increase in the imminent 1996/97 ore contract price negotiations. Meanwhile, two furnaces

Continued on Page 2

Samancor (189A)

Continued from Page 1 20/6/2/96

at Palmiet Ferrochrome had been switched to silicomanganese to keep pace with increased demand

Demand for manganese alloys remained high, with prices staying relatively firm. Realised prices for high-carbon ferromanganese and silicomanganese rose 11% and 26%, respectively

Associate company stainless steel producer Columbus Stainless contributed R10m (R2m) to income from associates, which rose 61% to R31m

Salamon said commissioning of the Columbus expansion project was mostly complete It was expected to reach full production over the next two years

Samancor injected R214m (R150m) into the Columbus expansion for the period as cash resources were reduced to R441m (R524m).

Samancor announced an agreement in principle to develop the Delmas silica operation with Quarzwerke Holdings — an international operator in the silica industry — to form joint venture company SamQuarz. The transaction was expected to be completed during the first quarter of this year

Salamon said it would be difficult to repeat the performance of the first half in the second half of the financial year While increased volumes and buoyant prices should help the manganese division improve its contribution to income, the weaker stainless steel market would cut the profits of the chrome division and Columbus.

Samancor doubles its dividend

(1899) CT (BR) 6/2/96

By Fiona Leney

Johannesburg — Samancor, South Africa's largest ferrochrome and manganese producer, has posted a strong profit but warned yesterday that it had already reaped the benefit of high prices and said the cycle was turning down.

Buoyed by higher chrome prices and volumes, attributable income rose 105 percent to R306 million for the six months ended December 31 last year compared with the same period a year ago. An interim dividend of 60c a share, double that of the same period in 1994, was declared.

"It is difficult to see a repeat of these first-half results," the executive chairman, Mike Salamon, said, though the full year's results would be an improvement on those of the previous year.

Turnover increased by 50 percent to R1,8 billion, with chrome production accounting for 60 percent of turnover from 44 percent last year as a result of increased demand. After including the abnormal profit of R76 million on the sale of Samancor's 4 percent holding in Ugine SA, earnings improved from 79c to 201c a share.

Salamon said that the Columbus stainless steel plant, in which Samancor has a 33,3 percent stake, had increased production to 180 000 tons in the second half of last year, and expected this to double this year. However, the plant was expected to make a lower contribution to profit next year because the price for stainless steel was falling while ferrochrome prices remained firm, he said.

Salamon announced two joint-venture agreements. One was with Quarzwerke Holdings, an international operator in the silica industry, and one between the Samancor subsidiary MMC and Tosoh of Japan. Tosoh will market MMC's manganese products in Japan.

Demand for manganese rose during last year, Salamon said, and alloy prices were supported by shortages.

Samancor funded Columbus to the extent of R214 million during the half-year, bringing total funding to date to R914 million.

Cash resources fell from R524 million to R441 million as a result of capital expenditure of R194 million (R75 million), Columbus's R214 million funding and increased working capital of R277 million, largely as a result of higher levels of activity. Capital expenditure for the six months to June this year was expected to be slightly more than the R194 million incurred in the first half.

EC extends antidumping laws on SA producer

BD 7/2/96 (1894)

David McKay

THE European Community has extended antidumping legislation on imports of silico-manganese by steel and ferroalloys producer Highveld Steel & Vanadium

The EC, which had imposed the ruling in October, said it had decided to extend the regulations in January following the Anglo American-owned company's withdrawal of its 1994 undertaking on minimum prices

The EC has now set a minimum import price on silico-manganese of $612/ton

Highveld ferroalloys GM Mike Winstanley said the EC had agreed to the company importing below that price, provided its European traders paid the duty on the difference But with silico-manganese trading at about $664/ton, there was no immediate benefit of selling below the minimum import price

Regulations concerning definitive antidumping duties were applied to silico-manganese imports from Brazil, Russia, SA and the Ukraine in October last year

Provisional duties had been imposed in 1994 for an initial period of six months

According to the EC the original investigation concluded that Highveld's imports had been "injurious" and would have been subject to the antidumping duties applied to imports originating from the other countries concerned, had it not offered a price undertaking which had been accepted

But following Highveld's withdrawal of its undertaking, the EC announced plans to register all of its imports of silico-manganese as from November 23 in order to apply the duties retrospectively

The registration requirement of imports has now been discontinued and the variable antidumping duties substituted

STEEL NERVE *The Columbus stainless steel plant plans to produce 600 000 tons by next year*

Mandela opens new Columbus steel plant

48 CT(BR) 9/2/96
(1894)

By Fiona Leney

Johannesburg — President Nelson Mandela opened the Columbus stainless steel plant in Middelburg yesterday with a call to industrialists to act as locomotives for economic development

Mandela said Columbus, one of the world's largest stainless steel plants, gave South Africa a strategic asset in the benefication of the country's raw materials "The stainless steel produced here can provide the raw materials for a whole range of manufacturing activity Columbus, with all its resources, could partner its customers by providing competitively priced raw materials"

He said the Industrial Development Corporation (IDC), one of the three joint venture partners in Columbus, was studying the feasibility of creating a stainless steel industry "cluster", which would encourage small manufacturing businesses to establish themselves close to the raw materials producers

The expanded plant, owned by Highveld Steel and Vanadium, Samancor, and the IDC, was planned as one of the largest benefication projects in South African, using locally mined minerals to produce stainless steel for the local and export markets

It aimed to produce 600 000 tons at full capacity next year The plant was bought in 1991 from Middelburg Steel and Alloys for R1 billion

Columbus benefited from last year's global surge in demand for steel But profit margins were expected to suffer this year as increased production kept prices flat, while demand, and prices, for ferrochrome and nickel, ingredients in stainless steel rose

Steel plant to boost exports

(189A) (Eng)

☐ *Good potential for job creation, says Mandela*

ARG 9/2/96

MIDDELBURG – President Nelson Mandela on Thursday opened Columbus Stainless, one of the largest stainless steel plants in the world, and urged the industry to use its metal to create 100 000 new jobs

Columbus plans to lift annual production of stainless steel to nearly 450 000 tons this year from some 250 000 tons in 1995, after investing R3,5 billion on a 32-month expansion project

The plant in Mpumalanga will reach peak production of 600 000 tons in 1997

"The realisation of this mammoth project gives our country a strategic asset and challenges us all to ensure that as a nation we derive the maximum benefit from it," Mr Mandela said

"Columbus could provide the basis for massive job creation"

Stainless steel produced from local iron-ore, chromite and nickel could provide feedstock for a host of new factories making everything from pots, pans and cutlery to car components, construction materials and industrial tanks

But realising that potential would require close partnering between Columbus and local consumers, Mr Mandela said

Department of Trade and Industry studies suggested there was a possible employment creation potential in 10 years of 100 000 jobs, he added

Columbus and its three shareholders Highveld Steel and Vanadium Corp Ltd, Samancor Ltd, and the state's Industrial Development Corp had already set an action plan to boost local use of stainless steel

But South African consumption is still likely to lag well behind production for the foreseeable future

Columbus expects to sell only 15 percent of its output locally by the time it reaches full production, with 85 percent going for export That will make it one of South Africa's leading exporters and a major contributor to foreign exchange earnings

But the capital-intensive plant in itself will do little to dent South Africa's chronic unemployment, estimated to afflict one third of the economically-active population

Columbus's turnover this year is expected to reach about R3 billion, up from an estimated R1,3 billion in 1995

"Stainless steel fabrication offers immense potential for small and medium enterprises that tend to be labour intensive Columbus has made some progress in this field, but the possibilities are enormous," Mr Mandela said – Reuter

Columbus brings SA up in the world

ST (BT) 11/2/96

(189A)

THE R3,5-billion Columbus Stainless project, a joint venture between Samancor, Highveld Steel & Vanadium and the Industrial Development Corporation, was opened this week by President Nelson Mandela, three years to the day after the official start to its construction, writes MARCIA KLEIN.

The project, which will bring stainless steel production capacity to 600 000 tons from 150 000, will generate an estimated R2,5-billion a year in foreign exchange on full production.

Mr Mandela said projects like Columbus would move South Africa from a Third World exporter of commodities and raw materials to a First World exporter of value-added products. The beneficiation process should not stop with Columbus, he said. Its stainless steel could provide raw material for many downstream manufacturers.

He said the IDC had launched a stainless steel cluster study, which would see all those involved come together to look at all aspects of the industry, including its international competitiveness.

Columbus was "the first step in a much larger endeavour", the creation of a larger manufacturing sector, increased exports and job creation.

Leslie Boyd, the chairman of the joint venture, said the decision to invest so heavily in stainless steel was because of its growth record and South Africa's proven track record in the production of carbon steels. In addition, the main ingredient of stainless steel after iron was chromium. South Africa had the biggest chrome reserves and was the biggest producer of ferrochrome. The other main ingredient, nickel, was also produced in South Africa.

Mr Boyd said that R19-billion in expansion projects went ahead because of 37E tax allowances. But "since 37E was removed there has been little in the way of major projects".

The IDC was "a national asset", and "we should be careful not to interfere too much with its operation as it helped to generate a great deal of industrial investment in the country".

Reunert's Cape plant back on line

(189D)

By Jonathan Rosenthal

CT(BR) 22/7/96

Johannesburg — Reunert's Cape Town manufacturing facilities, which were gutted by fire last year, interrupting production of televisions and analogue and digital decoders, are back in full production, Mike Tiffin, a company director, said yesterday

Refurbishing the production lines cost between R8 million and R9 million but allowed the company to improve processes on the lines and gain efficiency increases of between 10 and 15 percent

Reunert also revamped and automated the plant's test facilities

Production of televisions, which stands at about 500 a day, and analogue receivers was resumed shortly after the fire However, Reunert lost almost four months of digital receiver production, leaving Britain's Pace in effective control of the market for that period

The fire did not damage capital-intensive portions of the plant such as surface-mount devices and pick-and-place equipment

Digital decoder production has since climbed to about 12 000 digital decoders a month, most of which are for the export market Industry sources estimated the revenue stream from the decoders at R350 to R400 million a year.

Panasonic's absence from the digital-decoder market may have allowed it to redesign its decoders, early versions of which were described by one source as "riddled with problems"

It was also insulated from the software problems which plagued Pace and may account for its sudden seizure of an estimated 35 percent of the South African market

The bulk of Panasonic's decoder exports are destined for European markets

Tiffin estimates the potential size of the European market at more than 1 million decoders and predicts that demand will outstrip supply despite the expected entry of several new producers within the next year

Consumer and commercial electronics contributed R64,1 million to Reunert's operating profit for the year to September 30, off turnover of about R1,2 billion

The share fell to a low of R17,30 last Tuesday, from its January 10 high of R26,50

Searlls keep control of Seardel

Pyramid holding company Searcon unbundles

ARG 2/10/96

LLEWELLYN JONES (189D)
BUSINESS REPORTER

Control of clothing and electronics group Seardel will stay firmly in the hands of the Searll family after the unbundling of pyramid holding company Seardel Consolidated Holdings.

Until now the Searll family has exercised control of Seardel Consolidated Holdings (Searcon) through a 42 percent holding in Searcon which, in turn, controlled Seardel with a 50,1 percent stake in that company.

With the unbundling of Searcon, the Searll family will hold only about 20 percent of Seardel But the family will maintain voting control of Seardel by arrangement with existing institutional shareholders.

The institutions will vote with the Searll family, and the family has first option to buy the institutions' shares should they wish to sell

Aaron Searll, the chairman of the Seardel group, said the pyramid structure had become cumbersome and confusing, and the existence of two listed companies was causing unnecessary expense.

"It became an imperative to tidy up the structure of the group," Dr Searll said.

David Sylvester, the chairman of the South African Shareholders Association, said the association always welcomed the collapse of a pyramid structure.

But, he said, the Searll family's agreement with major institutional shareholders diluted the effect of the move. He hoped this would be temporary.

"We would like to see market forces determining the control of companies," Mr Sylvester said.

"In other words, poor management would lead to a weaker share price and the possibility of a takeover."

Searcon was established as the pyramid holding company of Seardel in 1987. Stockbroker analysts said the unbundling became inevitable when Seardel and Searcon established a second class of low voting "N" shares last year

Low voting "N" shares, which are identical to ordinary shares in all respects except voting rights, are a way for controlling shareholders of a company to maintain control when they need to raise new capital

Seardel has extensive interests in the clothing industry, manufacturing everything from Triumph underwear to Jonty's Fashion Trousers, and in the textile industry through its holding in the Frame Group

The company also holds an 81 percent stake in Seartec which distributes Sharp electronic equipment and manufactures Scripto writing instruments

Electronics market wounded by syndicates

Smugglers resort to murder

(189D) (BR) CT 16/10/96

JONATHAN ROSENTHAL

Johannesburg — The R4,5 billion-a-year South African consumer electronics market is being destroyed by international smuggling syndicates which have resorted to murder to protect their R2 billion-a-year operations, industry and government sources said yesterday.

Richard Ferrer, the vice-president of the Consumer Electronics Association, said customs and excise evasion in consumer electronics was estimated at between R300 million and R400 million a year, representing smuggled goods with market values of about R2 billion.

Customs evasion on all products was estimated at R2 billion a year. In some products, such as car radios and video recorders, smuggled goods accounted for between 60 and 75 percent of the market, he said.

He said smugglers used a variety of tactics to avoid paying import duties and the 37,5 percent ad valorem duty on consumer electronics.

These included undervaluing imports, falsifying documentation and importing goods for transit to countries outside the customs union, when they actually found their way to the local market.

"If they don't pay the ad valorem or VAT taxes they have almost 50 percent of the costs to play around with. They can pocket 25 percent and still undercut the prices at which we can sell to retailers," one source said.

Industry sources, who declined to be named for fear of reprisal, said at least two private investigators hired by the industry to investigate smuggling had been murdered last year.

This was confirmed by a government official, who said private investigators had been murdered while taking part in an undercover investigation into smugglers.

Johan Beets, the deputy director of investigations for the department of customs and excise, said several arrests had been made in the past few weeks and more could be expected this week.

He said international criminal syndicates lay behind much of the smuggling, a view echoed by industry sources. He also said investigators received death threats every day.

The electronics industry has lobbied Trevor Manuel, the minister of finance, to reduce the ad valorem duty from 37,5 percent to 10 percent to reduce the incentive for smuggling.

"Our figures show that at 10 percent the government would collect the same amount of revenue because the incentive to smuggle would not be worth the risk," Ferrer said.

An industry source said Manuel refused to meet the Consumer Electronics Association, and said the duty could not be reduced.

"Your proposal could not have come at a more inopportune time as far as the fiscus is concerned.

Having regard to the critical state of government finances at present, I cannot accede to your request for a reduction in the rate of duty," the minister said.

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Altech's 'pleasing turnaround'

(1890)

JOHN SPIRA

DEPUTY EDITOR

CT(BR) 17/10/96

Johannesburg — Altech, the technology group, yesterday reported a 19 percent fall in headline earnings to 313,1c a share in the six months to August 31 on turnover which was 35 percent higher at R963 million

Operating income at the Altron group company improved from R54 million to R57,4 million and income before exceptional items from R69,5 to R73,3 million

After adjustments for exceptional items, principally the write-off of industrialisation costs associated with the group's ill-fated electronic detonator, earnings were 373,5c a share compared with a negative 12,1c a share in the same 1995 period

Directors said yesterday that "the pleasing turnaround" was expected to continue during the second half. They noted that cash resources had increased by R134 million to R318 million following the sale of Alcatel Alsthom shares

The telecommunications division had performed well as a result of stringent cost controls, increased operating efficiencies and improving export sales

The systems division's had been adversely affected by "ongoing delays in decision-making by key military customers". Divisions in the industrial group had performed "in line with management's expectations"

The directors said the mining group continued to operate at a loss and would do so for the remainder of the financial year. "Nevertheless, management intends continuing with the electronic sequential detonator project as current technical performance of the device is encouraging and the mining productivity savings have been proven."

□ Business Watch, Page 16

Altech turns loss into R38m profit

BD 17/10/96 (189D)

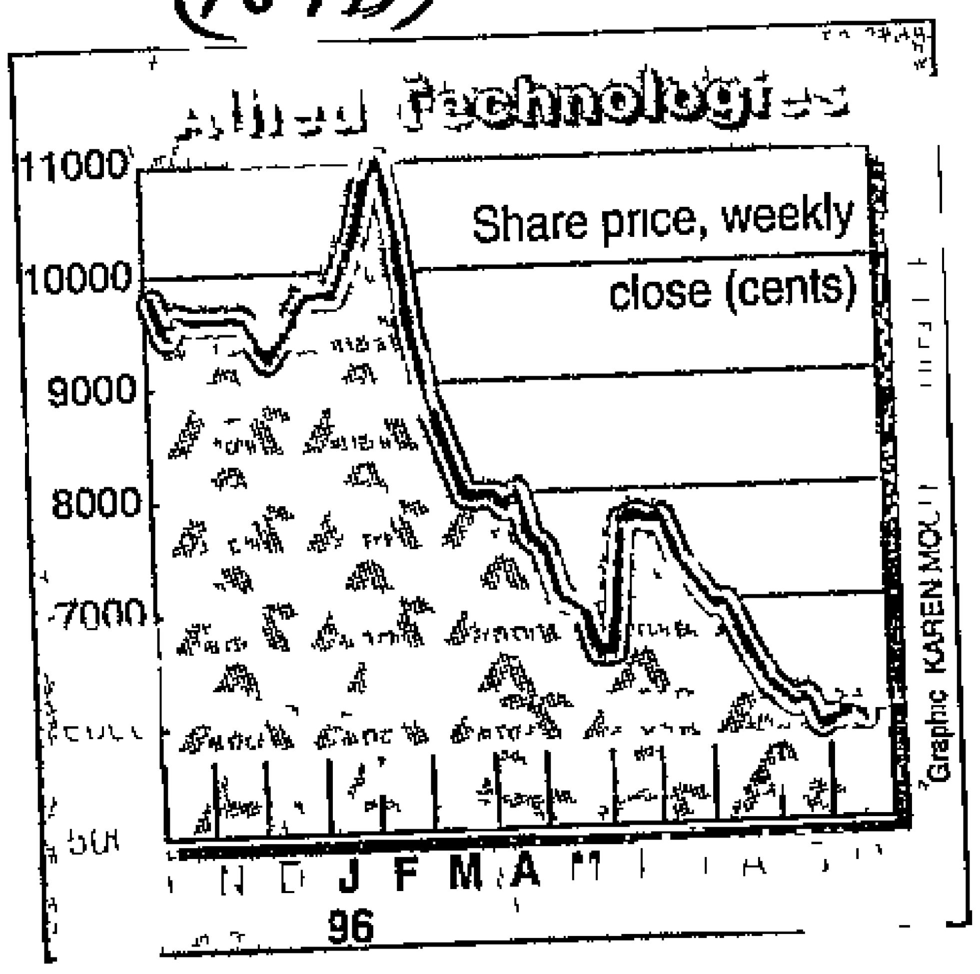
Edward West

ELECTRONICS and telecommunications group Allied Technologies (Altech) reported an attributable profit of R38m for the six months to August, turning around a R1,2m loss sustained in the first half of financial 1995

Headline share earnings were lower at 313,1c against 388,6c last year, mainly because a R58m write-off of an electric mining detonator's industrialisation costs was reported as an extraordinary item last year

Deputy chairman Peter Watt said the turnaround, although modest after the exclusion of the extraordinary item, was expected to continue in the second half Indications were that the economic climate would deteriorate, but the group's order book was strong and margins were acceptable

Turnover increased 35% to R963,3m in the first half, but operating



profit was up only 6% to R57,4m Interest income rose to R11,8m from R8m, but dividend income fell to R4,1m from R7,6m As a result, income before ex-

Continued on Page 2

Altech

(189D) BD 17/10/96

Continued from Page 1

traordinary items was only 5,5% higher at R73,3m Watt said a R5,4m extraordinary item made up a surplus on the disposal of investments.

Cash on hand increased to R318,1m from R149m after the sale of shares in Alcatel Alsthom for R157m The two groups' joint venture — Alcatel Altech Telecoms — positioned Altech to participate in Telkom's Vision 2000 project Other major items affecting cash flow included the purchase of the remaining 49% in Isis for R33m and R14m in capital expenditure.

Watt said delays in military customers' decision-making processes affected the systems division's results, but last year's losses were staunched and the division had broken even in the interim period.

Vehicle tracking company Netstar, with its subscriber base of more than 25 000, was operating profitably with a vehicle recovery rate of 96%, he said

In the industrial division Alcom Systems, with strategic partner Motorola, benefited from a R95m order for a trunked radio system in the Western Cape. EBE continued to perform well with its Intel product range, and Autopage remained profitable

Watt said the mining products division would operate at a loss for the remainder of the year

Management intended continuing with the electronic detonator project as the technical and cost benefits had been proven A major marketing strategy would be launched to introduce the detonator into the mining industry, Watt said.

BMW to use radio-cassette players produced at new R25m Philips plant

(1890)(183) BD 23/10/96

Adrienne Gilliomee

PHILIPS is to invest R25m in a car sound assembly plant that will produce radio-cassette player combinations for export and sale to the local car-making industry

The project has been undertaken jointly by SA Philips and Philips Car Systems of Germany.

SA Philips chairman and CE Bruce MacKenzie said the new plant would be one of Philips's international production centres, would be globally competitive and would meet universal quality standards

The Martindale plant will be a mirror image of the Philips Car Systems factory in Wetzlar, Germany, and produce up to 150 000 units a year

MacKenzie said several new contracts had been signed as a result of the new investment BMW SA had placed an order for the supply of radio-cassette player combinations for installation in all 3-series models sold locally. Philips car systems would also be included in the fully built-up 3-series vehicles exported by BMW, and would be exported as components for other BMW models in terms of the Motor Industry Development Programme (MIDP).

MacKenzie said similar agreements were being negotiated with other local automotive manufacturers

However, the success of the new Philips plant would not depend on the MIDP, MacKenzie said. "The plant will be an integral part of the international Philips supply network "

The first radio-cassette player system would leave the assembly line in February next year, said MacKenzie

Electronic goods streaming into country illegally

Seartec sounds the alarm

ARG 25/10/96 (189D)

LLEWELLYN JONES
BUSINESS REPORTER

Nearly three quarters of all imported audio and video equipment enters the country illegally, according to Chris de Bruin, chief executive of Seartec, the Seardel group's electronics and stationery arm.

Speaking at the group's annual general meeting in Wynberg yesterday, Dr De Bruin said smuggling was inevitable where there were high duties in place

Seardel executive chairman Aaron Searll praised the government's recent successes in the fight against illegal imports, including clothing, but warned that there was still much that needed to be done

"The talk of billions of rands worth of illegal goods entering the country is quite frightening," Dr Searll said "It will soon begin to affect the balance of payments and, therefore, seriously damage the economy if nothing is done "

He strongly believed international experience showed there was a good case for slashing duties – more money had flowed to the fiscus of those countries which had done so as it no longer became profitable to evade the duties

As further evidence for reducing duties in South Africa, he said there was virtually no smuggling of electronic goods which had low duties attached to them

But Bernard Richards, the joint managing director of Seardel, reserved a word of criticism for the government's handling of the phase down of duties

"In terms of the 7-year phase down of duties in terms of our obligations to the World Trade Organisation, duties were supposed to be revised as of September 1," he said "Despite our exhortations we have yet to achieve finality on this issue "

Illegal imports and a damaging strike saw Seardel struggling to boost turnover in the first three months of its financial year beginning July

Dr Searll said turnover at the group, excluding subsidiary Frame, rose only 2,9 percent to R429 million in the first quarter

With the inclusion of Frame's R208 million first quarter turnover however, Seardel's first quarter turnover rose 52 percent to R637 million

Dr De Bruin said that while Seartec's first quarter turnover rose only one percent to R52,6 million, the pre-tax profit margin had improved. Seartec holds the distribution rights for Sharp goods in South Africa, and manufactures Scripto writing instruments

Plessey lifts profit 11,4% to R29,5m

(189D)

Samantha Sharpe BD 4/11/96

CAPE TOWN — Electronics group Plessey lifted attributable profit 11,4% to R29,5m in the six months to September after offshore earnings and a lower tax charge helped offset a marked fall in telecommunications deliveries

Share earnings were 21,9c (21,6c) and follow an increase in the number of shares in issue There was no dividend declaration

Sales rose 15% to R536,46m, with operating income 14% higher at R43,46m — boosted by offshore earnings and by Plessey Cellular moving into profit earlier than expected

Plessey CE John Temple said the robust growth in operating income was further underpinned by the settlement of an insurance claim at the group's White Road, Cape Town factory in February and the net proceeds of the sale of 15% of Plessey Cellular to a black empowerment consortium

Income from investments grew to R1,03m (R934 000) Interest came to R8m against R3,4m last year, the result of higher working capital requirements and a change in Plessey's capital structure

"The interest bill for the first six months was higher than the previous year, but corrective action has been taken. There should be a beneficial impact on the interest charge for the year as a result of this action and cash receipts after September 30 from the insurance settlement and the sale of the Plessey Cellular stake," said Temple

The tax charge fell to R7m (R16,57m), with the effective tax rate of 19% for the half-year largely due to the inclusion of non-taxable gains on profits on disposals and the utilisation of assessed losses in Plessey Cellular and Plessey's 100%-owned UK subsidiary, he said

"Deliveries of telecommunications orders, seasonably high turnover in the consumer products division, the profitability of the cellular services business and a lower interest charge should ensure an improved second half," said Temple

The purchase of Australian-based AWA's electronics business, announced in September, would have no material effect on earnings a share, despite diluting the shares by about 4%

DIAGONAL STREET

Edward West

BD 11.11.96

Electronics and electrical sector shines

(189D)

THE JSE's electronics and electrical sector companies have continued to outperform most other sectors this year, analysts say

At the start of last week, the sector's index would have produced a 30% return since the beginning of the year, compared with a return of about 10% on the industrial index and a 5% return on the all share index

Only the coal and media sector indices outperformed the electronics and electrical index, which closed 10 points down at 3 614 on Friday, in line with the industrial index's 23-point fall to 7 992

The companies in the electronics sector are relatively small compared with the heavyweight industrials and gold mines in terms of market capitalisation, but some analysts say this just adds to their attractiveness

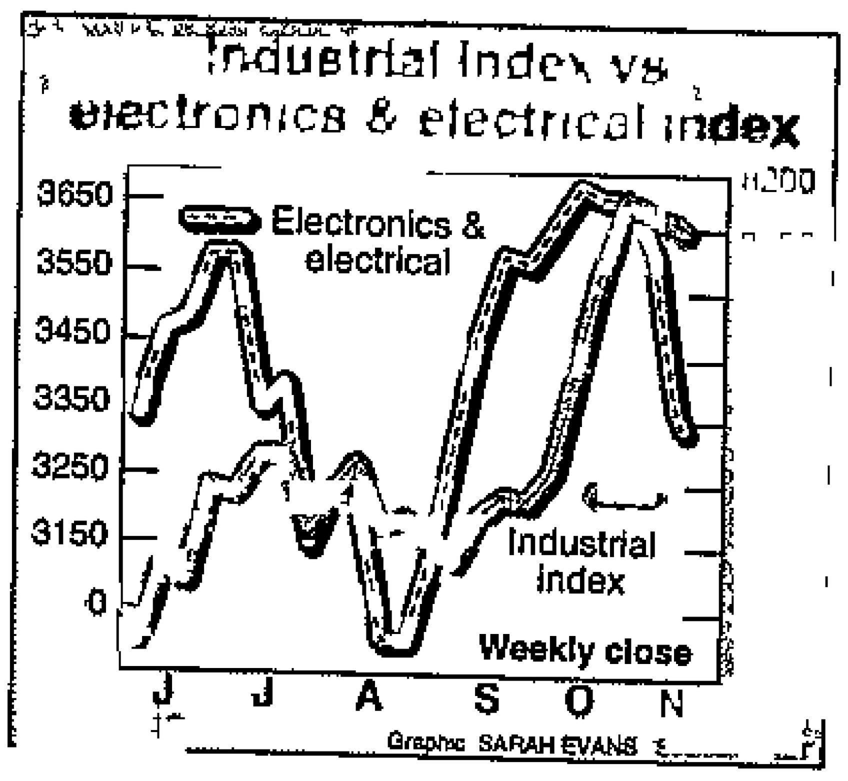
Many of the larger companies in the sector, such as DIDATA, which had a market capitalisation of R4,9bn on Friday, PERSETEL, with a capitalisation of R5,3bn and REUNERT, capitalised at R3,7bn, attract significant institutional support

Companies exposed to government contracts in the telecommunications and electrical infrastructure fields attract greater risk ratings, mainly because of time lags and an inability to gather information about the contracts

However, the potential rewards for these companies are as great as those for the groups in the information technology industry

"For many it's got to be a speculative buy. Price-to-earnings ratios are high Nevertheless, these companies operate under the full force of the information revolution Unless they do something stupid, there is no reason these companies should not continue growing," one analyst said

Q DATA, which traded at R9,35 on Friday, DIDATA, which closed 20c up at R11,20 and PERSETEL, which fell 30c to R27,60 after a cautionary announcement



was published, have among the highest ratios in the sector at 44, 54,6 and 59,7 respectively

Among the shares to show the most spectacular gains is ADVTECH, which hit a R4 12-month high in September from a 10c low a year ago The share gained 2c to R2,78c on Friday after reporting record earnings growth a week before

With a listed track record of just over a year, PLESSEY's share price has doubled It closed 4c lower at R9,60 on Friday — compared with an issue price of R5,80 — after touching a high of R12,75 last month

Reunert hampered by Telkom delays

BD 13/11/96 (189D)

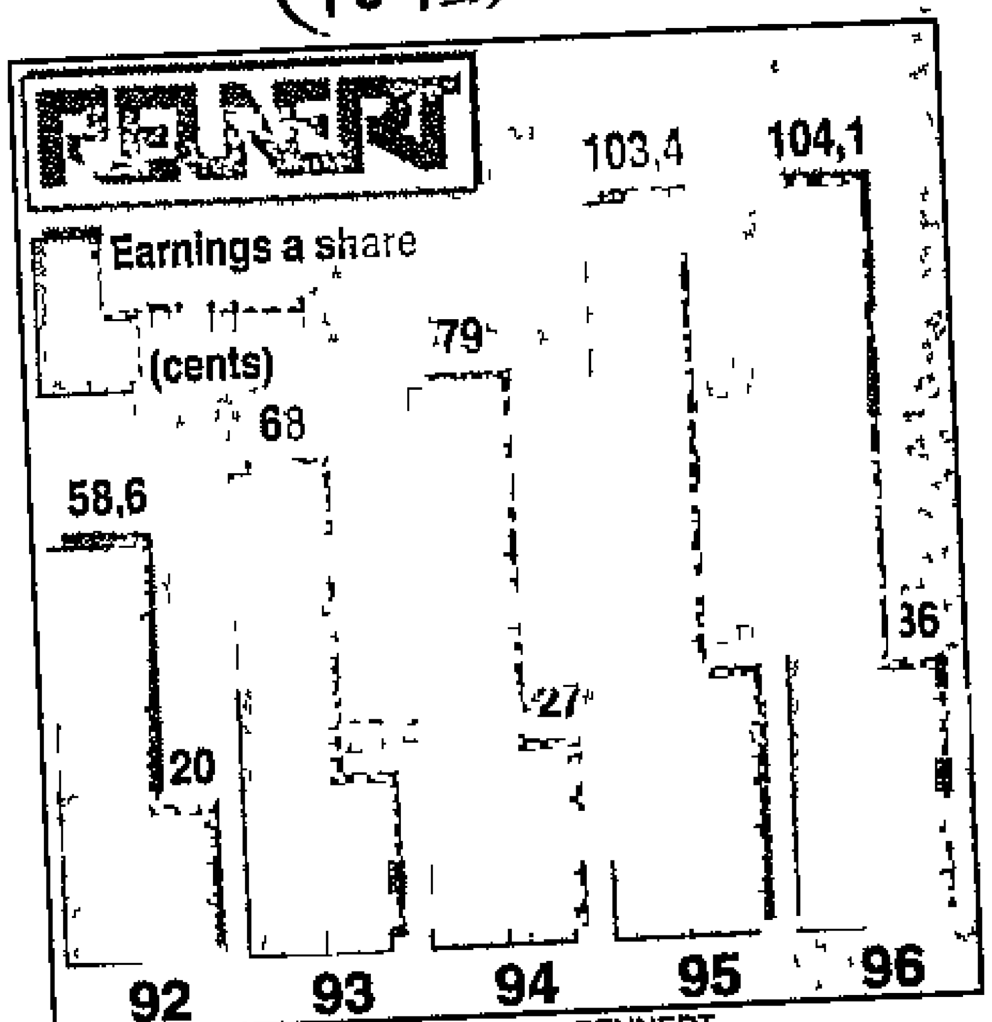
Edward West

ELECTRICAL and electronics group Reunert lifted attributable income after abnormal items 7% to R203m in the year to September after tough trading conditions were exacerbated by the slow delivery of SA telecommunications infrastructure

Share earnings were 5% higher at 103,7c a year, and the full-year dividend was unchanged at 36c after the final dividend was held at 25c

Chairman Clive Parker was cautious about prospects for 1996/97 considering the uncertainty over the appointment of an offshore partner for Telkom, and that delivery mechanisms expanding the telephone infrastructure had not yet been clearly defined

Turnover increased 4% to R4,9bn Parker said that with ATC ceasing to be a subsidiary from October 1 1995, and now reported on an equity accounted basis, direct comparisons with the previous year would distort turnover and pre-tax profit However, sales would have increased 14% to R4,9bn on a comparable basis



Graphic KAREN MOOLMAN Source REUNERT

Operating margins were squeezed in most divisions, due in particular to the slow pace of telecommunications infrastructure and losses incurred by Consolidated Lamp Manufacturers,

Continued on Page 2

Reunert

(189D) BD 13/11/96

Continued from Page 1

SA's only light bulb manufacturer As a result, operating profit was 21% lower at R291,3m

About 2 000 employees in the telecommunications and electrical engineering businesses had to be retrenched during the year, out of a group staff complement of 12 700

Interest charges rose to R26,8m from R3,1m owing to production leads and lags following a fire at the consumer division's Parow factory Parker said the group was essentially ungeared with cash of R147,1m at year-end, and was in a position to expand

The largest contributor to attributable profit was the electrical division (33%) followed by defence and allied (28%) and consumer and commercial (27%). The contribution by telecommunications fell by half to 12% compared with 26% of attributable profit last year.

Parker said the telecommunications division had been badly affected by Telkom's deferment and, in some cases, cancellation of orders In the electrical division there was a slowdown in electricity delivery by municipalities and local authorities.

The electrical division suffered from losses by Consolidated Lamp Manufacturers Parker said import tariffs were unexpectedly reduced to 1999 levels at the start of 1995 when it was clear lower duties should have been phased in over five years Substantial investments in high speed equipment were made, but tariffs were reduced long before new plant reached SA.

Parker said submissions had been made to the trade and industry department and an investigation was under way to assess the future of the company, a subsidiary of GEC Alsthom SA

The defence and allied division increased its contribution to Reunert's attributable profit to 28% from 20% despite cuts in the SA National Defence Force's budget Several joint venture agreements were concluded with major international defence equipment suppliers, enhancing export prospects

The diversification into commercial products started several years ago by the defence systems division was bearing fruit, he said. An example was Iveco SA, which had gained market share in several commercial vehicle niches.

Iscor's project capital commitments total R1,2bn

David McKay (189A)

BD 4/10/96

ISCOR has outstanding project capital commitments of about R1,2bn still to be funded over the next five years, it said in its latest annual report.

This amount comprised a R745m equity stake in the Saldanha Steel project and R500m in working capital for the Pretoria stainless steel mill — a project which had been completed in the 1996 financial year

Executive finance director Louis van Niekerk said the group would meet its commitments through internal cash flows and from the strong balance sheet Iscor had R900m remaining from a R1,3bn rights issue called in March last year

Total cash available to fund the replacement of assets and support further growth came in at R1,5bn in the year to June (R1,8bn)

Cash derived from sales, service and insurance recovery was R11,9bn (R10,9bn) in the last financial year This was bolstered by a R166m increase to R245m in investment income and interest received on cash balances

Capital which had been accounted for in the budget was the uncompleted portion of the R1,2bn Vanderbijlpark Works modernisation The cost would be spread over the next two and a half years

STEEL *European Union revises specifications for stainless products*

Squeeze on steel exporters

(189A) CT (BR) 8/10/96

JAMES LAMONT

Johannesburg — The European Union has revised its stainless steel specifications, a move which could put a squeeze on South African exports and boost the competitiveness of imports unless local industry adapts to these new standards, David Slater, the executive director of the Southern Africa Stainless Steel Development Association, said yesterday

The tougher new specifications require South African manufacturers to produce stronger and thinner products But the South African industry could adapt, Slater said

Exporters would have to produce material to higher mechanical strengths, but imported finished goods, like tank containers and other pressure vessels, would become more competitive than locally produced counterparts unless the South African industry moved away from its old standards, he said

In the past, tendering was based on American standards

Slater said the new specifications insisted on higher mechanical values of stainless steel "We are going to have to be sharper in terms of design and make sure we are working to the highest possible mechanical values," he said

Some of the new EU specifications are already in place "Specifications for general-purpose applications have already been published, while the specifications for particular applications such as pressure vessels are currently in draft form and are only expected to be finalised within the next 18 months," he said

Daniel Zeelie, a marketing and technology manager at Iscor, said his department had not yet studied the new specifications Iscor will begin stainless steel production at its Pretoria plant next year

But Columbus stainless steel was confident it could meet export market specifications "Stainless steel is so generic a product that I do not foresee any particular difficulty," said John Rowe, Columbus' sales and marketing general manager

(189A)

No ceiling for roof company

ST(BT) 13/10/96

THE Bouchard International Services and Comcraft Services groups have purchased a joint share in a local roofing company and have plans for further investments of at least R290-million over the next three to five years

Hoping to benefit from the increased use of roofing material by rural communities, the group have invested in the roofing sheet manufacturers, Safintra

The Safintra plant, operating from Benoni and the Cape, together with associate Augusta Profiles, have annual sales of about R200-million

There are now plans to expand these operations in two phases First up is a galvanising plant costing R54-million to R67-million, while the second phase, a cold reducing mill, will cost about R225-million

Hirji Shah, a director of Bouchard International, says the company is also investigating additional investments in aluminium and paper products

"We have been looking at South Africa for the past three years and saw tremendous potential," he says

Bouchard International is owned by the Shah and Chandaria families and began operations in Kenya 75 years ago The company claims to be the largest roof sheeting manufacturers in Africa, excluding South Africa Bouchard began as steel processors and expanded to include trading in hot rolled coil, billet and wire rod It also trades in cold rolled, galvanised, coloured and profile steels

Success in East, Central and West Africa supplying thin gauged roofing to rural communities allowed the group to expand internationally and it is now represented in 40 countries, including Europe, the Far East, America and Australasia where it is involved in steel, aluminium, electronics and plastics

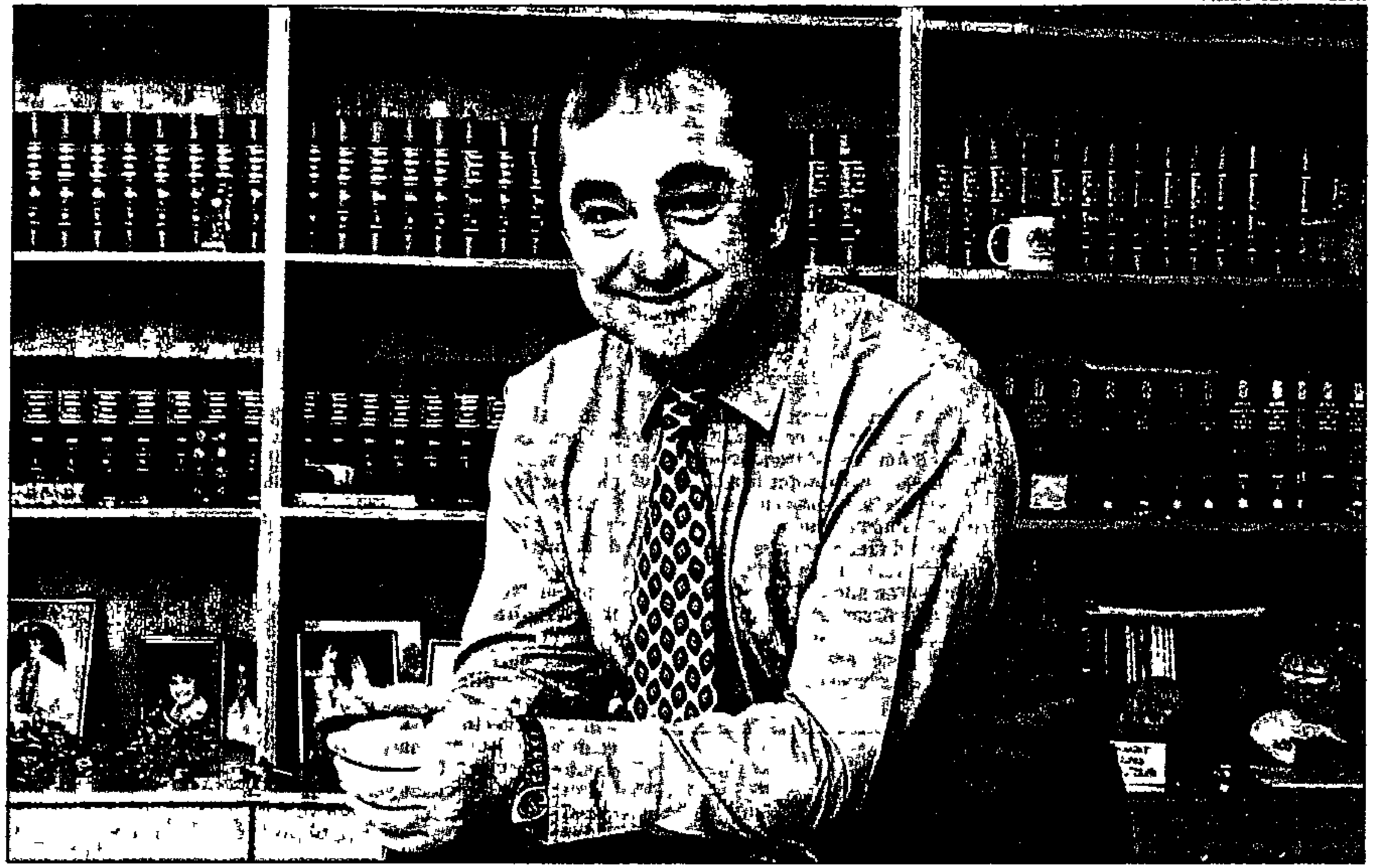
Plans for the South African expansion include the production of roofing material for rural communities, cooking pots, lanterns, stoves and wheelbarrows

Bouchard is also investigating additional investments in aluminium and paper products

"We have had discussions with Iscor about supplying thin gauge sheeting Iscor will be making and supplying the product and we plan to use this for our galvanising plant," says Sarit Shah, a director of Safintra

"We are effectively opening up a new market as there was no locally manufactured product in SA"

Picture JEREMY GLYN



THE HARD FACTS .. Michael Hoffman, who says that the steel industry must become more productive and efficient

Government must show mettle

THE government must take the lead in creating a stable environment and encourage improved productivity to allow steel and other industries to become globally competitive

Michael Hoffman, immediate past president of the Steel Merchants' Association and deputy chairman of Macsteel, says that to achieve this, it might be necessary for the authorities, with the assistance of business, to take some unpopular decisions.

"It is essential that people learn that they must put in before they can take out," he says

The steel industry, for example, must become more productive and efficient It employs many people, generates significant foreign exchange, uses raw materials and is responsible for large projects

"Steel demand is a function of growth — they are directly correlated," says Hoffman

He says a stable environment includes the maintenance of law and order, proper health care and education, road maintenance, a fair tax structure, employment and the creation of a work ethic

In spite of Hoffman's concerns about the industry's future, the association's activities appear to have suffered no impact from the "chastisement" by the Competition Board, which warned it against possible price collusion

"Members consider themselves to have been vindicated and the matter has been settled to all intents and purposes," says Hoffman

Looking further ahead, he believes the price of steel on the local market will continue to rise by at least the inflation rate until producers succeed in reaching international cost standards

Prices next year could go up by between 5% and 8%, he says

In Europe, prices are expected to rise marginally, while US markets should remain stable, with the economy expected to perform at around current levels First quarter price increases for 1997 have already been announced

Conditions in the Pacific Rim should improve slowly but perceptibly in the first half of 1997

Hoffman says merchants are also entering the export market and this is a steadily increasing area of activity, especially for value-added products

The Steel Merchants' Association represents "dozens" of members who trade between 40-50% of steel sold in a competitive domestic market valued at about R4-billion a year

Domestic sales this year are forecast at 3,5-million tons compared with 4,2-millions last year.

Hoffman says the reasons for the decline are the general slowdown in the rate of growth, high interest rates, an escalation in the political scenario and a high level of violent crime which is inhibiting investment.

(184P) ST(P) 11/1/96

Industry gears up for its best year on record

THE use of stainless steel in South Africa is expected to increase to a record 100 000 tons this year and the South African Stainless Steel Development Association believes there is potential for even more growth

Per capita consumption in Japan and Germany is 14kg, compared with 7,5kg in the US and 5,2kg in the UK In South Africa, consumption is a mere 2kg per capita

But Dave Slater, executive director of Sassda, says that as South Africa is a Third World country with a large portion of its population classified as disadvantaged, a more valid consumption figure would put the per capita usage of stainless steel at about number seven in the world

Accordingly, Sassda will spend a large portion of its R4,75-million budget "to inform on and promote the increased use of stainless steel throughout the industry"

In 1994, total consumption reached 73 400 tons, rising to 95 200 tons in 1995 Slater is forecasting consumption of over 100 000 tons this year Thereafter, there will be a levelling off before an expected recovery in 1998

Sassda has been instrumental in attracting foreign interest and discussions have taken place with potential investors in the Middle East and Korea for tube and pipe, Japan for cutlery and Australia for catering and kitchenware.

QUOTE: Slater is forecasting stainless steel consumption of over 100 000 tons this year

On the local front, demand for vehicle autocatalysts is doubling every two years, and two new plants are under consideration

"We are looking for growth in the building and construction industries in particular In Britain, 15% to 25% of all construction material is stainless steel, compared to only 1% in South Africa," Slater says

"We will be targeting airports, hotels, correctional services and fast food outlets for further growth."

Sassda is also involved in a cluster study being conducted by the Industrial Development Corporation

A micro study has been completed into tube, pipe, catering, cutlery, sinks and hollowware industries, and the first results are expected in January or February

Imports of finished stainless steel goods rose by 50% between 1994 and the end of last year and Sassda is monitoring dumping fears

"Some imports of hollowware from Korea are being sold for less than the cost of material in South Africa and this is impacting on a number of Sassda members," says Slater

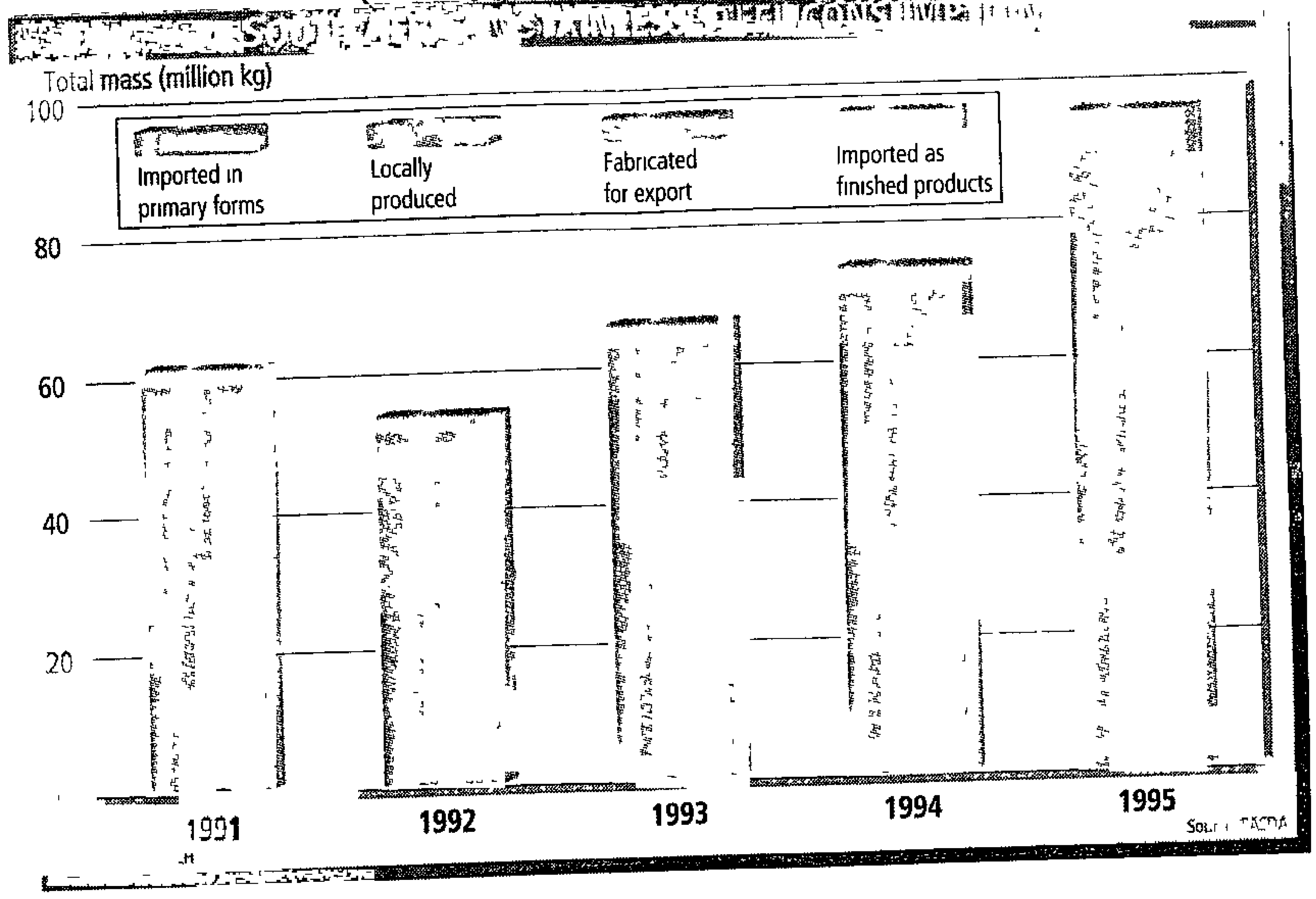
"What we need is a change in legislation to get reaction to dumping claims speeded up"

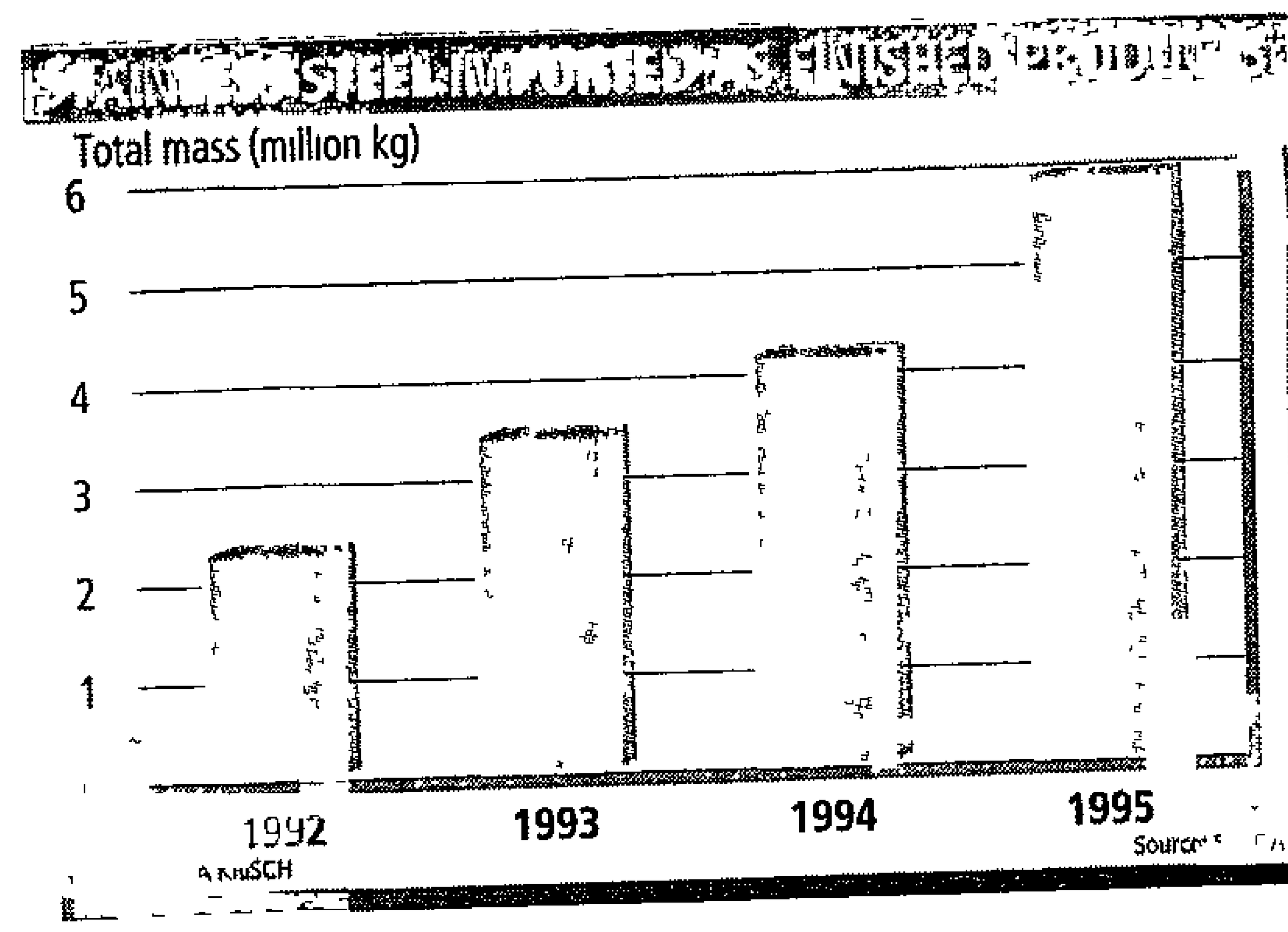
In contrast, exports have shown reasonable growth during the same period, from about 16 000 tons to 18 000 tons, and considerable growth is expected in tank containers, autocatalysts, tubes, pipes, kitchenware and catering equipment

New European standards for stainless steel will be introduced soon, which will result in strengths — previously understated — being increased by about 40% Sassda will ensure that its members are able to take full advantage of this

Sassda's role is not recognised by the local industry only — international producers have also taken note of its achievements, with the Australians taking a leaf out of the Sassda experience to develop their own programmes

Sassda represents 90% of stainless steel producers, ranging from primary producers to final product producers covering 260 companies





Steloy moulds its future

FOLLOWING nearly three years of strong growth, Steloy Stainless Precision Castings is experiencing the first signs of a tapering off in demand for stainless steel castings, says managing director Danie Slabbert

Steloy, a major player in the foundry industry which produces valves, pumps, heat resistant equipment and supplies to the petrochemical industry, believes the downturn will last for six to 12 months before showing positive growth again

A fairly young industry in South Africa, stainless steel castings represent a small percentage of about 1 000 tons a year In most instances, it utilises scrap and various alloys for its feedstock.

But the use of stainless steel castings internationally is growing at a rate faster than the GDP of major countries and, apart from the brief hiccup expected, is likely to continue growing, says Slabbert

In South Africa, the use of castings has increased by 10% over the past five years South Africa also supplies about 60% of all stainless steel tank containers

Exports of castings are also on the increase and the US, for example, is buying in South Africa

Slabbert says that as castings are labour-intensive, stainless steel castings made locally are very competitive

DIE IS CAST . . . Danie Slabbert says global usage of stainless steel castings will continue to grow

Haggie moves to take on the world

THE downturn in the steel industry over the past year has been much steeper than expected, causing many job losses and eroding profits at companies like Haggie, says Chris Murray, managing director of the Haggie Group.

But Haggie, the world's leading supplier of wire rope to the mining industry, tries to take advantage of these cycles by investing when there is an upturn.

This is now expected in 1998 as the world economy recovers at a time when steel mills reduce production because of low demand.

In the meantime, Haggie has to rely on Iscor for almost all its high quality steel rod and is therefore dependent on it remaining globally competitive

"Local steel prices do not necessarily follow international steel prices because of the fluctuating exchange rates and because our economy is relatively insulated," says Murray "For example, during 1996, the international steel price came off by about 25%, while local steel prices increased by 7%."

Being out of sync with international steel prices puts pressure on Haggie's export competitiveness. The group exports about 40% of its wire rope and is currently developing new and existing export markets

The removal of Geis benefits, coupled with the reduction in Gatt protection, has forced it to become internationally competitive

Immediate prospects for the steel industry are not bright, but the next upturn in internatonal markets is on the horizon, writes DON ROBERTSON

(189A)
ST (MT) 13/10/96

Iscor strikes while the iron is still hot

ISCOR's entry into a world away from its traditional activities will be taken next month when the board will decide whether to go ahead with its heavy mineral mining project at Richards Bay

This follows acceptance by potential customers of the quality of its products and the approval of an environmental study

If accepted, the project will involve the processing of 200 000 tons of titania slag a year, 14 000 tons of rutile, 32 000 tons of zircon and 120 000 tons of pig iron

The mine is expected to be commissioned in 1998, while a 200 000 ton-a-year smelter and processing plant will come into production about a year later

Ben Alberts, managing director of the mining division, says "We have completed the feasibility study, mastered the smelting technology at a pilot plant and done most of the work, and the quality of the products which are low in radio activity is acceptable"

The titanium deposits, inland from Richards Bay in a 10km-30km radius, have a life span of about 20 years Iscor also has deposits in the Transkei and near Phalaborwa All the deposits were bought from Shell SA and Rhombus Exploration for R30-million in 1994

It was initially planned to mine the Richards Bay area for about 10 years before a decision on the Transkei deposit was considered If mining goes ahead at Phalaborwa, a second smelter might be required

The total cost of the developments could exceed R1-billion

While shareholders hold their breath on this development, the mining division will not be idle over the next few years

There is little hope for much improvement this financial year on the 17,5-million tons of iron ore exported last year, mainly due to problems on the rail line between Sishen and Saldanha and at the harbour.

The rail facilities have a capacity of 21-million tons a year, of which Iscor has an allocation of 17-million tons and Assamang 4-million tons At present, only nine of the 18 loops on the line are operational, but earthworks have been completed on the remainder It is estimated that if all the loops were operational, an additional 2-million tons could be added annually

QUOTE: The titanium deposits, inland from Richards Bay in a 10-30km radius, have a life span of about 20 years

"We've had a generally good service from Transnet, but because of the international demand for lumpy ore in particular, we are renegotiating with them," Alberts says "We have every reason to believe the problems will be addressed"

Iscor's lumpy ore — it owns 55% of world deposits — is in great demand in Western Europe, China, Japan and Eastern Europe In many processes it can be used instead of more expensive iron ore pellets.

Alberts says the iron ore off-loading plant built by Iscor at the Qingdao port in China is working well, although there have been some problems "China is growing so fast that its infrastructure is suffering, but we have achieved our objective and are currently delivering at a rate of one-million tons a year"

Iscor predicts that iron ore prices will continue to improve until the year 2000, decline marginally and then recover in 2004.

In the last financial year, it produced 17,8-million tons of coal with deliveries to its own operations, to Eskom and for exports.

Its main problem, however, is the lack of coking coal deposits As a result of its requirement of 4,6-million tons this year, imports from the US and Australia will increase

Production at Iscor's only coking coal mine at Tshikondeni will be raised from 5 000 tons a week to 11 000 tons — about 600 000 tons a year Production will also be increased at the Grootegeluk mine and a R50-million pulverised coal injection plant will be constructed

Iscor is also involved in exploration and mining in Tanzania, Uganda and Zaire, and is investigating gold and base metal reserves

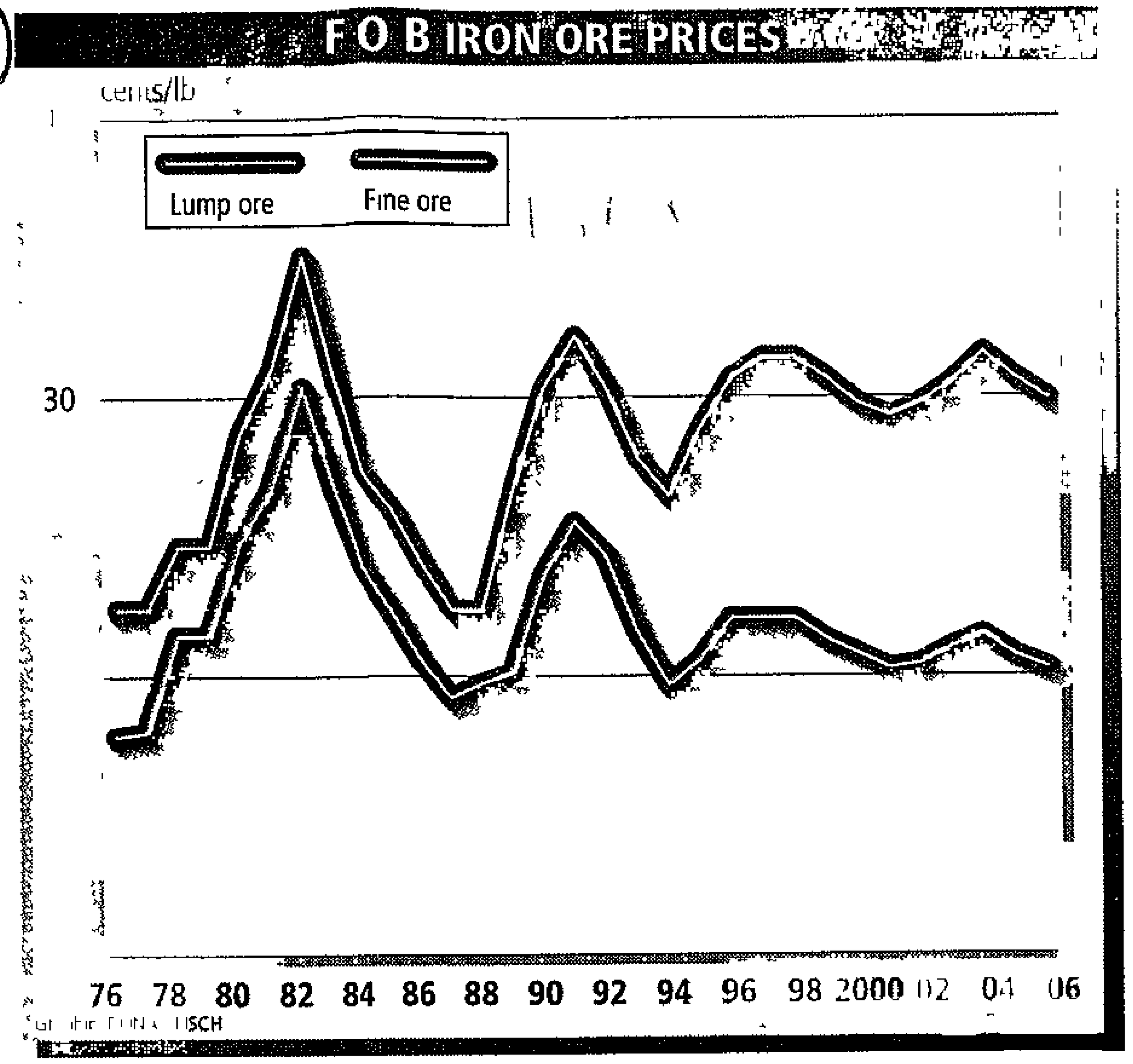
Alberts is also enthusiastic about the Phambili project, aimed at reducing costs at mines and business units by "double digit figures" over the next three years, improving training and creating working units. These actions will result in a reduction of about 3 000 staff members, but it is hoped this will be achieved through natural attrition

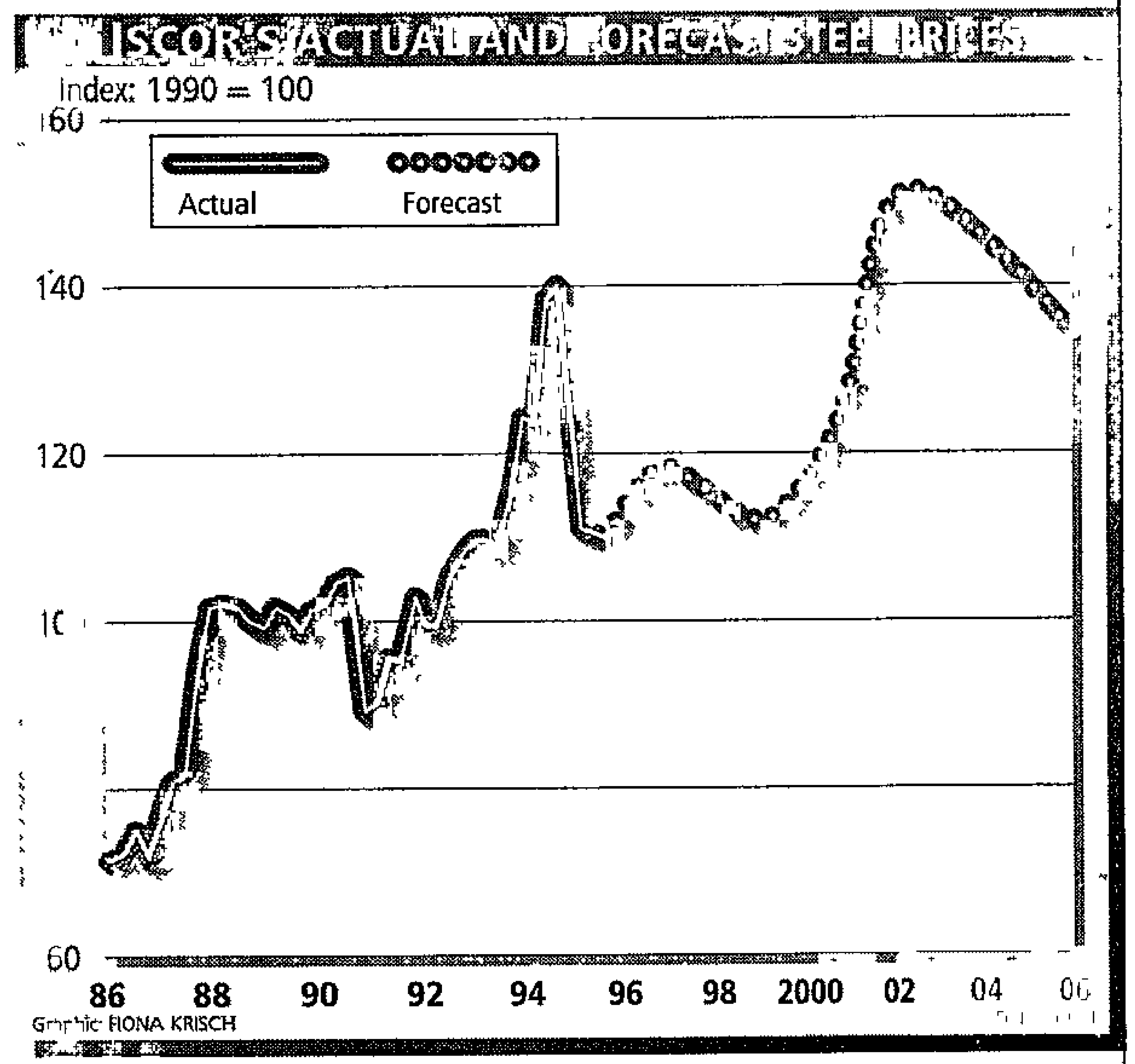
Big profit on land

ISCOR has the potential to earn an additional R600-million from the sale of properties owned by Yskor Landgoed, which the corporation purchased for a "nominal consideration" from Landgoed Trust and a commercial bank

Following the purchase, a surplus of R121-million, the historical book value of the assets, was added to its accounts This figure is considered conservative and a more realistic amount is about R600-million, says Neels Howatt, group general manager human resources and public relations and chairman of Yskor Landgoed

The property company has about 9 900 housing units which it intends to sell to employees or other parties





Steeling itself until the next upturn

ISCOR will probably have to increase borrowings during the current financial year, reversing the current cash-flush position as domestic and international steel markets continue to decline

However, Kevin Robertson, the managing director of the steel division, says it will not be necessary to raise funds through a rights issue, but rather through normal channels

Robertson says that although the corporation has "no problems with debt, it could be up to 25% at the top of a cycle, but it does not like to have borrowings at the bottom of a cycle"

Nevertheless, the company is hopeful that it will beat last year's earnings of 26c a share before exceptional items, but it will be "extremely tough" to match the 35c earnings including exceptional items

While acceptable profits for the current financial year can be posted, prospects in the short to medium term are not that bright for the steel industry

Robertson believes the next upturn in international markets will begin in the middle of 1999 and continue for about two to two-and-a-half years On the local market, there is little hope for improvement until after the elections during the same year, after a 12% decline last year

There are indications, however, that local steel merchants have run down stocks to between eight to nine weeks from previous levels of between 11 to 12 weeks and this should result in at least a modest restocking during the year

Discussing the markets, Robertson says conditions in the US will be at a low in the current year, but could improve marginally thereafter Indications are that Japan will grow by about 2% this year, which in Japanese terms is substantial The European market has been impacted on by the entry of eastern countries and prospects are not good The Middle East is expected to remain at present levels for a number of years

Prospects in the rest of Africa, however, looks encouraging and prices are good, although volumes restricted.

About 42% of Iscor's dollar earnings had been sold forward at R4,12, but Robertson says that average earnings will be based on between R4,20 to R4,25 until the end of the year, after which the full effect on the weaker rand will be recovered.

He believes the rand will fall to between R4,75 and R4,85 by the middle of next year

The commissioning of Saldanha Steel could not have come at a better time

"It was postponed for about a year because of problems, but when it is commissioned at the end of 1998, and at full production eight to 12 months later, it will come in with its R1-million export production when the upturn begins If we had started as scheduled, we would have had to slow down construction," says Robertson

This ploy has had to be adopted at the Pretoria works, which is being converted from carbon steel to stainless steel, largely because of the decline in this market. It has, however, worked to the benefit of the group, as carbon steel, lost as a result of a 100-day closure of the C furnace at Vanderbijlpark C mill for relining, will be produced at the Pretoria works

"We are hugely excited about the quality of stainless steel from the Pretoria plant A leading international steel company has given us an extremely positive report," says Robertson

Capital expenditure this year is estimated at about R1,3-billion Projects include new mining and replacement of equipment at Sishen, the expansion at Tshikondeni, modernisation at Vanderbijlpark, the relining of the C blast furnace and a pulverised coal injection plant

The controversial agreement between Iscor and Macsteel, which will allow the steel trader the right to sell all of the corporation's export product, will come into operation only in January after a substantial delay

Federation to resist proposals in draft legislation

Edward West (189A) BD 15/10/96

THE Steel and Engineering Industries' Federation of SA would continue resisting several of the proposals in the draft employment standards legislation being negotiated by the National Economic, Development and Labour Council (Nedlac), outgoing president Johan Trotskie said yesterday

Speaking at the organisation's annual meeting, Trotskie said the green paper to replace the Basic Conditions of Employment and Wage Acts contained a number of unacceptable elements, including proposals on increased overtime rates and reduced working hours

"Many of these issues will come into play in the new year and make management more difficult," he said

Apprentice intake was the lowest in the history of the metal industry Legislation for a new Labour Training Act aimed at promoting effective training in SA may be passed next year, he said

Economic growth, currently at 3,3%, was expected to drop to 3% by year-end

Trotskie said the electrical and allied industries had been bolstered by the continuing electrification programme, but generally other industry sectors had a slow year with significantly reduced order intake levels

GFSA's BASE METAL COMPANIES (189A)

DULL TO SPARKLING

FM 18/10/96

Base metal and minerals companies in the Gold Fields group have delivered a widely mixed bag of results for the third quarter

But of the four reviewed, unlisted lead producer Black Mountain was definitely the place to be There were few surprises this quarter on the mine though its notable shipment delays will be carried over to the December reporting period

Lead, on the other hand, goes on outperforming most other commodities The average price received in 1994 was US$500/t, $600 last year and is now at about $730

The company's profit for the quarter was R15,9m and for the nine months it stands at R60m However, BoE NatWest analyst Barry Sergeant believes it will top R100m for the year because of substantial delayed sales in the last quarter

In an important sense, Black Mountain is one of those unspoken tragedies because it should have been listed long ago to release substantial wealth for Gold Fields shareholders They'll have to go on eating their hearts out

O'okiep, the northern Cape copper company didn't do well It returned a loss for the quarter of R10,2m, taking the loss for the nine months to R22,7m

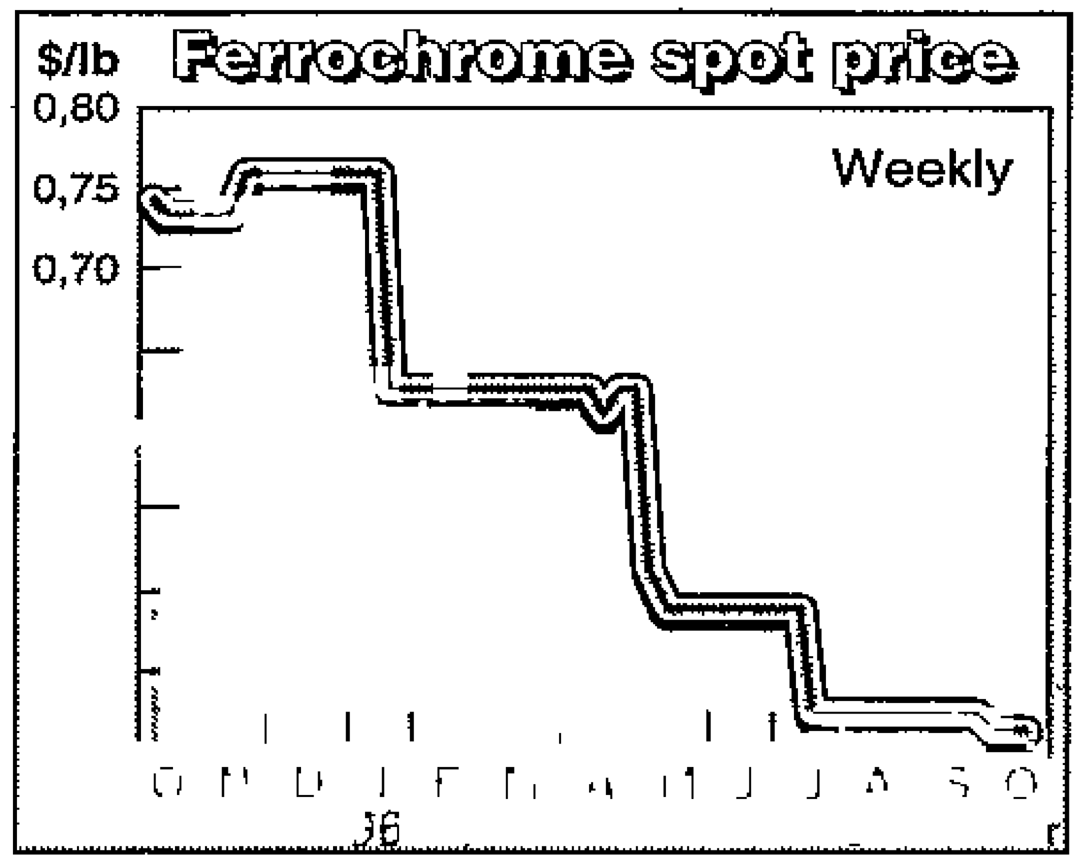
This underlines its susceptibility as a marginal producer, heavily reliant on the end price of a commodity which collapsed spectacularly earlier this year It is also a short-life mine with little more than about seven or eight years left in it, price permitting

ZincCorp turned in another superlative result, underlining its dominance of the SA market and reflecting the steady improvement it has shown since 1992 An area of some concern may be the substantial rise in costs — these rose nearly 17% in the quarter

Gold Fields Coal returned an exceptional result with bottom-line profit of R20,6m making up nearly half the nine months' R46,5m Even so, there seems little room for expansion in this company and, since its principal asset is its 50% stake in Matla (managed by Ingwe), it's surprising some form of merger with the Gencor coal giant hasn't been explored *David Gleason*

Ferrochrome bottoming out may stabilise stainless steel prices

BD 22/10/96 (189A)



David McKay

SA FERROCHROME producers have rolled over fourth-quarter contract prices with European buyers, supporting hopes that the market has bottomed out and could be followed by a stabilisation of stainless steel prices

Ferrochrome prices ranging from $0,41c/lb to $0,43c/lb were agreed this month after the price slumped by almost half, from $0,76c/lb over a year ago

Most producers said prices would hit a high of about $0,45c/lb next year, but would move no higher in a difficult year

Market analysts said yesterday stainless steel prices had improved with the reduction in inventories, particularly in Europe Certain cold rolled grades were finding buyers at the $1 850/t level, a 16% increase from August, they said

Ferrochrome is used in the production of stainless steel

SA's main ferrochrome producers, Samancor, Consolidated Metallurgical Industries (CMI), and Chromecorp have forecast lower profit this year on a slower ferrochrome market

CMI marketing director Allan Kuhnert said the company's year-end profits might not be as hard hit as was forecast in its year-end results reported in August

Prices could hit a ceiling of $0,45c/lb next year as less material became available on the world market, Kuhnert said

This was due to certain world players, including Norwegian, Indian and Chinese producers, being forced out by the lower prices, he said

Samancor chrome GM Wilrich Schroeder said the company was very close to achieving a price rollover in negotiations with Japanese buyers

However, the Gencor-owned company said the price was not where it was expected to be, and it predicted that next year would be "tough"

The stabilisation of the ferrochrome price heralded a period of consolidation rather than growth, he said

Chromecorp said large inventories of ferrochrome, built up by Kazakhstan producers when the price was high, had been depleted This was another reason for price stabilisation

The company planned to bring its sixth furnace into production by next week, while a seventh furnace, which would supply Iscor's stainless steel facility in Pretoria, would start production next year

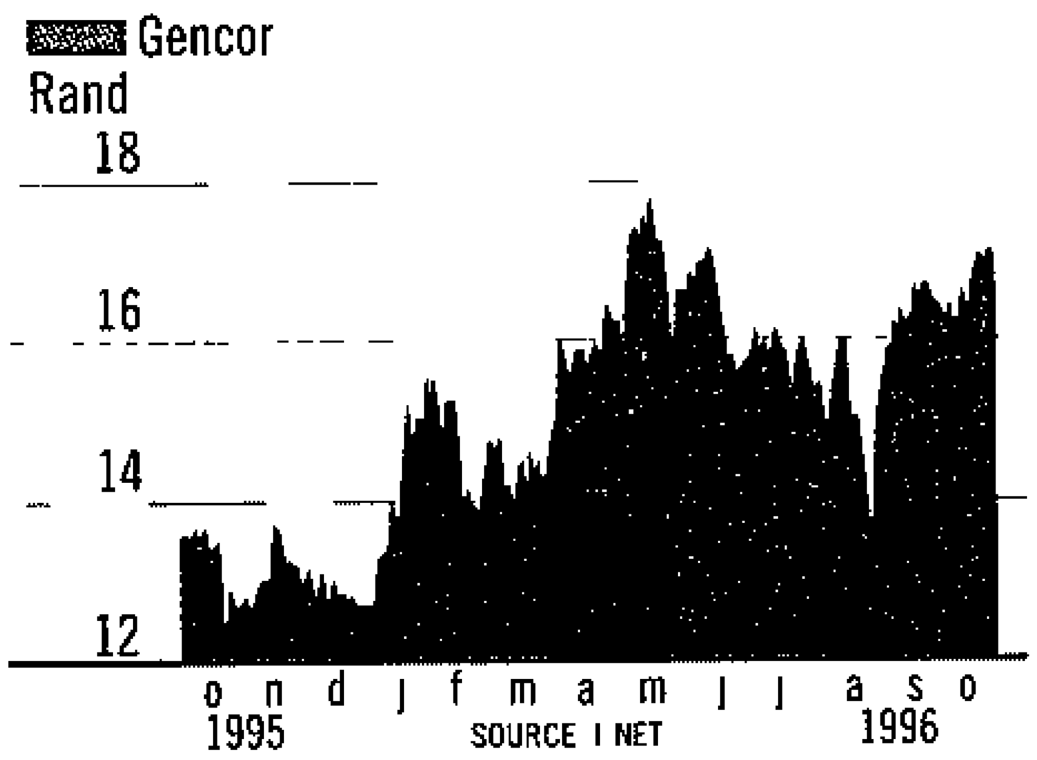
This furnace, situated at Wonderkop, would supply nearly 60 000 tons of chrome to Iscor over the next year as it built up production at its stainless steel facility.

Iscor had delayed the production of stainless steel due to a sluggish world market, forcing Chromecorp to revise the commissioning of its seventh furnace New clients had been sourced for this offtake, Chromecorp said

Only new entrant Brits-based Hernic Ferrochrome had been forced to sell ferrochrome at below the going rate, according to an analyst

The privately owned company, formed about nine months ago, was selling ferrochrome at $0,38c/lb to $0,40c/lb as it did not yet have a market niche, he said.

The company's directors were not available for comment yesterday.



arising from sales of gold mines to Randgold, the holding in Malbak (off-market), Kelgran and part of Cudgen (Australia) The bottom line was 71% better

The balance sheet, however, reflects the borrowings of recent years At book value, the debt equity ratio is 0 33 — probably high in this kind of business but not uncomfortable

Taken overall, this company's shares should find a home in every well-balanced portfolio *David Gleason*

ISCOR (189A)

SIGNS OF OPTIMISM

FM 25/10/96

Jitters about domestic and export steel markets have weighed heavily on Iscor's share price this year but recent recovery in the price may now be reflecting improving investor sentiment towards the international markets for carbon steel

- **ACTIVITIES** *Integrated minerals and metals company Major products are coal, iron ore and steel*
- **CONTROL** *Shareholding is widely spread Largest holder is IDC 15,16%*
- **CHAIRMAN** *H Smith*
- **CAPITAL STRUCTURE** *2,39bn ords Market capitalisation R7,66bn*
- **SHARE MARKET** *Price 320c Yields 5,2% on dividend, 8,1% on earnings, p e ratio, 12,3, cover, 1,6 12-month high, 402c, low, 265c Trading volume last quarter, 153m shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	551	706	320	697
LT debt (Rbn)	1,84	1,21	1,28	1,61
Debt equity ratio	0,33	0,31	n/a	n/a
Shareholders' interest	0,62	0,51	0,59	0,59
Int & leasing cover	2,02	3,0	7,6	n/a
Return on cap (%)	5,7	9,7	10,0	8,2
Turnover (Rbn)	9,04	9,57	11,16	11,60
Pre-int profit (Rm)	644	800	1 208	1 094
Pre-int margin (%)	6,5	8,4	10,4	6,9
Earnings (c)	15,1	19,9	34,1	26,0
Dividends (c)	5,0	8,3	16,5	16,5
Tangible NAV (c)	340	278	312	328

In late August the price reached 265c, down by a third on the 402c seen a year ago The record high of R5 set just over two years ago was almost halved

As the graph shows, there have been false starts before, in May this year the share was back at R4 However, over the past month — during which the price has climbed to 320c — there have been growing signs of firming demand for carbon steel in Iscor's main markets such as Europe and the US

"The action is happening in Europe," says Ivor Jones Roy director John Loewen "Steel prices there have firmed by 5%-10% That indicates optimism and,

Hans Smith *in the medium term a much brighter future beckons*

with growth continuing in leading industrial economies, it should be sustained and extended to other markets "

Improvement in export markets remains tentative A good indication of the trend is the European price of hot rolled steel coil, which climbed steeply during last month to US$290/t, its highest level since last December and 8,2% up on August this year It remains far below the short-lived peak of about $500 of March and April 1995

The combined impact of a firmer export market and the rand's depreciation will be circumscribed by the extent of forward sales contracts held by Iscor At the June 30 year-end, it had forward cover for $462m at an average exchange rate of R4,12 (this week the rate was $/4,56) Finance director Louis van Niekerk expects the group's dollar export inflow for 1997 will total about $1,1bn

But some analysts are optimistic that current developments in overseas markets will help to compensate for slackness in Iscor's local markets That could be sufficient to produce a small improvement in earnings this year and more robust growth in 1998

Though Iscor management wants to expand the range and output of the mining division, steel is the dominant source of profits Operating profit from the steel division in the 1996 year totalled R652m, down 28,5% on the previous year The mining division's operating profit was slightly down at R449m

Steel exports rank behind domestic sales as profit contributors Tonnages sold to the home market are greater — 2,8 Mt last year against 2,4 Mt exported — and carry higher margins But overseas markets have a significant impact, particularly when local demand is weak

Also important is the potential influence of world steel markets on sentiment towards the share Chairman Hans Smith notes that foreign investors now hold almost 27% of issued equity

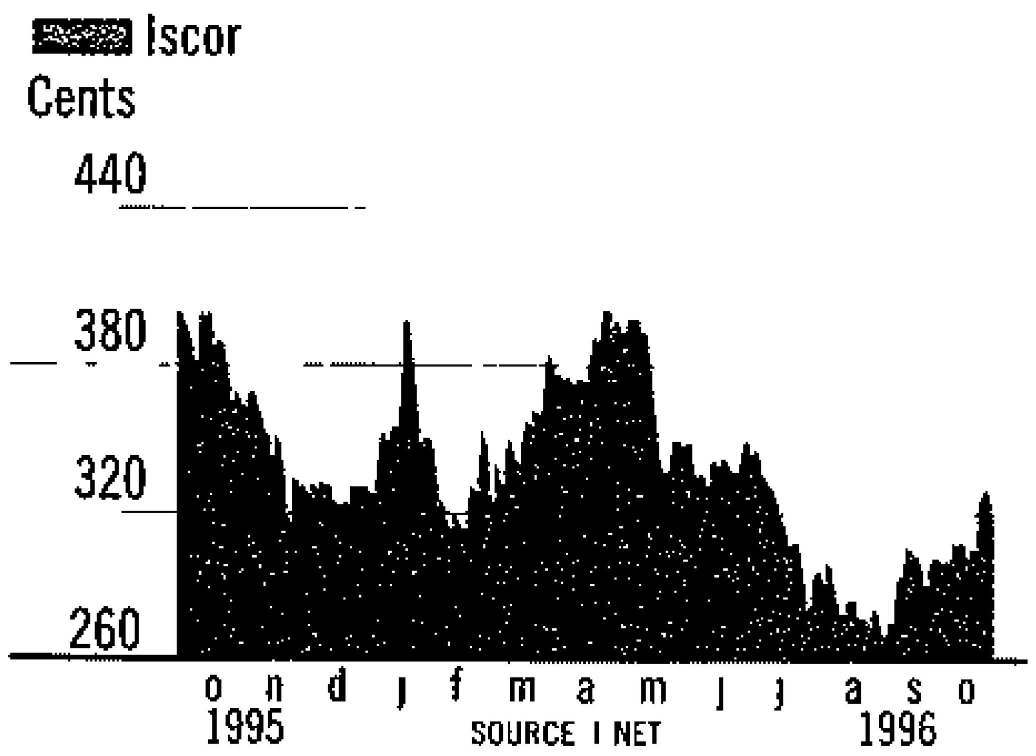
For his part, Smith is taking a cautious stance on markets He says in his review the indications are that the downturn in the international steel cycle has not yet bottomed, though he expects some recovery in 1977

"Immediate prospects for the local market are not encouraging either," he says, "and a gradual decline in economic conditions is expected, with high real interest rates curbing new investment and the weaker rand fuelling inflationary pressures If the RDP should start stimulating local demand for Iscor's products, the company has sufficient capacity to meet any unexpected demand "

Aside from markets, the mining division's profitability last year was constrained partly by the limitations of the Sishen-Saldanha railway line These prevented the Sishen iron ore mine from exporting about 1 Mt of export capacity Domestic sales of iron ore rose from 8,3 Mt to 8,5 Mt last year, but the export volume dropped from 18,6 Mt to 17,5 Mt Analysts believe there could be further declines

Mining MD Ben Alberts says the company is negotiating with Transnet to "obviate this bottleneck" by creating additional capacity on the railway line and at the Saldanha Bay harbour

One aim that management has achieved was to ensure the group retained a strong balance sheet during the downturn Cash flow during the upswing as well as the R1,3bn rights issue has left Iscor with net cash of R304m (R1,91bn gross) However, with spending needs



rising on major projects such as the new Saldanha mill, capex will be large over the next few years, probably R1,5bn-R1,8bn in the 1997 year That could strain liquidity in the short term

This year, no more than modest growth in earnings is expected Smith merely says the company has set itself the objective of improving on last year's headline EPS of 26c — though he adds that in the medium term "a much brighter future beckons "

The consensus forecast among local analysts is for 1997 EPS of about 30c But projections for continuing firmness in foreign markets with resumption of moderate growth in the local market (helped by the rand) in 1998 lead to forecasts of stronger EPS growth that year Some are predicting 38c, Loewen is looking for as much as 55c

Prospects of medium-term recovery make the share well worth holding

Andrew McNulty

IMPERIAL HOLDINGS

FINANCIALS DOMINATE

The group has grown and developed to the point where it's unrecognisable as the string of Toyota dealerships established by "King" Percy Abelkop For one thing, its motor interests have expanded to include all major franchises, largely because of the takeover of Sakers/Saficon a year ago

More significantly, however, with diversification over the past seven years, the activities now cover virtually every facet of the motor industry, from vehicle assembly and distribution to rental, transport and financial services, such as leasing, insurance and banking

Retailing of vehicles as represented by the original motor division has been eclipsed in terms of its profit contribution, so that in 1996 it ranked third out of the four current operating divisions

Largest profit-making division is financial services, which, after 143% growth, chipped in R126,6m (35%) of the R306,5m pre-tax profit total This was followed by car rental, leasing and tourism (R89m, 25%), the motor division (R79m, 22%) and transport (R66m, 18%)

- **ACTIVITIES** *The group has interests in all sectors of the motor industry, including sales, leasing, rental, transport, insurance and finance*
- **CEO** *W G Lynch*
- **CAPITAL STRUCTURE** *170m ords Market capitalisation R7,79bn*
- **SHARE MARKET** *Price 4 580c Yields 1,5% on dividend, 3,7% on earnings, p e ratio, 26,9, cover, 2,5 12-month high, 4 800c, low, 3 800c Trading volume last quarter, 4,1m shares*

Year to June 25	'93	'94	'95	'96
ST debt (Rm)	122,0	41,9	337,6	6,5
LT debt (Rm)	0,0	0,0	2,6	4,8
Debt equity ratio	0,36	(0,04)	0,24	(0,08)
Shareholders' interest	0,37	0,63	0,50	0,66
Int & leasing cover	4,9	10,4	12,0	10,2
Return on cap (%)	14,8	13,7	10,3	9 9
Turnover (Rbn)	1,09	1,40	2,67	6,42
Pre-int profit (Rm)	105,0	131,0	219,9	399,5
Pre-int margin (%)	9,8	8,7	8,0	6,1
Earnings (c)	58,5	76,8	115,9	170,1
Dividends (c)	22,4	29,3	45,0	68,0
Tangible NAV (c)	312	598	815	1 562

The explosive growth over the past two years is reflected in the quadrupling of turnover and total assets since 1994 However, partly because of the changed operating profile and the fact that some newer activities are in a development phase, profit growth has lagged

Over the same two-year period, 1996 operating profit was only three times the 1994 figure This was matched by the rise in pre-tax profit but, thanks to a reduced tax rate, the gap was less marked at attributable level, where earnings before exceptional items increased 3,5 times

The cost of this growth is reflected in EPS, which — at 170c last year — were little more than double the 1994 figure as a result of additional shares issued in acquisitions and, more particularly, 1995's rights issue and share allotment, which together raised R1,2bn

The interesting point about this fund-raising drive is that it did not — still comparing 1996 with 1994 — have any significant effect on the group's overall financial structure It's only marginally more liquid now on a relative basis, with net cash resources equivalent to 8% of total shareholders' funds (1994 4%) In terms of trading activity versus the capital base, the position is unchanged, with shareholders' funds still 41% of turnover

So Imperial proportionately still has the same capacity to grow as it did in 1994 — a crucial factor in determining where it will head from here

Chairman Bill Lynch has no doubts about where the group's going He says unequivocally in his review that 1997 will again show "good growth from our present high base " All divisions are forecast to contribute to the improved profits expected but, looking beyond the current year, it's clear (and Lynch says as much) that the main thrust will have to come from further development of the financial services interests

That in turn means the business base of these activities — insurance and vehicle financing in particular — will have to move outside the group and into the broader motor industry (where they will compete head-on with the established insurance and banking majors) if they're to achieve full potential

DATES TO REMEMBER

Last day to register for dividends:
Thursday Oct 31: SA Reserve Bk 5c
Friday Nov 1: Amgold 730c, Anamint 129c, New Central 122c, Pat Cornick ♣61c, Pick 'n Pay 3,8c, Pikwik 1,88c, Specialty ▲2c, Storeco ▲2c
Meetings:
Monday Oct 28: Freddev, Sasol (Sasolburg)
Tuesday Oct 29: Beatrix, Bidcorp, Bidvest, Bracken, Kinross, Leisurenet (S) (Cape Town), Leslie, Oryx, St Helena, Winkelhaak
Wednesday Oct 30: Afmin (S), AVI, City Lodge (Sandton), Cons Murch, Cullinan (Midrand), Logtek (Midrand), McCarthy Group (Durban), McCarthy Retail (Durban), Middle Wits, NK Props
Thursday Oct 31: AGA Holdings (S), Fridgemaster (Midrand), JCI, Sable Holdings (Ord & S) (Sandton), Searcon (S) (Cape Town), Teltron (Sandton)
Friday Nov 1: Choice Holdings (S) (Sandton)

All meetings are in Johannesburg unless otherwise stated
S = Special meeting
♣ = Per linked unit
▲ = Cap award option

IRON & STEEL PROJECTS

VOEST WOOS LOCAL INDUSTRY

(189A) FM 25/10/96

Austrian engineering giant Voest Alpine is making an all-out bid to ensure its technology is used in three multibillion rand iron and steel plants due for development in SA The company has already secured the contract for the R6,8bn Saldanha Steel project

Voest Alpine president and CEO Horst Wiesinger says local groups involved in new plant discussions include Iscor, the Industrial Development Corp (IDC), Murray & Roberts (M&R) and Saldanha Steel Iscor and the IDC are looking jointly at building a R3,5bn Northern Province iron and steel plant, utilising Pande gas, while M&R is investigating two separate iron and steel projects at Richards Bay (R1,5bn) and another near Port Elizabeth (R3bn)

Voest's coal-based Corex technology and its new gas-based Finmet direct reduction technology were presented to project leaders

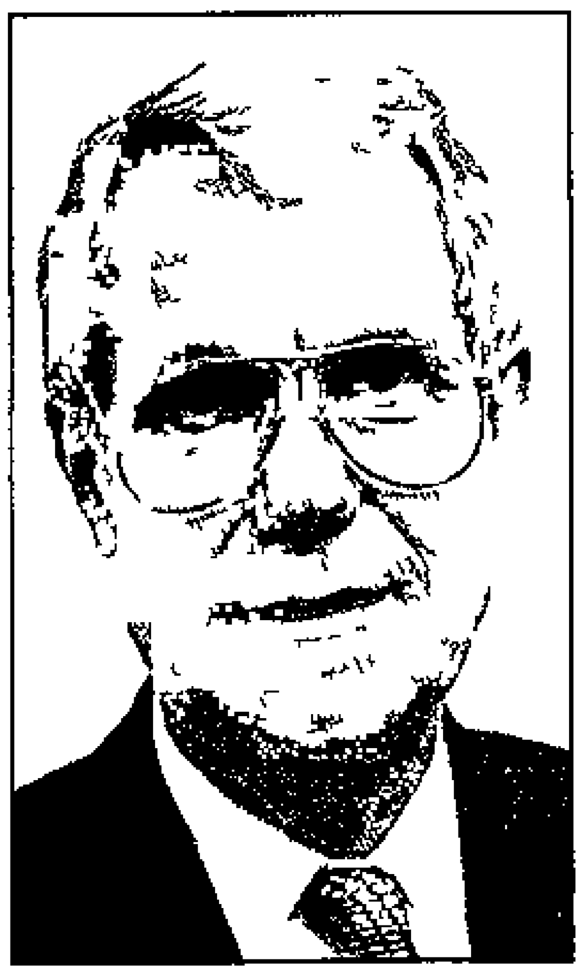
Voest-Alpine SA MD Helmut Ulrich says that Finmet technology presentations were made to Iscor/IDC — for possible use in their proposed gas-fuelled Northern Province iron plant — and to M&R, for possible use at its proposed Richards Bay-based gas reduction plant But, he adds, in the case of M&R's proposed Port Elizabeth steel plant, Corex would be the best technology, utilising coal and lumpy ores — in the absence of gas and fine ores

Voest Alpine is no stranger to SA — over the past 22 years it has written business here valued at about R3bn This includes a contract to install the R1,5bn Corex technology at Saldanha Steel's 1,25 Mt/year thin-strip coil steel plant, the recently completed R400m technologies contract at the new 500 000 t/year Columbus stainless steel plant — and Iscor's Corex plant, a converter, ladle furnace and a vacuum plant at the Pretoria works

Wiesinger is quick to point out that "Voest technologies did not cause any alleged teething problems at Columbus" And he's confident that the Columbus management should be able to sort out any production problems which they might have encountered "They're doing well, even in comparison with other start-ups"

Meanwhile, Wiesinger has little doubt about the future of Corex technology — first pioneered at Iscor's Pretoria works and now also operational at Korea's giant Posco steel works Two more Corex C2000 plants are being installed at Hanbo Steel in Korea and another is being built at Jindal, India

"Having been intimately involved with the SA iron and steel industries for the past 22 years — and against a global company background of successfully engineering and completing more than 600 major industrial projects in 80 countries — I can confidently say that the coal-based Corex process is the right choice," says Wiesinger



Horst Wiesinger

A background reason is the fact that coal is more widely, freely and cheaply available for metallurgical purposes — "global coal reserves should meet demand for the next 300-350 years" — than gas, while scarcer gas is better applied for petrochemical and other more economic uses

The Corex process produces hot metal for direct use in the steel shop, while the gas-based direct reduction process produces sponge iron, a substitute for the scrap iron used as raw material in the steel-making process "Admittedly, with the global shortage of quality scrap, there's growing demand for directly reduced sponge iron in the steel-making process," Wiesinger says

Based on a projected annualised 1,5%-2% growth in global steel consumption, hot metal substitute and scrap substitute needs should grow from more than 30 Mt in 1996 to about 112 Mt by 2010 — the bullish market background against which Iscor, the IDC and M&R are now evaluating their new plant options

Apart from the fact that the Corex process produces hot metal for the steel shop, it's also more economical than the conventional route

"The ICM (integrated compact mill, including Corex plant) process takes a mere 15 hours from ore to hot rolled coil, compared with about 85 hours for the conventional integrated mill method Furthermore, the top gas from the Corex C2000 produced as byproduct can be used to manufacture further direct reduced or sponge iron — or about 100-120 MW of electricity

"With reduced manpower and energy costs and higher per capita productivity, the investment costs per ton of shipped ICM product is about 40% lower than with the conventional integrated steel-making process," says Wiesinger

With the cost savings involved, he adds, it would also make economic and business sense for an ICM plant like Saldanha Steel to be further integrated downstream with, for example, a coupled pickling and cold rolling mill, galvanising and coating operations and equipment for producing semifinished parts These could be used, for example, in the automotive industry, adding further value to the Corex product

VAI, which last year booked global orders valued at about US$1bn and expects its order business to jump to about $1,8bn in 1996, spent about $100m in the years 1995-1996 on R&D ■

Transnet deal 'threat' to brass, copper industries

(189A)

Edward West

BD 28/10/96

THE survival of the brass and copper manufacturing industry was in the balance following Transnet's alleged decision to award a multimillion-rand scrap metal contract in contravention of government-approved tendering procedures, industry sources said at the weekend.

Non Ferrous Metals and Haggie subsidiary Copalcor, two companies which rely on non-ferrous scrap to manufacture brass and copper products, said it appeared as if all the scrap to be procured in the four-year Transnet contract would be exported, compounding an already acute shortage of scrap non-ferrous metal in SA.

Non Ferrous Metals joint MD Bernard Lazarus estimated the contract to be worth between R100m and R200m over four years.

Forty containers of about 800 tons of scrap were being loaded, the companies said The scrap was understood to have been accumulated by Spoornet over two years. Spoornet generated just less than a third of SA's scrap metal, which it released to the local market in the past through a public tender process, Lazarus said.

Transnet maintained silence on the issue on Friday, although a spokesman said the executive director understood to have authorised the contract, Gloria Serobe, would comment today on her return from a trip abroad.

Last week Metal Merchants' Association chairman Len Davis alleged Transnet had breached tendering procedures by privately awarding a four-year scrap metal contract to a new company, Xisaka. Xisaka is believed to be owned jointly by metal merchant Merkel Import Export and the SA Railway and Harbours Workers' Union

Transnet tenders of more than R300 000 have to be assessed by its tender board. Davis said he had approached the trade and industry department to probe Transnet's contract award. "Think how a private government contract award lends itself to bribery and corruption. Transnet appears to think it is a law unto itself."

Comment: Page 13

MANUFACTURING — IRON, STEEL, ENGINEERING & METALLURGICAL INDUST.

1996. SEPT. — DEC.

HANSARD

recommended that foreign fishing vessels be allowed access to our sea resources by means of joint ventures The possibility of future collaboration on such a basis is therefore not ruled out Under the circumstances the immediate termination of existing bilateral agreements could lead to complete withdrawal and the loss of future opportunities for co-operation on the basis of joint ventures I intend to raise the issue of the continued presence of foreign fishing vessels in our waters for final decision in Cabinet later this year

(2) No

RDP's financial affairs' investigation

*33 Dr T G ALANT asked the Minister of Finance †

(1) Whether his Department intends launching an investigation into the financial affairs of the Reconstruction and Development Programme, if so, (a) or what reasons and (b) when will this investigation be done,

(2) whether he will make a statement on the matter?

N1584E

The MINISTER OF FINANCE

(1) No

(a) and (b) Fall away

(2) Falls away

Strikes in platinum industry

*34 Mr C J VAN R BOTHA asked the Minister of Labour † (189)

(1) Whether his Department has information on the reasons that led to strikes in the platinum industry during the period 1 March 1995 to 31 July 1996, if so, (a) what were the reasons and (b) what was the total loss suffered by the industry as a result of these strikes,

(2) whether he will make a statement on the matter? N1585E

The MINISTER OF LABOUR

(1) Yes The Department has information available that indicates that

(a) the reasons for strikes centred around demands made by workers around the following issues

(1) wage increases,

(2) refund of contributions to Provident Funds and Benefit Funds,

(3) refund of contributions to PAYE, UIF, Death Benefit Schemes and Pensions,

(4) changes to shift schedule, and

(5) acceleration of negotiations with the Chamber of Mines,

(b) The total loss of man-hours by the Industry amounted to 2 591 673

(2) The workers lost R28 936 907 in wages The number involved in those strikes was 68 103

Kirkwood Prison. pot of poisoned porridge

*35 Rev M M PHENETHI asked the Minister of Correctional Services †

(1) Whether a pot of poisoned porridge was recently found at the Kirkwood Prison, if so, (a) who was responsible for it and (b) what steps is his Department going to take to prevent a recurrence of such an incident,

(2) whether he will make a statement on the matter?

N1586E

The MINISTER OF CORRECTIONAL SERVICES

(1) Yes, a pot of poisoned porridge was found in the kitchen of the General J C Steyn prison on 24 July 1996

(a) It is not known who was responsible for the contamination The porridge was contaminated with the poison DIASINON which is an insecticide The result of the South African Police Service investigation is still being awaited

(b) The Head of the prison visits the prison kitchen before each meal A trial plate of food is tested by the Chief caterer (member) in charge of the kitchen, before being served The preparation and serving of the food

occurs under the direct supervision of the catering personnel Depending on the findings of the South African Police Service investigation, further precautionary measures will be considered if deemed necessary

(2) No

Resignations of SAA fighter pilots

*36 Mr N J GOGOTYA asked the Minister of Defence †

(1) (a) How many fighter pilots resigned from the South African Air Force during the period 1 January 1995 to 30 June 1996 and (b) what reasons were given for such resignations,

(2) whether he will make a statement on the matter? N1587E

The MINISTER OF DEFENCE

(1) (a) During 1995 and the first six months of 1996 a total of 42 fighter pilots left the SA Air Force Of these 32 resigned, 7 retired and 3 left upon completion of their flying contracts

(b) 41 of those who resigned stated better career/salary prospects outside the Air Force as being the main reason for their resignation

(2) Although the hon member only enquired about fighter pilots, the picture is much darker if all pilots are taken into consideration

During the same 18 month period a total of 148 pilots left the Air Force Of these 106 were due to resignations with 104 having given better career/salary prospects outside the Air Force as their main reason for resigning

Remedial actions have been taken by the State, namely

(a) A new and more beneficial medium term system was implemented end of 1995

(b) A salary increase was implemented on 1 July of this year

(c) An increase in the occupational allowance was also implemented on 1 July

(d) A danger and a special danger allowance was also implemented on 1 July

Hopefully this will stem the tide of resignations, however, as long as Air Force salaries are not market related, pilots will continue be attracted to the more lucrative career prospects outside the Air Force

Tender procedure: investigation

*37 Mr T D LEE asked the Minister of Education †

(1) Whether the Auditor-General is currently investigating alleged irregularities with regard to a tender procedure that was followed in his Department, if so, (a) when did the alleged irregularities occur and (b) what alleged irregularities occurred,

(2) whether he will make a statement on the matter?

N1588E

The MINISTER OF EDUCATION

(1) Yes

(a) 29-30 July 1996

(b) State Tender Board prescriptions were not adhered to strictly

(2) Yes, once the investigation has been completed

*38 Mr J T ALBERTYN—Public Enterprises †
[Question standing over]

MMF: White Paper withdrawn

*39 Mr G M E CARELSE asked the Minister of Transport †

(1) Whether the White Paper on the changes to the Multilateral Motor Vehicle Accident Fund has been withdrawn, if so, why,

(2) whether he will make a statement on the matter?

N1590E

The MINISTER OF TRANSPORT

(1) The Draft White Paper on the Multilateral Motor Vehicle Accidents Fund (MMF) has not been withdrawn

(2) Further discussions with all the role-players will take place at a specially convened

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION

(1) (a) The relevant Commission was established on 1 February 1995 Only two investigators were originally allocated to the Commission due to the fact that departments themselves were busy with rationalisation The first hearings were held in East London on 10 April 1995 On 31 December 1995 24 correctly submitted complaints had been received concerning an estimated 50 000 persons Assisted by the two investigators, the Commission accomplished the following during the period up to 31 December 1995

- Number of complaints investigated 7
- Number of hearings held 30
- Number of persons involved 665
- Amount of improper or unjustifiable payments ± R19 million,

(b) approximately R1,8 million was spent on the investigations for the period 1 February 1995 to 31 December 1995 and

(2) No

State enterprises

*46 Mrs P DE LILLE asked the Minister for Public Enterprises

(1) What is the value of each State enterprise

(2) whether she will provide the House with a list of State enterprises, if not, why not,

(3) whether she or her Department has undertaken a study on the consequences of privatisation or partial privatisation, if not, why no if so, what are the relevant details? N1392E

The MINISTER OF TRADE AND INDUSTRY (for the Minister for Public Enterprises)

(1) This is a complex issue and it is precisely the task of the Sectoral Task Groups to establish a clearer valuation framework To work only with the existing book value of assets is inadequate since within a different strategic framework future income flows would also differ

Accordingly the valuation of assets awaits the outcome of sectoral process and will be further assessed by sectoral advisers when appointed and the Government's own recently appointed advisers

Often the precise valuation is a matter for negotiation Should the hon member desire a rough value of the assets, then further time is needed May I, however, submit that this could only be treated as a very rough approximation

As indicated by the Minister of Finance, there is a need for improved guidelines so that a valuation system for the public sector is common This matter is being dealt with at present in developing a corporate governance protocol

(2) The Department requests further time to deal with this

(3) This is the kind of work that will emerge out of the sectoral task teams and will be further dealt with in discussions on the National Framework Agreement (NFA) The basic approach on this matter has been outlined in Government policy and again in the GEAR It is not possible to do an overall study since it is necessary to deal with each sector and matter

Mrs P DE LILLE Madam Speaker, arising out of what the Minister has said, I would like to request that the question remain on the Question Paper until we receive the full list of what the own and the value of these enterprises Only then should this question be taken off

The DEPUTY SPEAKER Order! Is there any objection to this question remaining on the Question Paper?

The MINISTER OF TRADE AND INDUSTRY Madam Speaker, it would be worthwhile to have a discussion with the hon member If we want to wait to learn the full value of each State enterprise, I must warn the hon member that the answer will only be forthcoming many months from now If the hon member wants a list of the financial statements with regard to the current asset and book value, this can be provided, but I am informed by the department that it will take another week

This is new to me—I am the acting Minister—but I would appreciate it if the hon member could give me a precise definition of what the means by "State enterprises" in the second part of the question This will help the department considerably in answering the hon member's question We will be happy to give this information at a future point in time However, the hon member should bear in mind the qualification I have indicated It is not possible to give the precise values If the hon member wants the book value then we can liaise with her and provide her with this information

Mrs P DE LILLE Madam Speaker, further arising out of the hon the Minister's reply, I find it very alarming that we do not know what we own in this country Two years down the line we do not seem to have a list indicating the value of these enterprises I want a list and the value of these enterprises Essop did not listen A list will be sufficient and then at least we will know what we own As it is, we do not know what we own in this country as far as public enterprises are concerned This is the list that we want I therefore request that my question remain on the Question Paper until the list is provided

The DEPUTY SPEAKER Order! I would request that the hon member put a new question in writing and then the relevant Minister will deal with this question

Public Service and Administration: programmes registered

*49 Rev M M PHENETHI asked the Minister for the Public Service and Administration

How many programmes in terms of Chapter B VII of the Public Service Staff Code have been registered with his Department? N1400E

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION

Three programmes have thus far been registered with my Department in terms of Chapter B VII of the Public Service Staff Code

New questions

Jewellery manufacturing: new policy

*1 Mr M F CASSIM asked the Minister of Trade and Industry (189)

Whether it is the intention to formulate a new policy aimed at giving substantial impetus to jewellery manufacturing in South Africa as regards job creation and the benefitiation of raw materials and encouraging the use of locally mined platinum, gold and semi-precious stones, if not, why not, if so, what are the relevant details? N1463E

The MINISTER OF TRADE AND INDUSTRY Madam Speaker, I was confused with my position as acting Minister I will not give a long answer, since I am quite happy to table it

The answer is yes We are busy setting up a cluster study as it is called, on the South African jewellery industry We will be holding the first plenary session of that cluster study on 16 September in Kyalami In these cluster-study plenaries we try to bring together as many actors as possible We have, in fact, had some difficulty in this particular cluster study in bringing people together, but I am now fairly hopeful that for the first time we may get useful dialogue on this and come up with strategies to enhance the benefication of our precious metals

(Reply partially laid upon Table with leave of House)

Yes The Directorate Metals and Allied Industries in the Department of Trade and Industry are hosts of the South African jewellery industry cluster study plenary

The South African jewellery industry and in particular its development potential, has been the subject of considerable debate by numerous commentators since the abolition of *ad valorem* excise duties on diamonds and precious metal jewellery on 14 March 1990

In order to identify and report on the key issues facing the industry with a view to its future development, a Plenary Session which is an all-day event, is to be held on 16 September 1996, at the Theatre on the Track, Kyalami

The Industrial Strategy Project commissioned by NEDLAC has identified the cluster study process as a key component in the promotion of industrial development and the formulation of government policy A cluster study as perceived by the Department of Trade and Industry at present is as follows "Study research which leads to policy and programmes to promote the industrial competitiveness and export orientation of South Africa" Examples of these policies and programmes are as follows

— Cluster studies
— Manufacturing Investment Programme

— Sub-Sector Partnership Fund
— Competitiveness Fund
— Manufacturing Advisory Centres

A cluster study as perceived by the industry is as follows "A cluster study is a utility to identify the obstacles to competitiveness in an industry or industries in order to allow for restructuring of their economic activities An industrial cluster study initiative does not necessarily imply the study of a single production entity but, could also focus on industry sectors and their respective value chains "

The participation of all stakeholders who have a direct or indirect interest in South Africa's jewellery industry is essential to ensure transparency in the formulation of industrial policy for this sector, which in itself constitutes a successful cluster

The Department of Trade and Industry is providing the funding for the initial stages of the cluster study to the amount of R350 000

Mr M F CASSIM Madam Speaker, I would be happy to receive the full answer, but I would nevertheless like to put two supplementary questions to the hon the Minister I would like to know whether the Government would permit Harmony Gold Mines in Welkom to use one third of its gold output to manufacture jewellery? Secondly, would he allow Harmony Gold Mines to refine its own gold at R32 per kilogram, instead of sending it to Rand Refineries where it would cost R267 per kilogram to refine?

The MINISTER Madam Speaker, the position is slightly more complex than the hon member makes it seem With regard to the quantities that could be used for jewellery manufacture I with to say that I have requested a business plan on this matter and I have never seen a figure like the one he mentioned We are involved in discussions to see whether that would be possible

With regard to the ability to refine on the site, that is a matter which requires the involvement of the Reserve Bank as well It is a matter which has been dealt with by the Ministry of Finance We have however, on the basis of information given to us called for certain business plans to make this project possible With regard to the prices the hon member indicated, we await full information from the proposers of this proposal in their business plan

Justice Laws Rationalisation Act

*2 Mr M A MZIZI asked the Minister of Justice

Whether the Justice Laws Rationalisation Act, 1996 (Act No 18 of 1996), has been implemented if not, why not, if so, (a) to what extent and (b) in which areas of the Republic has the Act been implemented?

N1464E

The MINISTER OF JUSTICE

No The Justice Laws Rationalisation Act, 1996 (Act 18 of 1996) purports to make the 96 Acts regarding judicial matters which are at present in force in the area of the former Republic of South Africa applicable throughout the Republic of South Africa The implementation of these Acts in the former TBVC areas and self-governing territories is an enormous task In this regard it should be pointed out that the Acts administered by the Department to a great extent are interrelated and interdependent and form part of a greater unit, namely the legal system The laws in this system are inter woven in such a way that it is in most instances difficult to disengage these laws from each other without experiencing certain problems In the light hereof it is necessary to peruse these 96 Acts as well as all the Acts of the former TBVC areas and self-governing territories (approximately 680 Acts) which will be repealed by the Act, in order to establish which actions should be taken before the putting into operation of the relevant Act or parts thereof My Department is on an urgent basis compiling an implementation plan for the putting into operation of the Act, which will soon be submitted to me

(a) and (b) Falls away

Business interrupted in accordance with Rule 199(3) of the Standing Rules for the National Assembly

Liquid fuel industry: deregulation

*3 Mr A H NEL asked the Minister of Mineral and Energy Affairs

(1) Whether the Government intends deregulating the liquid fuel industry, if so, (a) to what extent, (b) what steps will be taken by him or his Government in order to achieve this, (c) over what period will the Government's involvement in this industry be phased out and (d) who will accept responsibility for such deregulation,

(2) whether he will make a statement on the matter? N1465E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) (a), (b), (c) and (d) No decision has been taken in respect of the deregulation of he liquid fuels industry Ongoing discussions are taking place

(2) No

Capital crimes: increases/decreases

*4 Mr J C N WAUGH asked the Minister for Safety and Security

(1) What was the year-on-year increase or decrease in percentage of what were previously regarded as capital crimes, during the period 1 January 1990 to 31 December 1995,

(2) whether he will make a statement on the matter?

N1466E

The MINISTER FOR SAFETY AND SECURITY

(1)

Crime Category *	% *Increase/ Decrease 1990 to 1991*	% *Increase/ Decrease 1991 to 1992*	% *Increase/ Decrease 1992 to 1993*	% *Increase/ Decrease 1993 to 1994*	% *Increase/ Decrease 1994 to 1995*
Murder	–4 1	8 8	1 0	–6 6	3 8
Rape	12,2	6 9	11 2	18 4	15 3
Robbery with Aggravating circumstances	16,2	19 9	11 1	13 4	–1 9
High treason**	–80,0	300,0	–75,0	100,0	700 0
Contraventions on the act of terrorism	–23,6	–21,2	–41,5	10 5	–38,1
Kidnapping	13,6	11,4	0,3	10 4	–0 6
Burglary at residential premises	16,9	–2,5	2 4	5,9	9,5
Burglary at business premises	14,3	–2,2	1,8	5,6	–0,1
Child Theft	29,5	13,5	7,8	12 1	–14,9

Note

* Excluding the former TBVC States and Self-governing territories

** Due to low n-values caution should be used when interpreting the increase or decrease

(2) No

Foreign tourists

*5 Mr N J J VAN R KOORNHOF asked the Minister of Environmental Affairs and Tourism †

How many foreign tourists visited South Africa during the period 1 July 1996 up to the latest specified date for which information is available, compared with the corresponding period last year?

N1467E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM

A The latest comprehensive statistics on foreign tourists available, excluding transit travellers, contract workers and workers, for the month of May 1996 reflect a total of 337 008 tourists The corresponding figure for 1995 is 352 790 Accordingly, a decline of 4,5% was experienced

B The air arrival figure for the month of June 1996 was 36 490 compared to 65 747 for uage says the Labour Rela-

Settling the 'bones' of contention with Transnet

(270) CT(BR) 16/8/96

INSIDE LABOUR

TERRY BELL

Some time today Transnet workers should be celebrating a generally unexpected upturn in their fortunes or the country could be preparing for a significant disruption in the transport sector

That seemed the only conclusion to draw last night as Stella Sigcau, the public enterprises minister, prepared to meet representatives of the Technical Workers Union (TWU), the Footplate Association (Safsa) and the Employees Union (Eusa) These unions organise among the key staff in all Transnet operations and include in their memberships employees ranging from train drivers and railway signalmen to aircraft technicians and artisans

If they did not get their way in terms of higher pay at the generally unpublicised meeting last night, they are almost certain to go ahead with their threatened strike If they succeeded in persuading the minister to award them a higher basic increase, the increase will have to be passed on to all other Transnet staff

The unions scheduled to meet the minister last night were the traditional, and therefore still mainly white, Transnet organisations They were up in arms at the wage agreement signed on Wednesday between Transnet and the South African Railway and Harbour Workers' Union (Sarhwu) and its allies, which include the more than 90 percent-white salaried staff association Salstaff

This agreement, which allows for a R233 across-the-board payment for all employees, has been castigated as inadequate by most traditional unions Significantly, however, it was reached by a possibly unique process of negotiation. All Transnet unions, including the traditional unions, agreed that they would not put any demands on the table, instead they insisted that Transnet open its books and tell the unions what the company could afford

A figure of R270 million, based on commercial criteria, was agreed and the financial cake was accepted as baked The cutting up began — as did the problems

It had been agreed on the union side that no members should end up with less than a 7,5 percent increase in their pay packets But after dividing the amount agreed to be affordable, higher-paid employees — those earning more than R3 000 a month — found themselves with a 4,6 percent pay rise For lower-paid employees, R233 meant a 19 percent increase

To meet the criterion of a 7,5 percent increase, it was also agreed that anyone not qualifying for a pay rise of that magnitude would have it made up by a non-pensionable allowance, which was to be funded by a cap on overtime payments

That would mean a loss for skilled staff such as train drivers, who tend to face considerable amounts of compulsory overtime, and who still happen to be largely white That has led to the ironic situation where traditional unions now appear more militant than the much larger, Cosatu-aligned Sarhwu

"The result of what Sarhwu has done is to lower the rate for the jobs at the upper levels," said Christo van Heerden, the general secretary of the TWU

"Not so," responded Sarhwu's assistant general secretary, Tshidiso Moshao "What they are complaining about is the way we divided up what was available. Yet they also said they supported closing the apartheid wage gap"

As far as Sarhwu was concerned, TWU and its allies represented a minority desperate to cling to its privileges Van Heerden admitted that most of his members were "part of the haves" under the old order. And he agreed that this created problems "But we are not a white union. About 30 percent of our membership is people of colour," he said.

"That's a blue lie," said Moshao "TWU and the unions around it were the bastions of white Afrikanerdom They are the voice of white aspirations"

That may well be, and neither the TWU nor Sarhwu have expressed an intention to amalgamate

"By the year 2000 the white Afrikaners' hold on the technical and higher-paid jobs will be broken," said Moshao

Moshao also dismissed allegations that Sarhwu was "in bed with management" But he accepted Van Heerden's analogy that Transnet management had thrown some "bones to the dogs and we are fighting over them"

"Only we are not fighting," said Moshao "They are; and good luck to them. We are happy with what we got, but if they can get more, we'll also be happy"

Production glitches harm Iscor's steel and mining

BD 27/8/96

(189)

David McKay

ISCOR's attributable earnings slipped 15% to R570m in the year to June as the steel and mining divisions struggled with production problems and sluggish demand, the group said yesterday.

However, a string of exceptional items buoyed earnings R233m, resulting in a 10% increase in bottom-line earnings to 35,7c a share. An unchanged full dividend of 16,5c was declared

Iscor's results capped a disastrous second half for SA's steel industry with Highveld Steel & Vanadium and Columbus Stainless taking sharp cuts in income.

Executive chairman Hans Smith said the steel division was hit by lower domestic volumes and falling international prices.

Its operating income fell R260m to R652m as steel sent to the local market dropped 12% to 2,86-million tons

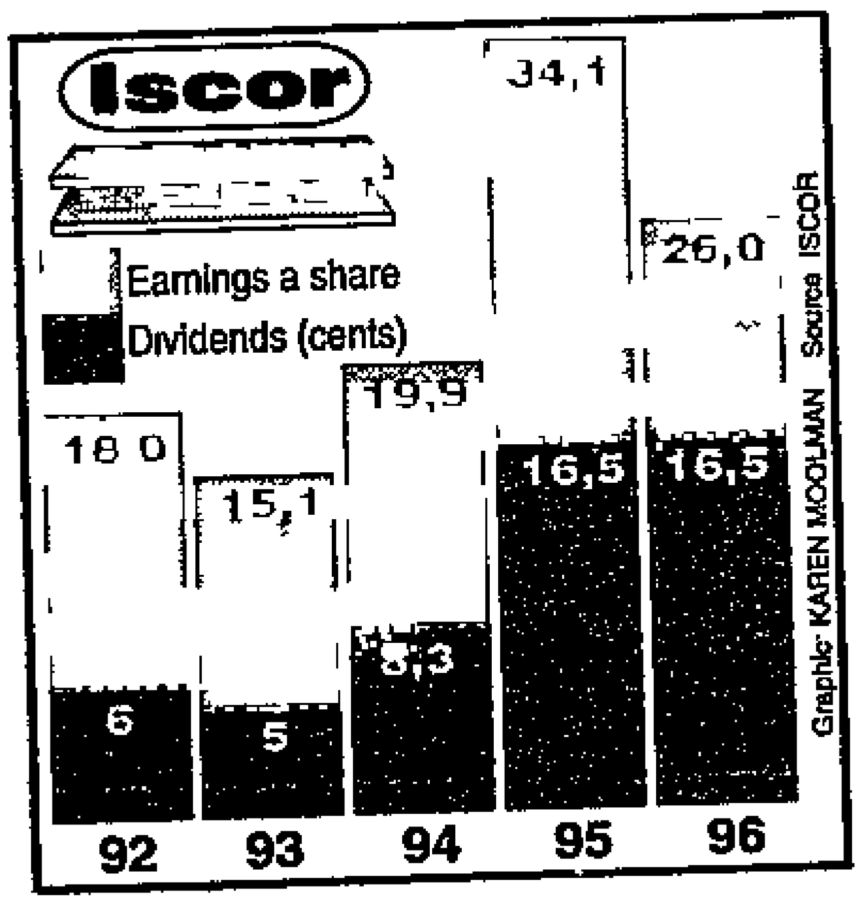
These losses included a R100m insurance recovery, before tax, claimed from the burnout of the Newcastle furnace earlier in the year, Smith said

Export tonnages of 2,38-million tons — representing 45% of total despatches — were only 1% lower than the previous year.

But the decrease in international steel prices during the second half resulted in a large reduction in average export dollar earnings, Smith said

These losses were compounded by operational problems, mainly at Iscor's mainstay mill at Vanderbijlpark.

Smith warned that earnings for the first half of the current year would be lower than in the same period last year, with a slight recovery in the second half



The general decline in economic conditions would keep the domestic steel market under pressure International prices for steel had not bottomed out, although a temporary price uptick was likely next year, he said.

Iscor Mining MD Ben Alberts said operating income in the mining division fell to R449m (1995: R466m) due to operational problems at its refractories

This was despite a 23% increase in turnover to R612m as a result of higher dollar prices in the export market In addition, iron ore exports fell 6% due to the limitations on the Sishen-Saldanha railway line and harbour, he said

On other developments, Iscor had slowed the conversion of its Pretoria works from carbon to stainless steel because of the lacklustre demand

Meanwhile, Macsteel International — the new marketing joint venture for Iscor's steel — would start trading from January 1, next year,

Iscor's share price closed 2c down to reach 275c on the JSE yesterday

Gencor buys rest of Alusaf

(189)

By Andi Spicer

MINING AND RESOURCES EDITOR

CT(BR) 27/8/96

Johannesburg — Gencor has achieved its ambition of totally owning the aluminium producer Alusaf after minority shareholders agreed to take the mining house's shares in payment for their stakes

"I am pleased to tell you that the offer to minorities has been accepted and Gencor now owns 100 percent of Alusaf," said Brian Gilbertson, the company's executive chairman, speaking at Gencor's annual results conference yesterday

Analysts said the deal valued Alusaf at R6,8 billion

Gencor raised its stake to 73 percent last month by buying the state-run Industrial Development Corporation's share That strengthened its aluminium division, which includes Billiton, the aluminium producer.

Gencor previously owned 41 percent of Alusaf, 31,5 percent was held by the Industrial Development Corporation, 7 percent was held by Eskom and the remainder was held by minority institutional shareholders

"This gives Gencor access to strong cash flows we have managed to grow our aluminium business into one of the world's most significant aluminium interests," Gilbertson said

Gencor's aluminium operations have grown dramatically in the past four years, from the small, loss-making smelter at Bayside to the successful commissioning of the Hillside smelter

Gencor's aluminium production capacity, including Billiton, amounts to 1 million tons a year Hillside has the capacity to produce 500 000 tons a year, Gilbertson said

He also said Gencor had accepted that the planned merger between its Impala Platinum holdings and Lonrho's platinum interests was effectively dead

☐ See Business Watch, Page 20

Govt study slates Iscor's domestic pricing policy

BD 26/8/96 (189)

Edward West

THE government-backed study into the carbon steel industry has slated Iscor's domestic pricing policy and the steel producer's poor service to local buyers

The Industrial Development Corporation study said Iscor's prices for electro-galvanising steel, widely used in the motor industry, were respectively 17% and 36% above prices in the US and in Europe

Dual pricing — where domestic prices are higher than export prices — was not unusual but the study found that the premium Iscor charged was far higher than in overseas markets

The study, released last week, is one of several industrial cluster studies commissioned by the trade and industry department to formulate a new industrial policy for SA.

It found Iscor's deliveries to local buyers were on average 15-30 days late, and an average 40% of the ordered material was not delivered

The study also found that steel merchants rejected 15% of steel because its quality was low

"Iscor has a notoriously erratic steel delivery track record and also supplies inconsistent steel quality to the automotive pressing industry," the study said Tariffs could be lowered to allow buyers easier access to steel imports

Iscor, in which the Industrial Development Corporation has a stake, dominates the SA steel industry, supplying more than 94% of the auto stamping industry's requirements

The steel producer is due to unveil its year-end figures today.

The study's findings follow years of complaints by Iscor's buyers, who have claimed they were being penalised to help fund Iscor's export drive.

Some downstream steel producers are discussing setting up their own steel mill.

Continued on Page 2

Iscor

BD 26/8/96 (189)

Continued from Page 1

Cape Chamber of Commerce and Industry president Geoffrey Ashmead said. "Besides stultifying the creation of a downstream engineering industry, the high price of steel on the local market has further aggravated the critical labour position as jobs are being lost"

The chamber said a pricing policy was needed to help downstream industries while maintaining the viability of SA's steel industry

Iscor said at the weekend that it had tried to make the best prices possible available to the local industry, and that prices charged represented a "package" which included quality and service

Public affairs manager Piet Combrink said Iscor believed its prices to be competitive and comparisons had been made with Japanese steelmakers in which Iscor came out well.

The report also recommended scrapping the 5% import surcharge on steel to improve the competitiveness of the local auto stampings companies criticised by overseas stampers because of the lack of automation and technology, and low productivity.

IDC cluster co-ordinator Albert van Wyk said the study had galvanised the industry into action.

Iscor had now established a group with the National Union of Metalworkers and automotive component manufacturers to formulate a survival strategy for the industry

See Page 16

Steel industry downturn cuts Haggie income 19%

BD 15/8/96 (189)

Edward West

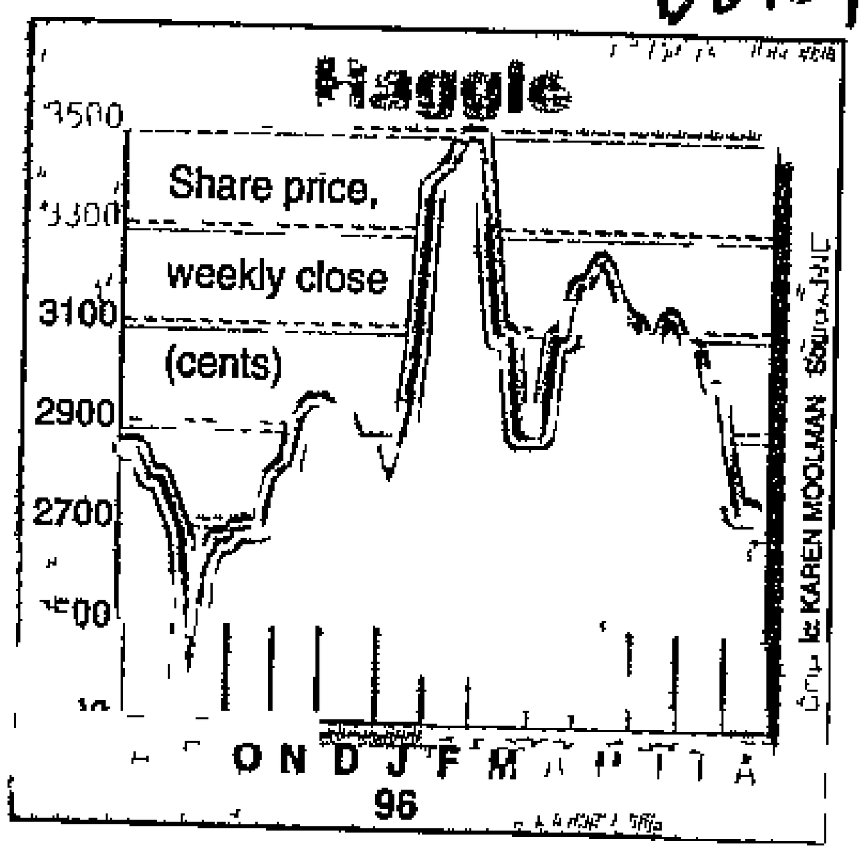
ENGINEERING group Haggie suffered a 19% fall in attributable income before exceptional items to R27,2m for the six months to June, hit by weak demand and a downturn in the international steel industry

Headline share earnings, diluted by a 4% increase in shares brought about by scrip dividends over the past two years, fell 22% to 129c The interim dividend was cut to 45c (55c) Earnings in the second half were expected to fall as order books remained thin.

"Our disappointing results should be seen in the light of a significant worldwide softening in the steel industry, including margin pressure and reduced volumes," MD Chris Murray said.

The group was seeking to improve efficiencies to counter poor trading conditions, and was seeking high margin business offshore

Sales fell 3% to R788,2m over the previous year Although export sales, 31% of Haggie group's tonnage, rose 4%, benefits of the weaker rand were eroded by forward cover contracts and weaker prices in foreign markets Haggie had decided to stop taking forward cover on export orders and sales, given the rand's weakness



Operating income fell 26% to R47,9m, pre-tax income was 29% lower at R38,5m and taxation, helped by tax losses brought to account, dropped 34% to R9,8m Taxed profit fell 27% to R28,7m.

The balance sheet was strong and the debt to equity ratio fell to 24% from 30%, as net borrowings fell to R168,5m (R199m). The group had also set aside R11m as a contingent liability A subsidiary had been summonsed for damages and costs to this amount, though counsel opinion suggested the claim was likely to fail.

Debt was expected to fall further by year-end, placing Haggie in a stronger position to explore opportunities and to develop its own export distribution channels

The main contributor to group, Haggie Rand, maintained operating profit It grew its Lifting Services division by acquiring a crane servicing business

The Haggie Steel Cord plant sustained a worse loss than expected because of technical problems in the production of conveyor belt cord and bead wire Murray said the problems had been resolved and expertise had been brought in from Europe to help prevent future technical hitches

The local market for tyre cord had grown 60% over the last three years and the project's monthly losses should still, as planned, be staunched some time next year.

Consolidated Wire Industries, jointly owned by Iscor and Haggie, made a loss because of "severe" competition McKinnon Chain performed better Copalcor increased operating profit 4% on last year, with Maksal Tubes showing a strong turnaround

The operating profit of the engineering consumables division was well down on the previous year because of deteriorating markets. Reclam produced a solid performance despite trading conditions being tougher than last year Its Chicks Scrap Metals doubled processing capacity by investing new machinery

STEEL CYCLES

DISTURBING PORTENTS IN SHARP DOWNTURN

(189) FM 16/8/96

Long-term perspective needed

Is the economy headed for stagnant waters? It is probably too early to tell but results over the last fortnight from some of SA's heavyweight industrial companies give little cause for comfort

Half-year performance numbers from SA's steel and alloy producers underline the end of the recent steady run of improvements Reporting over the last fortnight, Highveld Steel and parent Anglo American Industrial Corp (Amic) (see *Fox*) deliver hard evidence of a sharp slowdown in economic performance

Hans Smith

This is supported by the results from Columbus Stainless, though not by those from Samancor which are extraordinarily good They carry, however, their own warning of a significant slowdown ahead And Iscor, due to report soon, is expected to return a 20% fall in EPS, much in line with CE Hans Smith's prediction of a few months ago

One industrialist says bluntly "No positive signals are emerging Apart from agriculture, there's no longer any sign of economic growth — in fact, it's no longer flat, it has turned negative "

The prevailing sentiment may not be that bad but it has taken on the flavour of uncertainty Businessmen point to a bewildering array of conflicting indications from apparently uncontrollable crime to the absence of any substance supporting recently announced economic reforms

It is now known that performance figures for the first quarter were sufficiently bad to convince many managers — including some at Amic — that the year was headed for disaster The extraordinary turnaround by some sectors from April onward has left everyone nonplussed roller coasters of this kind make forecasting perilous

Nevertheless, evidence of a major turn in the commodity cycle is now firm Cyclical downturns are not new, of course What has taken everyone by surprise is the depth of the decline and its numbing speed

Inevitably, this raises questions about the feasibility and timing of Iscor's Saldanha Steel project Iscor Steel MD Kevin Robertson denies it is in any way affected by the recent trend "In fact," he says, "we think we've got our planning right on the button with this "

His expectation is that the local market's negative turn should bottom over 1998 and into 1999 A small stimulus may be provided ahead of the general election but a true resumption in growth is unlikely before 2000 Since Saldanha's final commissioning is scheduled only for late 1998, it is likely to achieve full capacity as the next cyclical upswing gathers pace

For now, though, a survey of the most recent trends reveals a pervasive weakening in many heavy sectors

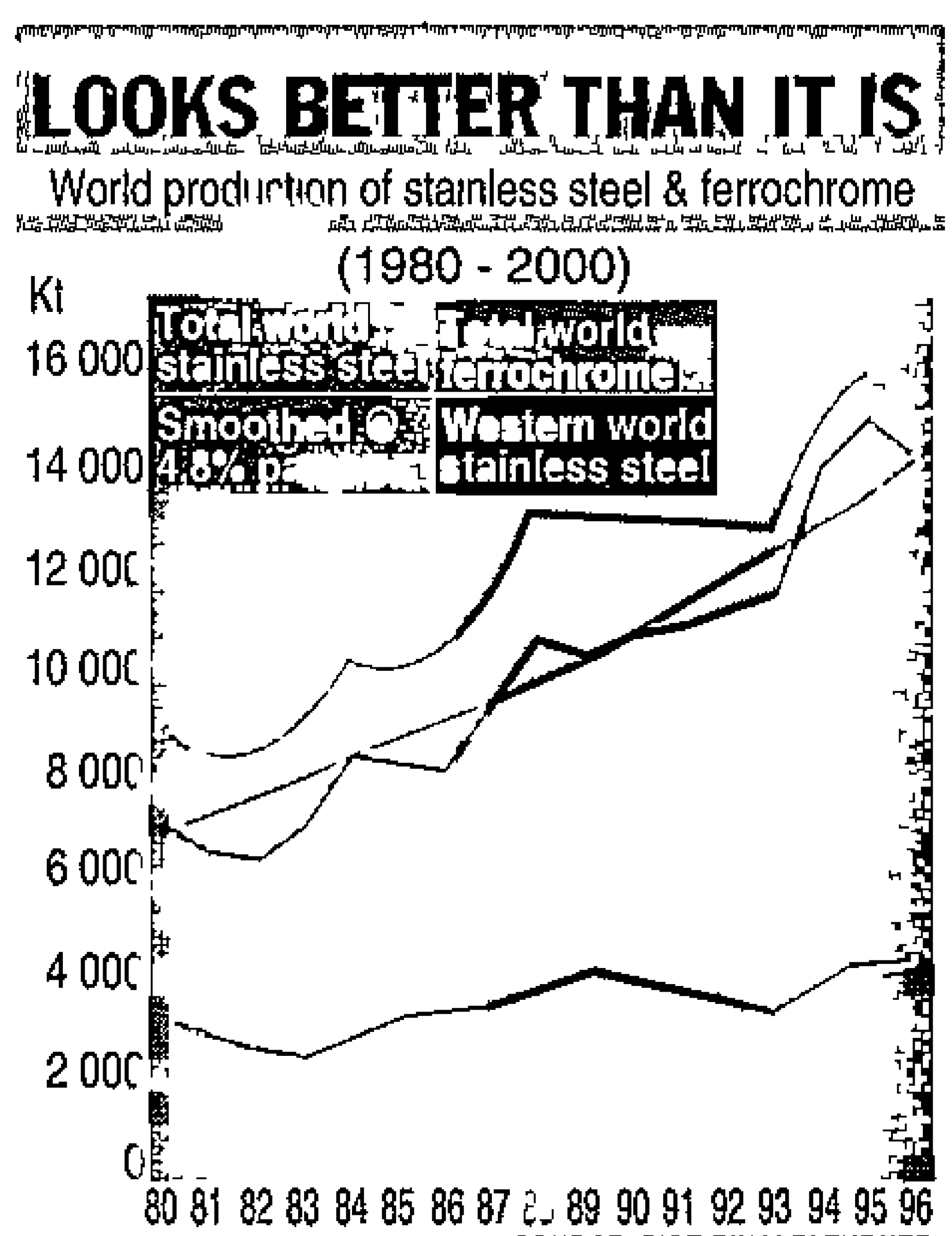
For example, heavy construction order books have dwindled noticeably Another example is in orders for large bore welded pipe for water reticulation systems, an area where growth should be taking place given the Lesotho Highlands water scheme

Decisions on many major projects involving steel usage appear to have been shelved

The motor industry provides another example It is a large consumer of special quality steel used internally and externally in body parts Given its growth, the benefits for local steel makers should be obvious, but many new car sales are of models built elsewhere (Volvo and Hyundai are examples), so the steel used is lost to SA producers

The building industry, a major user of reinforcing bars, says Robertson, now reflects a sharp decline About 220 000 t was used in 1994-1995 On the basis of latest usage and forward orders the indications are that this has fallen to between 150 000 t-160 000 t, reflecting a sharp decline in projects which are large users of this type of material — bridges, high-rise buildings, large hotels

The mining industry especially the gold mines — traditionally big steady users of steel — no longer fits that profile Indeed, the general contraction in the industry and the truncation in the number of new mines in development means it has taken a back seat in its order of importance to steel makers "They (the mines) have been under the cost lash so long," grumbles one steel producer, "that they turn a rand over 10 times before they spend it "



After all the negative publicity, there shouldn't be much surprise about the poor performance of the housing sector though it's worth noting that demand for low-cost profiled galvanised sheeting stays static Confirming this, Robertson adds, however, that good orders for colour coated sheet have been received in recent weeks

Areas of modest promise are the Saldanha Steel project itself and Tongaat

Hulett's recently announced aluminium plant expansion Some increase in beverage and food can usage may also be noticed For the rest, the local market has all the appearances of somnolence

The international carbon steel market is different

US demand appears to be holding firm and small price increases of about 2,5% haven't been rolled back yet (though many international steel makers are posting red bottom lines)

The Far East, led by Japan, is looking more robust than it has for years and the Middle East continues to be steady, if unexciting Only in Europe which is heavily influenced by supplies from former Eastern bloc producers, is there serious difficulty

By and large, the global steel market is reasonably controlled Robertson confirms it is winding down "but it is definitely a soft landing" That may be so but the demand pattern stands in marked contrast with the speed at which prices have fallen For example, an Iscor product which fetched $400/t fob a year ago, is now down to $310/t

The stainless steel market, that wonder of recent decades with a steady increase in demand since the Fifties, is displaying unusual truculence and high volatility Growth is still much in evidence three years ago, world annual demand was about 11,5 Mt-12 Mt, now it is at nearly 15 Mt

In part, this is also its problem Per capita consumption of stainless steel, even in the US, is generally low and this implies huge market opportunities One result is a stampede to cash in on the chances presented

The product's long-range growth suggests it will need a new Columbus every year to maintain the supply/demand equilibrium The problem with this equation is that it has the potential to stray outside the comfort range every now and then That's when things can go wrong

Robertson roundly rejects suggestions that Iscor's commitment to stainless steel operations at its Pretoria works is now noticeably lukewarm The conversion of the works is nearly complete What has been slowed down is the rate of commissioning And the target for full production has been pushed back — understandable given continuing market softening

These fundamental changes in the steel cycle have clearly affected progress at Columbus, where an R80m loss for the first half contrasts sharply with last year's profit of R76m, a swing of R156m

Commissioning a new stainless steel plant the size of Columbus was never going to be easy The early, almost magically smooth successes in bringing new units into production turned out to be a false summer

As Highveld and Amic chairman Leslie Boyd remarks, however, most people forget Highveld's own traumatic start between 1968-1972 That was when a conventional wisdom in Anglo's corridors was that it would be better to close it down and write it off to experience After that, Highveld never looked back Columbus's problems should not now be seen in isolation, though the effect on Highveld and Samancor is inescapable

Kevin Robertson

Mike Salamon

These cyclical swings also mean tougher times ahead for SA's chrome, manganese and alloy producers Ferrochrome is an essential element in stainless steel production, ferromanganese plays a crucial role in carbon steel manufacture

Samancor, CMI and ChromeCorp can hardly avoid the chill winds now gathering force

Samancor chairman Mike Salamon admits as much Just as Boyd warned when delivering Highveld's results six months ago that repeating last year's performance would be an impossibility, so Salamon is now serving notice that the next period for Samancor will be much tougher

Analysts agree with him Rice Rinaldi's George Grohmann, for example, estimates that Samancor's EPS over financial 1997 could fall 45% to about 166c from this year's 305c (before abnormals) After that, he expects another surge in the demand cycle for ferrochrome which will lift Samancor to better than 400c EPS in 1998

The essential difference between Salamon's position and Boyd's is that Samancor is in a business which has enabled it to execute some neat joint ventures, the effect of which is to tie Samancor more closely together with international alloy producers SA's good fortune is that it sits on most of the world's known chrome ore reserves (and a large portion of that is in Samancor's hands)

Other major producers have their own problems, such as those facing the other really notable producer, Kazakhstan's Donskoy mine (though there is some evidence that the Kazakhs lie regularly about their true production capabilities) So the ability of SA producers to gain access to chrome ore readily and with little fuss is a major attraction

In a sense, it also gives SA producers an arm-lock on the market And, at a time when adding value to basic products is becoming increasingly important, the move by SA companies to alloy manufacture makes good sense from the country's perspective

It also has the potential to be discomforting to international producers who seek security of supply and less volatility in pricing This is why they have been so ready to entertain joint ventures with SA companies, bringing with them in the process their customers, marketing ability and technology

SA chrome producers can at least get by at current prices (about US42c/lb, far below the heady days of more than 70c)

It is thought that very few other producers can do so without government support in some form The fact that SA producers are at the bottom of the cost curve makes it easier for them to ride out the recession

Manganese, by comparison, has fared better this time Standard high carbon ferromanganese has fallen only $100/t since October last year (to $510) It is drifting down slowly, the kind of soft landing investors prefer

The impact of these developments on SA's export earnings will be material, just as will be the effect on the sector's major companies

If there is any message for investors, it is that cyclical movements of this kind demonstrate the need to take long views *David Gleason*

Steel mill challenge to Iscor domination

BD 21/8/96 (189)

David McKay

SEVERAL steel industry players are negotiating with the Industrial Development Corporation and international steelmakers to build a steel mill, challenging Iscor's domination over the local downstream market

Project leader Robin Bosomworth — a long-standing critic of Iscor's pricing policy — said yesterday the plan had already received support from the trade and industry department and "in principle", backing from the IDC

The mill, costed at about R160m, would produce 150 000-200 000 tons of steel a year Up to 100 000 tons would be converted to wire rod or bar, with the balance exported into sub-Saharan Africa Iscor has the capacity to produce 900 000 tons of wire and bar each year from its Newcastle and Vanderbijlpark works

The producers, tentatively named Coastal Steel, would seek 60% of funding from the IDC, with an Italian steelmaker possibly taking a stake A listing for the operation was a long-term goal

Bosomworth said the project partners would use the steel produced from the plant, and that production costs would be cut by using scrap rather than raw materials Nearly 250 000 tons of scrap was exported each year via Durban and Cape Town which would be used for the project

The partners were hoping to ship steel from Durban to users in Port Elizabeth and Cape Town — shipping was 10% cheaper than railing, Bosomworth said

IDC co-ordinator of the department's steel cluster study initiative, Albert van Wyk, said the corporation did not get a formal approach from Coastal Steel But it supported beneficiation

The department's director of metals Tony Heher said the mini-mill would support the development of cluster industries in under-developed areas

Ferrochrome producer lashes out at Spoornet over costs

(189)

CT (BR) 22/8/96

By Jonathan Rosenthal

Johannesburg — Consolidated Metallurgical Industries, the world's second largest producer of high-carbon ferrochrome, hit out at high railage costs yesterday, which it said hampered the R1,8 billion industry's ability to compete in the depressed world ferrochrome market

"It costs us the same to rail a ton of ferrochrome down to Richards Bay as it does to ship it to New Orleans," Allan Kuhnert, the marketing director, said yesterday

"If it was not for the devaluation of the rand, high domestic transport costs would contribute to making it very difficult for us to compete," he said

Ferrochrome prices have dipped to about $0,41 a pound, from highs of about $0,77 late last year South Africa's integrated producers are among the world's most competitive, producing a pound of ferrochrome for about $0,30 But transport costs to the major markets add between $0,07 and $0,09 a pound

This is in contrast with producers in Scandanavia whose transport costs to European markets are significantly lower

Fuelling Consolidated Metallurgical Industries' unhappiness is the subsidisation of lower value freight with higher value products

'It costs us the same to rail a ton of ferrochrome down to Richards Bay as it does to ship it to New Orleans'

"Railing a ton of chrome ore costs about two thirds what we have to pay to rail a ton of ferrochrome over the same distance," said Alistair McAdam, the company's marketing manager

McAdam said that, some years ago, Spoornet had undertaken to end its dual pricing system, where different tariffs were charged for different products

Kuhnert said that though cost increases over the past few years had tracked inflation, this had followed higher increases in 1991 and 1992 This year's Consolidated Metallurgical Industries' average rail tariffs rose 7,5 percent compared with increases of 12 percent in 1992 and 5 percent in 1993

Port charges levied by Portnet increased by 5 percent this year

"Every year it becomes harder and harder to compete because we are in a volatile industry where our transport costs are going up but the prices we can achieve are falling," McAdam said

Michael McDonald, the secretary of the Ferroalloys Producers Association, said Transnet had historically loaded freight and port tariffs to subsidise its uneconomic passenger services Tariffs had remained high to reduce Transnet's estimated R1 billion pension fund deficit

"If the government wants to encourage exports it should end a situation where rail and port charges are artificially high," he said

The industry has lobbied the government through the Ferroalloys Producers Association to address the situation but it now seems intent on attempting to develop alternatives to Transnet's monopoly by exporting through Maputo harbour

Trial cargoes of ferrochrome have already been routed through Maputo and the producers association is investigating the construction of a dedicated ferroalloys terminal in Maputo harbour, which already handles all Zimbabwe's ferroalloy exports

A Spoornet spokesman said yesterday he was unable to comment on the allegations

Union seeks to join federation

(189)

By Abdul Milazi
Labour Reporter

Sowetan 23/8/96

THE NATIONAL Union of Steel and Allied Workers is to celebrate its 10th anniversary next month which will coincide with the launching of its unemployment project.

Nasaaw general secretary Mr Ndomane Tibane said his union, which has been independent since its formation on August 21 1986, is planning to affiliate with one of the country's three union federations

The union was registered with the then Department of Manpower in 1987 and organised in the iron, steel, engineering and metal sectors

During mass retrenchments in the metal and motor industries in the past three years, Nasaaw's membership dived from 10 000 to 3 000 members currently

Tibane said "Our union has been independent since 1986, but we are looking forward to join one of the federation after our congress in September

"We have also initiated a job creation project known as the Unemployment Project which will be launched soon"

Seifsa calls Numsa's claim 'an exaggeration'

By Jonathan Rosenthal

Johannesburg — Claims by the National Union of Metalworkers of South Africa (Numsa) that KwaZulu Natal employers had "declared war on the union" by refusing to sign a wages and restructuring accord were an exaggeration, a spokesman for the employer body said yesterday

"They (Numsa) are making a mountain out of a molehill," said Brian Angus, a spokesman for the Steel and Engineering Industries Federation of South Africa (Seifsa)

The Natal Engineering Industries Association (NEIA), an affiliate of the employer federation, had refused to sign the accord in protest against a clause dropping provisions that had allowed for the penalisation of workers who were absent on days before or after public holidays

"Their protest was largely token because they have indicated that they will not object to the agreement being extended and will thus be bound by it," Angus said

He said that not all KwaZulu Natal employers had refused Those who had were members of the association, which represents 254 employers

The NEIA employers jointly employ 17 000 workers

Angus said the agreement was "fair and equitable, given the difficult conditions facing the industry"

ET (BR) 15/8/96 (189)

Natal employers refuse to sign Seifsa agreement with metal unions

(159) BD 14/8/96

Reneé Grawitzky

THE 11th-hour refusal of the Natal Engineering Industries' Association to sign a wage pact reached in the metal industry yesterday could overshadow the agreement, which lays the foundation for industry restructuring.

The agreement, covering 280 000 workers and 9 000 employers, provides for the introduction of an industry productivity framework and a five-grade job and wage structure, demanded by the National Union of Metalworkers of SA (Numsa) for the past three years.

The new model, which introduces multiskilling and multitasking, will provide employers with a high degree of flexibility. Workers will become more skilled through intensive training and will be rewarded for this.

The union, taking into account the industry's diversity, agreed to allow the new structure to be implemented at plant level on a voluntary basis. However, if no progress was made in introducing the model within six months, it would review its stance.

Steel and Engineering Industries Federation of SA (Seifsa) spokesman Brian Angus said the parties intended finalising the framework by December. This, with the new grade and wage model, would help improve productivity.

Numsa general secretary Enoch Godongwana warned that if KwaZulu-Natal employers had declared war on the union by not signing the agreement, the union would teach them "a lesson or two". Regional shop stewards would discuss action. The Natal Engineering Industries' Association, one of 39 affiliated to Seifsa, refused to sign the agreement, which excluded a penalty clause on public holidays — at the heart of a dispute with Numsa.

Last week Seifsa, receiving legal opinion obtained by the labour department, told the union the clause would be dropped from the main agreement.

A spokesman for the KwaZulu-Natal association said it was not withdrawing from Seifsa or the industrial council. Its refusal to sign the agreement merely signalled its disapproval of deletion of the clause. He expected the labour minister to extend the agreement to cover non-parties. The association would abide by the pact.

The agreement provides for a 9,75% increase for workers in the lowest grade, taking the scheduled minimum wage to R7,40 an hour. The minimum wage for firms implementing the five-grade system would be R8,80 an hour.

Companies implementing the new job grade and wage model would not be able to lay off staff while the model was being implemented if the retrenchments related to the restructuring.

Numsa reaches wage deal with employers (189)

CT (PMB) 14/8/96

By Jonathan Rosenthal

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) has reached a wages and productivity agreement with employers in the engineering and tyre industries, Enoch Godongwana, the general secretary of the union, said yesterday.

An agreement, signed between the union and the Steel and Engineering Industries Federation of South Africa yesterday, provided for a 9,75 percent wage rise for lower-grade workers and an 8,5 percent rise for artisans.

"This settlement is a victory for our members," said Elias Monage, the union's chief negotiator in the engineering sector. "Not only does the agreement close the apartheid wage gap further by granting bigger percentage increases for the lower grades, it also spells the end to the hated penalty clause which said that if a worker was off sick the day before or the day after a public holiday he would lose payment for the holiday."

The agreement called for a five-grade wage structure, no retrenchments in the restructuring of grades and a productivity framework which was to be completed by December.

However, the agreement was rejected by employers in KwaZulu Natal.

In a separate agreement with tyre manufacturing employers, the union agreed to wage increases of between 9 and 11 percent. The agreement, which covers about 6 000 workers, falls under a three-year bargaining framework agreed to last year.

Metalworkers will take to the streets on day of action

BD 1/8/96 (189)

Reneé Grawitzky

MORE than 100 000 metalworkers would take to the streets next Wednesday in a national day of action to put pressure on employers to revise their position in the wake of the deadlock in wage talks last week, the National Union of Metalworkers of SA (Numsa) said yesterday

The union also warned of possible action in the auto-manufacturing industry after it was informed that Mercedes Benz was not party to an 8% offer made by the Automobile Manufacturers Employers' Organisation (Ameo)

Numsa general secretary Enoch Godongwana said employers in auto and metal were provoking strike action and were intentionally perpetuating the myth that labour would go on strike at the flash of a pen

The union said the decision to embark on a day of protest action was adopted following a national meeting and local shop steward council meetings around the country this week

Workers decided to adopt a programme of action — Operation Vulavala — which would include demonstrations, overtime bans and other actions to be decided by workers, the union said It indicated that during this process balloting of members would start countrywide However the logistics were still being worked out

Godongwana and official Elias Monage said wages were not necessarily at the heart of the dispute , but employers' failure to agree to remove a penalty clause relating to public holidays from the industrial council main agreement

The union would not sign an agreement as long as this clause remained it provided that a worker would not be paid on a public holiday, if absent the day before or after that public holiday

Seifsa spokesman Brian Angus said there could not be a settlement without a compromise clause being included in the agreement However, the parties were meeting today to finalise all other matters relating to the talks, including the matter of wages and he hoped for more discussion of the penalty clause

The union said workers were ready to strike on this issue, as they felt certain rights granted to them in the form of paid public holidays were being taken away Also, they were querying if this provision was enforced for management employees as well as workers

Numsa plans national strike

(189) ~~Sowetan~~

WORKERS and employers in the engineering industry are heading for a showdown after threats by the National Union of Metalworkers of South Africa (Numsa) to embark on a national day of action next week

Numsa's day of action, dubbed "*Vulavala*", is aimed at putting pressure on the Steel and Engineering Industries Federation of South Africa (Seifsa) to scrap the public holidays clause from the industry's main agreement

Numsa general secretary Mr Enoch Godongwane said the action would include demonstrations and a ban on overtime The union would also ballot its members for a national strike on the day

"Numsa has made it clear that we cannot continue to be part of an agreement that waives our right to a paid public holiday," said Godongwane

A Seifsa spokesman said the public holiday clause allows employers not to pay workers for a public holiday if they did not come to work the day before or after the holiday

Sowetan 2/8/96

Labour warned against relying on parliamentary democracy

(424) BD 2/8/96

Reneé Grawitzky

AN AUSTRALIAN trade unionist yesterday cautioned SA labour against relying too much on parliamentary democracy to deliver on union objectives

Addressing a Sociology of Work Unit workshop at Wits University yesterday Tony Cooke of the Western Australian branch of the Australian Council of Trade Unions said the vulnerable state of the Australian labour movement could be attributed to two main factors

□ The labour movement had concentrated on ensuring its political expression through the Australian Labour Party, and

□ It relied on achieving wage increases through an award system

He said worker rights were being stripped away with proposed new labour legislation The union movement, because of its engagement with the Labour Party, had tried to manage the pace of change and had negotiated a social accord in 1983.

Cooke said the accord which had been "renewed past its death" at a later stage, was aimed at suppressing wages to keep inflation down. He said it was a price, income, taxation and social wage accord

Despite its ultimate collapse, it had contributed to a more equitable tax system and had been successful in providing a good health and education system as well as childcare initiatives and health and safety

The major problem was that this initiative had resulted in the bureaucratisation of the union movement, with rank and file not having ownership of the process of debate

Cooke said that a centralist union movement developed with meetings between union leadership and cabinet ministers taking place behind closed doors

The accord had led to the weakening of the labour movement and had created dysfunctional relationships between union' leaders and membership "The accord regardless of political views was not successful in managing the pace of deregulation," he said.

Rob Lambert of the West Australian Trade and Labour Council said the terms of engagement did not take into account the fact that government had embarked on the total deregulation of the economy following involvement by the World Bank and IMF

He said by the 1990's Australia had the lowest tariff protection scheme with a totally deregulated financial market

The World Bank argued that successful economies were those which successfully integrated into the global economy by liberating their markets.

However, Lambert argued that the Asian tigers had refused to lower tariffs and that they protected their domestic markets against outside competition.

The way they attracted foreign investment was by introducing export processing zones and it was through such initiatives that these countries had linked into the global economy

Lambert said that global competition was being fought by each country offering lower company tax rates, such as China's zero rate for the first two years

Unionists from Malaysia and the Philippines also addressed the workshop and highlighted the extent of the suppression of trade union rights and the dependence on export processing zones to attract foreign capital

The representative from the Philippines addressed the lack of rights of workers who were becoming "contractualised" and faced their working lives as contract workers employed by large companies including Siemens and Proctor & Gamble

Failure to lay charges criticised

(189) BD 2/8/96

PRETORIA — Police deplored the failure of victims of a siege at a metal factory on Tuesday to lay criminal charges against the perpetrators

"Crime must be shown not to pay," Pretoria area commissioner Corrie Naude said yesterday "This can be done only when victims lay charges which the police can then investigate and bring before the courts"

About 300 striking workers of the Besaans-Du Plessis Pretoria Foundries in Pretoria West kept 15 administrative staff captive for 12 hours.

Police arrived at the scene about 10 hours after the siege began when a patrol noticed something was amiss at the factory Staff were freed after police fired a shock grenade and two rubber bullets to disperse the strikers

The perpetrators were escorted from the premises after no criminal charges were laid

"I am concerned that a perception might be created that crime goes unpunished when serious infringements upon individuals' liberties such as this hostage-taking occur, without criminal charges being laid against the perpetrators," Naude said

One of the captives, Darran Ross, would not describe the incident as a hostage-taking He said the captive staff had not alerted police as they did not fear for their lives and were convinced the situation could be defused through negotiations

The workers were fired from their jobs on Wednesday. The factory's management was still negotiating with workers yesterday on their possible reinstatement — Sapa.

Swiss metals trader moves on SA's Rhoex

BD 5/8/96 (189)

David McKay

SWISS-based metals trader Glencore was poised to take 100% of SA's Rhoex — positioning it to take advantage of a looming supply shortage in the vanadium pentoxide market, analysts said yesterday

Pentoxide is used in the manufacture of steel and can be beneficiated into ferrovanadium alloy

One analyst said Glencore could attain full control of Rhoex by merging it with Vantech, in which it has a stake In terms of such a deal, Glencore would issue Rhoex shares to cover the value of Vantech — leaving it with 90% of Rhoex and then buy out minority shareholders

In order to issue Rhoex shares, Glencore would need about 75% of Rhoex Analysts believe it is steadily approaching that level, having been in the market for Rhoex shares since June Glencore owns 29 336 022 ordinary shares, giving it an effective 50,9% interest in Rhoex

On June 5, Glencore acquired 17,4% of the issued share capital for R4,35 a share, and later bought the 29,5% interest held by the Alpine group for the same price About 283 100 Rhoex shares were traded on Friday on the JSE. The majority changed hands at R4,40c, although the share closed at R4,35c

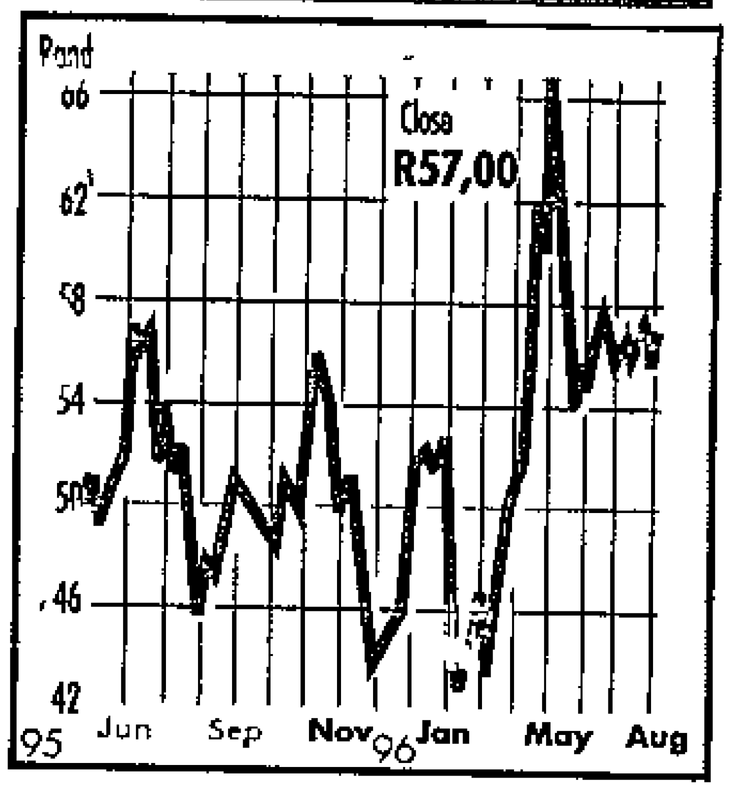
6/8/96

Samancor increases profit and cuts debt

(189) CT(BR) 6/8/96

By Jonathan Rosenthal

Samancor



Johannesburg — Samancor, the ferro-alloys producer in the Gencor stable, posted an 82 percent rise in attributable income to R676 million for the year to June 30.

Several abnormal items on the balance sheet lifted income by R102 million, including a R79 million profit on the sale of the company's 4 percent shareholding in Ugine, the French steel producer, and a R43 million profit on the sale of shares in Crometals. The company used the proceeds of the Ugine sale to cut long-term debt from R111 million to R3 million.

It incurred R22 million in abnormal costs from the restructuring of its medical benefit schemes.

Turnover rose 39 percent to R3,79 billion from R2,72 billion last year. Pretax income rose R332 million to R839 million. Turnover growth was driven by a higher contribution from the chrome division, higher manganese alloy prices and a weaker rand.

World carbon steel production grew in the last six months of last year, but started falling at the beginning of this year. World production this year is down 2 percent on the same period last year. Therefore, demand for manganese started growing but then fell back. This has been reflected in weaker alloy prices in the first half of the year.

Manganese alloy production fell 6 percent to 433 000 tons, largely because of production problems at Metalloys, a subsidiary. "Market share was, however, maintained by conversion transactions in France, Eastern Europe and China," Mike Salamon, the executive chairman, said yesterday.

The low price of stainless steel and startup costs on the Columbus Stainless Steel expansion, in which Samancor has a significant stake, contributed to the company's R7 million loss on Columbus.

"Columbus is at best expected to break even in this, the new financial year. Although these negatives are partially offset by a materially weaker rand exchange rate, a lower profit is forecast for the financial year," Salamon said.

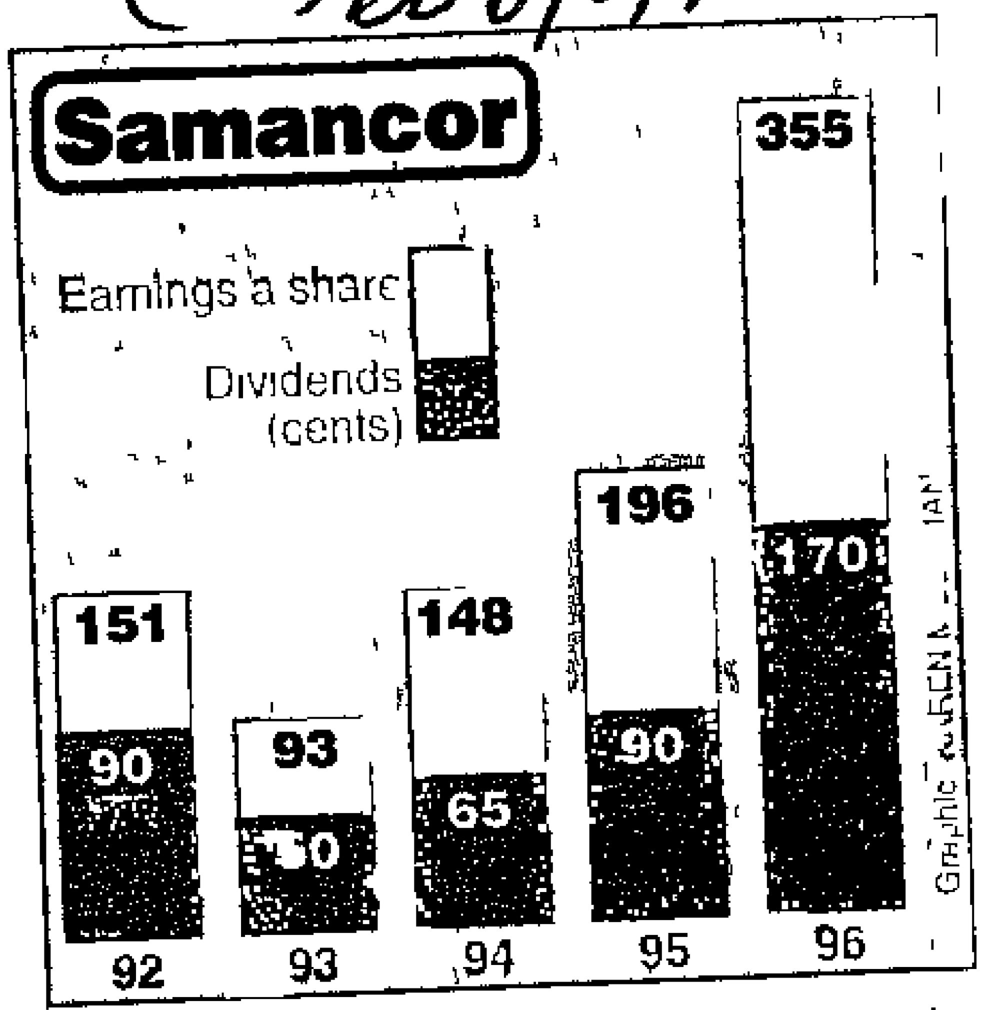
He said he expected a substantial reduction in profit from the chrome division because of lower prices.

However, he expected the manganese division to improve its contribution.

Samancor powers to 82% income rise

(189) BD 6/8/96

David McKay



SURGING ferrochrome contract and spot prices and a weaker rand exchange rate powered Samancor to an 82% increase in attributable income of R676m for the year to June

The group was helped by R102m income from abnormal items, including a R79m profit from the sale of its 4% stake in French stainless steel producer Ugine. Group turnover rose 39% to R3,8bn as the chrome division benefited from a 9% rise in stainless steel production to 15,2-million tons last year. Attributable income before abnormal items was 54% up at R574m. A tax bill of R170m (1995: R156m) left the group with taxed income of R669m (R351m)

Executive chairman Mike Salamon said yesterday that higher average manganese alloy prices and a weaker exchange rate also contributed to higher turnover. However, the group would record a lower profit in the current financial year because of a downturn in the stainless steel market, which would result in a substantial cut in profit from the group's chrome division, he said.

Ferrochrome contract prices fell in the first three quarters of this year to $0,42c/lb from $0,75c/lb in the fourth quarter last year. Salamon said ferrochrome prices would remain stable until early next year.

The growth in global stainless steel production sparked an 8% increase in world ferrochrome consumption to 3,6-million tons. However, this could not help Columbus Stainless to a profit in which Samancor had invested R972m.

Samancor's share of Columbus's loss, attributed to expansion start-up costs and the lower stainless steel

Continued on Page 2

Samancor

(189)

Continued from Page 1

BD 6/8/96

price, was R7m. The joint venture was focusing on increasing the production quality of the first phase of the expansion and would break even, at best, next year, Salamon said.

A 2% reduction in world demand for carbon steel saw weaker second-half demand for Samancor's manganese units. This was reflected in softer prices for manganese units in the first half of this year. Total manganese alloy production volume was down 6% to 433 000 tons after production problems at Metalloys.

A 7,2% contract price rise for Japanese buyers to $2,09 a ton for manganese units — the first increase in three years — would help buoy Samancor earnings in the current financial year, Salamon said.

The group had also guaranteed 75% of ferrochrome offtake through a string of joint ventures, mostly with Japanese consortiums. These would increase the group's ferrochrome volumes 10% and lower unit costs. They also contributed to higher capex of R427m (R178m).

Picture: Page 15

Industry promise sees strike aborted

(189) BD 6/8/96

Reneé Grawitzky

COUNTRYWIDE mass action by 100 000 metal workers planned for tomorrow has been called off in the wake of an employer undertaking to remove a contentious penalty clause from the main agreement paving the way for a settlement in the metal industry.

The clause says an employee will not be paid for a public holiday if absent from work the day before or after the holiday

The union said this penalised workers unnecessarily and took away rights granted to workers

And despite an anticipated settlement in the metal wage dispute, thousands of mineworkers are expected to march this week in support of wage demands tabled during negotiations with the Chamber of Mines

This was announced by the National Union of Mineworkers and comes in the wake of the union's declaration of a dispute with the chamber on Thursday

The union indicated that coal miners will march today at Amcoal's New Vaal Colliery in support of a 13% increase in the face of a 9% employer offer

The union said that workers at JCI's Randfontein Estates gold mine were also contemplating action this week.

Meanwhile, Numsa general secretary Enoch Godongwana last night confirmed that tomorrow's action had been called off after an employer undertaking that the controversial penalty clause relating to public holidays would not be included in the industrial council main agreement

This demand, at the heart of the union's dispute with employers, had forced the union to adopt a position that it would not sign an agreement which included this clause The union said it had inherited the penalty clause when it joined the industrial council

Godongwana said such indications from employers provided a basis for settlement in the industry, thereby avoiding unnecessary industrial action

Besides the proposed day of national action, preparations were under way for a countrywide ballot The last legal industry-wide strike in the metal industry took place in 1992

Analysts taken by surprise

Highveld's profit plummets

(189) CT (BR) 7/8/96

By Jonathan Rosenthal

Johannesburg — Highveld Steel and Vanadium yesterday posted a 60 percent slump in net earnings to R39,3 million for the six months to June 30 from R98,3 million for the comparable period last year, taking analysts by surprise

Leslie Boyd, the chairman of the company, said the results were "lower than even we expected"

Bleak expectations of firmer stainless- and carbon-steel prices led the company to predict no real improvement in second-half earnings

Turnover rose to R1,2 billion from R1,1 billion over the same period but operating profit still fell to R103 million from last year's R157 million Adding to the company's woes was an interest charge of R16,7 million compared with interest income of R12,6 million the year before

The substantial drop in operating profit was attributed to wet summer conditions and weak export prices for manganese alloys The wet conditions affected the consumption of beverage cans, as well as causing production difficulties in Highveld's iron making plant Beverage cans are produced by its wholly owned subsidiary, Rheem

Earnings a share fell to 41c from last year's 107c and an interim dividend of 15c was declared

Highveld incurred a R26 million loss in Columbus Stainless, in which it is a 33 percent shareholder

Fred Boshoff, the chief executive of Columbus Stainless, said there had been failures on the large rolling mills, with up to 13 percent of product lost in the mills

Local stainless steel demand for the manufacture of car exhausts and catalytic converters was growing The company was trying to convince the domestic stainless-steel container industry to move to a number one hot-rolled finish in favour of imports

"Steel prices on the international markets have declined in most areas to almost uneconomic levels and a further substantial reduction of crude steel production worldwide will be necessary to correct these trends," the company warned

Vanadium prices have stabilised at about $3,13 a pound for vanadium pentoxide, but export prices for manganese alloys fell progressively during the six months from the high levels recorded at the start of the year

"There is little likelihood of any significant firming in carbon- or stainless-steel prices in the latter part of this year Thus, despite advantages accruing from a weaker rand against the US dollar, earnings in the second half of 1996 will be similar to the first half," Boyd said

BOYD GLOOMY *Results were 'lower than even we expected' and 'the second half of 1996 will be similar'* PHOTO JOHN WOODROOF

Public holiday penalty clause dropped

BD 7/8/96 (189)

Renée Grawitzky

METAL employers agreed to the National Union of Metalworkers of SA's demand for the removal of a controversial penalty clause from the industry's council agreement after the intervention of the labour department

Employers' insistence on the inclusion of the clause, relating to public holidays, formed the basis of the dispute with Numsa The union' threatened industrial action and a national strike to force the employers' hand

The penalty clause says an employee will not be paid for a public holiday if absent from work the day before or after the holiday, despite the provisions in the Public Holidays Act, 1995

Employer body Seifsa spokesman Brian Angus said last night that a senior labour department official informed employers that even if parties were able to agree on a clause, it was almost certain the minister would not extend it to parties who were not party to the agreement This was the major reason employers did not pursue its continued inclusion

The labour department said metal employers were referred to a legal opinion sent to industrial councils last year.

The department said the legal opinion concluded that where workers had been granted primary rights — such as a paid public holiday in terms of the Public Holidays Act — secondary legislation in the form of a council agreement could not be used to waive rights of people who had not agreed to having their rights waived

The department said Seifsa was advised that employers had to decide what route to follow

The parties meet again on Tuesday to discuss outstanding issues which could lead to the signing of an agreement.

'Global production cuts vital'

Highveld Steel battered by market slump

(189)

BD 7/8/96

David McKay

THE slump in the steel market has claimed its biggest scalp so far, with Anglo American's Highveld Steel & Vanadium suffering a 60% slump in earnings for the six months to June.

Industry sources said yesterday that the performance — which helped cut nearly 12% from Hiveld's share price and nearly 3% from the JSE's steel and allied index — underlined how hard the market was being hit.

The industry's domestic sales are estimated to have fallen 10% in the three months to June against the previous three months, amid a dearth of new work. The international market, knocked by oversupply despite lower production, has seen prices fall by about 25% in the past year.

Hiveld chairman Leslie Boyd said international prices were now "almost uneconomic" and global production cuts were vital to reviving prices.

Iscor has already warned such conditions will batter its performance for the six months to June. Average steel prices are also well below the threshold set in the feasibility study for the Iscor-driven Saldanha Steel project.

The Steel and Engineering Industries' Federation of SA said reviving domestic demand hinged on government implementing its growth strategy. Analysts said the international market still had to bottom, despite attempts by US producers to revive the price by cutting output. Boyd blamed Hiveld's performance on falling steel prices, lower export prices for manganese alloys and a wet summer. The second half would see no improvement, despite gains linked to the rand's fall.

Sales rose to R1,26bn (R1,17bn), but average spot prices for hot-rolled coil (the benchmark product) of $308/t ($403/t) helped cut operating profit before depreciation to R103,5m (R157,5m). Figures were also knocked by Hiveld's R26m share of Columbus Stainless's R80m loss for the period.

The company paid out R16,8m in interest on borrowings of R698,6m (R484,7m). The figures were partly salvaged by tax of just R1,7m (R35,5m).

Continued on Page 2

Steel

(189) BD 7/8/96

Continued from Page 1

Attributable income was R39,3m (R98,4m), to leave share earnings at 41,5c (107,1c). The interim dividend was 15c (35c). The share, down more than 16% at one stage, closed at R18.

Boyd said it had been "difficult to fill the mill with viable business". Domestic steel sales had been hurt by the overhang of inventories buyers built last year in expectation of "a perceived boom". World steel consumption was forecast to rise 1% this year, but the market remained oversupplied. "There is little likelihood of a significant firming in carbon or stainless steel prices in the latter part of this year," Boyd said.

Its vanadium and ferrosilicon businesses performed satisfactorily, but manganese alloys — linked to steel production — suffered falling export prices. Hiveld's Rheem aluminium can plant endured lower sales and earnings as wet weather cut beverage industry sales.

Columbus was focusing on consistency in its performance. The plant said last month its second expansion phase had been halted until its operations were up to scratch. Market sources have also pinned the decision on oversupply in the market.

Iscor said it concurred with Boyd's diagnosis. The company, which reports year ends at the month end, has warned earnings will drop about 40%.

Current average spot prices for hot-rolled carbon steel are well below the median price laid down by Saldanha Steel which believed the project would be supported by prices of between $320/t to $340/t in its feasibility study.

Executive chairman Bernard Smith said Saldanha would be a low-cost producer of high quality steel, for which it hoped to receive a premium. It would come on stream in 1998 when the market should show signs of recovery.

SAMANCOR (189) FM 9/8/96

TURNING MORE SOMBRE

SA's biggest ferroalloys producer posted a result for financial 1996 which certainly pleased the market The problem is that it's unlikely to be repeated over 1997

Chairman Mike Salamon concedes that the company's chrome operations did particularly well — "though I have to admit," he says, "that when the year began I thought we would do better The fact is that prices came off a lot faster and deeper than we expected "

As it turned out, Samancor produced vastly increased turnover of R3,8bn compared with 1995's R2,7bn Even so, the tax bill barely moved at R169m (1995 R155m) which prompts BOE NatWest analyst Paul Smith to comment happily "It was a very efficient tax result, too " At the attributable line, the amount available was almost double at R654m

Salamon concedes that problems in manganese production in the first half affected results, profits from this division rose only marginally However, 1997 may prove different As chrome and ferrochrome margins and profits slip, so manganese may become something of a lifesaver Smith says "This year will demonstrate how important manganese is to Samancor "

A VINTAGE YEAR

Year to June 30	1995	1996
Turnover (Rbn)	[illegible]	3,79
Pre-tax income (Rm)	[illegible]	[illegible]
Attributable (Rm)	372	[illegible]
Earnings (c)	[illegible]	[illegible]
Dividends (c)	[illegible]	[illegible]

The company's balance sheet is strong with a cash holding of about R500m, offset by a roughly equal amount through its share of Columbus's borrowings

Concern about the current year aside, 1996 delivered a record result Chrome alloy volumes rose and the company's skillful positioning through a series of joint ventures with international alloy producers — so gaining access to vital markets in exchange for guaranteeing supplies — is returning excellent quality profits

A disappointment must have been Columbus, whose loss for the year stands in Samancor's books at R7m Salamon puts a brave face on it "Commissioning a stainless steel producer was never going to be easy," he says "As it turns out, Columbus's is said to have been one of the easiest on record " Asked about quality problems, Salamon's response is "We read more about this in the press than in the boardroom "

Financial 1997 is more sombre World chrome prices have slid considerably (now down to 42c/lb), margins will shrink and divisional profits will fall significantly The likelihood is that earnings will stand static at current levels

This shouldn't be taken to imply, however, that the counter doesn't have a place in well-balanced, long-distance portfolios *David Gleason*

STEEL & ENGINEERING

FM 9/8/96

ANVIL CHORUS OFF KEY?

(189) (...)

A downturn in the steel and engineering sector? Not too ominous considering what's been happening in the past 10 years But a downturn coupled with potential labour conflict is another matter Though talks are ongoing, labour strife appears to have been averted for now

Overall, the Steel & Engineering Industries Federation of SA (Seifsa) Business Conditions Index, which measures the favourability of order intake levels, has only recently dipped from highs last seen in 1981 But the drop, says Seifsa's chief economist Michael McDonald, may be an indicator that there are one or two dark clouds on the economic horizon "These are worrying and could jeopardise economic growth in the metal industries"

One of the darker clouds is the possibility of major confrontations with the trade unions, specially Cosatu, and in the metal industries with Numsa

"In the metal industries, employers have been in dispute for some time with the trade unions, particularly Numsa, over the issue of the wage model Unions are insisting that, in the new five-grade structure, the lowest wage rate should be equal to at least 60% of the average artisan actual rate Such a demand could increase the wage bill for the industry by more than 70%," McDonald says

In recent talks, Numsa dropped this demand and a more realistic outcome now appears likely At the time of going to press, the employer body was on the verge of striking a deal with Numsa

Ironically, a major sticking point was the removal of an entrenched penalty clause which ruled that if an employee didn't show for a shift either before or after a public holiday, he was not entitled to be paid for the holiday The last such "stayaway" was Cosatu's call for national strike action over privatisation

The outcome is expected to be favourable In the event of an agreement, Seifsa still has problems with the ratio between wages and productivity, which it says, "has come seriously unstuck" From 1981-1995, real wages in the metal industries increased by 15% (after being deflated by the changes in the CPI) During the same time, per capita productivity of workers has decreased by 10%

This begs the question How much of the recent new capital investment in plant and equipment has gone to reduce the reliance on labour, which is now largely unskilled and underproductive?

"With an estimated unemployment rate of over 30% in SA, it would be unfortunate if we, too, were investing to reduce labour," McDonald says

Employment in the metal industries dropped from over 450 000 in 1981 to 270 000 in 1994 With the improvement in business conditions, there was some new employment in 1995 and 1996, but only an increase of about 4% and this on a very low base

But there is some sweetness and light in the sector The new projects at Columbus Stainless and Alusaf have come on stream and exports of basic iron and steel products and ferro alloys are continuing to do well New projects at Huletts Aluminium, the Iscor plant at Saldanha Bay and the conversion of Iscor's Pretoria works to a stainless steel plant are, what McDonald terms, "very encouraging signs"

But for Seifsa, an issue inhibiting growth is crime "Everyone is aware that violence and crime in the country is virtually out of control, which hampers new foreign investment There are real fears that some politicians are beginning to accept the sharp increase in violence and crime as another part of the transitional process," McDonald adds

An observation which underscores what appears to be government's lip service to the problem ■

Electronic bugs hit Columbus steel production

By Marius Bosch

Middelburg — Columbus Stainless, one of the largest stainless-steel plants in the world, has suffered mill problems that curtailed production, Fred Boshoff, the chief executive officer, said last week

Boshoff described the Middelburg plant's Steckel mill as "a problem area"

It was erected at a cost of about R600 million as part of the Columbus expansion project

Boshoff said most of the problems were in the electronic control system, and the company was confident of solving them

He said Columbus was withholding payment to the manufacturers of the mill, Davey International, because the equipment was not performing as expected

"We are withholding a substantial amount of money from going there because it is not performing to the standard we expected of it"

Boshoff told analysts that in the past three months, "when we really should have moved up the ladder, we haven't seen an improvement at the Steckel mill"

Columbus figures show that production at the mill had dropped from about 24 000 tons in May to just over 20 000 tons last month

Columbus, a joint venture between Samancor, the Industrial Development Corporation and Highveld Steel and Vanadium, was opened in February and aims to produce about 550 000 tons of stainless steel a year — Reuter

(189) CT (BR) 12/8/96

Columbus expects increased growth

(189) BD 13/8/96

COLUMBUS Stainless expected further increased growth in the domestic market, company officials said

CE Fred Boshoff said last week the company expected increased SA demand for stainless steel, particularly in the tank container, wine tank and catalytic converter manufacturing industries

"We are forecasting and we are well on our way there, that our portion of the local market will be close to 70 000 tons in 1996 This is where our whole market development is — in developing the local market," Boshoff said

There had been strong growth in the SA market One of the growth areas had been in demand for stainless steel tanks used in the wine industry

Boshoff said Columbus was aware of criticism that it could not keep up with demand "I accept that but it is a huge responsibility to be a single producer in the market," he said

The Columbus plant, opened in February, is a joint venture between Highveld Steel & Vanadium, Samancor and the Industrial Development Corporation

It sustained a R80m loss for the six months to June, and has been forced to put its R600m-R800m second phase on hold until the plant's technology has been proved The plant plans to produce 550 000 tons of stainless steel each year, most of which is destined for export

Boshoff said one of Columbus's disadvantages was the huge distance to the nearest port, Durban The plant was eagerly awaiting the planned development of the Maputo corridor project

Boshoff said the plant sourced about 60% of its nickel requirements locally — most from Rustenburg Platinum — and hoped to increase this quota.

The company had been forced to import because local nickel producers benefit more from exporting their product

Columbus paid export parity prices for nickel but had come under pressure recently because SA producers received preferential tax status

"What we would like to achieve is to keep the SA nickel in SA We are willing to pay a true export parity price what people can earn internationally priced back to the plant in SA

"There is some general sales tax preferential status given to SA nickel and that naturally puts a lot of pressure on us because you then get a duty rebate on that tax status which makes it a very difficult export parity price to justify, and for that reason we had to consider to import in the last year," Boshoff said — Reuter

Transnet's metal contract criticised

(189)

Edward West

BD 30/10/96

THE waiving of normal tender procedures by Transnet on a scrap metal contract worth more than R100m could establish a dangerous precedent among parastatals and government and pave the way for corruption on massive scale, industry sources said.

Transnet said yesterday it had waived tendering procedures to curb theft and promote black empowerment, and the contract was awarded to a new company, Xisaka, a joint venture between the SA Railways and Harbour Workers' Union and a private company called Merkel Import Export

The Steel and Engineering Industry Federation of SA believed it was the first of its size to be awarded by a parastatal outside of normal procedures recently.

Metal Merchants Association chairman Len Davis said the secrecy around the deal could not be condoned

Non-Ferrous Metal Works chairman Bernhard Lazarus said. "Helping to contribute to the metal shortage will ensure further job losses, especially in downstream industries. "

Copalcor and Non-Ferrous Metal Works are the largest beneficiators of scrap in SA Copalcor had to close a plant last year due to the scarcity of scrap, MD John Cross said "If they had sold the scrap to somebody who beneficiated it they would have been able to pinpoint the source of stolen scrap on the market."

Transnet executive director Gloria Serobe did not wish to comment further

See Page 14
Comment: Page 15

Iscor to proceed with mineral sands project

BD 30/10/96 (189)

David McKay

ISCOR will decide whether to proceed with a R1,5bn heavy mineral sands project in KwaZulu-Natal and Northern Province at a board meeting next month, following completion of a feasibility study which has approved its technical and economic viability

The group said yesterday the study examined mining heavy minerals including zircon, pig iron and titania slag from Gravelotte in Northern Province and Hillview, which is near Richards Bay

The project forms part of Iscor's plan to mine more than 420-million tons of heavy minerals ore from 1999 It also has plans to extract heavy minerals from its Wavecrest site in the Eastern Cape

The group said in the past it also had dusted off plans to develop a R1bn iron ore mining operation in Northern Province which would replace Sishen in supplying steel mills in Gauteng and KwaZulu-Natal

In the heavy mineral sands project, the smelter at Richards Bay would have annual capacity to produce 220 000 tons a year of high grade titania slag, 130 000 tons of high quality pig iron, 35 000 tons of zircon and 15 000 tons of rutile A major portion of this would be exported, the group said

The project would first treat slag from Phalaborwa, with the resource at Gravelotte being mined from about 2000.

Iscor spokesman Piet Combrink said that a board meeting planned for November 4 would evaluate launching the project in the immediate future

If the Iscor board approved the project, more evaluations would be completed by the mining division with a view to informing shareholders of the project by the end of next month, Combrink said

Environmental concerns about the project have been voiced by the farming body, the Letaba Agricultural Union and the Associated Private Nature Reserves A concern is that water demands for the project would drain the Olifants river resources

The project requires a water quota of about 4,5-million cubic metres which local authority Phalaborwa Water Board has agreed to supply — a move which approaches its maximum annual abstraction level

A meeting arranged for tomorrow has been arranged by the agriculture, land and environment department to discuss the project's environmental effect

Nicola Jenvey reports that Natal Agricultural Union director Steve Shone said the only ilmenite mining project of which the union was aware in KwaZulu-Natal involved the St Lucia project

Finance and agriculture MEC Ben Ngubane's spokesman Kendal Hunt said the ministry had not received complaints from environmentalists surrounding mining in the Hillendale area.

Combrink said that Iscor had conducted an environmental study as part of the project's feasibility and was confident the group would accommodate objections from ecologists or agriculturalists

"The group will adhere to international standards in respect of environmental protection," he said

COMPANIES

Hernic Ferrochrome considers R250m injection

BD 30/10/96 (189)

David McKay

HERNIC Ferrochrome, the new privately owned chrome producer, is considering an injection of R250m to fund a doubling in capacity and installation of a value-adding pelletising plant

This injection would be made pending a period of consolidation in an overtraded global market

The company said yesterday that the cash would be raised in about three to four years from internal sources

Hernic is privately owned by major shareholders Wilfried Pabst, Herman van Rooyen, ELG Haniel and Shoji

However, the possibility of listing the company to raise equity capital, enabling it to diversify its business, was also being considered, it said

Hernic commissioned two furnaces with a combined annual ferrochrome output of 130 000 to 140 000 tons in July this year

The plant, which is located in Brits, is running at 90% capacity It exports 400 000 tons of chromite a year.

This compares with Samancor which increased its total chrome alloy sales 11% to 830 000 tons

Global ferrochrome consumption rose 8% to 3,6-million tons last year

Hernic's first ferrochrome was shipped to Europe and sold for between \$0,40c/lb and \$0,42c/lb

The company has a market niche through alliances with the stainless steel scrap supplier ELG Haniel and Nittetsu Shoji, which is part of Nippon Steel Corporation

The alliances could be expanded into joint ventures which could guarantee offtake in the future.

MD Herman van Rooyen said the company would have preferred entering the market last year when ferrochrome prices peaked at \$0,76c/lb.

However, its ability to survive the nadir in prices in the second half of the year has instilled a lean culture in the company, he said

Hernic aimed to double its ferrochrome output by 1999 to coincide with ferrochrome demand outstripping supply Ferrochrome is used in the manufacture of stainless steel and tracks world steel demand, which is cyclical.

In the meantime, Hernic would continue mining chromite, which would maintain a strong cash flow, while it focused on reducing debt levels, standing at about R80m in loan finance, Van Rooyen said

One short-term goal was increasing the efficiencies of the existing plant and bringing Hernic down the cost curve

Van Rooyen said it counted itself in the lower cost quartile of SA producers, where cost of ferrochrome production ranges between \$0, 27c/lb to \$0,32c/lb.

In this it was helped by being close to its reserves, cutting out transport costs, he said

Hernic has access to a 30-million ton resource of which a sizeable proportion is near the surface

The open-cast nature of the existing operation also brings the company down the cost curve

The first expansion for Hernic would be the construction of the pelletising plant

This was expected to bring about a 1c/lb to 2c/lb saving of ferrochrome produced, Van Rooyen said

Strike over assault at steelworks called off

The National Union of Metalworkers of South Africa said yesterday that 2 000 striking workers at Highveld Steel and Vanadium had agreed to return to work The union members went on strike last Thursday after a black artisan's assistant was allegedly assaulted by a white supervisor The union said the striking workers had agreed to return to work on condition that the black worker, who was given the same punishment as the white supervisor, was allowed to return to work and the final written warning given to him be scrapped "The parties are currently drawing up the terms of reference for the mediator so that mediation can take place during this week," the union said — Reuter, Johannesburg CT(AM) 30/10/96

Saldanha steel mill passes milestone

THE first steel column of the Saldanha Steel mill was erected yesterday and hailed by the builders — Saldanha Construction — as a milestone in the building of the controversial R4,5-billion project (189) CT 31/10/96

On completion the steel mill will cover 140 000m² — roughly the size of 28 rugby fields It will be about 10 storeys high, although a tower in the iron-making section will be 108m high — taller than the Cape Sun hotel building

When the project was announced, the steel mill drew heavy criticism from environmentalists Among the major concerns were the negative visual impact the mill would have on the surroundings, possible contamination of groundwater, and the impact of other heavy industry the mill would attract to the area

However, most Saldanha residents wanted the mill ,

Mr Mike Lomas of Saldanha Construction said yesterday there were now 1 000 employees on the construction site, of which 580 had been recruited from the Saldanha-Vredenburg-Langebaan area, and 119 from the rest of the Western Cape

Metro Writer, Environment Writer

Numsa strikers served with interdict

(189) BD 1/11/96

Reneé Grawitzky

ANGLO American was granted an urgent Supreme Court interdict to stop about 2 000 National Union of Metalworkers of SA members from striking at Highveld Steel near Witbank.

The workers went on strike last week after a Numsa member was given the same disciplinary sanction as a white supervisor who allegedly assaulted him.

The union said a month ago a white supervisor punched a black artisan helper in his face following an altercation.

After a disciplinary inquiry, both were dismissed as the chairman found the worker had pushed the supervisor around. They were reinstated after an appeal.

The workers agreed to return to work on Tuesday on condition that the dispute around the disciplining of the Numsa member and the demand that the white supervisor be dismissed be referred to mediation.

The union indicated that mediation broke down on Tuesday and workers had refused to report for work on Wednesday.

Anglo applied for an interdict after it alleged Numsa members had barricaded the plant.

ZINC SMELTER (789)

GENCOR WAITS

FM 1/11/96

Gencor's proposed R1,5bn-R2bn Eastern Cape zinc smelter should become reality by 2000 — and it is likely to be linked to a R620m-R645m phosphoric acid plant to be built by an international consortium led by Kynoch

What is less certain at this stage is whether Port Elizabeth or East London will be the beneficiary of the twin projects — as well as a proposed new PPC cement plant and a R3bn steel plant, to be built by Murray & Roberts

Gencor hopes to have its final feasibility and environmental impact studies ready for board approval by next June The feasibility study provides for three possible plant sites — Coega (north of PE), Driftsands (south-west of PE harbour) and Westbank in East London

"Our preferred site is Coega, but we might be forced into one of the other options if we cannot confirm to our board, in time, that the Coega harbour project is definitely on," says Gencor zinc project director John Taylor

He adds that the proposed plant "could be doubled within five years if market indicators and the economics of the first phase show this to be a feasible option But, as we would import about 400 000 t/year of zinc sulphide concentrate from Australia, Peru or the US and export about 220 000 t/year of zinc metal to the Far East, the proximity of dedicated port facilities are crucial to the siting of our plant"

Based on current LME zinc prices of about US$1 000/t, the zinc project would have a net forex earnings potential of about R440m/year, while about 700 people would be permanently employed at the plant

Taylor says apart from economic energy tariffs, other comparative advantages which would help make the plant one of the lowest cost in the world include SA's relatively competitive labour rates, the proposed site location on major international shipping routes, and the fact that an expected 80%-85% local capex content would keep costs low, while SA's weak currency would have a favourable effect on export revenues

The timing of the project also means that it would qualify for government's new accelerated depreciation allowances, while it should "at least" qualify for a two-year tax holiday, based on location, says Taylor Gencor is negotiating with a possible overseas equity partner and the Industrial Development Corp is likely to take a minority interest

Kynoch's proposed 250 000 t/year phosphoric acid plant — which would use the sulphuric acid by-product of the zinc plant — would also be dependent on the port location as it would probably have to import phosphate rock and export the final product to southern hemisphere markets "We are also talking to possible overseas equity partners and have tied the timetable of our feasibility studies to the Gencor project, as we have to take up their sulphuric acid as soon as it becomes available," says Kynoch CE John Skeen ■

COMPANIES *Investment income rises to boost lacklustre results*

Lion's pretax profit edges higher

CT (Bus) 5/11/96 (199)

STUART RUTHERFORD

Durban — Lion Match lifted its pretax profit by 10 percent to R25,8 million in the six months to September 30, despite a 2 percent drop in trading profit and industrial relations problems

Attributable earnings rose 13 percent to 41,4c a share, and an interim dividend of 12,5c, 14 percent higher than last year, was declared

Net investment income rose 32 percent to R11,1 million and net dividends received rose 21 percent to R8,7 million

Terry Turner, the managing director, said he was "very satisfied" with the performance of the lights division and the shaving, home and garden divisions That was despite slower trade purchases in the first quarter and industrial relations problems in Durban during August and part of September

He said the company continued to seek alternatives and investment opportunities for its R215 million cash pile

Turner expected growth in consumer spending and the depreciation of the rand to help fuel the demand for products

The release of Lion Match's interims coincided with national action yesterday by the Paper, Printing, Wood and Allied Workers' Union (Ppwawu) to protest against mass dismissals by Lion Match and other companies, which have cost the union 2 000 jobs

Pasco Dyani, the national president of Ppwawu, estimated that most of the union's 55 000 members had participated in the stayaway

□ Business Watch, Page 16

Eleventh-hour accord averts mass dismissal

(189)

Reneé Grawitzky

BD 5/11/96

A LAST-minute agreement between the National Union of Metalworkers of SA (Numsa) and Highveld Steel prevented the dismissal of thousands of workers today while the Paper, Printing, Wood and Allied Workers' Union (Ppwawu) held countrywide demonstrations against Lion Match and other companies

An estimated 2 000 Numsa members got a final ultimatum to return to work today or face dismissal, after having embarked on repeated industrial action

The strike was in response to a dispute over the disciplining of a Numsa member who was given the same disciplinary sanction as his white supervisor who allegedly assaulted him

A disciplinary inquiry found the supervisor had been provoked by the black artisan helper and dismissed both In response to an appeal hearing reinstating both with a final warning for six months, workers embarked on strike action two weeks ago demanding the supervisor's dismissal

An agreement reached yesterday provides for a return to work today, and referral of the dispute to arbitration Highveld management confirmed this, indicating that this proposal was tabled on Friday The union indicated alleged racial incidents at Highveld had sparked off numerous strikes in the past

Meanwhile, thousands of Ppwawu members participated in countrywide marches in protest against alleged unfair labour practices at a number of firms.

Union spokesman Alfred Tshabalala said yesterday that workers were stopped from presenting a memorandum to Solid Door management in Hammanskraal, after a SAPS member intervened and confiscated the memorandum Solid Door could not be contacted for comment last night

CAPE ARGUS, **TUESDAY,** NOVEMBER 5, 1996

NEWS

Steel mill nearer shore than agreed

Province's rulings ignored

(189)

ARGUS 5/11/96

JOHN YELD
ENVIRONMENT REPORTER

The Saldanha Steel Project is being built about 500m closer to the shore of Saldanha Bay than the Western Cape provincial authorities have specified, a parliamentary committee has heard.

The plant was supposed to be 4km from the shore, but was being built 3,5km from it to avoid an environmentally sensitive koppie, environmental consultant John Raimondo told parliament's committee on the environment This was done without informing the province, he said

University of Cape Town environmental professor Richard Fuggle told the committee yesterday that it should help implement the recommendations of the Steyn Inquiry into the steel mill to ensure a proper balance between the interests of developers and communities

He said that a major European investor had decided not to back the multibillion rand steel project because the board's recommendations had been ignored

Professor Fuggle, one of three members of the board, said its specific recommendations on the project had not been followed These included that an alternative, inland site for the plant be fully investigated before the go-ahead was given for the site close to the shores of Saldanha Bay

Instead, the Western Cape government had approved a rezoning application for the proposed site at Saldanha Professor Fuggle said the plant was now fait accompli and no purpose would be served trying to have it removed

But the parliamentary committee could use its influence to ensure that the general recommendations of the board were finally implemented These included making environmental impact assessments a legal requirement, as part of the integrated environmental management process for development

One of the most important advantages of this process was that it ensured technical data was translated into language ordinary people could understand This enabled them to respond meaningfully to development proposals, Professor Fuggle said

Dr Raimondo said building the plant 4km inland would have meant encroaching on a hill on the site – Spioenkop – which was of high conservation value

Saldanha Steel had therefore decided to centre the plant slightly closer to the lagoon, but had not informed the Western Cape government or the monitoring committee of the decision

"That's what I felt was wrong – they hadn't checked with anybody," Dr Raimondo said

This was the only one of 49 issues checked during the audit which scored negatively

But Dr Raimondo was also critical of the decision to audit only bio-physical factors again this year — the City Council started to erect Christmas streetlights at the weekend. PICTURE: BENNY GOOL

Investor in Saldanha Steel pulls out

(189) CT. 5/11/96

MELANIE GOSLING

A MAJOR European investor has decided not to back the Saldanha Steel project because it does not adhere to the recommendations of the Steyn Board of Inquiry into the controversial development

This was said yesterday by Professor Richard Fuggle, head of UCT's department of environment, to the parliamentary portfolio committee on the environment

"Unless we get our house in order regarding how we can harmonise development with the environment, we won't get the kind of development we need," he said

Attorney Mr Alistair van Huyssteen told the committee it cost R11,3 million to create a single job in the project — some of which was taxpayers' money

Van Huyssteen said theoretically Saldanha Steel's R6,8-billion investment into the project could have created between 30 000 and two million jobs — but only between 600 and 1 800 jobs were being created

No comprehensive economic study had been performed before the provincial government granted the rezoning which allowed heavy industry to go ahead on the site, he said

"Economic advantage had merely been assumed when tax benefits were granted, when the rezoning was granted, and when soft loans were granted by the Independent Development Corporation The result was that R1,3bn of taxpayers' money was handed over to Saldanha Steel "

Fuggle said the government was serving no good purpose by not making environment impact assessments a legal requirement. These would form part of integrated environmental management procedures and would bring South Africa into line with most developed countries.

"Their (developed countries) standards are going to govern what happens in this country, and is one reason why we are not getting investment I know for a fact that not adhering to the Steyn Board of Inquiry's recommendations was one reason why a major European company is not backing Saldanha Steel "

Fuggle said that when the Steyn Board of Inquiry was undertaken it was assumed the board's recommendations about the development of the Saldanha region would significantly affect future developments to maximise benefits to local communities

"With the wisdom of hindsight, I believe this assumption has proved to be wrong . The balance of political and economic power has been such that economic developments have been able to proceed with scant attention to factors they (developers) deemed less important than their own interests."

DP leader to quiz Sigcau on Transnet scrap deal

ARG 6/11/96 (189)

CLIVE SAWYER
POLITICAL CORRESPONDENT

Democratic Party leader Tony Leon will confront Public Enterprises Minister Stella Sigcau today about reports that a company involved in a scrap metal deal with Transnet was previously involved in unethical business dealings.

A mini-debate is scheduled for late today on the procedures involved in Transnet giving a scrap metal contract to Xisaka, a company owned by Merkel Import and Export cc, and the SA Railways and Harbour Workers Union Transnet recently announced it had waived normal tender procedures in awarding its scrap metal contract to Xisaka

Mr Leon is expected to quote reports from 1992 that an Eskom national contract with Merkel for the purchase, removal and processing of all Eskom's non-ferrous metal scrap was cancelled because of alleged unethical business dealings He will charge Ms Sigcau with having lost control of her portfolio and of Transnet.

Mr Leon said the estimated value of the latest Transnet contract was more than R100-million, understood to be over four years, and all Transnet contracts of more than R300 000 required tender board approval.

Exports make up Alusaf's slip in revenue

BD 6/11/96 (189)

David McKay

ALUSAF's local aluminium revenues slipped nearly 20% to R657m in the year to June, partly due to the removal of import duty on primary products

The fall of the aluminium price on world markets also led to lower revenues

The London Metal Exchange (LME) price, which peaked at $2 195 a ton in January last year, fell to $1 500 a ton by June this year The price has since fallen further to about $1 400 a ton, with industry analysts predicting a slight uptick in price to $1 500-$1 600 a ton over the next three months

The company said yesterday the removal of import duty had been anticipated and compensated for by increased exports Export revenues increased six times to R1,9bn from R318m in the last financial year

This was due to the commissioning of the export-dedicated Hillside smelter, able to produce about 490 000 tons of aluminium a year

The Gencor-owned company said in its latest annual report that government's decision last year to withdraw a 16% import duty on primary aluminium had "impacted on lower prices which Alusaf had been able to realise in the local market"

However, the company's geographic position still enabled it to charge a premium on the LME price

Alusaf said the average realised price for domestic sales, inclusive of premiums on value-added products such as extrusion ingot and rolling slab, was R7 339 a ton compared to last year's average of R6 576 a ton

This represented a premium of about 15% on the rand LME price compared with last year's premium of about 2%

The Hillside smelter's aluminium production is cast into melting ingots for export Its sales to this market totalled 218 097 tons, Alusaf said Also, reduced sales in the domestic market were compensated for by higher export sales from the older Bayside smelter, which increased to 78 838 tons from 51 028 tons last year

As a result of the Hillside smelter, local sales were expected to drop to 15% of total output this financial year from 50% of total output in 1994

Exports last year increased 245 907 tons to 296 935 tons

It is understood that the 6% duty charged by European buyers on aluminium is considered unfair in the light of SA's removal of import duties

However, at present, Alusaf's product is exported mainly to the Far East, where competitive shipping rates can be achieved relative to European shipping rates

It is unlikely that Alusaf would want to breach the European market, even if its import duties were dropped.

Alusaf sheds jobs at Hillside smelter

(189) CJ(PM)

Johnathan Rosenthal

Johannesburg — Alusaf, the Gencor-owned Richards Bay aluminum smelter that commissioned the R5 billion Hillside smelter earlier this year, had shed 775 jobs in the past financial year, the company said in its annual report for the year to June 30

A total of 775 employees from the older Bayside smelter had accepted voluntary retrenchment packages in a structured programme that cost R34 million

A further 187 voluntary retrenchments have been approved and would take place over the next 18 months, the company said

Despite the retrenchments, the average number of employees for the year increased to 3 308 from 2 850 in 1991

Alusaf was continuing with a feasibility study into building a new aluminium smelter in Mozambique to take advantage of existing and potential hydroelectric generating capacity

"If a satisfactory power contract can be concluded and other necessary agreements finalised with the Mozambique government and various international funding agencies, there could be a unique opportunity to repeat the success of the Hillside smelter, with resultant major benefits to Mozambique, South Africa and Alusaf," the report said

Sigcau 'looking closely' at Transnet scrap-metal contract

(189) Star 7/11/96

Cape Town – Public Enterprises Minister Stella Sigcau said in the National Assembly yesterday that her department was looking closely at how a new company, Xisaka, secured the Transnet scrap-metal contract, and had asked trade and industry to join the investigation.

When she had all the facts she would report to Parliament, she said in an interpellation debate

"I have nothing to hide . I have a very good track record," she said "We will come up with what is fair for all concerned"

She said the value of the contract was R17-million, not R100-million as had been suggested

Xisaka is a partnership between the SA Railway and Harbour Workers' Union and a private company, Merkel Import and Export, and Transnet has confirmed that normal tender procedures were not followed in the deal

Democratic Party leader Tony Leon said Sigcau had clearly lost control of her portfolio, and particularly of Transnet which was lurching from one scandal to another

"She was unable to say under what circumstances the deal had been negotiated, on what basis the tender rules were waived, how the contract was arrived at, or in what currency it was payable," he said – Sapa

Highveld Steel dispute referred to arbitration

(189)

BY GOBA NDHLOVU

Star 7/11/96

The two-week-old strike at Highveld Steel and Vanadium near Witbank in Mpumalanga province involving about 2 000 National Union of Metalworkers of South Africa (Numsa) members ended yesterday morning after the parties agreed to refer their dispute to arbitration.

Dr David John has been chosen to mediate in the arbitration scheduled for tomorrow

According to Highveld Steel and Vanadium spokesman Herman Cochius, no terms of reference have been set out He said the "whole matter should be re-heard"

The strike, which has had a strong racial undertone since it began on October 24, arose from allegations that a white supervisor, Barney Venter, beat up a black artisan-helper, Simon Moganedi, who absented himself from a production line to buy food at a tuckshop inside the company premises

Moganedi was apparently hit in the face and body as he tried to explain why he went to the shop He received hospital treatment after the beating

At the first hearing on October 7, both Moganedi and Venter were dismissed for fighting inside company premises

But Numsa workers downed tools when both were reinstated and given a final warning valid for six months, despite the union having lodged an appeal against the unfair dismissal of Moganedi

Numsa regional secretary Frans Boshielo said workers could not accept such a "blatantly racial" decision.

Officials in Saldanha mill bungle

By KEN VERNON

A REMARKABLE bureaucratic bungle has allowed Saldanha Steel to build its controversial mill at Saldanha more than half a kilometre away from where the Western Cape cabinet decreed it should be sited

This has emerged following the disclosure this week by the independent environmental auditor of the project, Dr John Raimondo, that the mill was being built only 1,5 km from the sea rather than the 2 km decided on by the cabinet

The 2 km limit was itself a compromise reached last year after tense 11th-hour negotiations between the Western Cape government and environmentalists opposed to the construction of the steel mill on the ecologically sensitive Langebaan Lagoon

The compromise was announced in a press statement by Planning Minister Lampie Fick on November 8

However, Cape Metro has learnt that just 15 days after his press announcement, the official letter from his department granting the rezoning of farm land and in effect giving authorisation to Saldanha Steel to go ahead with the project, made no mention of the 2 km limit

According to Raimondo, Saldanha Steel was legally entitled to build the mill anywhere on its property, including in the original position, 1,5 km closer to the sea

Perhaps just as remarkable is that the cabinet decision decreeing the 2 km limit was physically impossible — the land bought by Saldanha Steel does not extend to 2 km from the lagoon

However, despite the bungling, Raimondo is satisfied that Saldanha Steel has done everything possible to meet the exacting environmental safeguards that the Department of Planning did manage to incorporate in its letter of authorisation

"It's difficult to see how they could have positioned the plant any differently," he said, "and in the end the environmental effect of the difference is marginal

"In some ways the brouhaha over the positioning is a storm in a tea cup"

He said that of 38 conditions he identified limiting Saldanha Steel's freedom, 37 had been complied with by the company or were not applicable to his brief, such as those restricting use of the site

"The only one they have not complied with was the 2 km limit, and that they were not legally obliged to meet," he said

A Saldanha Steel spokesman, Tom Ferreira, said that while Saldanha Steel had recognised the flaw in the official position on building, it had nevertheless re-positioned the plant "in the spirit of the initial agreement and moved the mill as far from the sea as possible"

ST (CM) 10/11/96 (189)

R30m loss caused by strike will hurt Hiveld

BD 12/11/96 (189)

David McKay

HIGHVELD Steel & Vanadium (Hiveld) lost about 3% of annual finished steel production, equal to about R30m in revenue, during a two-week strike ending last week, analysts estimated yesterday.

Estimates suggest that 30 000 tons of crude steel production were lost as the strike, which began after a white supervisor allegedly assaulted a black employee, interrupted production at Hiveld's Witbank steel mill

The mill operates 24 hours a day, all year round, and has a capacity of about 1-million tons of crude steel a year.

The strike, supported by about 33% of Hiveld's 6 000-man workforce, lasted 12 days

About 85% of crude production is converted into finished products At a rand-dollar exchange rate of R4,70, and assuming the product was export-bound, Hiveld faced a reduction in sales income of R30m, analysts said

This calculation was also based on an average steel price of about $311/t, quoted by Hiveld at the interim stage in August.

A company spokesman said yesterday it would be "impossible" for Hiveld to catch up on this year's production as it had been running at capacity.

It was believed the mill turned out one-million tons of crude steel a year. It produced about 850 000-900 000 tons of finished steel in its 1995 financial year.

However, it was "trying hard" to meet contracts All steel products manufactured by the company had been affected, the spokesman said Hiveld produced plate, coil, billets and sections among other steel products.

The production losses would compound an already difficult year for Hiveld which showed the effects of poor world steel demand in the six months to June.

Hiveld's attributable income slipped to R39,3m from R98,4m in the corresponding period last year.

The international market, knocked by oversupply despite lower production, has seen prices fall by 25% in the past year

One analyst said the strike would "hurt the company" as unit costs were also likely to rise as a result of down time.

The National Union of Mineworkers said workers had agreed to return to work on condition that the final warning given to the black artisan, who was charged with assault with the supervisor, was scrapped.

Hiveld said it had appointed an independent arbitrator to reassess the dispute.

Labour has secured a pledge by Hiveld to pay them for time lost in the strike if they win the dispute.

Tsumeb is awarded N$25m in strike insurance payout

David McKay (189)

BB 12/11/96

BASE metals producer Gold Fields Namibia's Tsumeb Corporation has been awarded a N$25m insurance payout for loss of revenue and damage to a copper smelter during the one-and-a-half-month strike at the firm's three operations

Corporation chairman Clive Wolfe-Coote said yesterday that the payout would show in the December quarter's results, due to be reported in January

The corporation had already received a N$10m instalment. The balance would be paid to Tsumeb within the quarter, he said

The payout would offset losses totalling N$25m in the September quarter reported earlier this week However, due to repair work at the plant and the time taken for metal to be produced from the operations, further losses of about N$50m were expected, Wolfe-Coote said

A two- to three-month pipeline before metal was sold from the corporation was expected The corporation's mines would recommence ore production in December with the aim of smelting and selling the metal in December or January, he said

The mines and copper smelter were shut from August 22 after the Mineworkers' Union of Namibia went on strike following a refusal to accept a wage offer The dispute was settled on October 5 with labour agreeing to a 10,5% wage increase.

The corporation lost about 150 tons of copper and lead production a day, equivalent to revenue of about N$1m a day, running a N$12m profit in the June quarter

STEEL *New plant dogged by controversy*

A small hill may be a mountain for Saldanha

CT(BR) 12/11/96 (189)

JONATHAN ROSENTHAL

Johannesburg — Moving mountains may be no great feat for Iscor, one of the developers of the R4,5 billion Saldanha Steel mini-mill, but the country's largest steel producer has been stumped by a small hill and finds itself trapped between environmentalists and the sea

The plant has been dogged by opposition from environmentalists since it was first proposed some years ago and was subject to a commission of inquiry before being given the go-ahead late last year by Lampie Fick, the Western Cape MEC for agriculture, planning and tourism

One of Fick's conditions, he told the media at the time, was that the plant be moved 2km further inland to limit damage to Saldanha Bay That was a compromise move which ignored the Steyn commission's recommendation that the plant be sited about 10km from the bay

But last week, the parliamentary portfolio committee on environmental affairs heard that Saldanha Steel had failed to move its plant a full 2km and had only moved it 1,5km from its previous site

Saldanha Steel said yesterday that there was never a formal requirement to move the plant 2km, and Fick had put the condition into a press release without making it a condition in his official letter granting the plant's zoning rights

An environmental audit commissioned by Saldanha Steel found the plant had complied or partially complied with all but one of the 43 applicable issues covered in the audit The audit said the issue of moving the plant could not have been met without contravening another condition to conserve the Spionkop koppie, an area of high conservation value

Though 500m either way may seem of no great significance, the revelation has kindled discontent among environmentalists and the parliamentary committee

Gwen Mahlangu, the chairman of the parliamentary committee, said yesterday that she had requested the minister's intervention and demanded an explanation for why the plant had not been moved

Fick said yesterday that the 2km mentioned in his press release was just an estimate

COMPANIES

Saldanha downplays expansion report

(189)

BD 14/11/96

David McKay

SALDANHA Steel had sufficient rolling capacity to double its output to 2,5-million tons a year, but the company yesterday downplayed reports that expansion was a possibility

Executive chairman Bernard Smith said the R6,8bn project under construction had sufficient downstreaming machinery to double output "There are places in the project layout to do this," he said

The Financial Mail reported yesterday that Saldanha Steel was planning to double output in a move which would catapult SA into the top league of world steel producers.

However, the mill would have to install new iron and steel-making plants and more casting units to supply its existing equipment, Smith said.

Although the expansion would increase the capital outlay of the project the amount had not been quantified, Smith said

Another condition of the possible expansion was to demonstrate that the project could find markets for its proposed offtake

According to the project's feasibility report, the mill would export hot-rolled coil from its plant, due to commence in January 1988

This production would be exported to potential markets in North America, Europe and the Far East, particularly Taiwan, which would absorb a large part of Saldanha Steel's offtake, Smith said

Saldanha Steel would also have to initiate another environmental impact report similar to the one which validated the original plans for the project, Smith said

Meanwhile a $78m loan to Saldanha Steel had "probably been blocked" by a some parties in the European Commission (EC) who had objected to the affect of introducing more material on the shrinking European market

A downturn in the international price of carbon steel from October last year was reducing margins at European steel mills, forcing some to close, Smith said

Saldanha Steel had planned to benefit from the EC's "soft loan", comprising lower interest rates over a relatively long 15-year period

Commenting on suggestions that an expansion of Saldanha Steel would not combine with Iscor's plans to rely more heavily on its mining division, Smith said that the project had to do what was good for itself.

The Saldanha Steel project was being funded by Iscor in partnership with the Industrial Development Corporation

THURSDAY
NOVEMBER 14, 1996

EU drops Saldanha steel loan

(189)

CT 14/11/96

BRUSSELS The European Investment Bank has abandoned plans to make a multi-million dollar loan to the new steel plant at Saldanha Bay because of opposition to the project voiced recently by the European Union's executive commission

Officials of the bank said yesterday the board of governors had decided "not to go ahead with the loan"

They said the decision was prompted by the commission's "negative opinion" of the proposed loan

The commission gave the thumbs down to the planned $78 million (R366m) loan in late September because of fears that the new steel plant would add to the glut on world steel markets

Bank officials said that despite the decision to drop the steel project, the bank remained committed to investing in South Africa development plans

They said the decision did not reflect on the viability of the steel project

"This was a decision we had to take because of constitutional issues," one insider said

Deputy President Thabo Mbeki is likely to complain about the move during talks with senior EU commissioners in Brussels today

Critics say the commission's decision to stop the loan runs counter to its avowed aim of promoting rapid economic development in South Africa

Under the plan to build the Saldanha steel project, the bank's contribution would have accounted for less than five percent of the plant's total cost — Sapa-DPA

SALDANHA STEEL

RAISING THE STAKES

(89) FM 15/11/96

In a move that will catapult SA into the top league of world steel producers, Saldanha Steel is planning to double output from 1,25 Mt to 2,5 Mt/year

The news comes as the European Investment Bank this week considered a US$74m loan to the Saldanha project The loan was due to be granted by the bank's board on Tuesday despite opposition from a faction within the European Commission, which had balked at the prospect of lending to a potential competitor while the European steel industry is in sharp decline

There has been enormous controversy over Saldanha's soaring costs The *FM* (*Business* February 2) revealed how funding for the minimill had surged without detailed explanation from R4,6bn to R6,8bn And now, it emerges, this is only phase one

The rolling mill has the capacity to meet the ultimate 2,5 Mt production But the iron and steel-making plants would have to be doubled, at an estimated further cost of R3bn-R4bn

The little-known phase two expansion plan surfaced in Dusseldorf last week from Germany's Mannesmann Demag, which has the R1,7bn contract to provide Saldanha's steel-making plant "A doubling of the capacity is planned for phase two," confirms manager, contract execution Jurgen Voss

This, he reveals, has been the plan all along "There are some technical provisions for later expansion in our present contract "

Saldanha Steel is a joint venture between Iscor and the Industrial Development Corporation (IDC) Saldanha's executive chairman, Bernard Smith, on a visit to Mannesmann Demag in Germany, says "We've made provision within the plans to double up iron and steel making, so that we can utilise the full capacity of the rolling mill, which is 2,5 Mt/year "

Smith says that no cost estimates have yet been made for phase two, except that it will be "significantly less" than phase one

"What's exciting about it is that for marginal incremental capital expenditure we'll double the plant's capacity," he says He emphasises that no decision has been made regarding the timing, which was "clearly dependent upon a successful start-up and a commercially viable operation "

Bernard Smith

Production of hot-rolled coils for phase one is set to begin in January 1998 Phase two is not expected to come on stream until the turn of the millennium

News of phase two comes at a delicate time The European steel industry, particularly in Germany, has been undergoing difficult restructuring, resulting in significant lay-offs Since all of Saldanha's output is destined for export, this will bring it into sharp competition with the Europeans

Analysts reacted cautiously to the expansion plan "If you find the market for the product, it is viable But the world is oversupplied with steel, and it's all a margin play," says one

"The more they plan to make, the more the risk and obviously with the infrastructure in place which is already lean, the additional benefit's not going to be that great They're going to increase the risk, and they've promised that they won't waste any money I think it will be received negatively "

An industry pundit also had reservations "As steel-making goes, it's a good move As Iscor goes, it's not, because they are supposed to be returning better money from mining "

However, on the positive side the feeling is that the whole idea is to get down the cost curve, so as capacity becomes too expensive in the rest of SA, the most logical place to expand is in Saldanha But investors will see more steel-making capacity as having a negative impact on Iscor's share price

News of the planned expansion could also bring a fresh storm of protest from the environmentalists The Saldanha project was put back by almost a year after they opposed the original plan to build the minimill near the ecologically sensitive Langebaan Lagoon It was these "inordinate delays" over site rezoning permits which Iscor cited as its reasons for pulling out of the project last September

In February the *FM* revealed that the real reason for Iscor's temporary withdrawal — it came back into the fold three months later — was the IDC's revised return on investment pledge, which had dropped from 13,7% to 10,5%

The debate around the present siting of the mill refuses to die Plans were proposed to move it 10 km from the coast, but this was scrapped after groundwater analysis showed that there was a danger of polluting the West Coast National Park A Saldanha Steel spokesman says that the phase two expansion will require a "thorough environmental impact assessment" before go-ahead

Professor Richard Fuggle, head of environmental science at Cape Town University and a member of the Steyn Commission, who investigated the Saldanha project, says "The main impact of the doubling of capacity will be the consumption of resources, particularly water We are in an area where there is already a shortage of water

"When the permission to go ahead and the compromise site was agreed, Saldanha Steel agreed to use salt water as their means of cooling and water supply That seems to have just faded into the woodwork, it certainly wasn't made a requirement by government

"A doubling of capacity will mean close to a doubling of water demand And there will also be a doubling of waste products and the size of slag heaps "

Jack Lundin and Mick Collins

MOTOR INDUSTRY

WAITING IN THE WINGS?

Delta Motor Corp, the Port Elizabeth-based manufacturer of Opel and Isuzu vehicles, could soon rejoin the General Motors fold it left nearly a decade ago

Delta was created in 1987 by a local management buy-out of GM's failed SA operation Executives of both companies admit there are now talks about GM reclaiming a share in the business David Herman, MD of GM subsidiary Opel, which is based in Germany, confirms "We are discussing the future "

He says the need for SA motor companies to increase exports is likely to generate considerable investment needs Delta and Opel, for instance, will have to double their countertrade by the year 2000 if Delta is to avoid punitive duty payments A formal link, rather than a purely supplier-customer one, will make it easier for Opel, or GM, to offer Delta the necessary support

"Whether that will lead to an acquisition in Delta, is what we are talking about," says Herman "Whether it will be through Opel or GM, I don't know But I don't believe it is inevitable and it is too early to prejudge the outcome "

Delta MD Willie van Wyk says "We see some form of integration with GM as having attractive possibilities " He says there are several areas in which Delta could benefit from direct GM input SA motor company managements are generally inexperienced in the global auto industry in which they must now operate GM, with its operations all over the world, can clearly provide guidance

SA companies also need help with exports and several have already found that an investment link with a foreign multinational can ease the way SA managements are also beginners in transforming operations into lean businesses, he says

Van Wyk says the question of whether GM will invest in Delta is still "conceptual" but adds "We have not actively gone out to seek an investment from GM " And on the question of whether GM would prefer a minority shareholding or overall control, he believes the US corporation would prefer the former

"The success of this business is solely due to the efforts of the local management and work force GM has tremendous respect for that and I would be surprised if it wants to disturb the situation

"If it does want to come in, I think it would like to position itself initially with a minority shareholding My bet is that it doesn't have plans to take over Delta in a majority role or as a whole "

Delta is the only SA motor manufacturer still wholly owned locally Mercedes-Benz, BMW and Volkswagen are all controlled from Germany, Ford US is a major shareholder in Samcor and wields management control, a minority Japanese stake in Nissan could increase substantially if, as expected, Sankorp reduces its controlling interest, and Toyota Motor Co of Japan recently bought Johnnic's 24% share of Toyota SA ■

FM 15/11/96

OCTOBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
VW	CitiGolf	2 706		
	Golf/Jetta	1 594		
	Polo	1 793		
	Audi A4	602		
	A6	57		
	A8	3	6 755	24,3
Toyota	New Corolla	3 736		
	Corolla/Conquest	2 161		
	Camry	581		
	RAV4	98		
	Landcruiser	70		
	Lexus	3		
	Other	1	6 650	23,9
Samcor	Tracer/Midge	3 338		
	Telstar/626	295		
	Ford Escort	986		
	Falcon	282		
	Mazda Etude	427		
	Pajero	96		
	Spacegear	20		
	Other	10	5 454	19,6
Nissan	Sentra/Sabre	1 452		
	Maxima	27		
	Fiat Uno	1 558		
	Alfa	54		
	Sani/Patrol	20		
	Other	1	3 112	11,2
M-Benz	C-Class	595		
	E Class	290		
	W140	28		
	SLS	17		
	Honda Ballade	1 286		
	Other	11	2 227	8,0
BMW	3 Series	1 288		
	5 Series	281		
	7 Series	43	1 612	5,8
Delta	Astra/Kadett	1 404		
	Saab	20		
	Suzuki	31		
	Other	3	1 458	5,2
Daewoo	Cielo	323		
	Espero	45	368	1,3
Land Rover	Discovery	96		
	Defender	64		
	Range Rover	11	171	0,6
Subaru	Legacy	4		
	Impreza	3	7	0,0
Dacia	Crystal	2	2	0,0

	1996	1995	% change
Oct	27 816	21 662	+28,4
January to Oct	208 483	199 285	+4,6
Sept (19 927) to Oct			+39,6

Source NATION[illegible]

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	4 071	33,5
Delta	2 280	18,8
Samcor	2 098	17,3
Nissan	1 934	15,9
M-Benz	873	7,2
VW	821	6,8
Land Rover	74	0,6
Dacia	7	0,1

	1996	1995	% change
Oct	12 158	11 762	+3,4
Jan to Oct	110 245	108 731	+1,4
Sept (10 256) to Oct			+18,5

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	191	28,7
Delta	137	20,6
M-Benz	124	18,6
Nissan	98	15,0
Samcor	58	8,7
Iveco	47	7,1
AAD	10	1,5

	1996	1995	% change
Oct	665	391	+70,1
Jan to Oct	4 609	3 521	+30,9
Sept (513) to Oct			+29,6

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	244	33,0
Toyota	124	16,8
Nissan	91	12,3
MAN	77	10,4
Delta	68	9,2
Iveco	48	6,5
Tyco	31	4,2
ERF	22	3,0
Scania	14	1,9
Freightliner	13	1,8
AAD	8	1,1

	1996	1995	% change
Oct	740	794	6,8
Jan to Oct	6 954	6 553	+6,1
Sept (638) to Oct			+16,0

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	11 036	26,7
Samcor	7 610	18,4
VW	7 576	18,3
Nissan	5 235	12,7
Delta	3 943	9,5
M-Benz	3 468	8,4
BMW	1 612	3,9
Other	899	2,2

	1996	1995	% change
Oct	41 379	34 609	+19,6
Jan to Oct	3[illegible]0 291	318 090	+3,8
Sept (31 334) to Oct			+32,1

FRANCHISING

COLOUR BLIND

Whites still operate most of SA's franchise outlets but other groups are catching up, says Bendeta Gordon of consultancy Parker Gordon Associates

The company's second national survey on franchising shows that, at the start of 1995, whites owned 91% of 7 010 franchised outlets, compared with Indians' 3%, coloureds' 1% and blacks' 5% By this year, whites owned 86,2% of the 10 063 outlets, blacks 6,5%, coloureds 2,1% and Indians 5,2%

Franchise turnover has risen from R12,5bn at retail level in 1995 to R21bn in 1996 The number of franchise chains has risen from eight in the Sixties to 236 this year but only 17 are international

Gordon reasons "The franchises most likely to succeed are those that provide basic commodities and services at an affordable, reasonable price This means the swing is towards satisfying the requirements of the black market

"Internationally based franchise operations are designed to satisfy needs in a developed market

"Their upfront fees, which vary from US$200 000 upward, make the capital required too high to establish a feasible

Aluminium 'undervalued' by market

CT(BR) 19/11/96 (189)

Andi Spicer
MINING AND RESOURCES EDITOR

Johannesburg — Aluminium prices are undervalued and will recover, but copper will weaken further for the rest of this year and will continue to fall next year, a new report by the Economist Intelligence Unit (EIU), the London-based analysts, argues

"London Metal Exchange (LME) prices of base metals remain generally depressed in the aftermath of the Sumitomo copper affair," said the unit's World Commodity Forecasts report, published last week

Copper prices were badly hit this year because of the Sumitomo scandal, unauthorised trades by Yasuo Hamanaka, Sumitomo's former star copper trader led to estimated losses of $2,6 billion for the company, pulling down all base metal prices, including aluminium, as uncertainty hit the market

"The EIU believes that at a price of $1 400 a ton, aluminium is undervalued by the market We expect the LME three-month price to recover from the low position of mid-September but to remain in the region of $1 500 to 1 550 a ton, falling slowly to reach a bottom at the end of 1997," said the report

Aluminium was trading at $1 434 a ton in London yesterday

The unit believes, however, that there will be a "sharp but shortlived upturn in 1998"

The low price will help aluminium use in the vehicle industry where it is replacing steel as a lightweight component to aid fuel economy Aluminium consumption rose 3,3 percent last year The unit expects consumption to rise 1,5 percent this year and recover to 3,6 percent next year

The unit said copper prices would fall below their 1993 low "Western stocks will start to rise in 1997 and we expect exchange stocks to exceed 600 000 tons in late 1998, taking them back to the levels last seen in 1993," it said It forecast copper would stay below $0,75 a pound for most of 1998

Copper was trading at $0,9635 a pound in New York yesterday

Tongaat Hulett lifts earnings

SHIRLEY JONES

KWAZULU NATAL EDITOR

(189)

Durban — The Tongaat Hulett group boosted headline earnings a share 32,3 percent to 200c (150,6c) for the six months to September 30 this year, the company said yesterday

Total net earnings amounted to R201,6 million. Headline earnings from South African operations increased 20,6 percent to R167,3 million and total headline earnings amounted to R188,7 million from R138,7 million

Sales from continuing operations rose 22,2 percent to R2,3 billion and earnings from continuing operations by 24,5 percent to R216,2 million Income from international operations of R22,3 million and higher net interest received of R42,4 million contributed to the 32,6 percent increase in earnings before non-trading items

The company announced a capitalisation award in the ratio of 56c to the average weighted trading price of shares during the three days ending January 9 next year, with the option of a 52c interim dividend.

Cedric Savage, the group managing director, said group earnings for the second six months were expected to be higher than during the first half-year and headline earnings for the full year were expected to rise 30 percent.

The group's balance sheet showed net cash resources of R265 million after capital expenditure of R316,4 million on expansion projects at its starch and glucose division and Hulett Aluminium Net cash resources are expected to reach R600 million at the year end

Savage said Tongaat Hulett was investigating expanding, particularly in low-cost sugar production areas such as Mozambique, Namibia and Zimbabwe

CT (BR) 21/11/96

□ Business Watch, Page 18

Tongaat-Hulett benefits from above-average rains

(184) BD 21/11/96

Nicola Jenvey

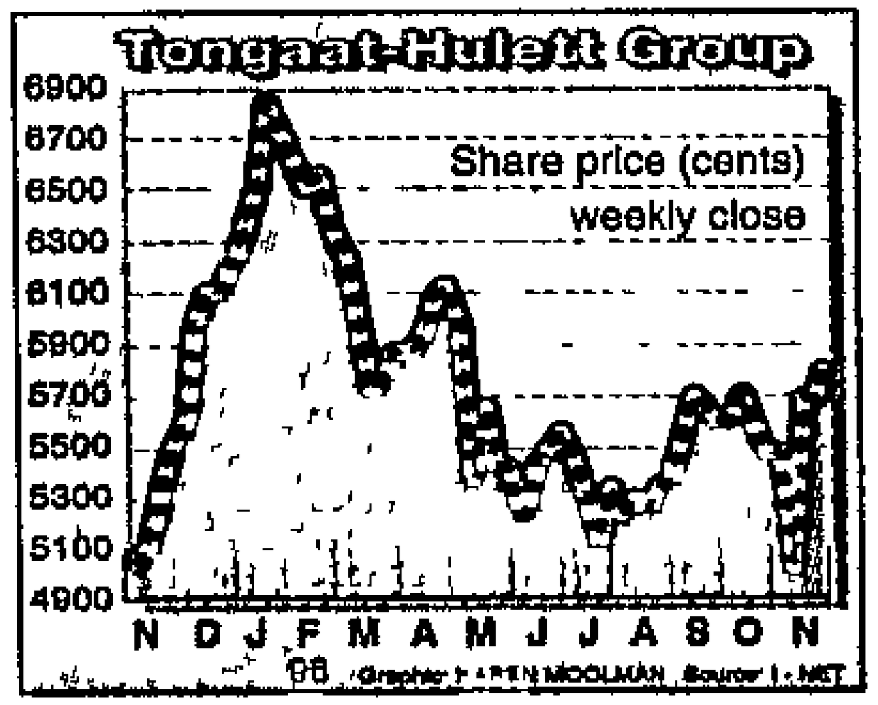
DURBAN — Food and industrial group Tongaat-Hulett lifted attributable income 45,3% to R201,6m for the six months to September after above-average rains boosted sugar earnings, and economies of scale and overhead savings benefited the building materials handling division, MD Cedric Savage said yesterday

Headline earnings increased R188,7m (R138,7m) or 32,8% to 200c a share and a 52c (1995 40c) interim dividend was declared Shareholders were offered a capitalisation share award

Sales from continued operations rose 22,2% to R2,3bn, with earnings from continued operations rising 24,5% to R216,2m

Savage said although the aluminium division had shown improvements on the previous six months, the ownership change and depressed margins saw results in the first half of the year which were substantially below those achieved for the corresponding period Sales had resumed the upward trend and were expected to hit record highs this month

The good agricultural season had boosted the sugar division with annual production estimated at 920 000 tons (578 000 tons)



Savage said full-year results — assisted by productivity improvements and structural cost reductions — would be significantly better than 1995/96

He said both the textiles and starch and glucose divisions had performed well in stronger markets The property division had improved substantially in the light of continued high levels of market activity and access to select group properties on the KwaZulu-Natal north coast

The sale of Tongaat Food Distributors had enabled the consumer foods division to concentrate on the core business of value-added branded foods Difficult market conditions would leave the results unchanged

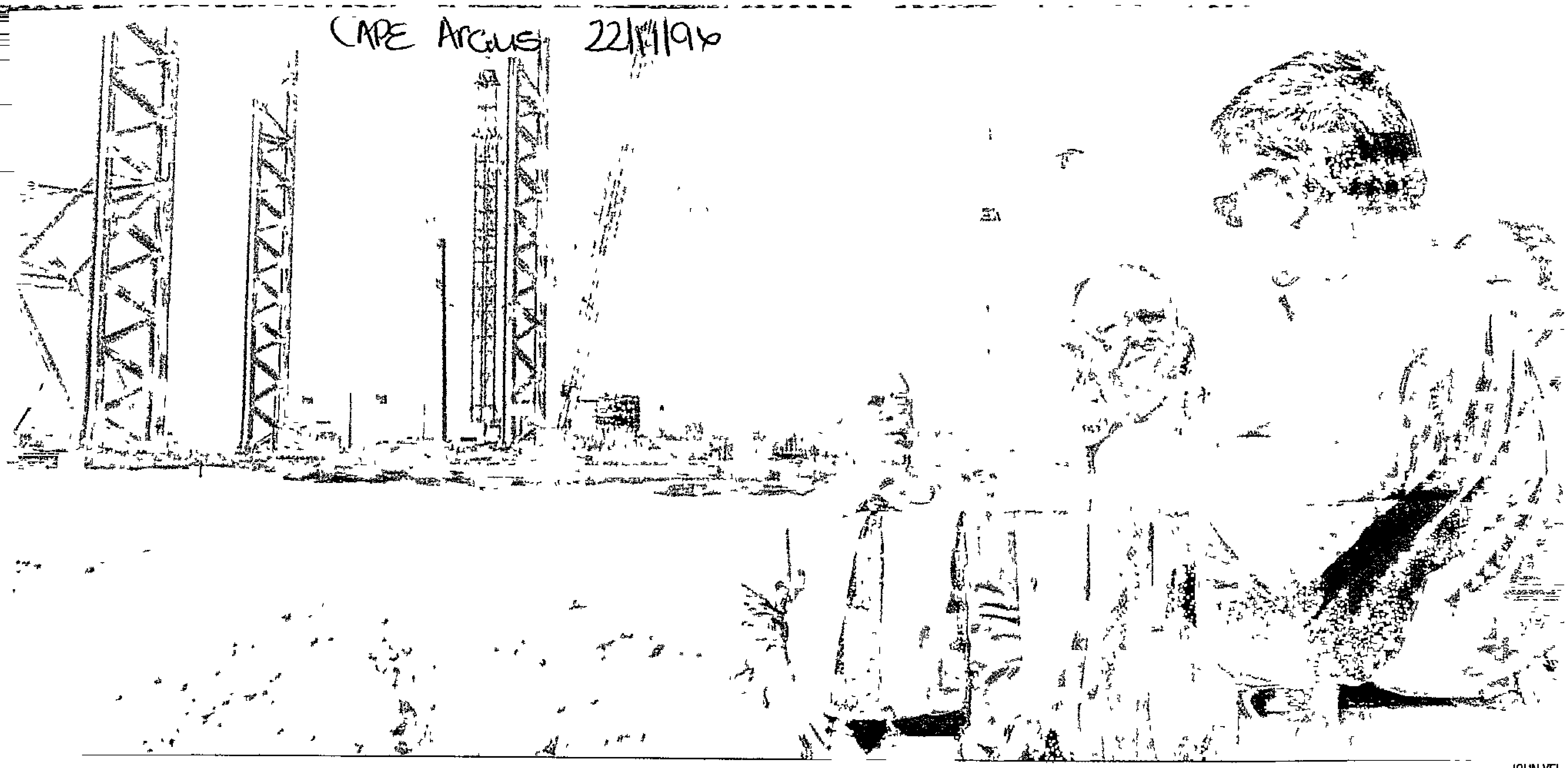
Income from international operations of R22,3m and higher net interest received of R42,4m contributed to the 32,6% rise in earnings before nontrading items Investments in Zimbabwe and Whiteheads Fabrics UK — the distribution arm of the textile operations — generated R22,3m

"Zimbabwe, the lowest-cost sugar producer in the Southern Africa Development Community bloc and in the lower 10% of the world's sugar producers in terms of costs, has good prospects for sustainable growth," Savage said.

The group's balance sheet was strong with net cash resources of R265m after R316,4m in capital expenditure largely arising from the expansion projects at African Products and Hulett Aluminium Projected cash flows for the second half-year would push net resources to R400m.

Savage expected group earnings for the second half-year to be higher than at the interim stage and headline earnings were projected to increase 30%

CAPE ARGUS 22/11/96



JOHN YEL

Work in progress: Saldanha Steel director Ben Nel, right, with Western Cape premier Hernus Kriel, centre, and planning minister Lampie Fick at the R6,8-billion Saldanha Bay steel plant

Steel plant to assess use of sea-water

Kriel pays visit to site

(189)

ARG 22/11/96

JOHN YELD
ENVIRONMENT REPORTER

Sea-water may be used as a coolant if the giant R6,8-billion steel plant at Saldanha Bay, now under construction, goes to a second phase.

But sea-water would not be used during the first phase, which should see the first steel emerging during the first quarter of 1998.

This was the word from Saldanha Steel chairman Bernard Smith during a visit to the construction site yesterday by Western Cape Premier Hernus Kriel and most of his provincial cabinet colleagues

Mr Smith was responding to questions by University of Cape Town environmental scientist Richard Fuggle during a question-and-answer session at the end of the short visit

He said no decision had yet been taken to go beyond the first phase which involved a planned annual production of 1,25-million tons of steel

However, the company had made a commitment to investigate the possible use of sea-water in any expansion plans and had commissioned the Council for Scientific and Industrial Research to do the required studies

"I'm sure it (sea-water) will be used in a second phase," Mr Smith said

Professor Fuggle, who was one of the three-member Steyn Board of Inquiry into the environmental aspects of the controversial steel plant, said he had been misled by officials from the international Ramsar Convention who had made a site assessment of the proposed steel plant last year.

The convention, of which South Africa is a signatory, aims to protect wetlands of international importance and there has been serious concern that the steel plant will affect the Langebaan Lagoon and the Berg River estuary – both ecologically sensitive areas

"I was given a categorical assurance that it would be a condition (of planning approval) that sea water would be used," Professor Fuggle said.

The major recommendation of the Steyn Board of Inquiry – that an alternative site for the steel plant 10km inland from Saldanha Bay be fully investigated before approval was granted for the present site 3,7km from the bay – was rejected by then Environmental Affairs Minister Dawie de Villiers and the Western Cape cabinet

Yesterday, Mr Kriel said he believed it would have been "disastrous" to have built the plant 10km inland

Environmental safeguards at the existing site would be "very strictly" enforced by provincial authorities and he believed the new plant would be a major asset for the province.

Noting that his cabinet's decision to approve the new plant had been unanimous, Mr Kriel said. "I also welcome the interest from other industrialists

"It's necessary for the Western Cape economy to decentralise and to grow in other areas, not only around Cape Town which is getting too full"

Tongaat's figures whet appetites

ST(BT) 24/11/96

SUGAR (189)

TONGAAT-HULETT, a group I selected two years ago on a five-year view, has produced excellent results and expects to maintain the pace

Sugar contributed R69-million to its R202-million net operating profit after tax in the six months to September, followed by starch with R38-million, international operations R21-million, property R18-million, building materials R14-million, aluminium R13-million, textiles R12-million and cotton R10-million

Headline earnings a share improved by a third to 200c, shareholders can expect about 450c for the full year.

Chief executive Cedric Savage says all seven focused divisions are showing good growth. While 60% of capital employed is in food (including property — land released from sugar farming), food contributes 80% of profit.

Sugar interests are being extended throughout southern Africa. Production climbed from 578 000 tons to 920 000 tons, of which 45% was exported.

Present in Botswana and Zimbabwe, Tongaat is participating in the rehabilitation of Mozambique's sugar business and has entered a downstream investment with Tate & Lyle in sugar packaging in Namibia. Good early rains have been encouraging for the next harvest.

Although aluminium went through a tough time, Savage expects a record month for November after a market recovery. Tongaat sold half of Hulett Aluminium to be able to fund its half of a R2,4-billion investment in new aluminium facilities to get to a world-class cost structure The rand's depreciation has already cost R50-million extra and this could double.

Textiles was a real success story. It is exporting Whitehead curtains and fabrics to Britain and Australasia The cotton division's future is under consideration.

Consumer foods chipped in only R1-million, but a partnership with US giant CPC is expected to bear fruit and the division has been streamlined.

Savage says property is going like a steam train

The group balance sheet is sound: borrowings of R424-million countered by cash of R690-million.

Tongaat shed 200c to R56 after the results, but in a falling market hit by the interest rate rise At 12 times expected annual earnings, it is cheap at the price.

Licence wrangle delays Caledonian

AUDREY D'ANGELO

Cape Town — A long delay in granting Caledonian Airways, the British charter airline, a licence to fly from London Gatwick to Johannesburg and Cape Town has made it too late to launch the operation this year, a spokesman said yesterday

He said Caledonian would apply again for a licence early next year and hoped to start weekly flights in November next year

Caledonian won an appeal in the Rand Supreme Court this month against the South African authorities' refusal to grant it a licence

The spokesman said "We had a long meeting with the South African licensing authorities on Friday at which we explained that it was now far too late to start a properly planned, professional operation in time for this season

"The South African resorts are already heavily booked and we have no time left for marketing, holding workshops with the travel trade and printing brochures We shall have to start again from scratch with an application next year

"We have explained to the South African authorities that the earlier we can get a licence the more likely it is that we can bring a large proportion of our passengers from Britain on package holidays, staying in hotels

"Hotel prices are a problem, but less so for us than for the scheduled airlines since our market is not among people who stay in five-star hotels "

Caledonian Airways started a charter operation between Gatwick and Johannesburg on behalf of British tour group Bluebird Holidays at short notice last year The charter was taken over by Britannia Airways in October, when Caledonian's licence expired

The spokesman said Caledonian had applied for a new licence to fly here on its own behalf in May last year

SA ignores jewellery potential

(189) (~~143~~) CT (BR) 26/11/96

ANDI SPICER
MINING AND RESOURCES EDITOR

Johannesburg — South Africa's minerals industry has consistently failed to add value to its export products and is still ignoring the opportunity to establish a thriving domestic jewellery industry, argues a new report by the London-based Economist Intelligence Unit (EIU)

"South African gold is still made prohibitively expensive locally, and even where jewellers are prepared to meet the additional costs, they are then confronted with a bureaucratic procedure designed specifically to deter," argues the EIU in a new report, South Africa at a new Crossroads, released this week

Although mining houses have recognised the need for the industry to move up the value-added beneficiation chain, they have ignored the potential of establishing a jewellery-manufacturing centre within the country

"Why is South Africa, still the largest producer by far of newly mined gold, content merely to export the refined product in the shape of bars to Europe where it forms the basis of a large and thriving jewellery industry? Why does the country permit its platinum to be applied in a dozen industrial uses without adding value itself?" asks the EIU

All gold mined and refined in South Africa must be sold to the Reserve Bank within 30 days, which alone has the power to export it But the imminent demise of the gold industry in towns like Welkom has stimulated "determined attacks on the obduracy of the state and the Reserve Bank"

The EIU says that no "meaningful attempts" were made to develop a substantial local jewellery industry in South Africa

Africa as a whole has made little effort to add value to its mineral products, but South Africa has "less excuse for its tardiness, given its comparatively developed infrastructure and sophisticated technology base", it says

Iscor to sell houses to workers

(189)

Sowetan 28/11/96

Part of steel giant's campaign to empower staff through ownership

By Joshua Raboroko

GIANT STEEL COMPANY Iscor is to sell about 10 000 houses worth R500 million to its employees as part of its campaign to empower staff through home ownership

In addition, the company has set aside R60 million to fund the low-cost housing scheme for those employees who do not qualify for loans through financial institutions

The 10 000 houses will be sold to employees through a newly launched product, Scorbond home loan, underwritten by the First National Bank The low-cost housing scheme is jointly financed by Absa

Scorbond is a housing bond exclusively aimed at employees in the Iscor Group, offering a wide range of benefits The company transferred its bond book to First National Bank but will still administer and market the mortgage bond product

At a Press conference in Johannesburg yesterday, Iscor marketing and credit manager Mr Piet Grobler said the first option to buy the houses would go to those employees presently renting them

The option will be valid until June 1997, after which they have the right of first refusal

However, some of the houses are presently rented by people not employed by Iscor They will be offered a first option for a limited period of 30 days

Established

Two thirds of these units are free-standing homes and the rest are flats in Newcastle, Pretoria and Vanderbijlpark They are in established suburbs and fall into the price bracket of R80 000 to R120 000

Grobler said the sale of the houses would yield a profit of about R300 million for the company and chances were that the money would be ploughed back into projects, including further housing schemes

TONGAAT-HULETT

A SWEET MESSAGE

FM 29/11/96 (189)

Operations in Zimbabwe and the UK, included in group results for the first time, and a healthy balance sheet which earned net interest income of R42m (against a charge of R3m in the previous period), gave momentum to a better than expected first-half bottom-line

Most divisions, though, are doing well With capital projects due to come on stream by 1999, this points to a period of sustained real growth in earnings

Dividends from Triangle Sugar in Zimbabwe and Whiteheads Fabrics in the UK, the distribution arm for textile products in Europe, totalled R22m

With interest on the R690m (gross) cash pile, this more than offset revenue lost from discontinued operations, mainly a lower holding in Hulett Aluminium (50% sold to help finance R2,4bn rolled products expansion) and the sale, for R16m, of Tongaat Food Distributors, described by MD Cedric Savage as "noncore"

Pre-tax profit climbed 43,6% to R289,5m Despite what Savage calls generally soft local sales, SA operations increased their contribution to headline earnings by 20,6%

Cedric Savage

The sugar division resumed its place as mainstay contributor, lifting its contribution from 29,4% in the previous period to 36,6% as good rains boosted the crop Savage says crop estimates are up from 578 000 t to 920 000 t

Starch & glucose is the second largest contributor to earnings, roughly maintaining its contribution at 20,1% About R405m of the R700m starch greenfields project has been committed, due to be up and running towards mid-1997

The property division continues to do remarkably well, raising its contribution to earnings from 5,6% to 9,3%, while the building materials division has been streamlined and turned around, contributing 7,6% (5,6%)

As expected, the contribution from aluminium fell from 39% to 6,9% following the sale of half the business to Amic and the IDC It was also hit by lower world prices and tariffs Savage says while rolled products volumes fell 11% over the period, a recent upturn in activity saw a record set this month

About a third of the estimated cost of the rolled products expansion has been committed, with start-up on target for the first quarter of 1999

Consumer Foods, 50% owned by Tongaat with foreign partner CPC International, continues to disappoint Savage says margins in the food business remain under pressure, though he adds the sale of Tongaat Food Distributors has sharpened the focus of the joint venture

GAINING IMPETUS

Six months to	Sep 30 1995	Mar 1 1996	Sep 30 1996
Turnover (Rbn)	1,90	1,83	2,33
Operating income (Rm)	174	226	216
† Attributable (Rm)	139	193	189
† Earnings (c)	151	207	200
Dividends (c)	40	90	52

† Headline, excluding nontrading items

Textiles raised profits slightly, though its contribution slipped from 8% to 6,1%

Savage says Tongaat, traditionally a second-half group, should improve earnings for the full year and expects an increase in the region of 30%

That would be a strong performance from a food-based group, and makes the share look undervalued, despite strong rerating over the past two years

Tongaat could be suffering from lukewarm investor perceptions of the Food sector Certainly any concerns about capital projects straining the balance sheet should now be allayed Savage says strong cash flow should raise net cash from the interim's R265m to about R600m by year-end *Shaun Harris*

relatively new to the US.
Reuter consensus rate was 7,9%.

Alusaf says its low-cost structure ensures its future

(189) BD 2/12/96

Nicola Jenvey
and David McKay

DURBAN — Alusaf is unfazed by predictions that the international aluminium market faces a slump equivalent to the record lows achieved in the period 1990 to1993, claiming the smelter is one of the world's lowest-cost producers.

A recent study by the Australian-based AME Economic Report said a string of aluminium smelter projects could force the aluminium price to slump from the turn of the century to as low as $1 000/t. Aluminium is trading at about $1 500/t. But Alusaf financial director Paul Snyman said at the weekend the historical cyclical nature of the aluminium market would continue. Demand for aluminium next year was expected to increase 2,1% to about 17,9-million tons, while Western output would rise to 16,1-million tons from 15,4-million tons last year, analysts said. Snyman said Alusaf was one of the world's lowest-cost producers and could withstand the low price cycles.

In terms of the electricity contract [illegible] with Eskom in 1993, Alusaf would take up 16% of Eskom's spare electricity capacity at a price tied to the London Metal Exchange (LME) price. If the price falls, Alusaf pays less for electricity, and vice versa.

The Gencor-owned company lifted attributable income to R165m for the year to June from a previous R57m, amid higher volumes and prices. It said the aluminium market had weakened sharply in that period, trading at about $1 500/t from $2 1[illegible]/t in January last year. Snyman said while there were several views on supply-side forecasts, the consensus among analysts was that world demand would grow 3% a year. This augured well for the long-term security of the aluminium industry, he said.

An analyst said there was about 962 000 tons of aluminium on the LME, equal to about 12 weeks of stock. This was up on the level several weeks ago.

However, the aluminium price would have to rise to a level of about $2 000/t before extra capacity, equal to about 20% of world production, came on the market, he said.

In the short term, the aluminium price would remain strong due to high growth. A small amount of extra capacity was expected on the market.

The AME Economic Report forecast that primary aluminium consumption would grow at 3,2% a year from this year to 2000, then slow to an average 2,8% between 2001 and 2005.

The report said much higher consumption in Asian economies would be offset by modest growth in countries belonging to the Organisation for Economic Co-operation and Development.

Base metals 'need investment'

(189) CT (BR) 11/12/96

Andi Spicer

MINING AND RESOURCES EDITOR

Johannesburg — The South African copper industry could grow until the end of the century, but would shrink rapidly thereafter unless new investment and resources were found, analysts warned yesterday

"As far as copper is concerned, the South African mining industry could by the year 2000 be up to 5 percent bigger than last year, but its share of the world total will either be static, or fall By 2005 it will likely have shrunk sharply to a size not seen for many years unless entirely new projects emerge soon," Stephen Briggs, a base metals analyst with Johannesburg brokers E W Balderson, said yesterday

Speaking at the Metal Bulletin Southern African Mining and Metals Conference, Briggs described the base metals industry in South Africa as "scarcely a dynamic and growing industry", with the outlook over the next decade for lead "uninspiring" and zinc "considerably worse"

The only positive aspects in the industry are the proposed Gamberg zinc refinery project by Gold Fields and Gencor's zinc refinery in the Eastern Cape "Only Gamberg can reverse the decline, and we are far from convinced that this will see the light of day A go-ahead could, at a stroke, shift South Africa from being a net supplier of base metal concentrates to a net buyer in the coming decade," he said

"Gamberg does not appear to be at the top of Gold Fields' list of priorities and, ultimately, it is probably a marginal project," Briggs argued

A resource base of 160 million tons with a 7 percent zinc and 1 percent lead ore content has long been established, but problems with manganese in the ore will add to costs

Gencor's feasibility studies for the refinery are under consideration A site still has to be chosen Three locations have been identified, two near East London and another near Port Elizabeth

"It is plausible to argue that the world will need new refineries by then (1999), but whether South Africa is an ideal location is another matter Much will depend on the level of power charges Gencor can negotiate Our subjective judgment is that the project is not a top priority for the company," Briggs said

Not much joy for jewellery manufacturers

(189) BD 13/12/96

Reinie Booysen

THE jewellery manufacturing industry would not be celebrating this Christmas with much cheer after one of the most disastrous years in memory

Alan Mair, chairman of the Jewellery Council of SA, said manufacturers had suffered severe setbacks as a result of the rapid decline of the rand and the consequent rise in the rand price of gold, coupled with high interest rates

"I doubt that there's a single substantial manufacturing jeweller who has made a decent profit this year, and many have made losses," said Mair "There are a lot of really shaky businesses out there, scraping along, living from hand to mouth"

The biggest problem, said Mair, was that manufacturers had to carry the risk of a rise in the rand gold price, because of the peculiar structure of the SA jewellery industry

"Retailers insist on fixing the price of jewellery when they place their orders," said Mair He said manufacturers therefore carried the risk of a rise in the cost of their materials while manufacturing the goods on order — unless the unwrought gold was purchased upfront at the time of order

Mair said buying the gold at the time of order required a substantial capital outlay. Sometimes manufacturing started only several weeks after the order was placed and buying the gold upfront would sterilise capital unnecessarily.

Apart from that, the higher rand price of gold had substantially increased the required amount of capital "My capital outlay for the Christmas manufacturing season is about 28% higher this year than last year," said Mair.

He said the system of fixing the price of the jewellery at the time of the order had been abandoned many years ago in Europe. He said two systems were common in Europe· retailers either fixed the price of the jewellery at the time of delivery, in accordance with the gold price, or the retailers paid for the materials, including gold, used in the manufacturing process, and paid the manufacturers for labour only

"Manufacturing jewellers do not want to be speculators and the financiers of the retail industry," said Mair "But that is exactly what the current system forces upon us."

He said many manufacturers would probably close shop in coming years if their profitability did not improve.

"It's also no use to the manufacturing industry if we all stick together and insist on change The large retailers will simply source their jewellery overseas and abandon the local manufacturing industry. Some of the large companies are already sniffing around in India for alternative supply sources"

Iscor picks Empangeni site for mineral smelter

(189) 19/12/96

STUART RUTHERFORD CT (BR)

Durban — Iscor, the iron and steel producer, said yesterday that it had identified the Hillview site in Empangeni, KwaZulu Natal, as the preferred location for the mineral separation plant and smelter associated with its planned R1,65 billion heavy minerals and mining project

The complex will process the heavy minerals concentrate from the mining operations at Hillendale near Richards Bay, and ilmenite from the Northern Province

The selection follows extensive social and environmental impact studies and consultations on five possible sites in the Empangeni-Richards Bay area

Construction of the complex is not expected to start before the last quarter of next year and is scheduled to reach full production by the middle of 2000 At that stage, the complex will produce 220 000 tons of titania slag, 130 000 tons of low-manganese pig iron, 35 000 tons of zircon and 15 000 tons of rutile a year

Its output will boost South Africa's production of titanium slag by about 30 percent and generate R750 million a year in foreign exchange

Commenting on the decision, Mike Patterson, the president of the Zululand Chamber of Business, said he hoped the decision would speed up development in the region

He said the complex would be a catalyst for the neglected Empangeni area and would boost employment, property prices and even tourism in the surrounding areas

Iscor said the plant would create 400 permanent jobs when in full production and preference would be given to local people wherever possible

Construction of steel mill suffers another setback

(189)

Samantha Sharpe

BD 30/12/96

CAPE TOWN — Construction of the R6,8bn steel mill at Saldanha Bay could be set back following the dismissal of 30% of its construction workforce who embarked on an illegal strike over transport home for Christmas

This is the second blow to the project in the past month — the European Investment Bank announced recently that it would block a $74m loan to the project, apparently to protect the declining European steel industry.

Quoted in the latest Saldanha Steel bulletin, resident site manager Piet Pretorius said more than 600 contract workers were sacked earlier this month after an illegal strike over free transport for workers who wanted to go home during the Christmas break, a "serious setback for the project, with hundreds of thousands of rands worth of man-hours wasted"

Pretorius said LTA/Group Five workers and other construction companies had originally agreed that employees would be taken home by bus for the holiday period, with the option of a cash sum in place of free transport offered later at the workers' request

"This offer was based on the cost of hiring the bus, divided between the sixty people each bus would have carried The dispute arose when workers argued that this offer was inadequate and went on strike"

Pretorius said Saldanha Steel had always maintained a strong policy of airing and resolving grievances in "double-quick time", with a number of formal mechanisms set up to do this.

"Workers must use established communication forums which have strict grievance procedures in place In this case, none of the channels were used and, as a result, the contractor had no option other than dismissal"

Saldanha Steel said recently it had sufficient rolling capacity to double its output to 2,6-million tons a year, although management downplayed reports that it planned to expand production The increase would require new iron and steel-making plants and additional casting units

US probes allegation of SA steel dumping

(189)

Simon Barber

BD 4/12/96

WASHINGTON — The US commerce department has agreed to investigate a complaint that Iscor and Highveld Steel are dumping cut-to-length carbon steel plate in the US market

The complaint, lodged last month by Geneva Steel of Provo, Utah, and Gulf States Steel of Gadsden, Alabama, seeks duties ranging from 6,7% to 33,9% on the SA product

The duties represent the difference between the free on board price of the steel when loaded for shipping from SA and the higher prices the petitioners claim the producers were charging domestic customers as of July The petitioners calculated that imports from SA in the first six months of this year were worth $14,3m

The commerce department rejected arguments by two US importers, Ranger Steel Supply Corporation and Klockner Steel Trade, that Geneva and Gulf States were not sufficiently representative of the US industry to sustain a dumping claim

The two US producers submitted letters of support from Bethlehem Steel and US Steel Group, as well as from the United Steelworkers' Union

Some observers believed the action, which also targets China, Ukraine and the Russian Federation, was originally motivated less by the petitioners than by Schagrin Associates, a Washington law firm whose principal business is suits of this kind

The commerce department will drop the investigation if the US International Trade Commission makes a finding that the subject imports are neither harming nor threatening to harm US industry The commission has to rule by December 20, and is not expected to derail the investigation

MANUFACTURING –
METAL PRODUCTS
1997

COLUMBUS STAINLESS (189)

GROWING PAINS

FM 3/1/97

Assurances have been given that commissioning problems at Columbus Stainless are a thing of the past but industry pundits still have grave reservations

They expect losses to reach R160m by the June year-end as production expectations are not met At best, they reckon, the plant will only break even — an unlikely scenario

Though the losses may not reflect on Columbus's books, stakeholders Highveld Steel and Samancor have been lined up to take the knock It is not known whether the third venture partner, the Industrial Development Corp, will be called on to assist

Fred Boshoff

One analyst predicts Samancor will have to bear R53m of the loss The group, which last September reported a 40% rise in turnover to R3,79bn and an 82% increase in attributable profit, is committed to Columbus and is considering selling noncore assets to fund a R1bn capex programme which could include another cold rolling mill

Highveld's interim last June saw bottom-line earnings plunge by more than 60%, dismaying the market A key factor was the group's R26m share of Columbus losses

Interest-bearing debt at the Middelburg plant will be trimmed from R1,7bn at the start of the financial year to just under R1,5bn, say the pundits

They stress that the forecasting risk is high since much depends on steel price fluctuations and the rand's exchange rate against the dollar

If stainless steel prices fall as seems likely — they dived 35% in the year to June after the commissioning of four large plants worldwide, resulting in an oversupply of 100 000 t-200 000 t — the final balance sheet will make even more alarming reading

Columbus CE Fred Boshoff denies any loss provisions have been made on or off balance sheet But informed sources say 1996-1997 production and sales forecasts cannot be met, resulting in a revision of turnover and profit The plant was expected to produce 600 000 t/year but is operating at half-capacity

Technology GM Tony Bagnall says "The losses will be shown on the income statement or they will be capitalised in terms of the commissioning policy"

Lack of transparency on the production problems that have plagued Columbus for more than a year is generating mounting criticism It's not clear how long Boshoff and his team still have to get problems sorted out but the partners certainly cannot afford to see their profits evaporate in a costly exercise

After German experts from rival Krupp Thysssen Nirosta went to the plant last November, KTN vice-chairman Hans-Ulrich Lindenberg described the visit as a rescue mission But Boshoff says the visit was routine under a long-standing technology transfer agreement

Long-suffering investors will demand the truth, however unpalatable ■

BASE METALS (789)

ON A ROLL

FM 7/2/97

Southern Africa is in the throes of a base metal projects boom which shows no signs of slowing down and looks like achieving what economists and politicians have long pleaded for — greater beneficiation of local raw materials

The amounts of capital that could be invested are huge, totalling more than R17bn on the projects for which estimates have been given so far

The fundamentals driving the base metal boogie consist, at the macro-level, of a global reassessment on where new metallurgical plants should be sited while the intensive use of southern Africa's cheap electricity appears the key micro-economic factor

Samancor chairman Mike Salamon says "On the macro-level what you are seeing is a complete reassessment globally on where new minerals beneficiation plants should be located

"Traditionally, such plants have been built near the place of consumption which has typically been in the First World Over the past 10 years pressure from the Green movement has brought about a complete rethink on this

"In many cases it is cheaper to start again and build a new plant rather than try to upgrade a 30-year-old existing plant The logical outcome has been to relocate to the source of the minerals in the Third World"

A key element in SA's infrastructure is electricity Variations on the groundbreaking electricity supply contract between Alusaf and Eskom for the Hillside smelter at Richards Bay will underpin the two other big proposed smelter projects Gencor has on the cards — the R1,7bn zinc smelter at Coega in the Eastern Cape and the US$1,2bn Mozal aluminium smelter for Maputo

After aluminium the greatest expansion looks set to come from mining heavy minerals sands deposits to produce titanium slag Richards Bay Minerals (RBM) pioneered this business but Anglo's Namakwa Sands smelter started up last year and there are more projects on the cards

Iscor has now given the go-ahead for its R1,65bn titanium slag project and will build its smelter at Richards Bay while Gencor is still assessing the R2bn Tigen project at Moebase in Mozambique

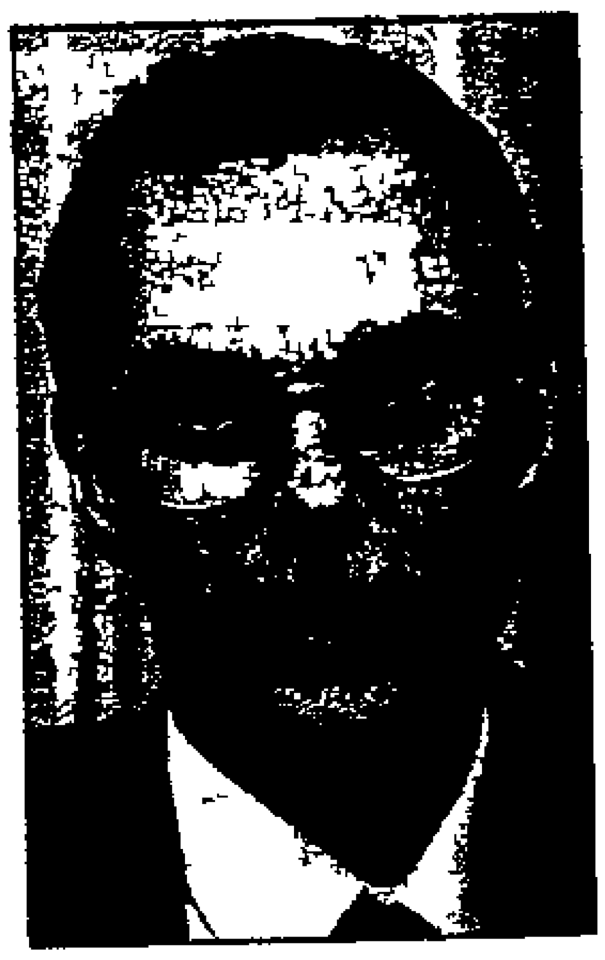
New technology, new markets, gas from Mozambique and the use of Zimbabwean iron ore are the fundamentals underpinning JCI's R3bn proposed hot briquetted iron (HBI) plant in Mozambique

The gas will be sourced from Mozambique's Temane field by US energy group Arco

With Saldanha Steel now well underway there are still another two direct reduction iron (DRI) plant developments being looked at by the IDC

One is at Phalaborwa where a 300 Mt deposit of magnetite grading 65% iron could be used as the feedstock for a DRI plant using gas from Mozambique's Pande field

The magnetite belongs to Palabora Mining which has stockpiled it as waste The decision to extend Palamin's life for at least 20 years by going underground greatly increases the chances of the DRI plant getting off the ground The other is a possible DRI plant somewhere on the West Coast using gas from the Kudu field and iron ore from the Northern Cape On the ferrochrome front SA producers continue to strengthen their position in a business they have traditionally dominated Latest development is the decision by ChromeCorp Holdings to build another two furnaces at its Wonderkop plant at a cost of around R173m



Mike Salamon

Anglovaal is pushing ahead with the development of the R1bn Slaaihoek nickel mine needed to meet some of the shortfall in the country's nickel output forecast for when the Columbus and Iscor stainless steel plants work up to full production *Brendan Ryan*

CT 20/1/97 (BR)

Silveroak exercises its option

(189)

STUART RUTHERFORD

Durban — Silveroak, the delisted subsidiary of Kolosus, exercised its option on Friday to purchase US conglomerate Seton's 50 percent stake in Ladysmith Leathers for R12,5 million, Ronnie Van Rensburg, Kolosus' executive director of finance, said at the weekend.

Van Rensburg said further announcements regarding the purchase by Kolosus, the food and tanning group, of 100 percent of Ladysmith Leathers from Silveroak, were likely to be made early this week.

However Kolosus' share price closed unchanged on Friday at R2,94. One analyst said he did not expect the sale to have an immediate effect on the share price because there were many questions concerning the company and the deal.

Robert Appelbaum, Seton's local attorney, said that the sale by Seton of its interests in Ladysmith Leathers did not mean that it would be leaving South Africa, and it would continue to supply its local customers. Seton is one of the two biggest suppliers of automotive leather, with an annual turnover of $450 million.

"Kolosus has alleged that Seton has bought control of a competing company. That may or may not be true," he said.

Market speculation is that Seton is looking at Hanni Leathers, part of Foodcorp, which has a turnover of R200 million. Dave Kennealy, the chief executive of Foodcorp, refused to comment on speculation of its involvement with Seton. Asked whether the company was for sale, he said "Everything is for sale at a price."

Appelbaum said Seton would also be continuing with its legal action against Silveroak at the International Chamber of Commerce in Paris for breach of a non-competition agreement. The claim for $112 million is expected to be resolved by mid-year.

Grim picture for metals market

BD 3/2/97 (189)

POOR precious metal prices could affect the earnings of SA platinum producers, which report half-year results over the next two weeks — and the market's further fall paints a grim picture this year

Analysts polled at the weekend varied widely in their profit predictions for the six months to end-December last year

"It will be pretty poor Platinum group metals prices in dollar terms are substantially less than the previous six months, which has partially offset the benefit from the depreciation of the rand," Irish & Menell Rosenburg analyst George Topping said

"The annual wage hikes effective from June will consume the remainder," he said

Analysts said the world's biggest platinum producer, Anglo American Platinum (Amplats), was likely to report flat to higher interim earnings on February 3

Those forecasting a flat number attributed their predictions to a damaging strike last July

SA's other major producer, Impala Platinum Holdings (Implats), could lift profit when it reports on February 11, after a dismal performance last year.

"I think you are going to see stark contrasts in results Impala's results are going to be up, last year was a bit of a disaster Amplats will probably be fairly flat if not downish on the back of prices," Frankel Pollak platinum analyst Ross Gardiner said

Forecasts of Amplats' earnings ranged from 60c to 125c a share, from 71,4c previously

Analysts predicted an interim dividend of 50c a share, against the previous 55c

Implats was expected to report earnings a share of 110c to 155c, against 149c in the corresponding period last year and an interim divided of 25c to 34c

Analysts said that Amplats' results would reflect losses sustained during a midyear strike at Rustenburg Platinum Mines (Rusplats), which the company said cost it about 100 000oz of platinum in lost production

"The depreciating rand would have helped them, it offsets the weak platinum rate

"However, they had quite a substantial strike during July which will set them back a little Platinum produced should be down because of that," one analyst said

"Rustenburg is going to be hit severely by the strike, but I think it is going to be taken on the chin," another said

However, some said Amplats' overall earnings could be boosted by diamond operations and retained profit.

Amplats produces 36% of the world's store of newly mined platinum

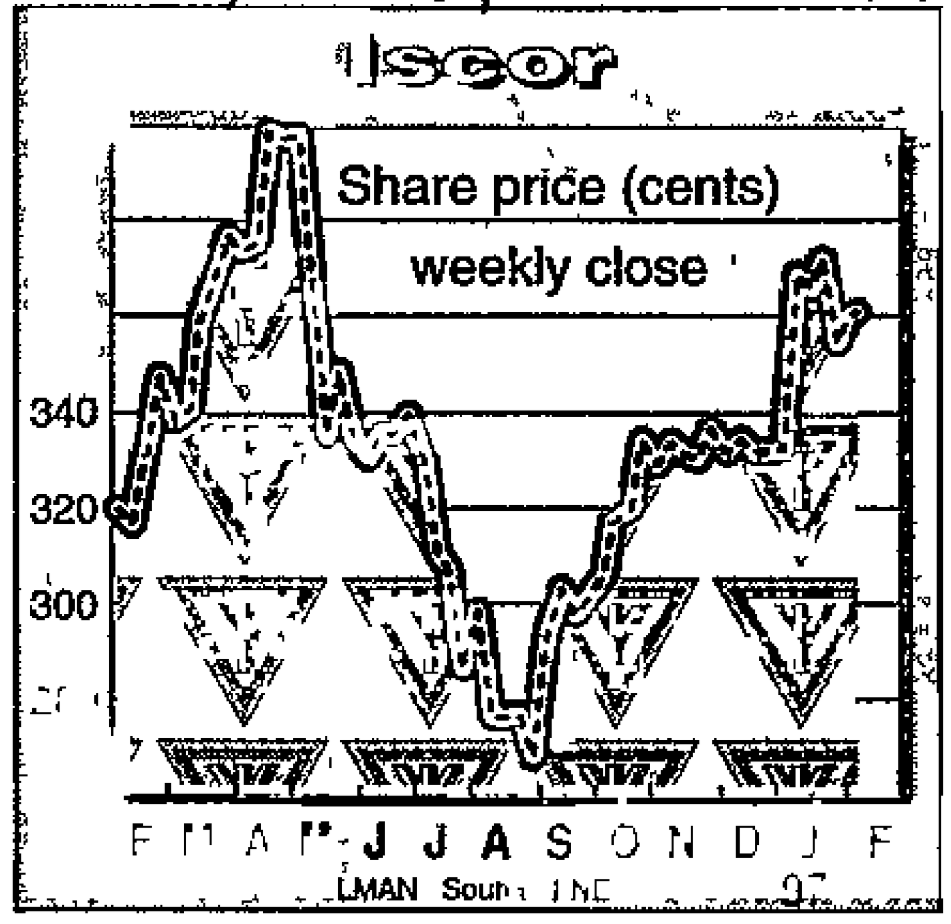
Although analysts expected Implats to perform better, they said Impala would have to account for the hammering it took in the forward cover market when the company fixed \$193m of anticipated year receipts at R3,92/\$

The rand has lost almost 30% of its value against the dollar since February last year — Reuter

Iscor knocked by shrinking market

(189) BD 5/2/97

Reinie Booysen



ISCOR's earnings for the six months to December slumped 66% to R170m as a further 7% shrinkage in the local market forced the iron and steel producer to expand into a poor export market

Because they were below expectations, announcement of the results was brought forward by three weeks

Earnings — excluding exceptional items — slipped to 6,5c a share from 17,6c a share in the year-earlier period Analysts said yesterday they had been expecting earnings of 8c to 10c

While turnover rose 8% to R6,15bn, pre-tax income dropped 64% to R257m

"Trading conditions have been far more difficult than anticipated," said executive chairman Hans Smith "The local market was far more depressed than we expected and international prices also stayed low for longer."

He attributed Iscor's poor financial performance to the 7% decline in local steel sales The proportion of Iscor's steel sales taken up by the local market dropped from 58% to 54%

The erosion in margins was largely attributable to the rise in the proportion of sales headed for international markets, where dollar prices for steel decreased 16% on average and logistic costs were substantially higher.

Smith said local prices were "slightly higher" on average. The group was

Continued on Page 2

Iscor

BD 5/2/97 (189)

Continued from Page 1

facing "a pretty tough 12- to 18-month period before things pick up. I think international prices have bottomed out, but there is a lot of excess capacity, so the recovery will be slow "

Iscor needed to manage the cyclicality of the international commodity markets

"We have taken a few tough decisions and the company is far more robust as a result, so we will be in a position to benefit fully from the upturn when it happens," he said.

Other substantial costs the group had to bear included recommissioning relined blast furnace C and continuous caster at the Vanderbijlpark Works, and the commissioning of Pretoria Stainless Steel Iscor Steel consequently posted a 65% decline in operating income in spite of a 6% rise in turnover.

On the iron ore export side, volumes declined 13% "due to problems on the Sishen-Saldanha railway line" Mining division turnover was nonetheless up 10% as a result of price rises and the favourable exchange rate variance, leaving operating income 5% higher.

Smith said about 60% of the $400m forward sales, at an average exchange rate of R4,12 a dollar, had been exhausted in the first half The actual average rate for exports was R4,30

IRON AND STEEL *Weak markets and operational problems take a heavy toll*

Iscor earnings plummet 68%

(189) CT(BR) 5/2/97

JONATHAN ROSENTHAL

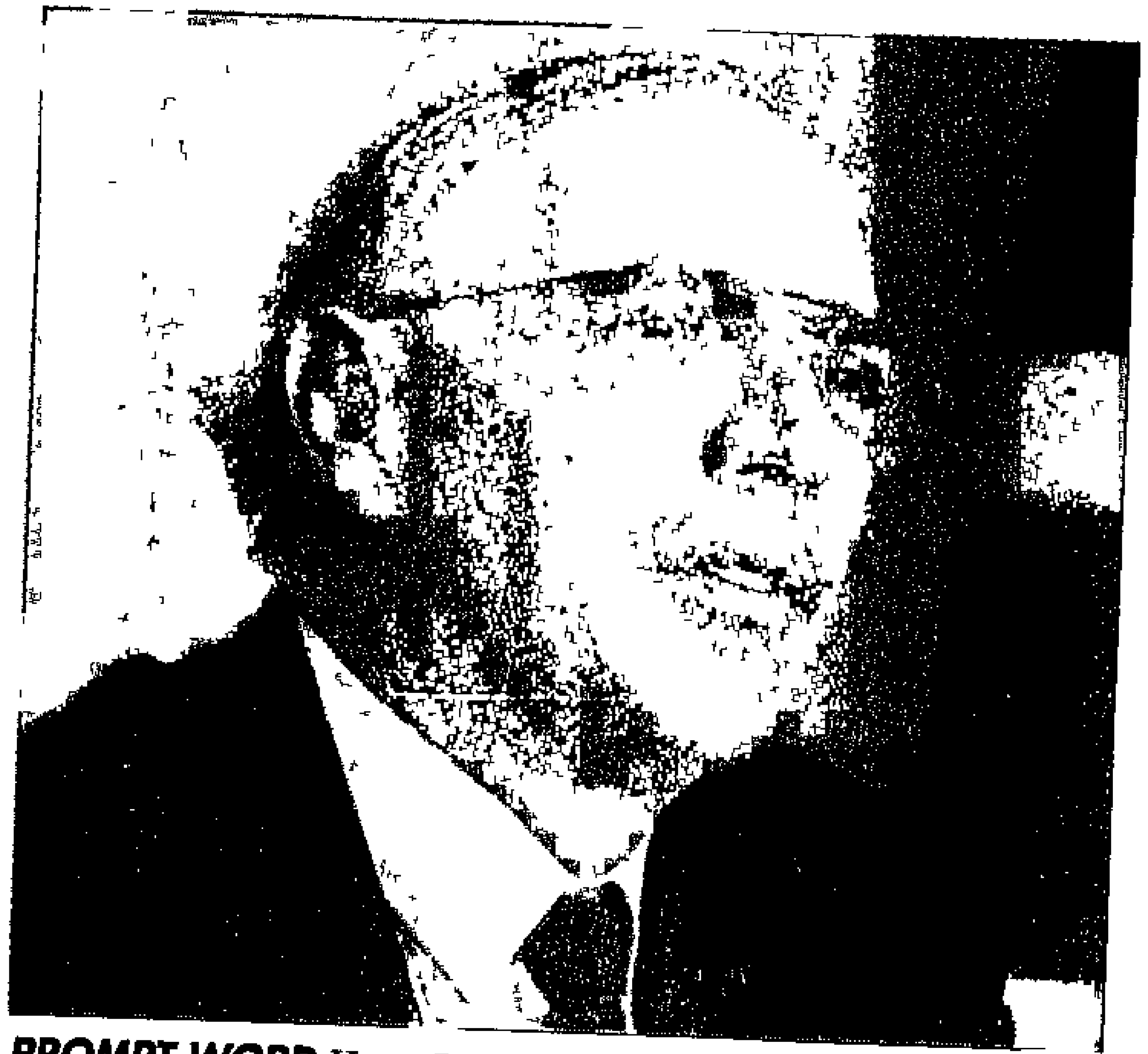
Johannesburg — First-half earnings of Iscor plunged 68 percent because of a weak steel market and operational difficulties, the company said yesterday

Iscor announced that earnings, including exceptional items, fell 68 percent to 7c a share for the six months to December 31 During the comparable period the previous year earnings were 21,6c a share

Excluding the R12 million in exceptional items from the sale of Yskor Landgoed properties, headline earnings fell to 6,5c a share from the previous year's first-half headlines of 17,6c a share

While turnover rose from R5,7 billion to R6,1 billion, income before financing costs fell 46 percent to R296 million and attributable income decreased 66 percent to R170 million

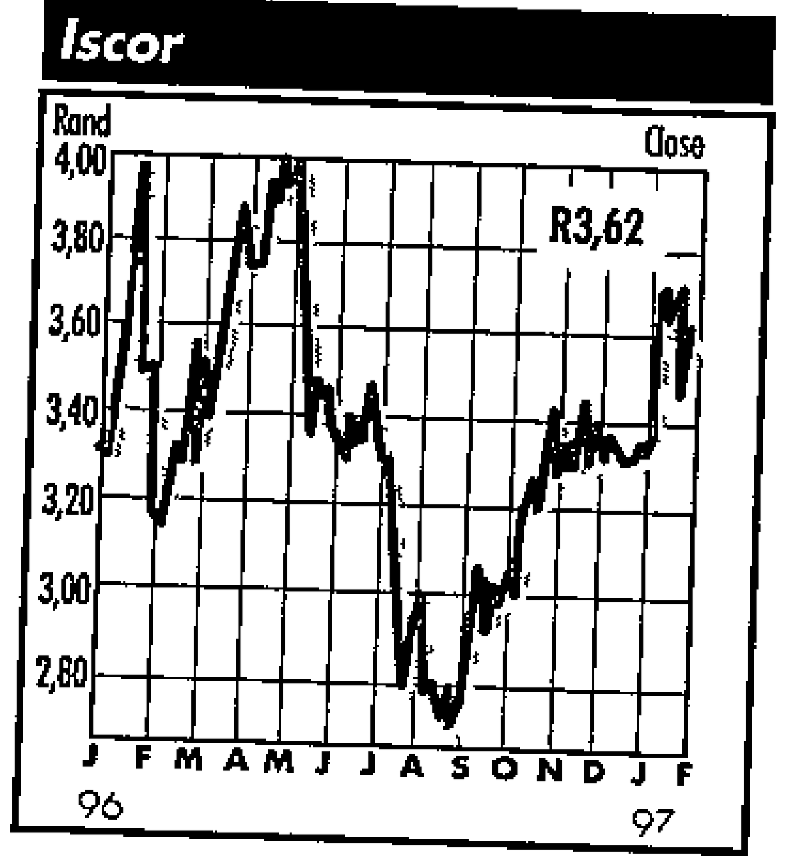
The results were about 30 percent lower than market expectations Steel analysts had predicted earnings of between 9c and 15c a share



PROMPT WORD *Hans Smith, executive chairman of Iscor, explains the company's poor performance* PHOTO JOHN WOODROOF

The group has offered a capitalisation award of 0,8 shares for every 100 shares held or a cash dividend of 2,7c a share

Hans Smith, Iscor's executive chairman, said the company's decision to release the results three weeks ahead of schedule was to provide shareholders and the market with prompt information He said that steel sales on the domestic market had declined by 7 percent in volume, reducing the percentage of domestic sales by 4 percentage points to 54 percent of total sales



"International dollar-selling prices for steel decreased on average by 16 percent and, together with the increased export tonnages, further eroded margins

"The recommissioning of relined blast furnace C and continuous caster at Vanderbijlpark works and the commissioning of Pretoria Stainless Steel were non-repetitive events that affected operations negatively during the period under review," Smith said

Louis van Niekerk, an Iscor executive director, said the refurbishment of one of Vanderbijl's blast furnaces had taken longer than expected and reduced steel output by about 340 000 tons He also attributed the poor results to a 13 percent fall in the volume of iron ore exported because of operational problems affecting the Sishen-Saldanha railway line

The sharpest drop in profitability was felt in the steel division, which reported a 6 percent rise in turnover but a 65 percent fall in operating income The mining division raised turnover by 10 percent and improved operating income 5 percent

The group predicted stronger performance in the second half as the effects of rand hedging, which reduced the full effects of the rand's fall, worked through the system

"With production at Vanderbijl back to normal, together with the benefit of the weaker rand, we expect earnings for the second six months of the year to be substantially better than the previous six months," Smith said

☐ Business Watch, Page 16

The company's future lies in being a diversified African mining company, says executive chairman Hans Smith

Iscor still bullish on long-term prospects

(189) CT(BR) 6/2/97

ANDI SPICER
MINING AND RESOURCES EDITOR

Johannesburg — Despite a first half-year 68 percent collapse in earnings, steelmaker Iscor was bullish about its long-term prospects, the management said yesterday

The outlook in the next few months looked grim, with the local market shrinking and the export market suffering because of lower dollar steel prices, but the company's rationalisation process and productivity improvement scheme should start to bear fruit soon, said Hans Smith, the executive chairman

"The local market was weaker than we thought, and the swing from local to export sales has hit the bottom line

"We have some good-looking prospects in sub-Saharan Africa, and although we were previously considering four of these, we will now probably only look at one"

Smith said Iscor's future lay in being a diversified African mining company, shifting its main production away from primary steel production to value-added products and a broad base of mining ventures, including its mineral sands and base metals projects

It had retrenched more than 12 000 workers over the past two years and had pushed its rationalisation process hard

"All 14 unions are now on board with the productivity scheme, and it is a very fine, rigid programme," Smith said

"The aim is to control 40 percent of compressible costs, and by July we will see some of the benefits flow through

If we can get 50 percent of the expected savings then we will double last year's profit"

Consultants had been re-engineering all work practices from the furnace to top management, and Iscor was confident this would kick through into productivity savings across the board

"We still have a strong balance sheet compared to our competitors, and we don't mind taking debt to build our business But you can easily expand yourself into bankruptcy," Smith said

Iscor said it had enough steel capacity to supply sub-Saharan Africa for the next 10 years

The problem was that the steel business was cashflow-driven and Iscor had misjudged the steel cycle

Its multibillion-rand Saldanha Steel mini-mill would come on stream at what could still be the bottom of that cycle

Similarly, the conversion of Pretoria to a stainless steel plant had been delayed because of the abysmal prices of stainless steel

"Things will get slightly worse in trading conditions, and I must admit that we got the steel cycle wrong

"In fact, 1996 was the peak, rather than 1998 as expected," Smith said

The slowing of the South African market had also been a problem and Iscor had switched its attention to exporting its products

Whereas last year Iscor sold 58 percent of its steel into South Africa and exported the rest, this year it exported more and the local content was only 54 percent

"We expected the local market to be 2,7 million tons, down from 2,8 million tons last year, but the latest expectations are that it will be down to 2,5 million tons"

Higher costs involved in exporting steel had bit heavily into costs

"It costs R70 to R100 to transport a ton to the harbour Adding freight and harbour costs, the best case would be R100 per ton and the worst R200 per ton, depending on products

"The poor results were the combination of many factors When these are added together it compounded the problem"

Smith said slow economic growth rate was the main reason for the poor results

☐ **See Business Watch**

Iscor shareholders keep the faith as steel giant falters

(189)

Although the group showed a 66% slump in profits, the share price recovered swiftly, writes DON ROBERTSON

ST(BT) 9/2/97

FAITH in the potential of steel giant Iscor has seen shareholders shrug off disappointing interim results released on Wednesday The results for the six months to December were released two weeks early because they were substantially lower than predicted and revealed a 66% slump in attributable profits to R170-million from R501-million during the same 1995 period

Chairman Hans Smith told shareholders in August that profits would be substantially lower than in the first half of the previous year, but "trading conditions have been far more difficult than expected and this has affected our financial performance"

The market was expecting earnings of between 8c to 10c for the period, but actual earnings of 6 5c (17 6c), excluding exceptional items, sent out a sell signal and the price dipped 5% to 340c on Wednesday from 361c on Tuesday on a volume of 7 2-million

'Trading conditions have been far more difficult than expected and this has affected our performance'

By Thursday, however, the price had recovered most of the loss and was trading at 358c on Friday

Shareholders took some solace from Smith's prediction that results for the second six months would be substantially higher than in the first half

Production at Vanderbijlpark is now back to normal after an interruption of 123 days for relining a blast furnace and upgrading a continuous caster The company will receive the full benefits of the weaker rand on international sales, having now completed its possibly ill-conceived forward contract struck at an estimated R4 20 to the dollar

Smith conceded, however, that Iscor would need a GDP growth of 2 7% just to maintain sales levels — and that this was all that could be expected this year

Turnover for the six months rose 8% to R6 1-billion compared with R5 6-billion previously, but operating income slipped 46% to R296-million from R548-million because of a 7% decline in local sales, a 16% drop in international prices, higher sales on these markets and a drop of 13% in iron ore exports

A net cash outflow of R926-million was experienced against R104-million previously due to tax payments and capital expenditure projects, resulting in an increase in finance charges to R51-million compared with interest income of R43-million in 1995 Taxation was lower at R78-million, down from R222-million

A capitalisation dividend issue of 3c has been declared compared with 4 4c last time A cash dividend of 2 7c can, instead, be claimed

Saldanha Steel is progressing on schedule and should be commissioned during 1998 The conversion of the Pretoria works to stainless steel was completed, but because of weak international prices, only 45 000 tons will be produced this year The Microsteel plant in Durban is experiencing teething problems and costs R20-million to maintain

It is expected to reach planned production levels by December

FERROALLOYS *Weak prices and steel division losses push interim earnings down by over half*

Samancor profit plummets

(189) CT(BR) 11/2/97

JONATHAN ROSENTHAL

Johannesburg — Continuing weak chrome and manganese contract prices and continuing losses at Columbus Stainless Steel caused first-half earnings of Samancor, the ferroalloys producer, to drop by more than half for the six months to December 31, the company said yesterday

Though turnover fell marginally to R1,75 billion from R1,86 billion in the same period the previous year, income before tax fell to R263 million from R497 million

This dropped earnings a share to 90c from 201c the previous year and halved the dividend to 30c

Mike Salamon, the executive chairman of Samancor, said ferrochrome prices fell 40 percent compared with the previous year Ferrochrome's contribution to group turnover fell to 49 percent from 60 percent the previous year

Spot ferrochrome prices have climbed slightly in the past few months, but analysts said this was on low volumes and that it could be premature to forecast an early rise in ferrochrome prices Manganese alloy prices fell 18 percent as world steel production fell

The lower prices on chrome and manganese alloys were partially compensated for by the weaker rand with rand to dollar rates achieved on sales improving from R3,70 to the dollar to R4,41

Samancor also took its share of half year losses at Columbus Stainless Steel, the integrated stainless steel producer at Middelburg, which swung into a R14,6 million loss compared with R1 million profit in the first half of 1995

Samancor capitalised a further R62,3 million in interest and start-up costs The Columbus loss was caused by extended commissioning problems and low stainless steel prices, said Fred Boshoff, the chief executive of Columbus

Salamon said higher volumes and slightly higher prices in the second half would improve the performance of the chrome and manganese divisions But this would be cancelled out by higher interest costs and the decision to end the capitalisation of interest and costs at Columbus leaving second-half results similar to the first half

□ Business Watch

IN NEED OF A HAND *Fred Boshoff, the chief executive of Columbus, Samancor's loss-making integrated stainless steel producer* PHOTO JOHN WOODROOF

COMPAN

Ferrochrome producers suffer as weak commodity cycle continues

CMI follows Samancor down

CT(BR) 13/2/97 (189)

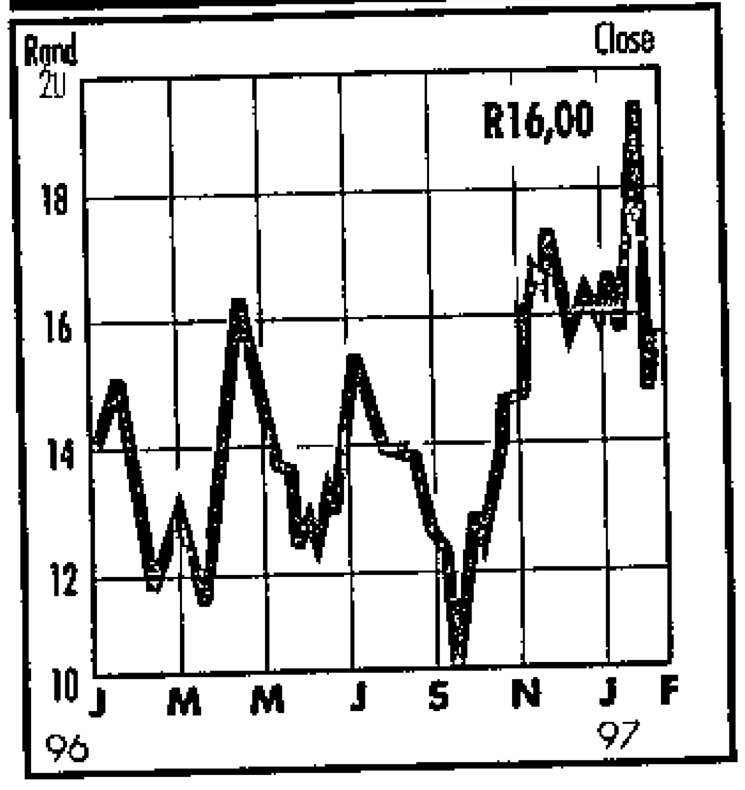
JONATHAN ROSENTHAL

Johannesburg — The pounding of ferrochrome producers by a weak commodity cycle continued today as Consolidated Metallurgical Industries (CMI), a ferrochrome producer in the JCI stable, reported a 73 percent fall in earnings for the six months to December 31

CMI is the second ferroalloys producer to report disappointing results this year after Samancor, a Gencor company, announced earlier this week its interim earnings had fallen by more than half

CMI's turnover dropped by R49 million to R329 million, but operating income was down by almost R100 million to R33 million from the comparable period in the previous year

CMI



The company said this was despite an increase in sales volumes, which rose 13 percent, and was caused by the dramatic fall in ferrochrome prices, which was only partly countered by the devaluation of the rand.

Attributable income fell to R27,8 million from R123,9 million, dropping earnings a share to 44c from 210c the previous year

The group declared an ordinary dividend of 12c a share and a preference dividend of 30c a share

CMI said in a statement that low levels of stock and demand from the market required the company to operate all its furnaces from the beginning of November last year

It said the destocking in the stainless steel industry had been completed by the end of October last year, but the market had not experienced any positive developments in stainless steel prices

This had resulted in continued downward pressure on ferrochrome prices, it said

The company started development of an incline shaft at its Thorncliffe mine in Mpumalanga this month Initial production from the mine will be about 500 000 tons of chrome ore a year

The group said it expected moderate improvements in trading conditions in the second half

"The extra costs associated with commissioning the new furnaces at Lydenburg will obviously not be repeated Results from operations are therefore expected to be slightly better

"However, recent strengthening in the rand/US dollar exchange rate, if sustained, would impact negatively on rand revenue expectations," CMI said

Ferrochrome producers expect SA output to rise

BD 17/2/97 (189)

David McKay

SA's ferrochrome output would rise to about 1,5-million tons this year despite sluggishness in the metal's price, underlining local producers' low cash costs which protected them against price vagaries, a major SA ferrochrome producer said at the weekend

The ferrochrome price fell steadily last year from a spike of $0,70c/lb in 1995 SA's main producers — Samancor, Consolidated Metallurgical Industries (CMI) and Chromecorp Holdings — said the price bottomed out to around $0,40c/lb last year

CMI research showed that most of the world's ferrochrome producers slashed production and had no plans to increase production this year even if the price increased to around $0,50c/lb — all except SA producers

SA producers are set to supply about 40% of the world's stainless steel chrome needs, which are estimated to be about 5-million tons Of this requirement, roughly 1,5-million tons will be sourced from scrap and the balance sourced from ferrochrome

Last year, SA producers supplied 1,3-million tons, down from 1,42-million tons in 1995 when the ferrochrome price was high Scandinavian, Japanese and Indian producers cut their output last year and their output this year would fall or remain the same

CMI said the main reason for SA producers' growing predominance in the world market was their low cash costs, which varied from $0,30c/lb to $0,40c/lb Local producers were integrated with nearby ore reserves which cut out expensive import and transport costs Power costs were low and technology was advanced as a result of SA's relatively late entry into ferrochrome production

CMI MD Zed Van der Walt said the company was "very confident" extra capacity from SA would come on stream during the year

Chromecorp Holdings has approved plans to commission two additional furnaces at its Wonderkop complex, doubling production to 360 000 tons a year MD Peet Nienaber said the company was considering creating more capacity as it had a commitment to supply Iscor, while export demand was burgeoning

Samancor MD Wilrich Schroeder said industry cash costs had been maintained and that growth was a strong possibility for the company

CMI, Chromecorp Holdings and Samancor all reported lower earnings last week as a result of the decline in the ferrochrome price, but unanimously forecast a recovery in the price in the year

Columbus eases woes, plans to boost turnover

BD 18/2/97 (/89)

David McKay

COLUMBUS Stainless plans to nearly double turnover this year if it can increase its total saleable product by half.

CE Fred Boshoff said the producer aimed to increase total saleable product to 370 000 tons from 235 000 tons This would boost turnover to about R2,6bn from R1,43bn.

The company has laboured over the fine-tuning of its multimillion-rand expansion, causing it to hold the second phase of the expansion until further notice Stakeholders have warned that the company will break even at best this financial year

But Columbus showed signs of easing its commissioning woes in the fourth quarter as it lifted production in the steel plant to 96 000 tons, boosting saleable product to 65 000 tons Another promising sign of recovery is that the hot mill produced 83 000 tons in the last quarter last year, as opposed to the 58 000 tons produced in the first quarter of that year

The hot rolled production target for the first quarter this year is 96 000 tons, which is equivalent to a 65% improvement compared with the first quarter of last year

Boshoff said the company would produce more higher value-added products — cold rolled and plate — in preference to slab and hot black band, as these were not in demand on the international market

In times of lower stainless steel demand producers had enough capacity to produce their own slab and bought slab from other producers only at cash cost As a result, Columbus would install R45m edge-trimming and cut-to-length equipment to relieve the pressure on throughput at the finishing lines, where the higher-value steel was produced

On the local front, demand had risen 12% to 67 000 tons It was still Columbus's intention to encourage domestic demand of about 100 000 tons over the next three years, Boshoff said

The recovery of Columbus was being hampered by poor international prices for stainless steel Cold rolled stainless steel plummeted to $1 550 a ton in the Far East from about $2 500 a ton a year ago

Boshoff said it would take 18 months before stainless steel prices revived But there was a demand for most of Columbus's products, with the exception of slab and black hot band

Happy Delta MD says results 'most acceptable'

BD 20/2/97

Shareen Singh

DELTA Electrical lifted headline earnings 16% to 99,3c for the year to December as the group benefited from improved trading conditions towards the end of the financial year

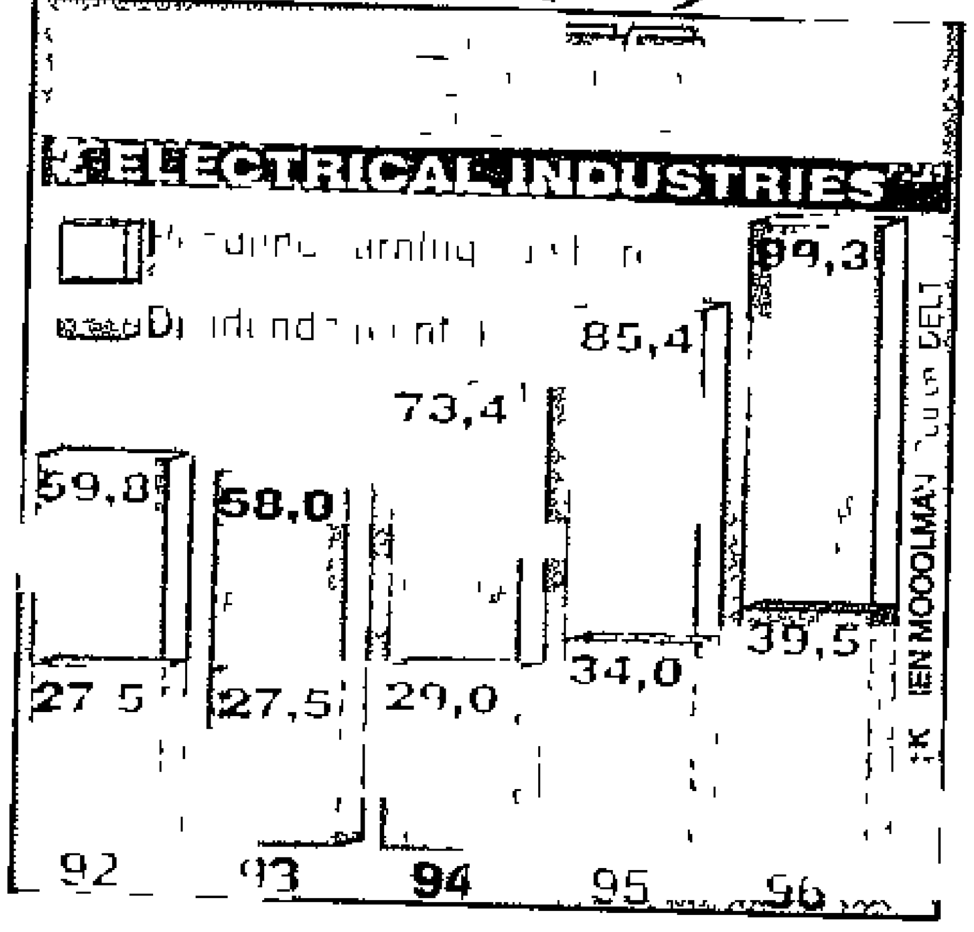
Delta declared a dividend of 27c a share to ordinary shareholders, more than doubling last August's payout to shareholders.

Group MD Evan van Zyl said yesterday the results were "most acceptable" and attributed the higher earnings to improved trading conditions towards the end of the financial year, interest earned on cash generated and a decline in the rate of taxation resulting from the reduction in Secondary Tax on Companies

Net income for the year after exceptional items rose to R77,7m from the previous year's R65,6m The group had kept tight control of cash flow, resulting in interest earned of R6,1m

The group remained ungeared at the end of the financial year despite the purchase of Genwest Industries for R55,5m. About R21m of the R55,5m was paid in July and a second payment was made in December. A third payment was due this July

The sale of its entire investment in Jasco Electronic Holdings for R15,7m,



resulting in a profit of R10,6m, contributed to a healthy cash flow

Van Zyl said the group restructured its repair interests after the acquisition of Genwest This resulted in the consolidation of the Welkom and Johannesburg repair offices of Genwest and Delta

The group had successfully completed the biggest expansion drive it had undertaken, extending capacity of its electrolytic manganese dioxide plant in Nelspruit, which was commissioned in December

Van Zyl expected stronger performances from the group this year.

Seifsa reveals retrenchment drop

(189) Sowetan 25/2/97

By Abdul Milazi

SOUTH AFRICA has experienced a marked decrease in retrenchments in the metal industry over the past five years, the Steel Engineering Industries Federation of South Africa (Seifsa) said yesterday

A Seifsa report revealed that 1 001 workers were retrenched in the metal industry in 1996 and only 972 in 1995, as opposed to 1 138, 1 910 and 2 682 in 1994, 1993 and 1992, respectively

Seifsa economic division head Michael McDonald said the decrease in retrenchments was a reflection of improved trading conditions

Improved orders

"Employment levels in the industry, however, are not expected to increase significantly in the near future Despite improved order intake levels in the metal industries, companies are not hiring more permanent staff, preferring for the moment to take casual or short-term labour," said McDonald

The number of hourly paid workers has dropped by about 169 000 over the past 15 years

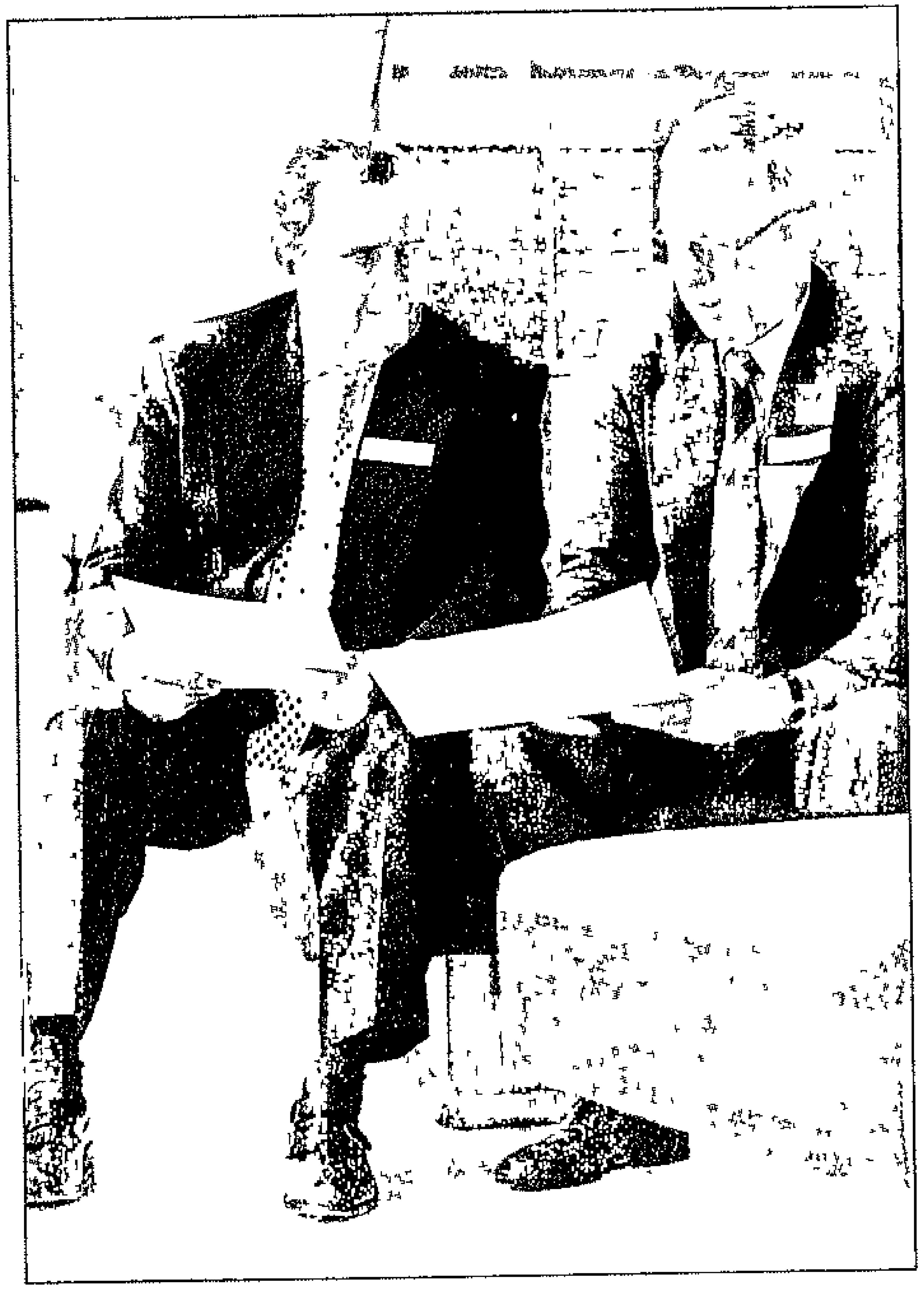
"This reduction was largely due to the severe recession of the early 1990s and the need for companies to increase competitiveness through capital-intensive new technology" said McDonald

STEEL *Headline earnings plunge 67 percent to R64,9 million*

Highveld blames poor results on strike

(189) CT (BR) 25/2/97

JONATHAN ROSENTHAL



POOR PERFORMANCE *Leslie Boyd, Highveld's chairman, and Trevor Jones, the managing director* PHOTO JOHN WOODROOF

Johannesburg — Highveld Steel and Vanadium, the Anglo American majority owned steel, ferro-alloys and vanadium producer, turned out disappointing year-end results because of a "very damaging and illegal strike" last November, Leslie Boyd, Highveld's chairman, said yesterday

Despite the precipitous 67 percent fall in headline earnings to R64,9 million from R198,7 million the previous year, analysts said poor results were expected and on target with projections

Boyd said the strike cost the group the loss of 252 492 man hours over a disciplinary action taken against two employees involved in an assault incident

The group, which was battered in the first half by commissioning problems at Columbus Stainless Steel, bad weather and weak commodity prices, has had an equally difficult second half

Turnover rose to R2,7 billion, from R2,5 billion the previous year, largely driven by a weaker rand and growth in sales volumes

The group proposed a final dividend of 20c, which would take the full year dividend to 35c, a fall of 61 percent from the previous year Members can elect to receive capitalisation shares or a final dividend

Trevor Jones, the managing director of Highveld, said Columbus was a main cause of the fall in profit Without the losses suffered by Columbus, pretax profit would have been almost R118 million, compared with the R67 million which the company achieved

The group was also hit by a fall in the price of carbon steel, which dropped on average to $309 a ton, from the average price of $338 a ton Highveld achieved the previous year But vanadium pentoxide prices, which hit lows in 1994 and pushed marginal producers out of the market, have turned upward and fetched well over $3 a pound for the whole of last year

The group commissioned additional crushing and packing facilities at Vanchem's ferro-vanadium smelter and achieved record sales Steel and vanadium remain the main contributors to group turnover and operating profit.

Rheem Can, the group's wholly owned and the country's only aluminium beverage can manufacturer, cut back beverage can production by nearly 20 000 to little under 310 000 cans

Low steel prices cut Highveld's profit

(189)

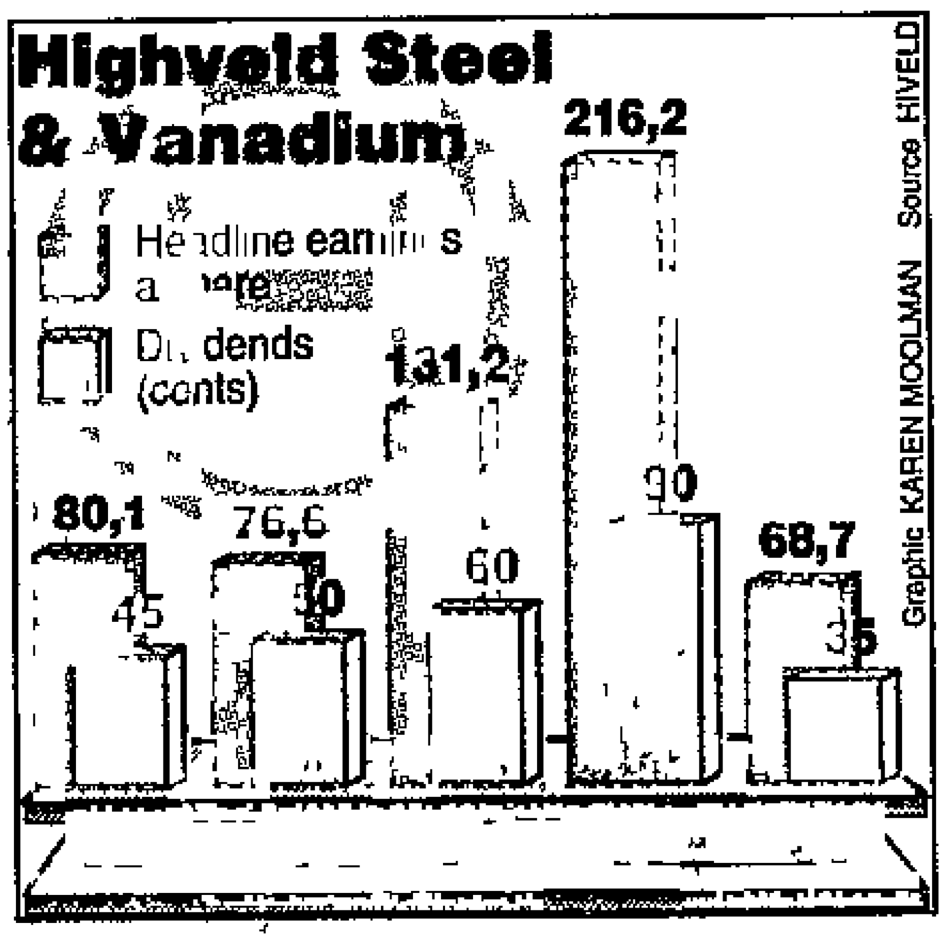
David McKay BD 25/2/97

HIGHVELD Steel & Vanadium's headline earnings slipped two thirds to R64,9m in the year to December under pressure from low steel prices and poor operations, it said yesterday.

An illegal labour disruption had prevented any recovery in the second half, while Highveld's share of losses from new stainless steel venture Columbus Stainless also had an effect. A fall in headline earnings of 50% was recorded with losses from Columbus stripped out. As a result, headline earnings a share were reduced to 68,7c from 216,2c last year. A total dividend of 35c a share was declared (1995: 90c).

Despite its "disappointing" showing, the Anglo American company was upbeat about the current financial year. Chairman Leslie Boyd said an increase in world carbon steel consumption and increasing prices for the company's key products, would contribute to a "modest recovery".

Revenue increased to R2,7bn from R2,5bn. Attributable income, after net



interest paid of R33,7m and depreciation of R95,5m, was R69,5m. This included R32,9m which is Highveld's share of Columbus's after-tax losses.

Highveld's contribution to Columbus's expansion costs had ended and totalled R1,4bn. The fulfilment of its capital obligations to Columbus would

Continued on Page 2

Highveld (189)

Continued from Page 1

BD 25/2/97

ease its 1997 capital burden.

MD Trevor Jones said sales of carbon steel were below budget due to a lack of growth in domestic consumption. This led to an inventory build-up and increased imports. The palletising plant was mothballed last year to reduce ironmaking costs. The company's overall costs were negatively affected by volume losses and equipment problems in the carbon steel and ferroalloy-making sections, Jones said.

Export prices of manganese alloys declined from a high base during the year. As a result, two silicomanganese furnaces at Transalloys were switched to ferrosilicon production in September. Rand Carbide operated at full capacity on its ferrosilicon furnaces with local sales growing 25% in 1995. Export sales were reduced accordingly.

Demand for aluminium cans from producer Rheem Can fell slightly in 1996. Improvements in can quality were achieved, the company said.

Jones said the company's recovery this year depended on a better performance from Columbus Stainless, which was expecting better volumes

HIGHVELD (183)

COLUMBUS STRIKES AGAIN

FM 28/2/97

The market was prepared for the effect of the Columbus Stainless Steel joint venture on Amic-controlled Highveld Steel & Vanadium

Columbus' results were in the interim report of Highveld's partner in the venture, Samancor (*Fox* February 14)

Highveld's share of the Columbus operating loss, R35,4m, was equivalent to almost half the operating profit from core carbon steel and vanadium operations

Highveld MD Trevor Jones says there was also an opportunity cost to fund its share of the venture, Highveld swung from an interest earned position of R16,4m to interest paid of R33,7m If you take this into account, core earnings were down 25%, which isn't a bad performance in such a cyclical industry

Highveld's operating profit might not have been far off 1995's R100m if it had not been for an illegal strike in October and November, which led to the loss of more than a quarter of a million man hours Jones hopes there won't be a similar experience this year

The dispute, a furnace overhaul and wet conditions in Witbank in the early part of the year, caused carbon steel production to fall 7% to 933 000 t Average carbon steel export prices fell from US$338/t in 1995 to $309/t last year Domestic sales, which have higher margins, were weak in the first half but improved later. Because of the strike, Highveld was unable to capitalise on this in full

In contrast to the weaker steel market, the vanadium market has remained strong Though Highveld does not disclose vanadium profits separately, this

looks like the one part of the group that increased profits Vanadium prices were ahead of 1995 and stable at $3,33-$3,35 in the third and fourth quarters of the year after averaging $4,15 in the second

Vanadium supply and demand is in balance as large Russian stockpiles have been eliminated and there are fewer disruptive sales from China

Conditions in the ferro-alloys market could not have been more different In 1995, they contributed almost R80m to operating profit, this fell about two-thirds to R28,7m in 1996

Les Boyd *international prices will stay low and local demand will grow*

Export prices of manganese alloys fell significantly from a high base Two silicomanganese furnaces stopped production at end-April and remained idle until September, when they were recommissioned for ferrosilicon production

Abnormal equipment failures and poor operations hit Transalloys but Rand Carbide operated at full capacity on ferrosilicon and increased local sales by 25%

The contribution of "other operations" — mainly the Rheem aluminium beverage can plant — fell about 25% to R29,7m This is particularly unfortunate as the intention of diversifying into consumer products was to make Highveld less cyclical

Jones says Rheem's customer, Coca-Cola Beverage Canners (formerly Amalgamated Beverage Canners), did not meet its contractual obligations and can sales fell from 328m to 310m units

Core operations need only a marginal improvement in prices and volumes to turn around But Highveld must be seen as a Columbus turnaround play

STAINED BY COLUMBUS

Year to December 31	1995	1996
Turnover (Rm)	2 535	2 705
Operating profit (Rm)*	223	118
Pre-tax profit (Rm)	261	67
Attributable (Rm)	201	69
Earnings (c)	218,6	73,6
Dividends (c)	90,0	35,0

* Excludes share of Columbus

Highveld chairman Les Boyd expects international prices to stay low and local demand to grow He projects that saleable product will increase by two-thirds to 390 000 t and turnover will gain 80% to R2,6bn If he is right, Columbus should return to profitability

There is some optimism in the market Highveld has bounced off its December low of R14,20 to R19 and has outperformed Iscor in the past two months The performance of its core operations remains better In the short term, R19 looks like a plateau, but, when the share turns, it tends to rocket It is worth accumulating for the next upturn *Stephen Cranston*

Cape painters land R15-m deal

Black small businessmen to paint Saldanha plant

ARG 14/5/97 (189)

THABO MABASO
BUSINESS REPORTER

The Saldanha Steel Project has awarded a R15-million contract to a Cape Town black consortium to paint its steel manufacturing plant.

The consortium of nine painting contractors known as Group 10 Civils will begin painting next week and continue until September next year

Saldanha steel project director Ben Nel said Group 10 Civils was awarded the contract because it had presented a professional bid

"We have a commitment to the Western Cape government to utilise emerging small businesses in the construction of the Saldanha project and Group 10 Civils were the perfect choice," Mr Nel told the Cape Argus during a ceremony to mark the signing of the contract

He said 800 000 sq m of wall needed to be painted after the plant, to be called Corex 2000, had been constructed

Mr Nel added that to date Saldanha steel had awarded contracts with a combined value of R250 million to black and small businesses

Group 10 Civils spokesman Stan D'Oliviera said the company had set itself the objective of performing a world class job with regard to product and service management

Other small black-owned companies would be judged on Group 10 Civils' performance, he said

"Long after Corex 2000 has been painted and commissioned, this initiative will always be interpreted and remembered as the standard by which all other contracts will be measured It will occupy a proud place in the history of our country's development," Mr Nel said

"We were awarded the contract because of a competitive bid and because we demonstrated our technical capacity to execute the job, and we showed an ability to organise our workforce "

The Corex 2000 plant is the second of its kind in South Africa capable of producing liquid iron by using a variety of low-grade coals as fuel The first plant is at Iscor's Pretoria works

Western Cape Economic Affairs Minister Chris Nissen, who was also at the signing ceremony, praised Saldanha Steel for awarding the contract to a small black-owned company.

"If there is a company that is a leader of empowerment, then Saldanha Steel is certainly a leader in this field in the province In many instances, they are even ahead of the provincial government which has a flawed tendering process," Mr Nissen said.

SA's stainless steel industry suffers in world markets

(189) BD 14/5/97

David McKay

THE SA stainless steel industry, hamstrung by production glitches and poor project timing, was producing less than half of its total annual capacity, supporting fears it was not making an impression on the 15-million ton a year world market.

Production figures provided by analysts yesterday showed SA's two leading stainless steel producers, Iscor and Columbus Stainless, have a combined capacity of about 1-million tons a year.

However, the failure to sell material on competitive offshore markets and output hitches at Iscor and Columbus Stainless, meant they now were producing a combined 300 000 tons to 350 000 tons a year.

Iscor and Columbus Stainless mistimed their entry into the world market and prices have failed to support their additional offtake, remaining fairly depressed, but showing some recovery lately, one analyst said.

"There is no reason why the world's stainless steel buyers should buy SA's material if it is not cheaper. In addition, the local market is not large enough to offset the potential losses from poor international demand," he said.

Columbus Stainless, which spent R4,5bn on expanding its plant to produce 600 000 tons a year, has restated output to 300 000 tons for this year, when it was to reach its full capacity, he said.

Columbus Stainless has hinted to some analysts that total losses for the current financial year would be more than R250m. However, it could still report an operating break-even.

Iscor's Pretoria-based mill, which altered its carbon steelworks to produce 45 000 tons of stainless steel last year (with a theoretical 400 000 tons a year capacity), has reverted to carbon steel.

Its 80 000 to 100 000 tons a year Microsteel mill in KwaZulu-Natal still had technical difficulties. Iscor executive chairman Hans Smith said at its interim stage in February that these problems would be resolved by December.

An analyst said it was quite likely Iscor would "quietly drop" its stainless steel ambitions and concentrate on building its mining and carbon steel in the future.

Iscor's steel division MD Louis van Niekerk said the company would continue to examine downstreaming opportunities while identifying potential long-term partners. He said the industry had changed dramatically. "As a result of the ongoing supply-demand imbalances, prices have fallen between 20% and 40%. Market conditions are unlikely to change significantly ..." he said.

Stainless steel prices for slab dropped to \$800/ont from \$1 150 last year. Analysts estimated a price of \$1 000 was needed for it to break even.

Stainless steel cold rolled prices, which fell to about \$1 500/ton in Europe and the Far East last year, had recovered to about \$1 750. However, additional offtake from other world producers was capping its upside potential, they said.

New union conflict looms at Amplats

(189) BD 20/6/97

Reneé Grawitzky

RENEWED conflict looms at Anglo American Platinum (Amplats) mine's Rustenburg section as tension mounted yesterday between the National Union of Mineworkers (NUM) and the Worker Mouthpiece — a worker grouping which led last year's lengthy strike

The NUM last night made an appeal to police commissioner George Fivaz to take urgent action to prevent an outbreak of violence

Amplats confirmed that the situation on the mine was tense

The NUM appeal comes in the wake of allegations by the union that two of its branch leaders were assaulted last week by Worker Mouthpiece members

It is believed that the Worker Mouthpiece includes a number of workers who formed part of the group called the Five Madoda which led a lengthy strike last year The strike, which began in June and resulted in many incidents of violence, resulted in the dismissal and rehiring of the majority of the workforce It was in support of demands for payouts from a number of benefit schemes

The NUM said the recent incident was partly due to a lack of action on the part of the police and the company being "in collaboration with a small gang on the mine"

Company spokesman Johan Adler said last week's assault was clearly a matter between the Worker Mouthpiece and the NUM Management was concerned about the resurgence of any form of violence on the property

The NUM called on Fivaz to begin an investigation into the incident and said any delay or failure on the part of the police would result in further violence and loss of life, and damage to property Adler said the company would not prevent the police from entering mine property if the NUM called them in for assistance

NUM regional co-ordinator Machlakeng Machlakeng said the Worker Mouthpiece was claiming to be a union and was trying to take control of all union activity. It wanted to prevent the NUM from operating on the mine Although the NUM's membership was still relatively low in the wake of the mass dismissals last year, it remained the majority union

SA News Digest

MINING

(189) CT(BR) 21/5/97

NUM wants suspension of members of rival workers' groups at Amplats

The National Union of Mineworkers (NUM) called yesterday for the immediate suspension of certain senior employees at the Anglo American Platinum (Amplats) mine near Rustenburg, where tension has developed between rival working groups

The union accused senior employees of colluding with members of the Workers' Mouthpiece, resulting in a crisis that could erupt into violence at any moment Johan Adler, an Amplats spokesman, said the company "intended taking disciplinary action" against any employee found to be involved in the conflict

He said the company was taking seriously allegations that workers had been assaulted by members of the Workers' Mouthpiece, and they were being investigated. But he said the mine was calm and production was normal. Machlakeng Machlekeng, a NUM spokesman, said the potential for violence was high as there were many weapons on the mine He said the NUM wanted the police to become involved Similar tension between worker groups was behind last year's strike. — *Frank Nxumalo, Johannesburg*

LABOUR RELATIONS *Six months' paid maternity leave is approved*

Seifsa extends benefits for mothers

FRANK NXUMALO

CT (BR) 22/5/97 (189)

Elias Monage of Numsa was at the negotiations yesterday

Brian Angus of Seifsa says mothers will benefit

Johannesburg — The Steel and Engineering Industries Federation of South Africa (Seifsa) yesterday effectively agreed to six months' paid maternity leave, including the extension of the benefit to employees who were foster mothers of children under six months, said Brian Angus, Seifsa's executive director

"We have agreed on six months' paid maternity leave through the industry's sick fund This involves certain additional payments to employees on maternity leave and the introduction of paid maternity leave for female employees who have adopted children under six months," Angus said yesterday at the end of the second round of the industry's wage talks for this year

However, he said the industry's nine unions, including the 240 000-member National Union of Metalworkers of South Africa (Numsa), had rejected Seifsa's wage increase offer, namely 7 percent, which would have moved the minimum wage for the industry to R7,92 an hour

"They have argued the need for a higher wage offer ranging from 16 percent to 21,4 percent. This range is absolutely unaffordable to the industry, which is faced with competitive pressures that have made it harder to export but easier for foreign imports to enter the South African market owing to the reduction of tariff rates."

Both sides have undertaken to reconsider their respective positions at the final round of wage negotiations, scheduled to take place on June 12 and 13.

Other areas of agreement included an unspecified increase in living-out allowances and the introduction of a three-month injury-on-duty allowance

Major union demands included a 40-week working year without loss of pay, 200 hours' paid training leave per worker a year, the abolition of labour brokers, control of all industry funds by the unions and the establishment of childcare facilities in industrial areas

NEWS

Numsa warns of strike if pay demands are not met

(189) CT(BR)17/6/97

FRANK NXUMALO

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) said at the weekend it was considering strike action unless steel and engineering industry employers acceded to a demand for a 13 to 23 percent wage increase

Elias Monage, a spokesman for Numsa, said the union's executive committee would meet tomorrow to decide on the issue "We have reached the end of the road and are going to mobilise our members for battle"

A spokesman for the Steel and Engineering Industries Federation of South Africa (Seifsa), the employer body, said all the industry trade unions had rejected the employers' final wage offer of between 8 and 8,5 percent on scheduled and actual wages

Numsa (and the other unions) had declared themselves to be in a state of dispute with the employer parties Seifsa, in turn, had declared a counter-dispute with the unions Both the employers and the trade unions, however, had agreed to consider resolving the dispute at a meeting of the National Industrial Council on June 25

Other union demands include 200 hours of paid training for each worker a year, six months' notice of any intended technological upgrading, outlawing of labour brokers, signing of fixed-term employment contracts by union representatives as witnesses, and control of industry funds

Seifsa had said the unions' wage increase demands were "impossible" as increased global competition in the automotive industry and the reduction of tariffs had made it easier for foreign products to enter the South African market but harder for South Africa to export abroad

Numsa chooses industrial action

(189) BD 17/6/97

Reneé Grawitzky

METAL and motor employers were face a spate of industrial action as the National Union of Metalworkers of SA's (Numsa's) central committee decided at the weekend what form such action would take.

The union's acting general secretary, Mbuyi Ngwenda, told a news conference on Friday that in the wake of the dispute in the metal industry, the committee would consider adopting a programme of action.

The committee would also evaluate progress in other industries such as the motor industry where employers had refused to negotiate issues other than wages.

Negotiations in the metal industry ended with a number of unions declaring a dispute after the Steel and Engineering Industries' Federation of SA (Seifsa) tabled a final wage offer of between 8% and 8,5%.

Ngwenda said the union still demanded a guaranteed inflation increase, 200 paid hours for training, a merger of all related training boards, negotiation around technological change and six months notice of such intent.

Numsa negotiator Elias Monage said other demands related to short time, the notice period for termination of employment, limited duration contracts and the employers' attempt to increase the use of casual labour in the industry.

Seifsa, he said, was attempting to amend the exemption provisions which could affect 60% of the union's members.

Seifsa indicated that a 8,5% increase would raise the minimum rate to R8,03 per hour.

In addition, employers had agreed to an effective six months' paid maternity leave, to agree in principle to negotiate a framework agreement on recognition of prior learning, and to participate in a joint pilot study with the unions to look into the development of childcare facilities.

Meanwhile, the major automobile manufacturers and unions party to the three-year agreement wait in anticipation of the May inflation rate ahead of wage talks which start next month.

In terms of the agreement, which expires next year, if inflation falls below 8,5% or exceeds 14%, the parties will have to reopen negotiations on wages. However, if inflation falls between these two figures, across the board increases will either be 1% below inflation if employees are earning above the maximum wage rate per grade or an inflation linked increase if on or below the maximum wage rate.

Mercedes Benz, which withdrew from the central national bargaining forum last year, said it would participate in forum negotiations this year

R4-m training plan to boost Saldanha Steel project

(189)

THABO MABASO
BUSINESS REPORTER

AR G 24/6/97

Hundreds of West Coast residents will be trained in a R4-million venture aimed at equipping them with skills that will benefit the multi-million-rand Saldanha Steel project.

The venture is being jointly funded by the Independent Development Corporation (IDC) and National Access Consortium Western Cape, a partnership of education providers in the province.

To be known as the West Coast Training Initiative, the venture was officially launched in Cape Town yesterday by Trade and Industry Deputy Minister Phumzile Mlambo-Ngcuka.

Mrs Mlambo-Ngcuka said this was the first time the IDC had become directly involved in such a training project

"Essentially, we see our role as one of catalyst for capacity-building in the area At the same time we believe that a better trained workforce will serve to attract other potential investors to the region "

A factory will house the training centre, which is expected to train 3 000 people over the next 12 months. The centre will offer a series of six-week courses, each structured to meet the needs of companies and contractors in the area.

The courses will begin in mid-July and include mechanical, civil, electrical, instrumentation and hospitality skills.

Mrs Mlambo-Ngcuka said the training courses would be accredited by the Department of Labour

"To ensure appropriate candidates are selected for these very expensive training programmes, their potential, aptitude, co-ordination and trainability will be closely monitored," she said

IDC manpower manager Jaap Wolfaardt said contractors involved in the Saldanha Steel project had agreed to source semi-skilled labour from graduates of the training centre

Project 'is better off than last year'

Columbus is facing R400m loss

CT (BR) 12/6/97 (189)

Jonathan Rosenthal

Johannesburg — Columbus Stainless Steel, the R3,5 billion steel project, is expected to post losses of about R400 million for this calendar year, but analysts and shareholders said yesterday that the project was in a stronger position than last year

The losses are far worse than optimistic predictions by Columbus last year that it could break even by this year

Last year, Columbus and its three shareholders — Samancor, Highveld Steel and the Industrial Development Corporation — capitalised interest and start-up costs This held apparent losses to R149 million for the year to December But its true loss position was closer to R577 million if capitalised operating costs of R268 million and interest charges of R160 million were included

The full brunt of this year's losses would be borne equally by the three shareholders as capitalisation of interest and operating costs was stopped at the beginning of this year

Analysts estimated this year's loss to be in the region of R400 million and said it was attributed primarily to weak stainless steel prices

A Columbus spokesman said yesterday that the group had set a production target of 308 000 tons for this year, which would be 36 percent higher than the output achieved last year

The group has focussed on higher value-added products and forecast that 31 percent of its production would be cold-rolled while 5 percent would be low-value slab

The spokesman said technical difficulties in the plant had been ironed out and Columbus was on track to meeting its target.

But the new target still represents a sharp revision from projections earlier this year that Columbus would produce about 380 000 tons

Wilrich Schroeder, the managing director of Samancor, said he was not concerned about Columbus's performance and its results at the end of Samancor's financial year this month would be "more or less in line with that anticipated at the time of the half-year results"

A Highveld Steel director said production and yields were improving, but Columbus's losses to this month would be a little higher than Highveld had expected He said he expected Columbus to show improvement in the second half of the year and that the full-year results, while still showing a loss, would be better than last year's

"The loss has been forecast and budgeted for it is going to be absorbed on the nose and in full by the partners," he said

George Grohmann, an analyst at stockbroker Rice Rinaldi, said he did not expect a substantial improvement in stainless steel prices this year but supply and demand would move back into balance towards the end of next year

Paul Smith, an analyst at BoE NatWest, said he expected the plant to reach breakeven point late next year

Iscor and Hiveld are dumping steel plate, says US (189)

Simon Barber and David McKay

BD 16/6/97

WASHINGTON — The US commerce department has issued a preliminary finding that Iscor and Highveld Steel (Hiveld) have been dumping cut-to-length carbon steel plates in the US market — charging less to US importers than to domestic consumers.

Dumping duties of 31% and 16% have been assessed on the products of Iscor and Hiveld respectively, reflecting the difference between the US and domestic prices, adjusted for transport and other costs

The duties, calculated on the basis of data the firms themselves supplied the to department, will go into effect in the next few days when the finding is published in the government gazette

Iscor was unfazed by the penalties as steel plate comprised a fraction of its total exports Iscore Marketing strategy GM Werner Höne said yesterday the import duties related to about 35 000 tons of plate steel exported to the US by Iscor

These exports were about 10% below the prevailing US price at the harbour between April 1995 and September last year Steel prices tended to rise when transported from the harbour to the end user

This was a small tonnage compared with the US market, totalling 100-million tons a year for all products

It was also small compared with Iscor's 5-million tons it exported in a year

Iscor would be able to sell its steel plate exports in Europe and the Far East and was also increasing the export of value-added products rather than steel plate

Iscor would argue that its exports to the US did not have a material affect on the local market, he said

A Hiveld spokesman said the US was "an important market" for the company, but it had been able to "export material elsewhere where prices were still good"

Continued on Page 2

Dumping (189)

Continued from Page 1

BD 16/6/97

Hiveld produced 171 000 tons of plate in the 1996 financial year. About 35 000-40 000 tons of this was exported to the US, he said.

The US decision to impose duties is in response to an antidumping suit filed by two US firms, Geneva Steel and Gulf States Steel, against steel plate producers in China, Russia Ukraine and SA. The duties against most of the others are considerably higher, ranging up to 177% in the case of Ukraine Ilyich Iron & Steel.

Imports from SA have been small — 65 500 tons last year with a US customs value of $26m

Tonnages from Ukraine, Russia and China were 569 000, 225 000 and 271 000 respectively.

SA accounts for less than 4% of US steel plate imports. Had its share been less than 3%, Geneva and Gulf States would not have been able to include it in their suit.

The commerce department will issue a determination later this year after the US International Trade Commission has ruled on the case. Iscor's Washington attorney, Marcie Stras, said she believed SA had "a chance" of being spared duties as it was too small to affect the domestic industry

Unlike the other countries, SA was a "responsible exporter shipping low volumes at decent prices"

It is also possible that the commerce department may agree to negotiate a suspension of dumping duties in return for SA accepting a volume quota on its exports to the US or agreeing not to charge less than a set price

With tariffs falling under World Trade Organisation agreements, anti-dumping actions have become a favoured form of protection. Stras cited statistics showing that for every $1m US steel firms spent pursuing such actions, they made $10m more profit because of reduced competition

However, Hone said the US did not discriminate between individual exporters As a result Iscor's 35 000 tons would be "lumped together" with Russia's 1-million tons which were also penalised under the same ruling

TONGAAT-HULETT

~~Sowetan~~ STAR (189)

Still exploring opportunities

FM 6/6/97

Productivity improvements should add momentum

Though it may be smarting after its setback in the scramble for African sugar assets, Tongaat-Hulett should benefit from the regional stability that the Lonrho Sugar acquisition (by rival Illovo Sugar) brings, with three big groups operating in the SADC region

It retains flexibility to pursue other sugar opportunities on the continent That, with a hefty capex programme — including the R2,4bn rolled products expansion at Maritzburg and the R720m starch and glucose mill to come on stream at Kliprivier later this year — and better operational efficiencies should help maintain earnings momentum

Compound real growth in EPS over the five years has averaged 25% — though MD Cedric Savage says this pace is becoming more difficult as the base gets higher

Analysts are mixed on prospects, with some concerned about the cyclical nature of the sugar and aluminium industries (sugar contributed 42% of turnover and aluminium 12%)

Savage says all the businesses are cyclical but Tongaat-Hulett's strength is in its diversity across seven sectors These include production of starch and glucose, building materials, property, Tongaat Foods and textiles

Investments such as Triangle Sugar in Zimbabwe (the world's lowest-cost producer) and other expansions in Africa have helped to limit the cyclicality The exposure to the aluminium sector is largely on the added value side, less vulnerable than primary products

An impressive aspect has been the productivity improvements, with sugar milling costs cut in real terms by 26%, Corobrik's by 6% a year over five years, aluminium conversion costs down 15% and starch and glucose labour productivity up 16%

What most of the businesses need now is better demand in domestic markets Profits from building materials, for example, hinge on a building upturn Savage seems mildly optimistic the recent GDP drop may trigger an early reduction in interest rates, which could boost activity

Herb Payne

Numsa rejects Seifsa's 7% wage offer

Reneé Grawitzky (189) BD 22/5/97

THE National Union of Metalworkers of SA (Numsa) yesterday rejected an improved wage offer of 7% across the board during the second round of metal industry negotiations with the Steel and Engineering Industries' Federation of SA (Seifsa).

Numsa negotiator Elias Monage said the union was demanding a guaranteed inflation increase while employers continued to negotiate in the "same old style"

Union members, he warned, had to prepare themselves for a battle ahead to achieve a guaranteed inflation-rate increase as well as access to training.

Seifsa said the 7% offer would raise the industry's minimum wage by 52c an hour to R7,92 an hour.

Numsa said it had tabled a integrated package which employers wished to ignore by only focusing on wages Besides wages, the union had demanded the outlawing of labour brokers, union control over benefit funds, employers to agree to negotiate rather than consult on technological changes, work reorganisation and parental rights.

Seifsa said there had been comprehensive movement on issues such as an increase to subsistence allowances, a proposed introduction of a 60-day notice for the introduction of new technology and better maternity benefits.

Numsa confronts new challenges

Sowetan 29/5/97 (189)

Dramatic changes in labour market meant union also has to adapt

By Abdul Milazi

THE National Union of Metalworkers of South Africa (Numsa) is facing new challenges as it tackles the complications and pressures of globalisation

Numsa spokesman Dumisa Ntuli says the labour market has changed dramatically since the April 27 1994 elections, which ushered in sweeping policy changes in economics and politics

"Trade unions now have to adapt to the changing work environment and shift their focus away from protest politics to influencing policy changes and industry transformation," said Ntuli

Ntuli said Numsa faced numerous challenges as companies employed new technology, especially in the automobile manufacturing steel and engineering industries

Another challenge

He said another challenge was the strengthening of plant-level leadership to ensure better union's performance in general "This is a major problem among trade unions where shop stewards and members at plant level seem ill-informed on certain issues being discussed by the national leadership

Ntuli said Numsa resolved at its 10th anniversary celebration at the weekend that worker control should be maintained through the recruitment of committed members and not members who join because they think we are like an insurance scheme

Numsa again brought up the subject of assessing the viability and significance of the African National Congress/South African Communist Party/Congress of South African Trade Unions alliance at the weekend

"We need to keep assessing how the Alliance is working Is it helping us or is it getting in the way of our vision of where we want to go," said Numsa president Mtutuzeli Tom

"When three big unions merged in 1987 to form Numsa, we had 130 000 members We called ourselves a giant Ten years later we have over 230 000 members," said Tom

He urged members to rebuild union structures, such as local shop stewards councils and revive factory meetings

We are forgetting what our organisation is and where our strength comes from It is not the offices the shop stewards and the office bearers The union is not officials

Ntuli said Numsa has made great strides in fighting for workers rights and promoting solidarity among metal workers around the world

"Today we are the biggest metal union in South Africa and in Africa

He said Numsa has fostered links with metal workers throughout the world and was currently helping to strengthen metal workers' unions in Southern Africa

"One of our greatest achievements has been achieving centralised bargaining in the metal industry, which guarantees the protection of members against exploitation by employers in smaller companies"

He claimed that Numsa members in the tyre industry were the highest paid production workers in South Africa

We have won paid maternity leave for our female members '

Tom said Numsa was an active participant in Cosatu structures and supported the federation often guiding and leading it '

"We have trained many of the leaders of the new Government at national, regional and local levels and continue to do so," said Tom

Enoch Godongwana, general secretary of the National Union of Metalworkers (Numsa) may be joining the Eastern Cape provincial government as MEC for finance. Numsa is believed to have given him its blessing.

Numsa general secretary Enoch Godongwana is the latest to be recruited into Government

A source said the Numsa's central committee has already released Godongwana to take up the position of finance MEC in the Eastern Cape

The source said Godongwana has to be a member of the provincial legislature (MPL) first before taking up the new position

An MPL resigned on Monday to make way for Godongwana

Saldanha Steel construction 'is well on track'

BD 26/6/97 (189)

Samantha Sharpe

CAPE TOWN — Work at Saldanha Steel was well on track, with about R3bn of the project's budgeted R6,8bn already spent, project spokesman Tom Ferreira said yesterday

Ferreira said 64% of the project's engineering, procurement, construction and commissioning activities were now complete

This meant that production of Saldanha Steel's first steel coils was on target for April next year, with purchased iron units to be used for production purposes in the first couple of months

"The number of workers at the site has just reached 7 000, which is the anticipated peak Employment will probably remain at this level until the end of the year before tapering off," he said.

About 70% of the construction force was recruited from the Western Cape, with the region's labour force set to benefit from a new Industrial Development Corporation-backed training initiative

Rembrandt a picture of robust profit growth

Samantha Sharpe (189) BD 27/6/97

CAPE TOWN — Industrial holding group Rembrandt (Remgro) lifted attributable income 49% to R2,2bn in the year to March, boosted by a substantial capital surplus on the sale of certain long-term investments and a much lower tax charge

The robust earnings growth was reflected in a 49% surge in share earnings after exceptional items to 422,6c — stripped of benefits flowing from the capital surplus, earnings a share were 31% higher at 371,7c — and a 23% hike in the group's total dividend to 76,8c

A spokesman said Remgro's interest in cellular service provider Vodacom had fallen from 18,5% to 13,5% following the exercise of a call option by third parties This, with a partial sale of energy group Engen to Malaysia's Petronas, had helped realise substantial exceptional surpluses for the group, which contributed significantly to the attributable income figure

Continued on Page 2

Rembrandt (189)

Continued from Page 1 BD 27/6/97

Remgro's turnover slipped to R7bn (R7,4bn), although the spokesman warned the figures were not strictly comparable following a change in accounting practices for its tobacco interests — these were previously consolidated into the group's results — consolidation of Rainbow Chicken and the disposal of HL&H Timber Holdings' timber interests in April last year.

Similarly, the reduction in operating income before interest and tax to R716m (R1,3bn) should not be compared with that of March last year

A lower interest bill and higher depreciation charge brought operating income before tax to R433m (R943m).

A tax bill that was more than halved was reflected in net operating income after tax of R283m from R612m Dividend income grew to R626m (R262m), again distorted by the change in accounting practices, leaving net income after tax at R909m (R874m).

A R1,1bn equity adjustment showing the share of net income retained by associated companies — R687m last year — brought net income before exceptional items to R2bn from R1,56bn The equity adjustment was not comparable due to accounting changes.

The spokesman said the group's trademark tobacco business, which included the one-third stake in Rothmans International, had contributed 55% to net income before exceptional items, a 33% improvement.

The contribution from Remgro's mining interests rose 36% to R334m, industrial interests were 28% higher at R136m, financial services 32% up at R155m and corporate finance and other interests 17% stronger at R242m.

Subsequent to year-end, Remgro had increased its stake in Malbak to 19,2%. The group's effective fully diluted interest in HL&H and Rainbow Chicken amounted to 64% and 52,4% respectively, the spokesman said.

See Page 17

COMPANY NEWS

Tobacco sales the mainstay of strong group earnings rise

Rembrandt still smoking

(189) CT(BR) 27/6/97

MAGGIE ROWLEY

Cape Town — The Rembrandt Group, the tobacco and industrial group, has continued its strong growth path, yesterday reporting a 30,7 percent rise in headline earnings a share to 371,1c (283,9c) for the year to March 31

More than 50 percent of these earnings came from tobacco, said Thys Visser, the managing director.

Earnings after exceptional items were an even higher 422,6c a share, a 49 percent increase on the previous year.

The final dividend of 47,44c (37,95c) sees the total payout for the year up 23 percent at 76,84c

Turnover, which is not directly comparable to the previous year owing to changes in group structure, was just over R7 billion These changes include the equity accounting of tobacco interests since October 1 1995 and Rainbow Chicken from October 1 1996 as well as the disposal of HL&H Timber Holdings in April last year.

Rembrandt's trademark group, which comprises its core tobacco and liquor interests, again contributed the bulk of earnings before exceptional items accounting for more than R1 billion, against R806 million the previous year

The group holds 33 percent of Rothmans International, which reported a 5 percent increase in the worldwide volume of sales for the year.

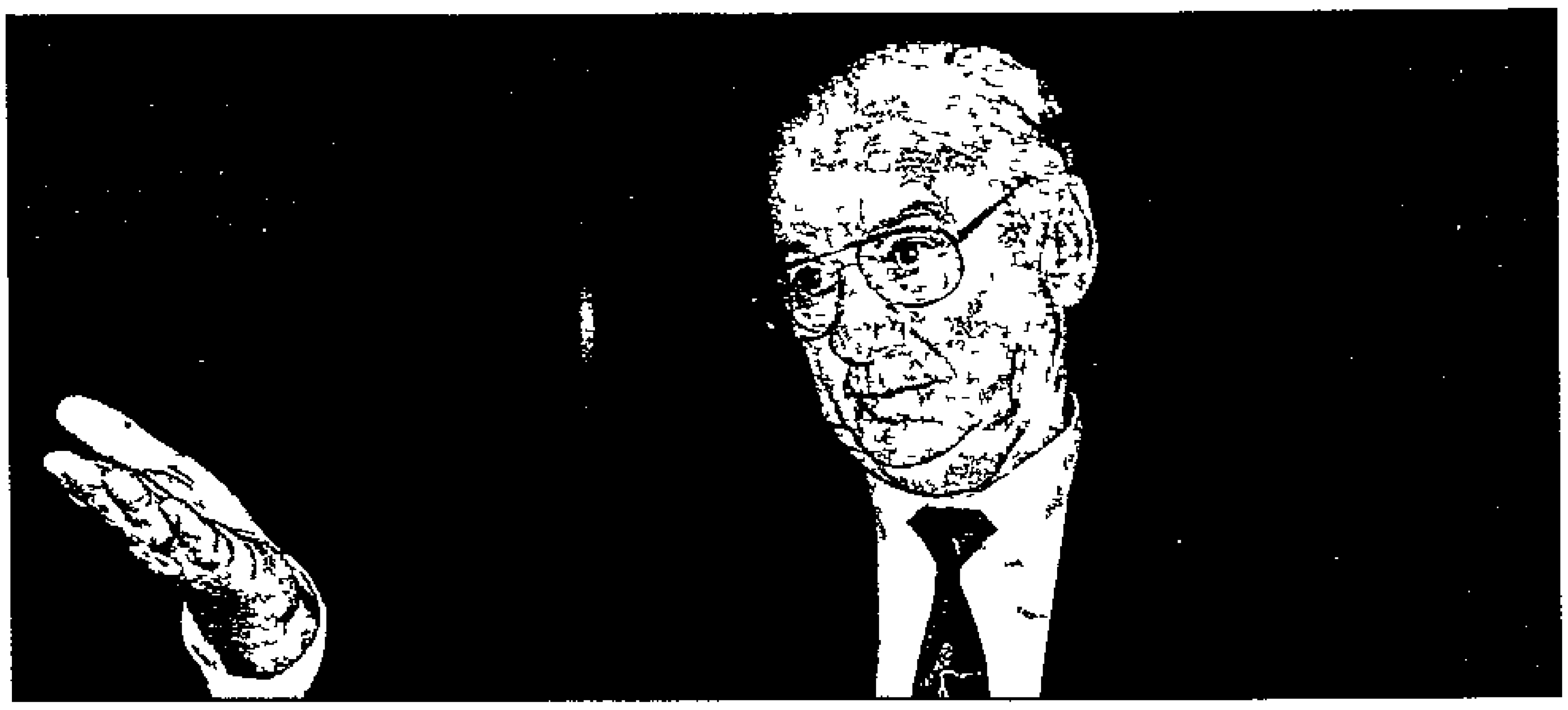
The group's mining interests, which include Gencor, Gold Fields and Trans Hex, lifted their contribution to group headline earnings 35,7 percent to R334 million

Financial services interests, which comprise the Sage group and Absa, contributed R155 million (R117 million) to the bottom line Corporate finance and other interests, namely MediClinic, Perskor, Vodacom and Tracker, were 16,9 percent higher at R242 million.

Visser said while cash on hand was now R1,6 billion on a consolidated basis, cash resources had not grown substantially during the year owing to the large amount of investment activity

Exceptional items during the year, including the capital surplus on the sale of fixed assets and long-term investments and business, totalled R303 million

Visser said the group was looking to a further strong performance from tobacco this year In spite of the anti-tobacco lobby, global demand was continuing to grow, he said



Arnold Pronto

Rob Barbour *cheap power negotiations key to bottomline success*

MOZAL

Alusaf presses 'go' button for huge Maputo smelter

(189)

But before start-up US$250m in equity must still be found on the international markets

FM 27/6/97

Alusaf, SA's biggest aluminium producer, has decided to press ahead with construction of its planned US$1,125bn Mozal smelter in Maputo following agreement by Eskom to provide 435 MW of economically priced power from its 4 500 MW surplus generating capacity pool

Though Alusaf parent Gencor/Billiton Plc notes that about US$250m (half the equity funding) still has to be found on the international market, work on the R5,65bn, 245 000 t/year plant (including infrastructure) is due to start later this year It is scheduled to come on stream by mid-2000

This will be the first phase of a project that could see a doubling of capacity "within the next 12 years," says Alusaf CE Rob Barbour

The smelter will be the biggest private-sector venture ever in Mozambique Eskom plans to carry power to the electricity-guzzling smelter via a $100m extension of twin power lines, each with 450 MW capacity, from Mpumalanga to Maputo A second phase expansion at the smelter would depend, however, on the completion of the planned Mepanda Uncua hydropower dam on the Zambezi river, now the subject of an investigation by the Mozambican government

If Mepanda Uncua gets the go-ahead, SA would be able to buy cheap "surplus" hydropower from Mozambique, adding further to the regional economic benefits the project is beginning to promise And the new twin power lines — the one to go through Mandini in Swaziland, giving that country access to further security of supply — would again be the conduit for "shipping" hydropower back to SA, early next century

"Using a stepped tariff principle (where tariffs gradually increase), we are able to offer power to Mozal at a rate approximately equal to that which we have negotiated with Alusaf for its Hillside smelter project (at Richards Bay)," says Eskom corporate energy adviser Bain MacIntyre

Barbour says Eskom's access "soon" to Cahora Bassa's hydropower helped with a successful resolution of power tariff negotiations

But the acid test for the Mozal first phase remains the sale of a 50%, $250m equity stake in Mozal to "outside" investors, following approval by Gencor/Billiton and the Industrial Development Corp, in principle, to invest $125m each in a combined 50% equity stake in the project Together with total equity funding of $500m, "quasi-equity" of $150m will also be sought — the World Bank's International Finance Corp has already indicated its support for the project — while loan finance of $652m will be obtained from SA and international sources

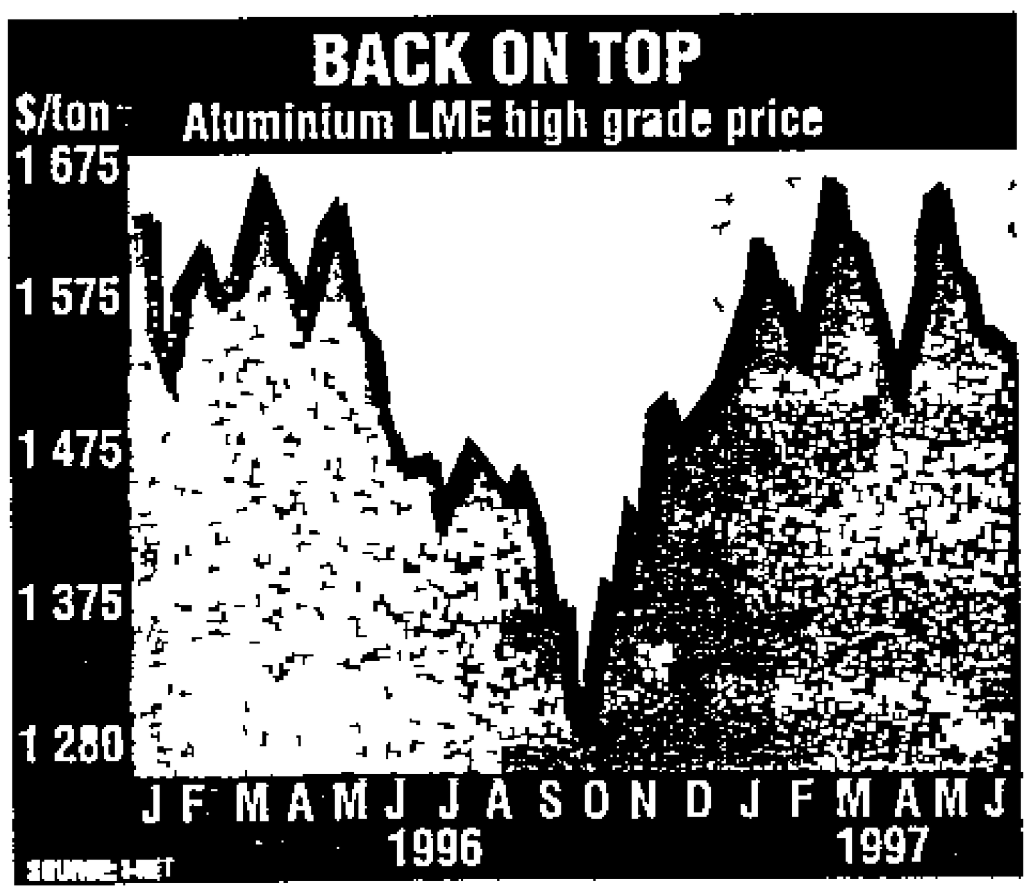
"We will now immediately proceed with drawing up an investment prospectus for the project and are confident that foreign — or local — investors will be interested in coming on board," says Alusaf financial director Paul Snyman

While Barbour declines to disclose the estimated return on capital projected, Snyman admits that Mozal capex costs would be about 40%-45% higher than the comparative capex costs at Hillside

But, adds Barbour, with potential equity partners in the Far East and Europe already showing interest in the project, a further bullish consideration is the fact that Mozambique will provide tax and tariff benefits at the 140 ha free zone site 17 km from Maputo harbour

London-based Merrill Lynch minerals economist Ted Arnold says Mozal's "excellent timing" means that it will come into production by 2000, against the background of global aluminium demand growth of 2%/year-2,5%/year "And as a super low-cost producer, Mozal should easily prove continuing profitability, even with LME aluminium metal prices not expected to show wildly bullish tendencies in the short to medium term Based on Eskom's spare power capacity and cheap rates, I expect Gencor/Billiton to laugh all the way to the bank "

Arnold says the project is another example of Gencor's "brilliant timing and highlights its role as a go-ahead international mining group " Barbour says global demand for aluminium has grown by about 3,8%/year between 1990 and 1995 — while industry analysts project new demand at about 400 000 t/year "for the next 10 years "



According to *Metal Bulletin* magazine, US-based Alumax CE Allen Born told delegates at a recent Aluminium Association conference at Atlanta, Georgia, that "aluminium usage in the automotive sector is expected to grow at 10% a year, with the amount of aluminium used in North America growing from about 250 lb per vehicle to over 300 lb by 2000 " **Arnold van Huyssteen**

Steel producers to decide on quota negotiations (189)

Simon Barber BD 1/7/97

WASHINGTON — SA steel producers are weighing negotiations on a volume quota for their exports of carbon steel plate to the US under the auspices of the US-SA binational commission, which is scheduled to meet in Washington at the end of the month.

The quota would replace antidumping duties provisionally assessed by the commerce department against plate shipped by Iscor and Highveld Steel, with rates set at 31% and 16% respectively.

The binational commission, chaired by Vice-President Al Gore and Deputy President Thabo Mbeki, would offer SA producers the best chance of persuading the commerce department to grant a favourable quota without also setting a floor price on their exports, thus helping ensure a table market for the SA product

Russia, Ukraine and China — the main targets of the dumping suit filed by US producers Geneva Steel and Gulf States steel, and whose exports to the US have dwarfed the 65 500 tons shipped by SA last year — have already entered quota negotiations

Meanwhile, Canada's revenue department announced provisional antidumping duties of 18,1% on SA steel plate in response to a complaint lodged by Ontario-based Stelco Inc As in the US case, the duties will become permanent if an independent government tribunal judges that the imports are harming local industry.

Workers march on Seifsa over wages

(189)

Bonile Ngqiyaza

BD 3/7/97

THOUSANDS of metal and chemical sector workers marched yesterday to the Steel and Engineering Industries' Federation of SA (Seifsa) offices in Johannesburg in support of wage demands and improved working conditions.

The action flowed from a dispute between the National Union of Metalworkers of SA (Numsa) and Seifsa

Seifsa management said employer and trade union representatives had undertaken to reconsider their stances on a number of key issues and had agreed to continue the dispute resolution process at a further meeting of the smaller negotiating forum on Tuesday 15

Numsa demands, outlined in a memorandum later handed over to Seifsa representatives at Metal Industries House, call for a "guaranteed" inflation rate on actuals plus a 12% increase for the bottom grade and 8% for artisans. Seifsa is offering 8% for skilled workers and 8,5% for unskilled workers

The union also wants labour brokers outlawed in the engineering industry and 200 hours of paid training leave a year

Addressing the workers before the march, Numsa president Mthuthuzeli Tom said central to the dispute was the question of education and training and the demand for a recognition of a prior learning framework before June 30

"The employers must educate and train us, we must fight for training and the employers must pay for that training".

He called for unity among workers in order to achieve the union's goals, saying that workers were still being brutalised and treated as slaves in the workplace after the 1994 election, which was supposed to free all SA citizens

Tom said SA's working class was under attack, particularly from the print media which were spreading the notion that the Congress of SA Trade Unions (Cosatu) was concerned only with those of its members who were employed

He said members of the working class were subsidising or sharing their wages with those who were not working. "We are going to ensure that our demands take into account the unemployed "

Cosatu secretary-general Zwelinzima Vavi said employers should publicly apologise for supporting human rights violations against workers under the former National Party government

Numsa demonstrators surround Seifsa offices

(189) 3/7/97

FRANK NXUMALO

Johannesburg — Mbuyiselo Ngwenda, the general secretary of the National Union of Metalworkers of South Africa (Numsa), yesterday prevented a potentially violent confrontation in central Johannesburg between the Steel and Engineering Industries Federation of SA (Seifsa) and the union

Brian Angus, the executive director of Seifsa, initially refused to get on to the motorised public address platform to receive a memorandum from about 40 000 Numsa and chemical workers His action provoked thousands of workers to surround Metal Industries House, demanding he "come out"

Angus said he had been aware of the march to Seifsa offices, but claimed that although he had not been formally informed, he had sent the unions a note saying he was prepared to receive the memorandum, but only in the foyer of the building and not on the streets

"I am not going out into the streets, I was not formally informed and I told your representatives weeks ago that I was not going to go into the streets," Angus told a union delegation, who accused him of "using the police" in this "new era" by "pushing them into a corner"

Ngwenda managed to strike a compromise and persuade Angus eventually to receive the memorandum on the steps of the Seifsa offices, effectively defusing the situation

However, before handing over the document, Ngwenda slammed Seifsa for its "unsympathetic and intransigent response to our demands"

COLUMBUS STAINLESS

IDC study blows the whistle on overcharging

(189)
FM 18/7/97

Steel giant accused of offsetting losses by soaking downstream stainless steel sector

Columbus Stainless, the troubled Middelburg-based steel venture, stands accused of overcharging the local downstream industry while exporting at cheaper rates

Ironically, the criticism comes from a steel industry study group led by its partner, the Industrial Development Corp (IDC)

The R3,5bn stainless steel joint venture between the IDC, Highveld Steel and Samancor is expected to post a R350m-R400m loss for the year to end June, following a R578m deficit in 1996

Task group leader and IDC project development manager Fred Cawdry told a recent *Metal Bulletin* stainless steel conference in Dusseldorf that "it would appear that the local (downstream) industry has been used to reduce the losses incurred by Columbus in their endeavours to export larger volume shipments of certain products to global customers

"The net effect of this," adds Cawdry, "is that SA downstream producers may have been subsidising their global competitors "

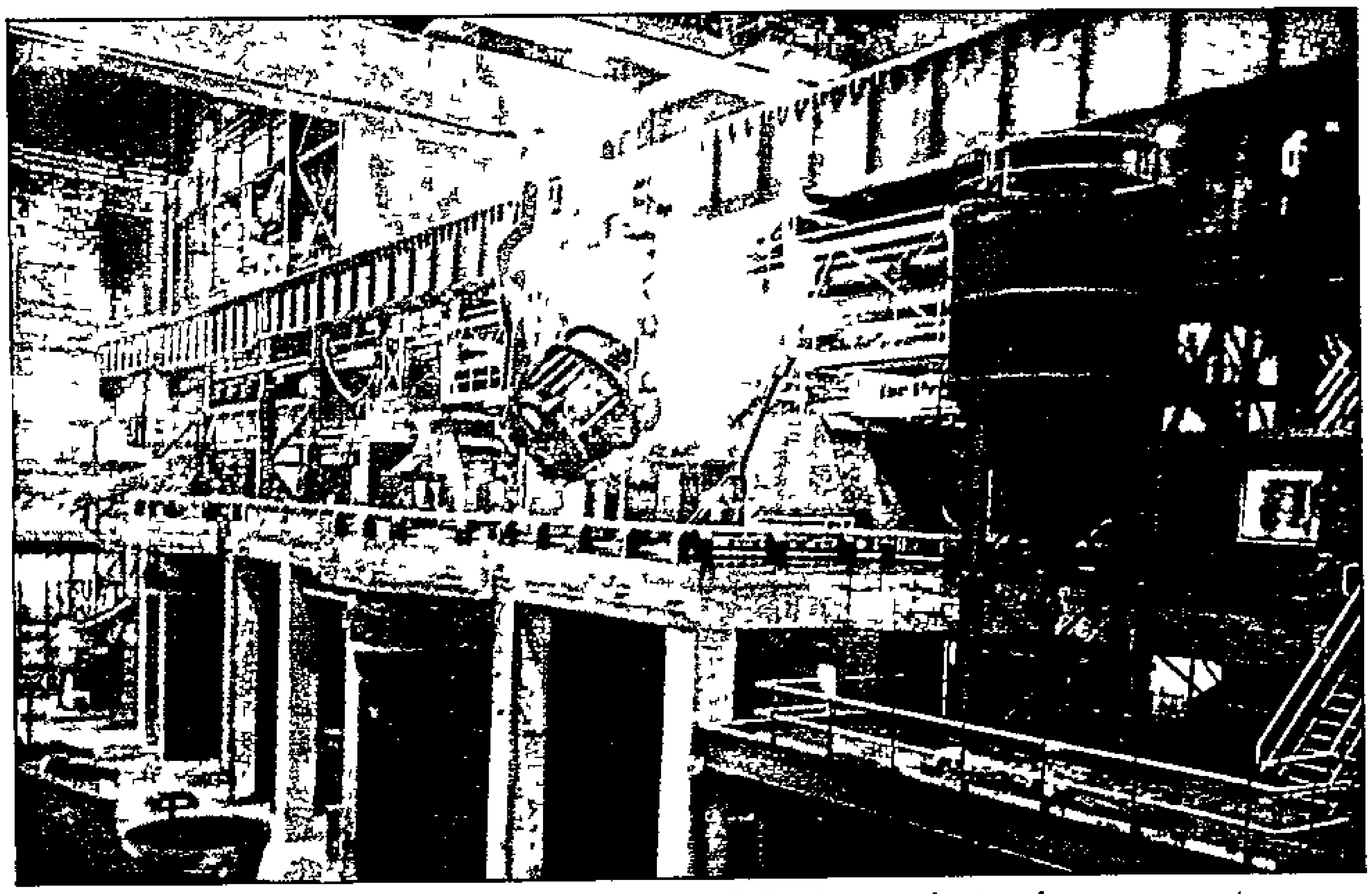
In other words, while global manufacturers of stainless steel products have been swamping the local market with much cheaper product, this may have been made possible at least partly by Columbus' "subsidised" stainless steel raw material exports to these countries

"Fortunately, no tariff protection now exists for stainless steel metal and SA downstream manufacturers are generally able to source material at competitive global prices," says Cawdry

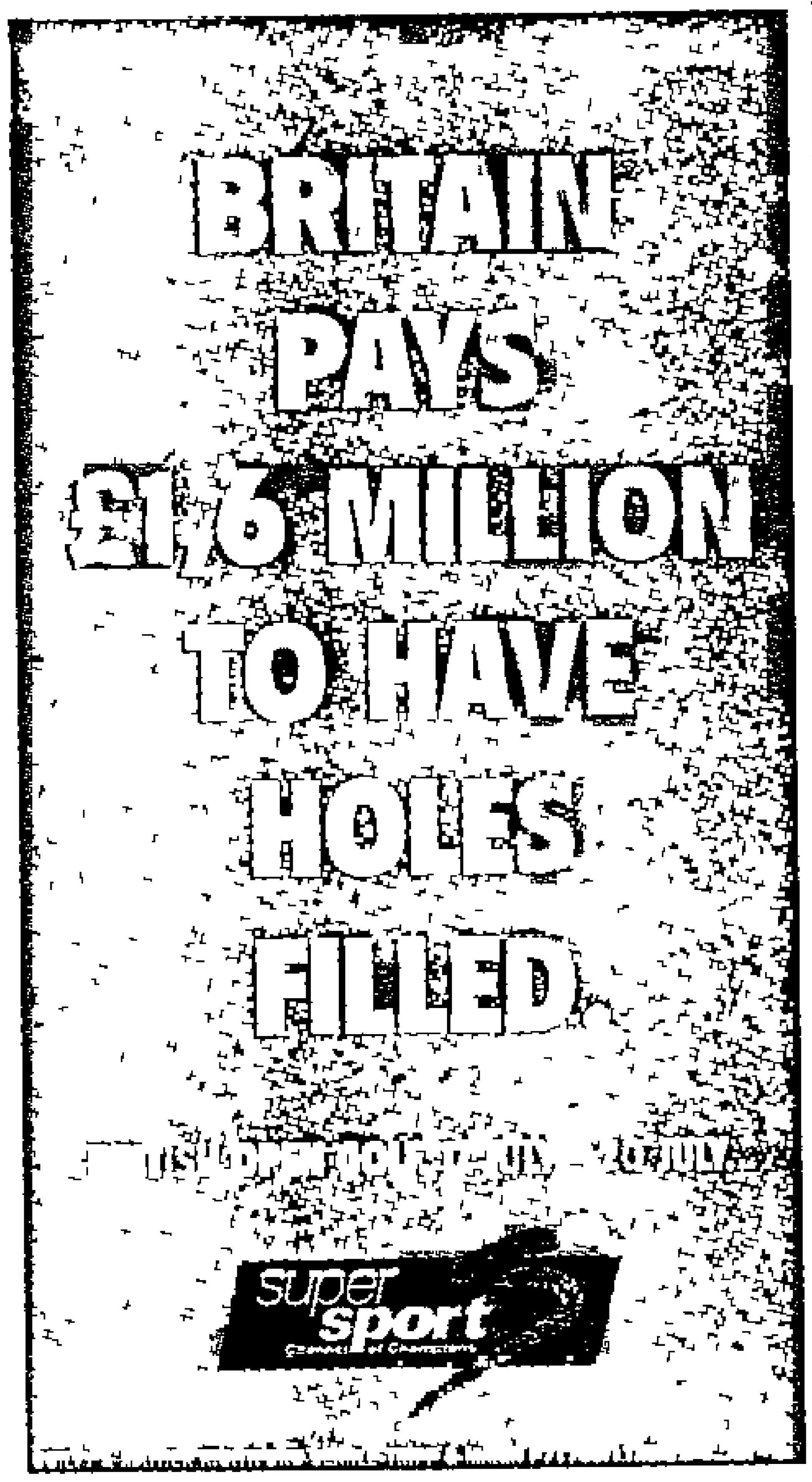
The criticism follows a *Metal Bulletin* comment that Columbus "is suffering from an abnormally high ratio of export to domestic sales" and that "SA's stainless steel industry might have to wait for the development of adequate local demand before it attains real health "

But with the domestic downstream industry subjected to "a raw material price disadvantage which is consistently of the order of 10%-20%," there seems little chance that there will be "adequate local demand" soon In fact, Cawdry points out that the stainless steel cookware "micro-cluster" now uses only about 160 t/year of local stainless steel, with finished product imports (mainly from China) constituting 70% of the domestic market, compared with only 40% in 1990

Similarly, domestic manufacturers of intermodal stainless steel containers (consuming about 10 000 t/year of stainless steel) and of tubular automotive products (such as exhaust systems and catalytic converters) suffer not only from "the higher cost of stainless steel material" but also from material quality problems that often force them to import



Columbus production line exporting product at cheaper rates



Cape Town-based Consani Engineering CE Hans Guttler says while the container "dish ends" are manufactured from Columbus product, the so-called shell plates are imported as Columbus cannot manufacture to the thickness and standard required

But much more serious than the product quality problem, adds Guttler, is the fact that the partial lifting of exchange controls on July 1 has slashed away "about 60%" of the local rand hedge container market "Coupled with this sudden drop in local demand, government has also accelerated the demise of the general export incentive scheme (Geis), which helped make us a globally competitive manufacturer "

Salmac Stainless Tube marketing director Alwyn Smith says Salmac is growing its current 40% export component of production "quite fast Columbus sometimes provides export-focused pricing, allowing us to compete internationally The raw material situation is now better than about two years ago," he adds

Arnold van Huyssteen

Swaziland approves Eskom power lines

(189)

CT (BE) 9/7/97

BETTER NDABA

Mbabane — The Swaziland government has approved, in principle, the construction of one of two proposed 400 kilovolt Eskom power lines through the country to supply Gencor's Mozal aluminium smelter in Maputo

The $150 million Mozal smelter plant will require roughly 900 megawatts of power to operate at full capacity and would be forced to rely on South African-supplied power, Swaziland's Electricity Board (SEB) officials said.

"To benefit from the Mozal project, SEB will need to build a 132 to 400 kilovolt stepdown substation, so as to redistribute the energy within the country," the government stated last week

SEB officials also stressed that the Swaziland government was studying the possibility of sourcing more power from its binational Maguga Dam project with South Africa. — African Eye News Service

Uncertain future for veteran steel mill

(189) CT (BR) 8/7/97.

FROM BLOOMBERG

Pretoria — Iscor, the iron and steel producer, yesterday said its steel division had begun consultations with stakeholders, including trade unions, about the future of its oldest steel mill, Pretoria Works

By late yesterday, Iscor had fallen 13c to R2,87, its lowest since September last year About 2,9 million shares changed hands

"Once the future of Pretoria Works has been determined, shareholders and other interested parties will be informed about the outcome," Iscor said

Pretoria Works, which opened in 1934, produces about 850 000 tons of slab for Iscor's main plant at Vanderbijlpark The mill is unprofitable

"There is very little domestic demand for Pretoria's carbon-steel slabs outside Iscor," said Louis van Niekerk, the managing director of Iscor Steel "I am not sure the export market will ever be profitable enough to justify the time, effort and money required "

Iscor supplies 74 percent of the domestic steel market The company released first-half earnings in February, which tumbled 66 percent

The company said first-half profit was drained by one-off costs related to the Pretoria plant, and the recommissioning of a blast furnace and continuous caster at Vanderbijlpark Pretoria is the company's oldest works, and was recently converted from a carbon steel to a stainless-steel producer, but reverted to carbon steel production earlier this year

"At the time we decided to convert to stainless steel, the market looked promising, and if it had held firm, it would have been the salvation of Pretoria Works," Van Niekerk said "We have had restructuring exercises to close down those sections responsible for the major losses, we introduced the world's most advanced iron-making technology, we pursued the stainless steel route Further action is now necessary to stem the tide of losses "

FM 4/7/97

SKILLS DEVELOPMENT

IDC to train labour for Saldanha Steel

(189)

Driven by the Industrial Development Corp (IDC) and private-sector partners, a new programme to train thousands of Western Cape residents will draw them into the economic life of the region The employers will be Saldanha Steel and its downstream developments

This marks a significant departure by the IDC from its traditional role as an industrial facilitator

The West Coast Training Initiative will initially be funded by the IDC and the National Access Consortium, a regional educational body, to the tune of R4m More companies will be drawn in to train over 3 000 residents in both industrial and hospitality sector skills

Various contractors involved in the Saldanha project have agreed to use semiskilled labour from the programme, and to give on-the-job training IDC manpower manager Jaap Wolfaardt says major downstream projects will also be taking on trained staff

Piet Badenhorst

METAL COMMODITIES

Sucked into a global vortex

Aluminium producer Alusaf swanning it as steel makers Columbus and Iscor wait for vital pick-me-up

FM 4/7/97 (189)

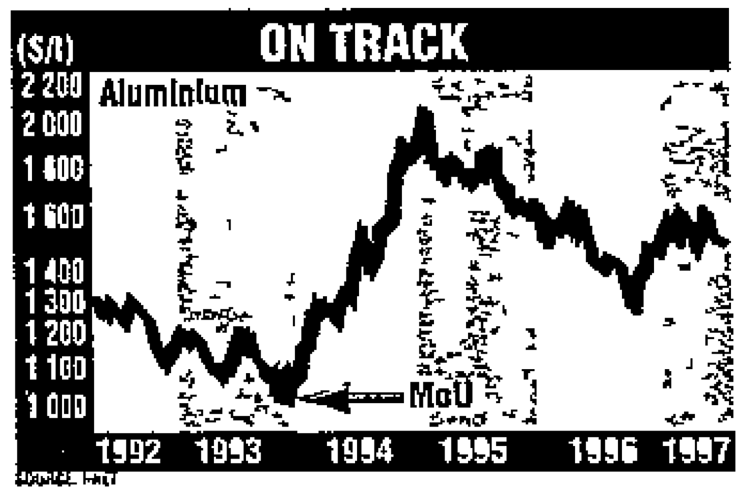
Just over three years ago the global aluminium market was threatened by a huge glut in supply So grave was the situation that a memorandum of understanding between the five major producer nations was signed Russia Canada the US Australia and Norway all signed the memorandum to save an industry from itself Production and supply quotas were agreed and in the main adhered to The LME stock situation righted itself The end result is a burgeoning aluminium market

For local producer Alusaf the MoU was a godsend With both its Richards Bay plants now at peak production it s riding the wave of a bouyant global market It can barely keep up with demand So much so it has just decided to build another smelter up the coast — at Maputo

Unfortunately the same cannot be said of the steel sector — both carbon and stainless Local producers Iscor and Columbus Stainless were about ready to launch themselves as world players only to be foiled by the vagaries of the commodity markets

Because of a dismal pricing outlook and global overproduction Iscor was recently forced to shelve plans to convert its Pretoria carbon steelworks into a 500 000 t/year stainless slabs production facility

Loss maker Columbus has been plagued by technical and quality problems and is still producing well below expectations Compounding its woes the project was launched smack into an avalanche of plummeting global stainlesss steel prices "About 18 months ago cold-rolled stainless was selling for about US$3 200/t Today the price is $1 600/t — the result of global over capacity says Highveld Steel financial director Luigi Mateuti



Columbus three joint venture partners IDC Highveld Steel and Samancor will again be forced to bite the bullet as losses pile up The Middelburg-based project is expected shortly to post a R350m-R400m loss for the year to end June following last year s R578m deficit — including capitalised interest Last year R428m was capitalised leaving a R150m operating loss

Columbus somewhat disastrous R3 5bn launch stands in stark contrast to the smooth sendoff of Gencor s successful and highly profitable Alusaf aluminium subsidiary Alusaf's new 470 000 t/year Hillside aluminium smelter at Richards Bay was completed at more than R1bn below capex estimates and both Hillside and Bayside are currently churning out over 500 000 t/year to a hungry world market

Alusaf CE Rob Barbour says Hillside is one of the lowest-cost smelters in the world based on a favourable power tariff agreement with Eskom and long-term alumina (raw material) contracts which are directly linked to LME aluminium prices

"This means that should LME prices plummet we will become even more cost-competitive than most producers in the world Be that as it may I expect the LME aluminium price to continue its steadily rising trend over the next two to three years to levels of about $1 750/t, he adds

The fact that several mothballed US operations may be waiting for the metal to breach $1 700/t before coming back on stream doesn t worry Barbour I doubt they will do that — nor do I know of any major new committed smelter projects on the drawing board"

When Hillside was being built aluminium prices hovered in the $1 200/t range These have subsequently firmed to a current $1 570/t-$1 600/t range

On a more sombre note Edey Rogers & Co metals analyst Mike Byrne says he expects Columbus to continue smearing the books with red ink for the next two years "But by 1999 it might well produce a turnaround I wouldn t be surprised if a rapid Columbus recovery churns out a R200m profit by that time

Columbus navigating uncharted waters

London based Merrill Lynch minerals economist Ted Arnold says forecasting 1999 stainless prices is way beyond the reach of my crystal ball But from a short-term perspective he agrees with other London analysts that Columbus is in deep trouble with a stainless steel glut still depressing prices

Byrne s medium-term positive views are shared by Columbus marketing and sales director John Roe who says the turnaround might be as close as 15 months

Strong underlying market demand growth of 5%/year-7%/year — pushed along by recent moves such as US legislation that 100% of new motor vehicle exhausts should be made of stainless steel — means current oversupply should vanish within the next year or two And Columbus as one of the world s lowest on-site producers is bound to benefit when this happens

London-based Commodity Research Unit (CRU) analyst Jonathon Lewis says too much capacity caused the initial collapse in stainless prices Demand he says is growing — but so is supply Investment decisions taken two years ago are now kicking in

Despite an imbalance of 2 5 Mt in Europe Lewis says prices have risen from $2 60/kg to $2 80/kg and are expected to hit $3/kg by year-end However Lewis makes the point that most price increases are being forced by raw material costs which in turn have seen profits trimmed

Mitsui assistant GM Mikio Sakamoto told a conference in Dusseldorf this week that excluding Japan stainless steel demand in Asia is expected to grow from 1 6 Mt in 1995 to 2 5 Mt by 2000 However, he points out that supply will grow from 1 2 Mt to 2 4 Mt over the same period This Sakamoto says is because of major expansion in Korea, Taiwan China and Indonesia and does not take into account Japan s surplus of 400 000 t He adds that Taiwanese manufacturers are very aggressive in world markets

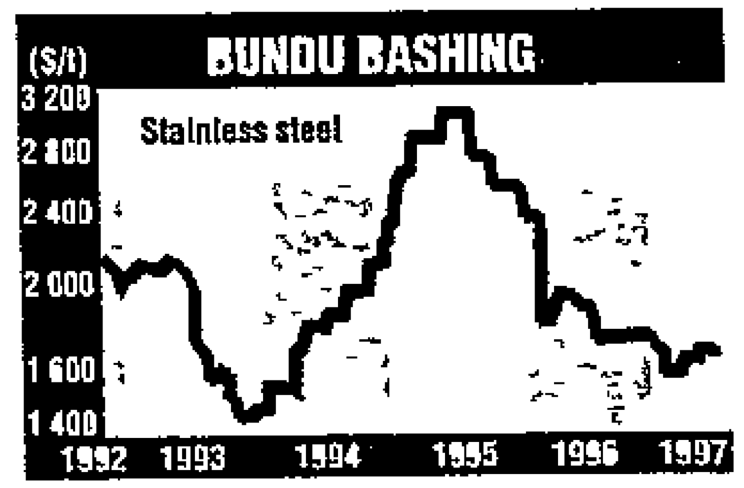
Byrne s bullish prognosis is based on a quadruple whammy with all the factors pointing in the same direction His four plus points for Columbus are

- With global stainless steel demand growing at an estimated 5%-7% prices should firm by 1999 when the supply pipeline will be cleared of surplus output capacity
- Columbus currently producing at about 310 000 t/year should by then have ironed out its production problems
- Columbus high-value product spread of about 50% hot-rolled coil and 25% cold-rolled product should maximise the plant s potential earnings into a bullish global market and
- Current nickel prices of about US$7 000 t — already down from more than $8 000 t a while back — should fall even further by 1999 when Inco s massive nickel production facility at Voysey Bay Canada comes into production Nickel makes up about 70% of Columbus variable raw material costs

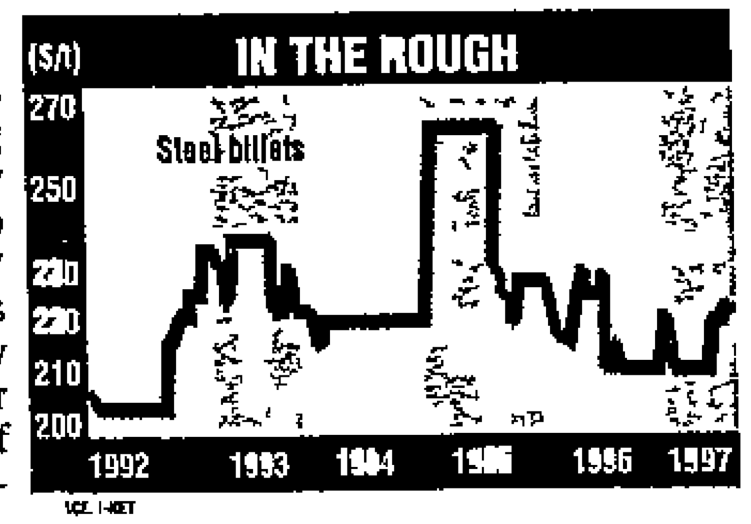
Smith

Barbour

However from London Arnold says One should not get too excited about Voysey Bay as its nickel production might well be delayed" Nevertheless Arnold expects nickel to trade below $7 000/t in coming weeks



The *Metal Bulletin* says commissioning difficulties and what some see as an inappropriate product focus have set back SA s plans to become a major player in the already competitive international stainless steel market It says Columbus is suffering from an abnormally high ratio of export to domestic sales" adding that "SA s stainless steel industry might have to wait for the development of adequate local demand before it attains real health



But for carbon steel Iscor CE Hans Smith paints a bullish end century prognosis for his group He says that the R6 8bn Saldanha Steel minimill — which should reach its full output of about 1 25 Mt of hot rolled coil by the end of 1999 — now also appears ready to hit the big time

Smith predicts that the international carbon steel market should offer bullish prices between 1999 and 2002

Originally Saldanha was expected to come on stream just after a projected bull market had peaked in 1998 Now fortune seems to be smiling on us — and Saldanha should hit the next bull market smack on the nose says Smith It that transpires Smith can thank the environmental lobby which delayed construction at Saldanha for nearly a year

Apart from its Saldanha Steel commitments Iscor has also just spent about R800m on modernising equipment at Vanderbijlpark and Vereeniging

One needs to take a longer view beyond the markets immediate negativities and I remain a firm optimist says Smith

His optimism is shared by Swiss steel trader Duferco which recently announced a joint $131m cold rolling mill (capacity 610 000 t/year) with the IDC — down stream of Saldanha Steel

CRU steel analyst John Johnson says carbon prices are ticking up slightly This week hot rolled coil moved from DM500/t to DM550/t

But most mills are planning production increases in the third quarter Some of them will be rebuilding stock but others are pinning their hopes on growth

Perhaps an MoU among the major steel-producing nations is what is needed to breathe life back into a moribund global steel industry

Arnold van Huyssteen

Seifsa and unions on brink of wage deal

Reneé Grawitzky

(189) BD 21/7/97

THE Steel and Engineering Industries Federation of SA (Seifsa) and nine metal unions representing more than 200 000 engineering workers are on the brink of agreement on increases ranging from 9% for artisans and up to 10,5% for workers on lowest grades

The parties have been locked in negotiations for almost two months and are expected to meet today to determine whether an agreement will be signed or not

The negotiations were marked by industrial action, including a march by members of the National Union of Metalworkers of SA (Numsa) on Seifsa offices earlier this month

Numsa and other unions including the Mineworkers' Union and National Employees' Trade Union are expected to report back to the formal bargaining council today as to whether their members have accepted Seifsa's final offer

Seifsa itself faced internal opposition from a number of employer associations unhappy with the final offer However, by Friday it became clear all employer associations were on board

BUSINESS DAY

Seven metal unions fail to sign industry deal

(189) BD 22/7/97

Reneé Grawitzky

SEVEN metal unions yesterday failed to sign an industry agreement that would ensure workers would, on average, receive inflation-linked increases in line with separate agreements at Eskom and Iscor.

The National Union of Metalworkers of SA (Numsa) and the Steel, Engineering and Allied Workers Union of SA signed the deal with the Steel and Engineering Industries Federation of SA (Seifsa).

Seven other unions, however, claimed that they did not have a mandate to sign.

Seifsa executive director Brian Angus said that the unions would advise employers by Friday on their final decision

He confirmed all Seifsa associations had endorsed the agreement ensuring increases ranging between 9% for artisans and 10,54% for workers on the lowest grades

Following the agreement, the minimum wage in the industry will now be R1 558,94 a month.

A number of associations had expressed concern about the level of increases in view of the current state of the industry which was losing about 1 000 jobs a month

The agreement provides that individual employers can apply for exemptions to implement wage increases of a lesser amount than agreed to

Numsa's negotiator Elias Monage said the union had refused to agree to a last-minute request to amend the agreement to ensure unions gave sympathetic consideration to exemptions

Such a move would be perceived as labour granting a blanket agreement to exemptions

The exemption procedures provide that employers have 60 days from the conclusion of the agreement to apply for exemptions.

Monage said the differentiated increase was in line with the commitment of the unions to close the wage gap between the lowest and highest paid workers.

The bargaining council settlement was in line with settlements reached during separate house agreement negotiations, he said

Workers at Eskom will receive increases ranging between 9% and 9,5% while at Iscor increases range between 9% for artisans and 10,4% for the lowest paid workers

Monage said the agreement ensured that — for the first time in the history of the industry — employers would have to consult in an endeavour to reach agreement on technological change and reorganisation of the workplace

Where technological change affected job security, employers would have to notify the unions of the proposed change at least 90 days before its implementation

The agreement also provided for the negotiation of paid leave for training at company level

There were also a number of principles to guide the recognition of prior learning process, which would recognise the skills acquired

Crucial wage talks settled amicably

Sowetan 22/7/97 (189)

By Abdul Milazi

CRUCIAL steel and engineering industry wage talks were amicably settled yesterday with employers agreeing to give workers access to training and paid time off

Speaking shortly after the wage settlement, National Union of Metalworkers of South Africa (Numsa) chief negotiator Elias Monage said "This is a victory for workers because training forms an integral part of the upliftment of the working class"

Numsa and the Steel and Engineering Industries Federation of South Africa (Seifsa) settled at 10,54 percent wage increase across the board and nine percent for artisans

However, training had been the major source of conflict, in the negotiations, with Numsa demanding that workers should be given 200 hours time off a year for training and employers saying this was impractical and detrimental to productivity

Numsa Wits region secretary Bheki Magagula said when employers agreed to give workers access to training and paid time off, the union had no reason to stick to the 200 hours demand "What we wanted was training and it is exactly what we got," he said

Employers also acceded to Numsa's demand for the recognition of prior learning and skills acquired during employment

The two parties also agreed that employers should give workers three months notice before introducing new technology and 30 days notice for restructuring

The negotiating team is, however, still negotiating how many modules a worker should go through before moving to the next grade

Meanwhile, the National Union of Mineworkers (NUM) is still locked in negotiations with the South African Chamber of Mines over minimum wage increases in coal mines after the parties reached a productivity arrangement on the gold mines

The gold mine negotiations were separated from the coal mines due to the falling gold price which is making continued production for many mines not economically viable

NUM is demanding that the minimum wage for underground workers be increased to R1 200 and R1 000 for surface workers

The two parties are meeting today in yet another attempt to reach a settlement

Jackie Kelly of Andrew Levy and Associates said the decision by the parties to separate the gold and coal mines would not affect the NUM's negotiating power, even though a large number of its members are in gold mines

Some analysts, however, said this might be the beginning of a trend where wages on gold mines would be negotiated separately due to its special circumstances

Numsa signs wage agreement

(189

THE National Union of Metalworkers of South Africa and the Steel Engineering and Allied Workers Union of SA signed a final settlement agreement with Seifsa in [illegible]urg on Monday

This brings this year's wage negotiation process between the employers and trade unions in the metal and engineering industry closer to a conclusion, the Steel and Engineering Industries Federation of SA said yesterday.

[illegible] will be advised about the settlement agreement — *Sapa*

Sowetan 23/7/97

Saldanha thinks big in steel

7 000 labourers working on giant R6,8-m plant

ARG 7/8/97 (189)

LENORE OLIVER
STAFF REPORTER

There is enough steel at Saldanha Steel mill to build three Eiffel Towers, enough concrete to build thousands of swimming pools and more than enough cabling to stretch between Cape Town and Durban.

These are just some of the amazing facts emerging as the controversial steel factory on 67ha of land in Saldanha nears completion.

More than 7 000 workers – dwarfed by the massive metal structures – are three-quarters of the way to completing the R6,8-million factory

The statistics show that 36 000 tons of equipment and 6 190 tons of piping will have been used and 20-million man-hours clocked up by the end of the construction

So far R3,5-million has been spent on the factory, which is due for completion by April next year, when the first steel coils will be produced.

The coils weigh 80 tons each and full production capacity by the year 2000 is estimated at 1,25-million tons a year

The project has been dogged by controversy since it was first mooted, the major concerns being its environmental impact and job opportunities for locals.

Saldanha Steel community manager Tom Ferreira is confident that the company has tackled both issues successfully

"We were told the factory would be an eyesore and that it would affect the environment," Mr Ferreira said

"But our architects have designed the outside of the factory with aesthetics in mind We also have an 'off-gas canopy' that captures excess gas before it gets into the atmosphere," he said

The company moved its site 1,6km further inland after objections from environmentalists that it was too close to the shore

"We are confident Saldanha Steel mill will be an example to the world on environmental management," said Mr Ferreira.

A community forum was established, which in turn elected a subcommittee to deal with recruitment of staff Skilled and semi-skilled locals between Atlantis and Dwarskersbos were screened for the jobs

"Half of the 7 200 workers are from the local community, 20 percent from the wider Western Cape and the rest from outside the Western Cape," said Mr Ferreira

"An effort was made to first exhaust our local pool of skilled and semi-skilled workers before going elsewhere "

On completion of the project, 600 people will be employed permanently at the factory

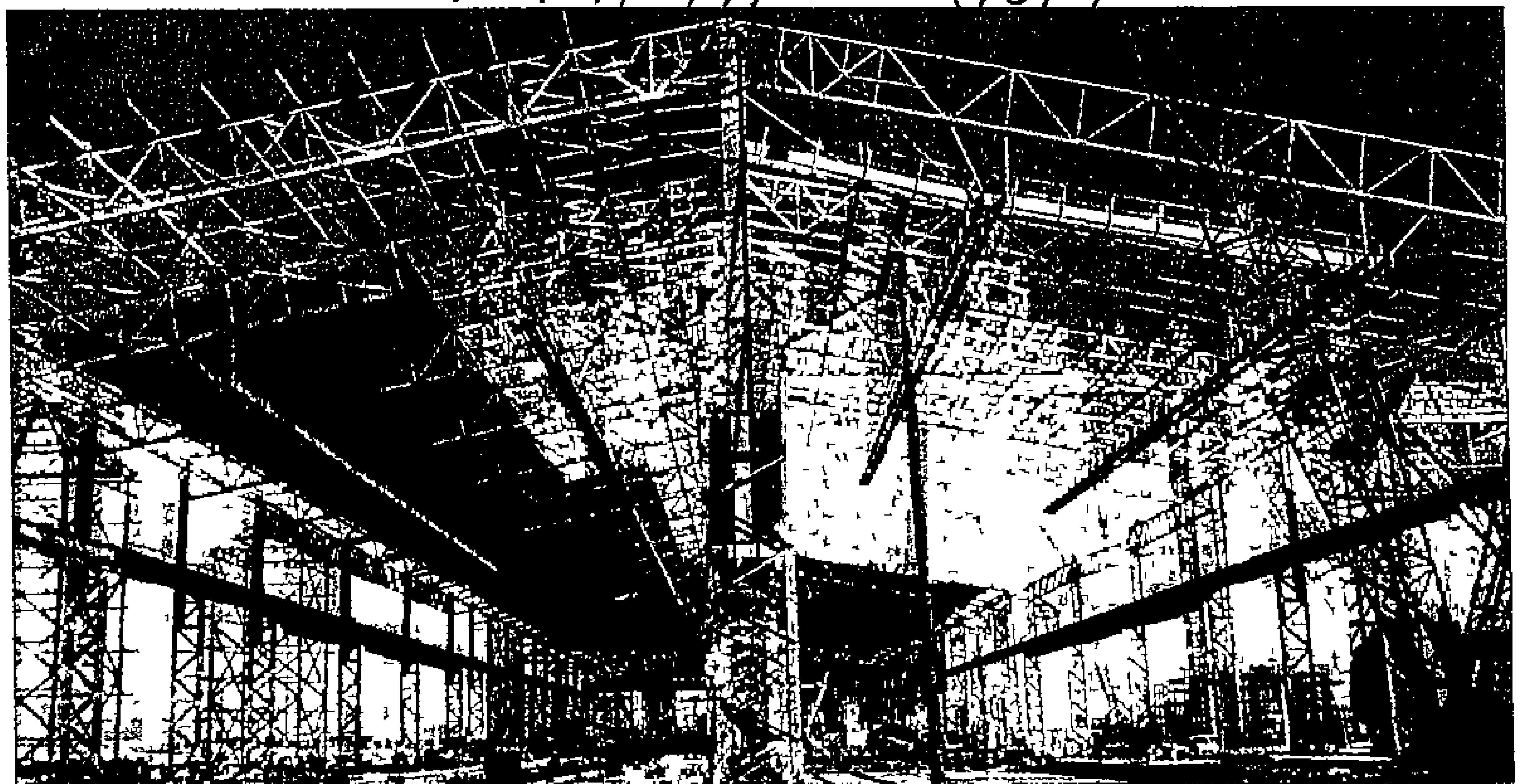
"We undertook to employ 400 people from the West Coast and so far 300 have already been trained

"We are using state-of-the-art equipment and these people will go overseas for further training," Mr Ferreira said.

Ebrahim Dalwai, chairman of the community forum, said the committee was pleased with developments "to a certain extent"

"We are just sorry we did not have all the expertise in our area and that we had to go to other areas," said Mr Dalwai.

He was positive about the factory and was happy everything was going according to plan



BRENTO GEACH

Massive metal: the rising mill at Saldanha Steel – a construction using enough steel to build three Eiffel Towers

New plant, low prices test Columbus's mettle

BD 4/8/97 (189)

Shareen Singh

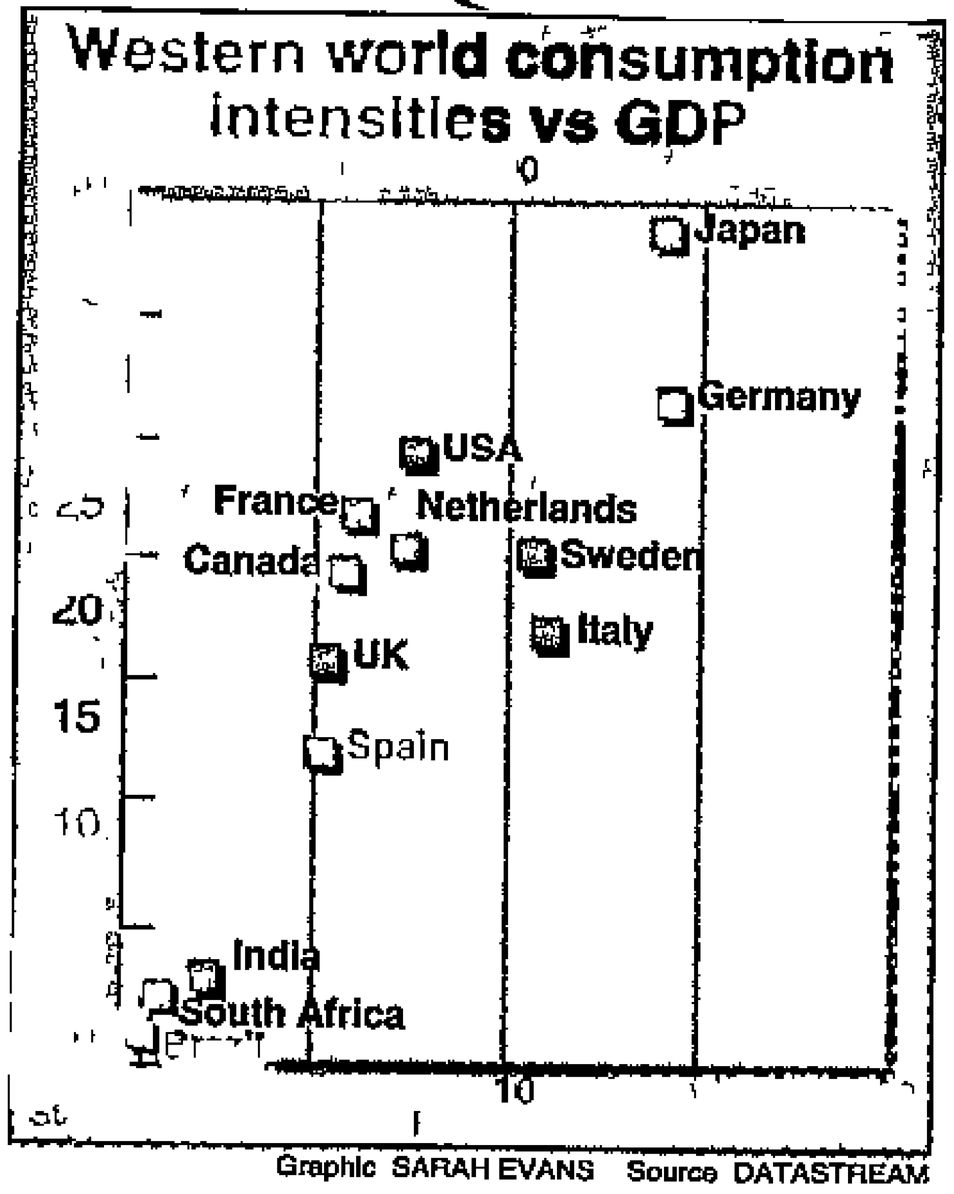
THE halting of stainless slab production by Iscor and poor performance by Columbus Stainless had painted a grim picture of the stainless steel industry, but chances of revival were good, Columbus CE Fred Boshoff said at the weekend.

Boshoff said some analysts had questioned whether SA should be involved in stainless steel production at all, but they had not taken into account the enormous growth potential of the market and successes in the automotive components and stainless steel container industries, he said.

Stainless steel had shown continuous growth of at least 3% to 5% in the last decade, said Boshoff. Columbus had posted poor results in the last financial year simply because "we built a completely new, integrated plant at a capital cost of R4bn and loan repayments and interest amounted to R400m a year", he said.

The company was still in the process of building to full capacity and efficiencies while at the same time experiencing recent lower steel prices.

Enormous growth in stainless steel demand had resulted in major capacity expansions in Taiwan and Korea. SA too had shown double digit growth since 1995. This new capacity, and the battle for market share in the Pacific rim and Europe, had led to oversupply, stockbuilding and low prices.



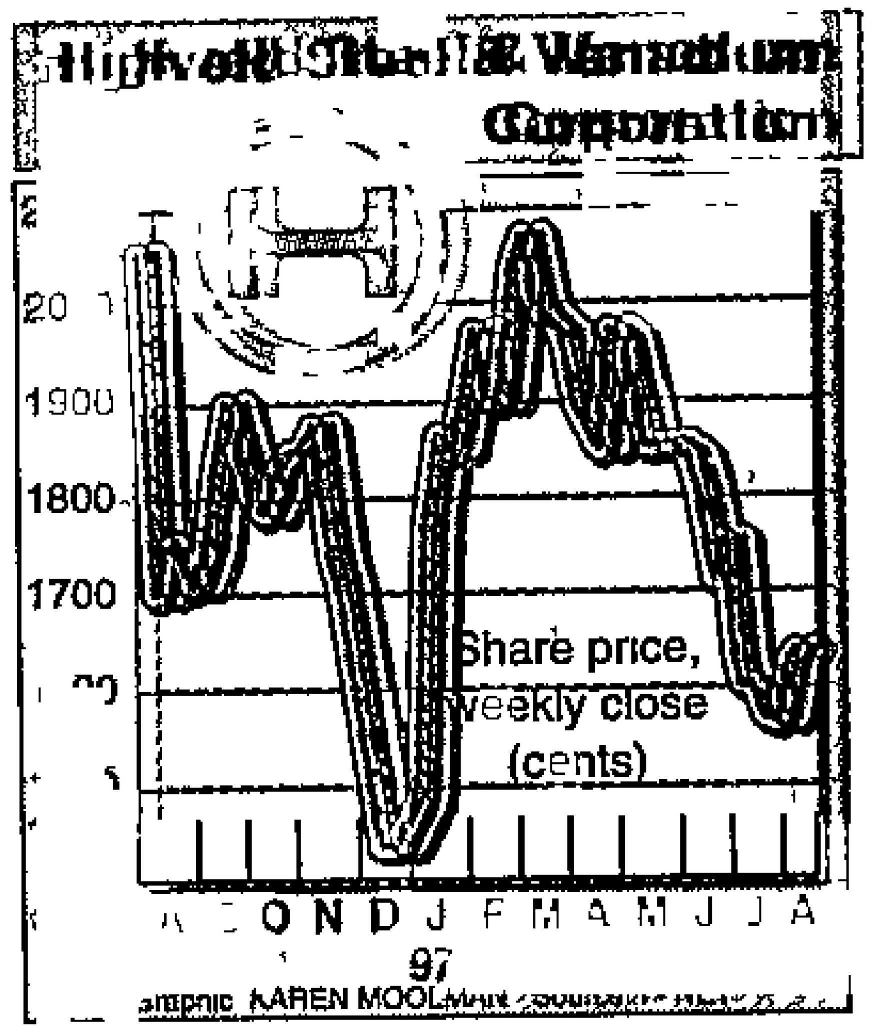
Graphic SARAH EVANS Source DATASTREAM

In this context, it was expected that Columbus's results would not be excellent and there might be further losses. However, this was just a normal stage in a commodity cycle which was extremely demanding, said Boshoff. In the longer term, as the company developed and built on the successes of the automotive and steel containers industry, the cycle would pass, he said.

"We have the raw materials, competitive energy costs and state-of-the-art technology to add value to our raw materials. The conditions are there for us to make strides," said Boshoff.

Highveld helped by Columbus Stainless

(189) BD 6/8/97



David McKay

HIGHVELD Steel & Vanadium increased taxed profit 3,7% to R40,7m in the six months to June amid signs that Columbus Stainless, in which Highveld has a one-third stake, was turning the corner

CE Trevor Jones said yesterday rising production in rolled steel and vanadium, higher vanadium prices and a recovery at Columbus Stainless overcame the effects of a lower than expected average price for export steel All interest and operating costs from Columbus Stainless were expensed to the Highveld income statement, Jones said.

Turnover rose to R1,6bn from R1,3bn in the corresponding period last year This led to a 37% increase in profit before interest and depreciation to R142,2m compared with R103,5m last year, Jones said.

Profit before tax, excluding Columbus Stainless, rose to R98,5m from R68m last year. Total net interest paid including Columbus jumped to R58m from R17m. Total net earnings a share increased to 42,2c from 41,5c last year, he said

On the balance sheet, Highveld expected to reach peak funding of R800m next year, earlier than first expected, Jones said

Chairman Leslie Boyd said the company expected real earnings growth at the year end, as both Highveld and Columbus Stainless would have a better second half.

Steel output increased about 25 000 tons to 356 000 tons, but prices remained weak with the average selling price falling to $297/ton from $311/ton This was offset by strong vanadium pentoxide prices and output levels which could reach record levels.

Highveld's ferroalloys production had shown "a nice step up" in the period.

Columbus Stainless losses before interest and depreciation rose to R64m from R28m after capitalisation But operationally, the company increased saleable production 21% to 138 000 tons and lifted production of value-added products.

CE Fred Boshoff said the company had lifted output despite losing 10 days of production to a furnace repair

However, there was a $200/ton reduction in the average selling price for its basket of products

Stainless steel prices would start to improve with the expected shortage in finished product capacity later in the year, Boshoff said

Strike hurts Anglo platinum interests

BD 6/8/97 (189)

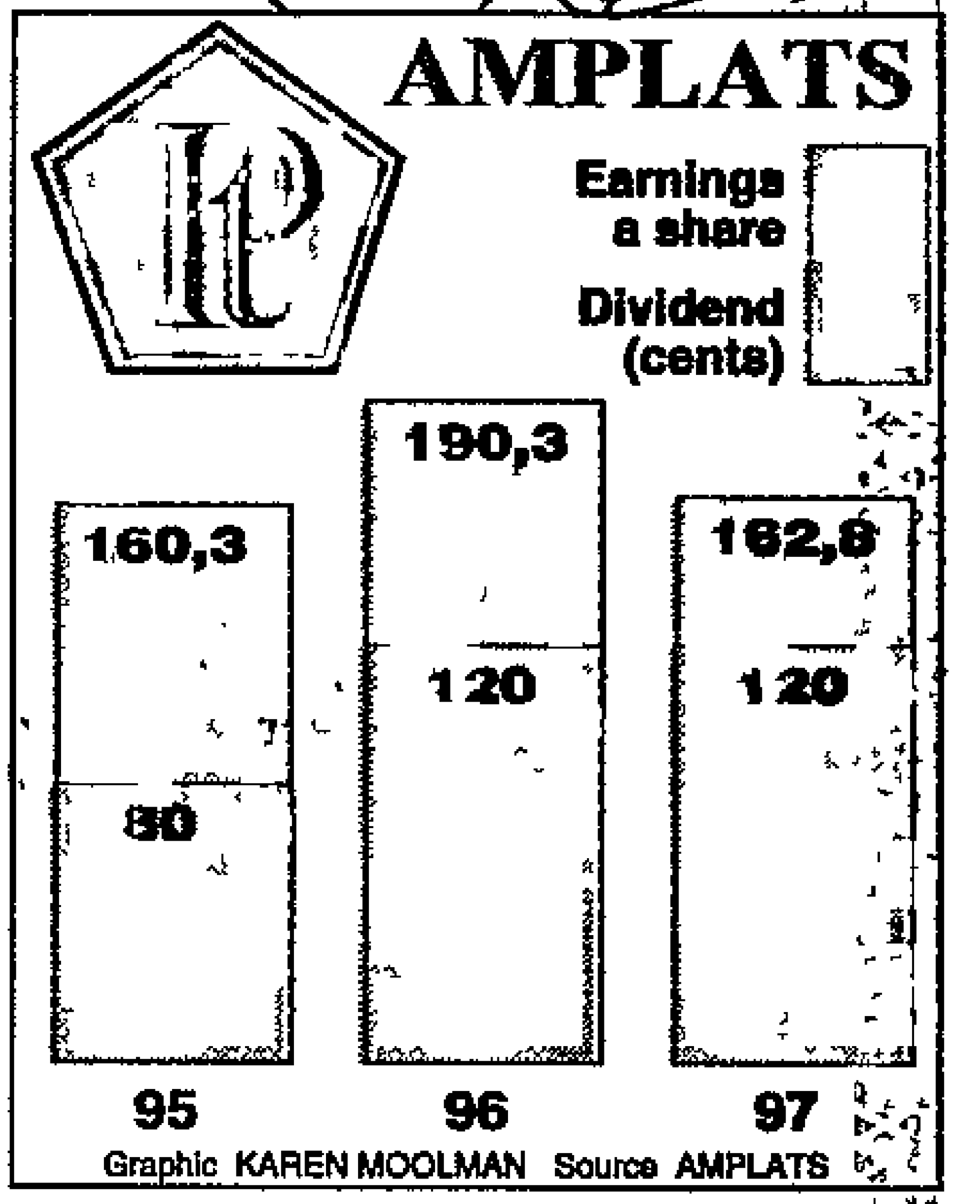
David McKay

ANGLO American Platinum Corporation (Amplats) reported a 9,5% decline in taxed income to R289m for the year to June as a strike led to losses at Rustenburg Platinum Holdings (RPH), the group's main revenue earner.

MD Barry Davison said the group was also knocked by an increase in costs at Lebowa Platinum Mines (Leplat) and Potgietersrust Platinums (PP Rust) The average free market platinum price was $384/oz, 7% below last year's average

The sharp rise in the platinum and palladium price during the last two months of the year was not sufficient to buoy revenue, Davison said. Higher dividends from investments, including an increase in income of R100m (1996 R68m) from its diamond trading interests, partly offset the effects of lower platinum output and higher costs.

Amplats' net income before tax slipped 10% to R359m following a decline in earnings from its three platinum mining companies of R88m. The group's earnings a share slipped to 162,8c from 190,3c Last year's R1,20 dividend was maintained.



Graphic KAREN MOOLMAN Source AMPLATS

Continued on Page 2

Platinum

Continued from Page 1

Davison forecast a higher average platinum price leading to a better trading performance for Amplats, which is due to merge into a single company He warned, however, that rand volatility could alter the outlook for profits.

Amplats' three operating companies reported a reduction in net attributable profit due to a combination of rising on-mine costs and production losses. Leplat posted an attributable loss of R15m compared to R7m in profit last year despite an increase in gross sales revenue to R222m from R203m. Operations executive director Brian Beamish said Leplat's costs increase was due to equipment replacement and inflation It was always marginal, but was aiming to lift productivity

The normally low-cost PP Rust saw cost of sales increase to R531m (R388m). PP Rust shed about R35m in attributable profits to R108,5m However, it was RPH, vehicle for the merger, which was hardest hit. It reported a fall in attributable profit to R278m from R400m last year. Beamish said it lost about 40 000oz in refined platinum due to a strike in which several employees were killed during the year.

The group said it was changing its accounting system to the internationally accepted amortisation method, after completion of its proposed merger later in the year.

See Pages 3 and 17

Impala refineries granted interdict

BD 6/8/97 (189)

Reneé Grawitzky

IMPALA Platinum Refineries in Springs yesterday obtained a Labour Court interdict ordering striking workers to comply with interim picketing rules. The refinery sought to ensure they desist from preventing deliveries and nonstriking workers from entering the company premises

Hundreds of members of the National Union of Mineworkers went on a wage strike on Monday in support of demands for a R280 across-the-board increase The company had offered R167.

Impala said last night it had applied for the interdict because workers had failed to comply with interim picketing rules set down by the Commission for Conciliation Mediation and Arbitration and the local NUM branch refused to discuss rules before Friday.

A group of striking workers had attempt to disrupt operations, but attempts by the company had been made to minimise the impact.

Impala said "production is anticipated to run at close to or at normal levels at least in the short-to-medium term" while arrangements would be made for uninterrupted deliveries.

NEWS

METAL MARKETS *Uncertainty over size of stocks makes analysts cautious*

Aluminium rally a boost for smelters

(189) CT(BR) 7/8/97

MARK HILLIER

London — A rally of $200 a ton in the price of aluminium on the London Metal Exchange (LME) over the past couple of weeks has boosted the profits of South Africa's smelters and left analysts pondering whether or not there are more gains on the horizon

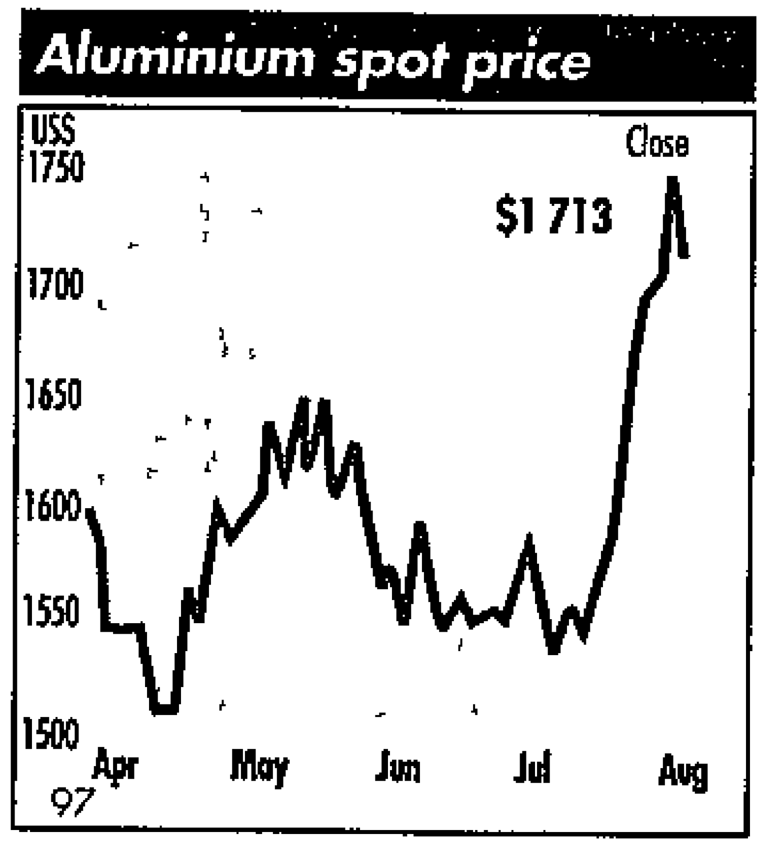
Healthy growth in the world economy has been the main engine behind improved prospects for aluminium producers, with LME warehouse stocks of the metal having fallen a third so far this year — to about 625 000 tons — on a combination of rising demand and restocking by consumers

There is some caution in the market because of uncertainty about how high stocks are outside of LME warehouses and the fact that there is still a large amount of idle capacity that producers might bring back on line over the next year or so

This spare capacity arose because a number of key aluminium producers made cutbacks when prices were weak in a bid to stop them falling too far, saying they would only restore it when market conditions allowed

However, a number of analysts said price trends were positive even if 3-month delivery aluminium eased in the early part of this week from highs approaching $1 750 a ton

Martin Squires of LME brokers Rudolf Wolff said he felt further rises were on the cards given the background of global economic strength, a shortfall in supply versus demand, and falling stocks



Adam Rowley, a London-based analyst with Australia's Macquarie Bank, said some of the short-term tension in the aluminium market was now likely to have abated because options traders would have covered their positions against the recent rally

But more general strength had come from buying by US investment funds anticipating a buoyant 1998, Rowley said

Even if idle production capacity was brought back in the final quarter of this year and the first quarter of next year, the outlook would still be for a balanced market That meant if capacity were brought back any slower, another supply deficit would result, he said

Given that background, Macquarie analysts were expecting the aluminium price to average above $1 800 next year, although he did not see much more impetus for higher prices yet

Angus Macmillan, Billiton's London metals analyst, was more wary He worried that the "backwardation" in aluminium — where supply tightness is indicated by a premium for nearby delivery of metal against that delivered at a later date — could not be justified on fundamental grounds when there were more than 600 000 tons of stocks in LME warehouses alone

Macmillan said the fundamentals were good for aluminium, but not good enough to justify a sustained rally in prices Nevertheless he did not expect the price to average a higher level in 1998 than this year

London brokers GNI forecast recently that by the middle of next year a capacity squeeze could be looming for 1999, probably leading to strategic stockpiling and big price rises

(189)

HIGHVELD STEEL & VANADIUM

FM 8/8/97

Good prospects but grim views

Chairman calls on Reserve Bank for series of cuts in interest rates

While chairman Leslie Boyd presents a better-than-expected picture for Highveld's prospects he also has some grim views on the outlook for the economy

"I am becoming concerned about the general downward trend in the domestic economy Business has until now supported the Reserve Bank's policies but the Bank has to cut interest rates to avoid a serious deterioration in conditions

"We need a cut within the next month followed by another at the year end and a further cut in the first quarter of 1998 otherwise we are headed for difficult times," he says

Interest rate cuts would obviously help the financial position of Columbus Stainless, of which Highveld owns a third The positive message from Boyd and Columbus CE Fred Boshoff is the plant is finally coming right after a commissioning process that turned out to be far longer, more complex and more costly than expected

The cost of this to Highveld is soaring debt and interest, with interest charges for the six months to June hitting R58,3m (previous comparable six months R16,8m) Borrowings hit R743m (R698m) but matters should not get much worse

MD Trevor Jones expects borrowings position to peak around R800m early next year Reason is expectations that Columbus will be at or close to break-even after reducing its losses to R64m (R188m)

Columbus' steel plant throughput rose to 188 180 t (136 013 t) and hot mill throughput to 177 096 t (125 005 t), while the mill yield is up to 74% (67,5%)

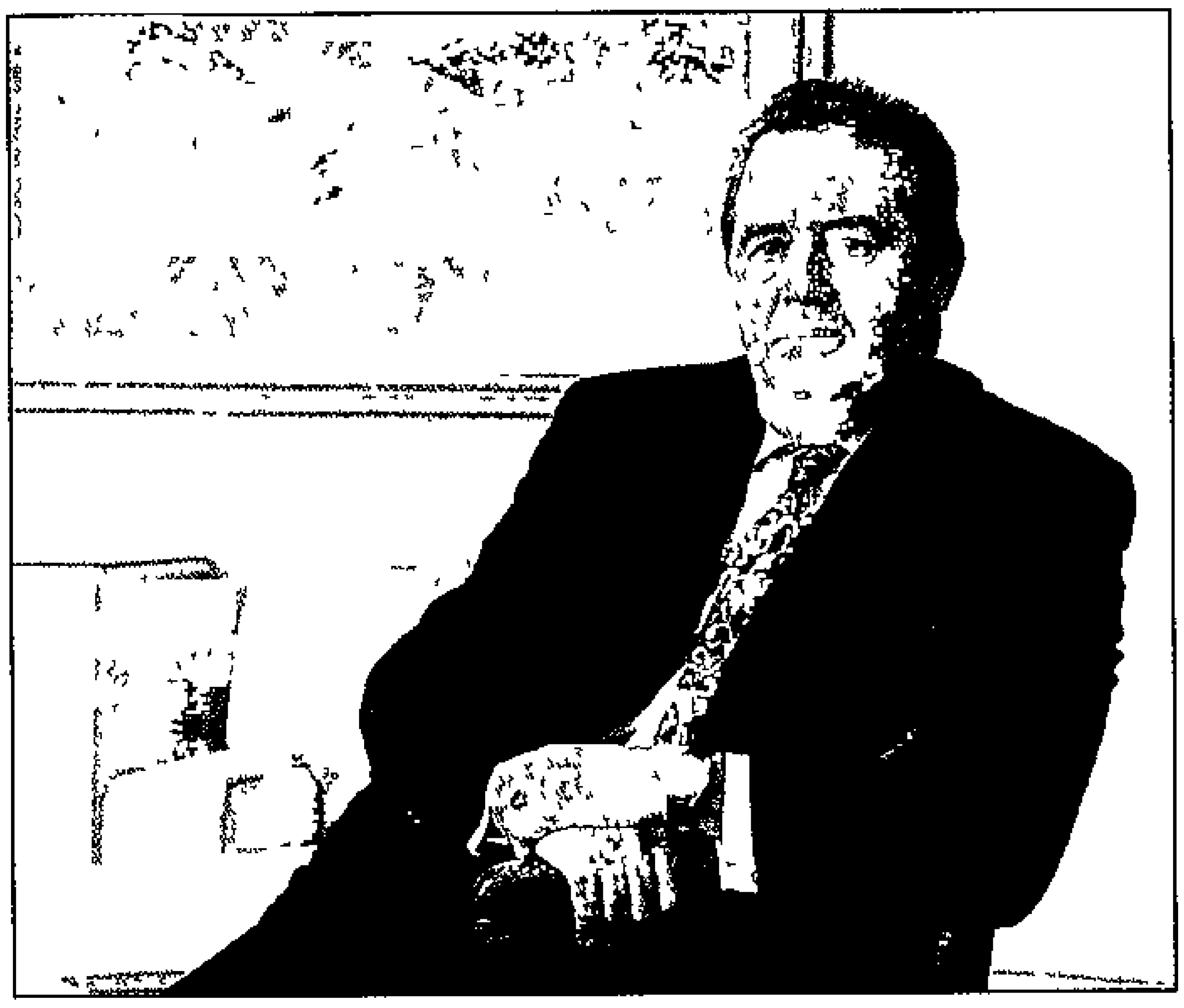
Boshoff says a key indicator for the improved plant performances is the drop in disabling injury frequency rate from 9,5 in May last year to 2,06 in June because it shows the staff are settling into their jobs and getting the hang of new technology

Highveld managed to level-peg on headline earnings at R40,7m (R39,3m) thanks to a R10m tax clawback which offset the sharply higher interest charges

But conditions in key markets for vanadium and steel have improved to the point where Boyd has upgraded his forecast on earnings for the year Previously he was looking for a "modest" increase but now he's forecasting a "real" improvement

Over the past four months the share price has dropped from R19 — at which point the *FM* advised holding back — to around R16 With market conditions improving and Columbus hopefully about to break even it's time to consider buying

Brendan Ryan



Leslie Boyd *Bank has to cut interest rates*

LABOUR *Company granted interdict against picketers*

Hulett Aluminium hit by strike

CT (BR) 13/8/97 (189)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — About 1 300 workers at Hulett Aluminium in Elandsfontein and Pietermaritzburg came out on strike this week after wage negotiations broke down, Hulett Aluminium and the National Union of Metalworkers (Numsa) said yesterday

Hulett Aluminium said a court interdict was granted yesterday against the striking workers at the Pietermaritzburg plant.

"Hulett Aluminium applied for the interdict as picketing employees had been intimidating staff and blockaded the entrance points to the plant on Edendale road," the company said

The court order prohibits striking workers from continuing with this action and prevents their entry to operational and manufacturing areas

Hulett Aluminium said the strike affected only existing operations It was not yet clear how extensive the losses to the company would be, a spokesman said

The strike followed the rejection by Numsa, the South African Electrical Workers' Association and the National Employee Trade Union of Hulett Aluminium's settlement offer during protracted negotiations

This ranged from 9,7 percent to 10,5 percent at higher and lower wage levels respectively, and included improvements in overtime pay and long-service awards

Mbuyi Ngwenda, Numsa's general secretary, said workers were demanding a 13 percent across-the-board increase They also wanted the immediate implementation of a five-grade structure, the finalisation of an agreement on contract workers, the conclusion of issues that had been held over from the 1996-97 wage negotiations, and incorporation into the Metal Bargaining Council main agreement.

"The workers intend continuing with the strike until the company meets their legitimate demands," Ngwenda said

But he said Numsa remained open and committed to a negotiated settlement

LABOUR *Wage dispute enters third day*

Tongaat-Hulett action goes on

CT (BR) 14/8/97 (189)

RAVIN MAHARAJ
AND AP-DOW JONES

Johannesburg — Tongaat-Hulett, the industrial and food group, said yesterday production at its aluminium operations had ground to a halt as 1 300 workers entered the third day of a strike

Carole Darkins, a spokesman at Hulett Aluminium, said dialogue was continuing between management and three trade union groups in an effort to resolve a wage dispute

The three unions involved in the talks with management are the National Union of Metalworkers (Numsa), the South African Electrical Workers' Association and the National Employee Trade Union of Hulett Aluminium

Hulett Aluminium is offering an annual pay increase between 9,7 percent and 10,5 percent — this ranged at higher and lower wage levels respectively. Management also offered improvements in overtime pay and long-service awards

The unions are demanding an across-the-board 13 percent wage increase They also want the immediate implementation of a five-grade structure and the conclusion of an agreement on contract workers, among other things

Darkins could not estimate how much production or revenue had been lost since workers downed tools on Monday morning Company officials were unavailable for comment

Hulett Aluminium said a court interdict was granted on Tuesday, preventing striking workers from intimidating non-striking workers and blockading entrance points to the company's plant in Pietermaritzburg

Dumisa Ntuli, a spokesman of Numsa — one of the three unions, representing about 600 of the striking workers — said no discussions were expected yesterday "But we are liaising with management," he said

Workers would be prepared to return to work if management improved its work offer to at least 11,5 percent and moved to slash job-grading categories to five from the current seven

The other unions were unavailable for comment

Strike at Huletts plant after unions reject offer

Nicola Jenvey BD 14/8/97 (189)

MARITZBURG — Industrial action among 1 300 employees continued at Hulett Aluminium's manufacturing plant yesterday following the rejection of the company's offer by the major trade unions, the National Union of Metalworkers, the National Employee Trade Union and the SA Electrical Workers' Association, at a meeting held over the weekend

The settlement offer consisted basic wage increases ranging from 9,7% to 10,5%, at the higher and lower pay levels respectively, and improvements to overtime pay and long service awards The unions are demanding a 13% across-the-board increase

Hulett said there was no indication yet on how extensive losses would be from the strike, which began on Monday.

Earlier this week Hulett was granted a court interdict since picketing employees had been intimidating staff and had blockaded the entrance points to the plant The order prohibits striking workers from continuing with this action and restrains entry to the company's operational and manufacturing areas

SA NEWS DIGEST

LABOUR

CT (BR) 15/8/97

About 440 workers down tools at Chromecorp plant in Rustenburg (189)

Chromecorp Holdings said yesterday about 440 workers, more than half of them members of the National Union of Metalworkers of South Africa (Numsa), had gone on strike at its Rustenburg Works Smelter over wages. A spokesman said production had not been affected as the plant was being manned by non-union members and the plant was running at close to full capacity.

"Negotiations between union and the company reached an impasse on the issue surrounding entry-level wages for the least skilled employees," the company said. "Following the declaration of a dispute on the issue and the inability of the parties to achieve a mutually acceptable compromise, the union has elected to engage in strike action." Chomecorp said it was pursuing "every conceivable avenue" in an attempt to normalise relations between itself, the union and the striking workforce. — *Reuter, Johannesburg*

Industrial action continues at Hulett

INDUSTRIAL action by 1 300 employees continued at Hulett Aluminium's manufacturing plant yesterday after the rejection of the company's offer by the major trade unions, the National Union of Metalworkers, the National Employee Trade Union and the SA Electrical Workers' Association, at the weekend. BD 16/8/97 (189)

The company said yesterday that although discussions were continuing, there was no indication of when the issues would be resolved.

The settlement offer consisted of basic wage increases ranging from 9,7% to 10,5% and improvements to overtime pay and long service awards. The unions were demanding a 13% across-the-board increase.

Sunday Times Business Times
August 17 1997

Industry's clusters get their act together

(189)

ST (BT) 17/8/97

THE Department of Trade and Industry plans to establish several industry "clusters", including steel, aimed at improving the country's industrial competitiveness

A cluster process is where companies and supporting organisations in an industry work together to identify obstacles to competitiveness and attempt to address these more effectively together than they would individually Successful clusters also require the participation of labour, government, research and other organisations

Cluster programmes are running in more than 30 countries and have been particularly successful in Poland, Colombia, Northern Ireland, New Zealand and several states in the US The DTI says experience shows that the most successful clusters involve the active participation of senior government, business and labour leaders in a partnership approach to sustainable development

Cluster processes are already under way in industries such as vehicle manufacturing, electronics, agro-processing, carbon steel, clothing, jewellery, footwear, plastics, household electrical durables, ceramics, non-ferrous metals, stainless steel, aluminium and mining equipment

Dave Slater, executive director of the Southern African Stainless Steel Development Association, says stainless steel has been identified as a "macro cluster" comprising several "micro clusters", such as cookware, tube and pipes, cutlery and containers The cluster process involves benchmarking local producers with world-class factories "with a view to identifying the gaps and taking steps to close them"

He adds "There are some things only government can do to improve industry competitiveness — such as lowering import tariffs on raw material inputs and putting in place a package of supply-side measures — which it has done But there are other steps the industry can take to improve competitiveness at a company level by, for example, collaborating on export marketing and sharing technical information

"In some sectors of the stainless steel industry, such as the manufacture of tank containers, we are globally competitive In other sectors, the performance is less encouraging Volumes are too low, interest rates and raw material costs are too high and duties are often payable on imported components "

Slater adds that raising competitiveness in the stainless steel industry requires extensive staff and management training, greater familiarity with global best practices, a concerted export drive, more widespread implementation of multi-shifts and the identification of niche markets

Clusters can occur in geographically defined areas, but the current DTI initiative plans to build industry co-operation on a national basis

According to a document on clusters circulated by DTI, participating firms can experience increased profitability, improved customer and supplier relationships, strengthened industry linkages, increased bargaining power, improved marketing strength, access to industry intelligence and ongoing innovation and change

"Each firm is part of a cluster of activities and it is the ability of a firm to manage its internal activities and incorporate these with the external factors which determine its ability to compete globally," says the DTI

There is, however, some concern in business that a cluster process driven by government will by stymied by bureaucracy Government, however, sees itself as a facilitator in the process Without it, businesses operating in the same sector might never be able to share non-competitive information and ideas

Perfect timing as Saldanha comes on line

(189)

WHEN Hans Smith, Iscor's chief executive officer, pushed the "go" button for the Saldanha Bay steel mill, he made it clear that when the plant came on stream in late 1998 it would coincide with a peak in the steel market, followed by a dip towards the end of the millennium He was wrong

"In fact, what happened," says Smith, "is that the market peaked in 1995 and will dip in 1998, so our timing — by pure coincidence — turned out to be perfect It was important for us to make the decision to proceed with Saldanha when we did, however, to take advantage of accelerate tax write-offs allowed under Section 37E of the Income Tax Act So now we get the tax benefit plus we come on stream as the market starts its recovery"

The Saldanha Bay steel mill lifts Iscor's total capacity by 1 25-million tons to about 7-million tons That's still just about 1% of world supply — only half is exported — which is why Smith is confident the group will always be able to find export markets for its output "We're insignificant exporters in global terms, but being relatively small gives us greater flexibility"

Export margins, because of transport costs and lower world prices, are narrower than those from domestic sales Iscor enjoys natural protection against imports in the form of large transport costs and longer delivery times, which means it can charge higher margins to domestic customers Exported product, in addition to being sold at more competitive global prices, must allow for transport costs before calculating gross profit

The domestic market has been weak, partly because of reduced demand from white goods and vehicle manufacturers, aggravated by reduced production runs at a number of car factories All the indicators point towards an economic slowdown in the latter half of the year, although this should be offset to some degree by resurgent European economies Most economists have adjusted SA's growth forecasts downwards for 1997, but there is widespread belief that 1998 will be an altogether better year The government, facing an election in 1999, will want to make good on promises of a better life for all Several drops in interest rates between now and the election should help.

Smith would like to see exports reduced from 46% to about 20% of total output within three years This, because of higher margins in the domestic market, would substantially fatten the bottom line Whether Iscor achieves this target depends on the strength of demand in the domestic economy

December 1996 interim results had turnover up at R6 1-billion, but operating profit almost halved to R298-million following a 7% drop in domestic steel sales during the reporting period and a 16% average drop in international steel prices — exports account for 46% of total output Interim earnings per share of 6 5c a share compare with 17 6c in the six months to December 1995 Analysts expect full year EPS of between 12c and 15c, which is well down on the 36 3c produced in 1996 Thereafter, however, earnings should improve, along with a general recovery in the domestic and export markets

The market expects Iscor to lift EPS to about 25c in financial 1998 and 45c in 1999 as Saldanha Bay production comes on stream That puts the shares on a one-year forward price earnings ratio of 12 and a two-year forward PE of 15

The 50-50 Macsteel International joint venture between Macsteel and Iscor is also a decided advantage in export markets Instead of 400 diverse operators handling exports on behalf of the group, Macsteel International now does it all Smith says the company is recognised as one of the world's most professional steel marketing operations It handles marketing on behalf of several other producers, in addition to Iscor Four years ago Macsteel handled 1.5-million tons of exported steel on behalf of Iscor Now it handles its entire exports

Iscor is contemplating closure of the Pretoria Works plant, recently converted for stainless steel slab production at a cost of R100-million Global stainless steel prices slumped by about 40% just as this capacity hit the market, forcing Iscor to switch back to carbon steel production

A decision to close the plant would affect 1 200 staff — but 10 times this number if one counts suppliers This should be read as a positive sign, but the market has been

(189) ST (BT) 17/8/97

slow to react "The market likes to see decisive action being taken to curtail loss or potential loss-making operations," says Smith

Smith concedes that a decision to close the Pretoria plant, originally built with government funds in the early part of the century to provide employment for poor whites in the vicinity, would have a serious social impact "We are in discussion with unions at the moment, but not all staff would be affected Some could be placed elsewhere in the organisation, but there would be job losses"

Iscor is one of the largest integrated steel producers in the world It owns its ore and coal mines, giving it control over the complete production cycle Coal mining has become a substantial profit generator in recent years, aided by a strong recovery in coal prices The group has interests in several mining ventures in sub-Saharan Africa which will eventually be turned to account, as well as a heavy minerals project in Kwazulu Natal

The original decision to locate its mills in Pretoria, Vanderbijlpark and Newcastle was influenced more by government employment policies and access to raw material inputs rather than commercial considerations (Iscor was only privatised in 1989) The decision to locate the Saldanha Bay mill at the coast goes some way to breaking this legacy Most mills elsewhere in the world are located at or close to ports to reduce the costs of exporting processed product The use of low cost Corex direct reduction technology at the Saldanha mill further reduces its cost base

A corporate re-engineering programme involving consulting group McKinseys should result in annual savings of about R200-million in the year ahead

"The bottom line is that we took a big knock all in one year," says Smith "Our staff size is down to 41 000 from 57 000 three and a half years ago, and we didn't lose a single shift in the process We've been through our rough times and we can look forward to a better financial year"

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(189)

GDP's engine shows its mettle

ST(BT) 17/8/97

Cheap coal and electricity give South Africa a head start as the steel industry rallies from a domestic slow-down and new projects come on line, writes CIARAN RYAN

THE SA steel industry is showing signs of turning the corner having just weathered one of its most testing periods in nearly three decades

For producers such as Iscor which is heavily dependent on domestic demand, weakness in the international market was aggravated by a domestic slow-down

Steel — in its various forms — is a major contributor to gross domestic product and exports Through the multiplier effect it is a mainstay of the manufacturing sector and a major source of jobs

There has been a concerted push in recent years to move SA steel and mineral processing up the value-added chain and reduce its exposure to primary commodity production Large investments have been made in the Alusaf aluminium smelter at Richards Bay, at Columbus Stainless Steel and at Iscor s R6 8-billion Saldanha steel mill as well as upgrades at its Vanderbijlpark and Newcastle mills

Unlike Alusaf whose commissioning coincided with a strong recovery in the aluminium price Columbus s baptism has been fraught with snags, not least of which is an international price — about $1 600 a ton — roughly half its level of 18 months ago, and skyrocketing prices for nickel a major input in stainless steel

At a recent presentation of results to analysts Columbus chief executive Fred Boshoff said questions had been raised as to whether South Africa should be involved in stainless steel production at all but pointed to the successes of value-added stainless steel producers in automotive components and tank containers as evidence of the industry's growth potential

Losses continue to pile up at Columbus as it rides out a weak commodity cycle, accompanied by the addition of new capacity in Taiwan and Korea The oversupply position is likely to impede price improvement, but growth in demand should be capable of absorbing excess supplies in 1998

There have been criticisms of the quality of Columbus s steel although customers say this has improved substantially over the last year Though well short of planned plant capacity Columbus improved production for the six months to June 1997 by 21% to 138 300 tons with an improved product mix. Analysts expect a recovery in stainless steel prices by 1999 by which time Columbus should surge into profits

Bloodletting in the stainless steel market had a knock-on effect on ferrochrome producers such as Samancor which has a one-third share in Columbus along with Highveld and the Industrial Development Corporation Samancor s share price tumbled 4 000c in recent weeks down from its 1996 peak of 6 600c Manganese and chrome prices are a function of global demand for steel, now showing faint signs of recovery after several torrid years A strong recovery in ferromanganese prices in the near future is unlikely as this could attract high cost marginal plants back into production

Presenting Highveld Steel and Vanadium s interim results earlier this month, the company s chairman Les Boyd said world crude steel production for 1997 was estimated at 782-million tons, which would be the second best year on record almost equalling the 1989 production of 786-million tons World production in the first half of 1997 was 5 4% higher than the same period in 1996

"Prices on the international market have nevertheless, remained weak," said Boyd "The excessive inventory which existed last year has, in the main, been corrected and may lead to some improvement in prices toward year end On the domestic market sales have been at satisfactory levels "

The International Iron and Steel Institute forecast in April that world steel consumption in 1997 would rise by 2 8%, against 2.7% growth in 1996

Several new steel projects either planned or under way will position southern Africa as a global force in the steel market A $131-million joint venture between Swiss company Duferco and the Industrial Development Corporation is aimed at turning out 610 000 tons of cold-rolled steel fed from Saldanha Steel a year There is also talk of a R100-million tube and pipe mill to supply the Pande and Kudu gas fields as well as Sasol and Mossgas

The IDC is also looking at a R5 2-billion direct iron reduction plant, capable of producing about 4-million tons of iron carbide for export Sites under consideration are Phalaborwa and Maputo fed by gas from Pande and magnetite from Palaborwa Mining Company and Foskor A final decision is expected within a few weeks Earlier this year Gencor gave the go-ahead for a new aluminium smelter in Maputo

Steel producers are confident of a strong market recovery before the end of the decade and the search is on for locations which provide competitive advantages South Africa has cheap coal and electricity two major cost components in steel manufacture, as well as port capacity to handle large export volumes

South Africa remains trapped at the lower end of the value-added chain, exporting primary or semi-processed steel to more developed countries where it is turned into something more valuable and then re-exported The scale of new investment in steel and aluminium smelters, as well as downstream production suggests this dependence on primary commodity output may at last be weakening

Columbus looks on the bright side

THE commissioning of the Columbus Stainless Steel plant establishes South Africa as a small but not insignificant contributor to global stainless steel supply

Some 77% of the 279 000 tons of stainless steel produced in South Africa is exported generating roughly R1 1-billion a year in hard currency This will more than double once Columbus reaches full production

Export volumes have grown at 25% a year since 1991 yet South Africa accounts for just 2% of world supply South Africa's emergence as a global stainless steel producer is part of a broader strategy aimed at weaning the country off primary commodity production The theory is that resource-rich countries such as South Africa are prone to volatile commodity markets where prices are decided in foreign markets

This primary commodity dependency traps resource-rich countries at the bottom end of the value-added chain leaving it to the more developed countries of the world to turn raw materials into something more valuable The commissioning of the Columbus plant is a small but vital step in moving South Africa up the value-added chain

There is a vibrant secondary industry in stainless steel turning primary product into autocatalytic converters, tank containers, cutlery catering equipment tubes, sanitary ware and precision equipment Stainless steel production both primary and secondary, is reckoned to be worth R6 2-billion a year There are some 330 members of the Southern Africa Stainless Steel Development Association, many of whom have triumphed in the export markets

The domestic market consumes 65 000 tons of local stainless steel production a year augmented by 19 000 tons from foreign suppliers Most of the domestic demand is from manufacturers of autocatalytic converters such as Bosal tank container producers such as Trencor tube pipe and fitting makers vessel and process flow equipment factories and the structural metal industry Most of these locally manufactured products end up being sold abroad

Catalytic converters and stainless steel containers account for the bulk of stainless steel product exports.

At full production Columbus will be producing 600 000 tons a year more than double the country's current output of primary stainless steel Having converted its Pretoria Works for stainless steel production at a cost of R100-million Iscor found itself in a depressed global market and switched back to carbon steel production The country's only other manufacturer of primary stainless steel is Durban-based Microsteel 50% owned by Iscor, making billets for use in the production of long products such as wire bars and rods

Stainless steel contains a chromium oxide surface which makes the steel more durable and anti-corrosive Any steel containing more than 11% chrome is classed as stainless The addition of nickel and molybdenum provides a more durable finish and makes the metal anti-magnetic

The impact of Columbus Stainless Steel on Highveld s bottom line during the six months to June shows that the company has over come most of its initial teething problems Highveld chairman Les Boyd says all production units, including the recently commissioned vertical spray pickling line showed improvements in through put and quality of products Saleable production for the six months to June 1997 increased by 21% to 138 300 tons, with an improved product mix

The domestic market for stainless steel has shown strong growth for the last five years According to Columbus, this is expected to continue this year and the next

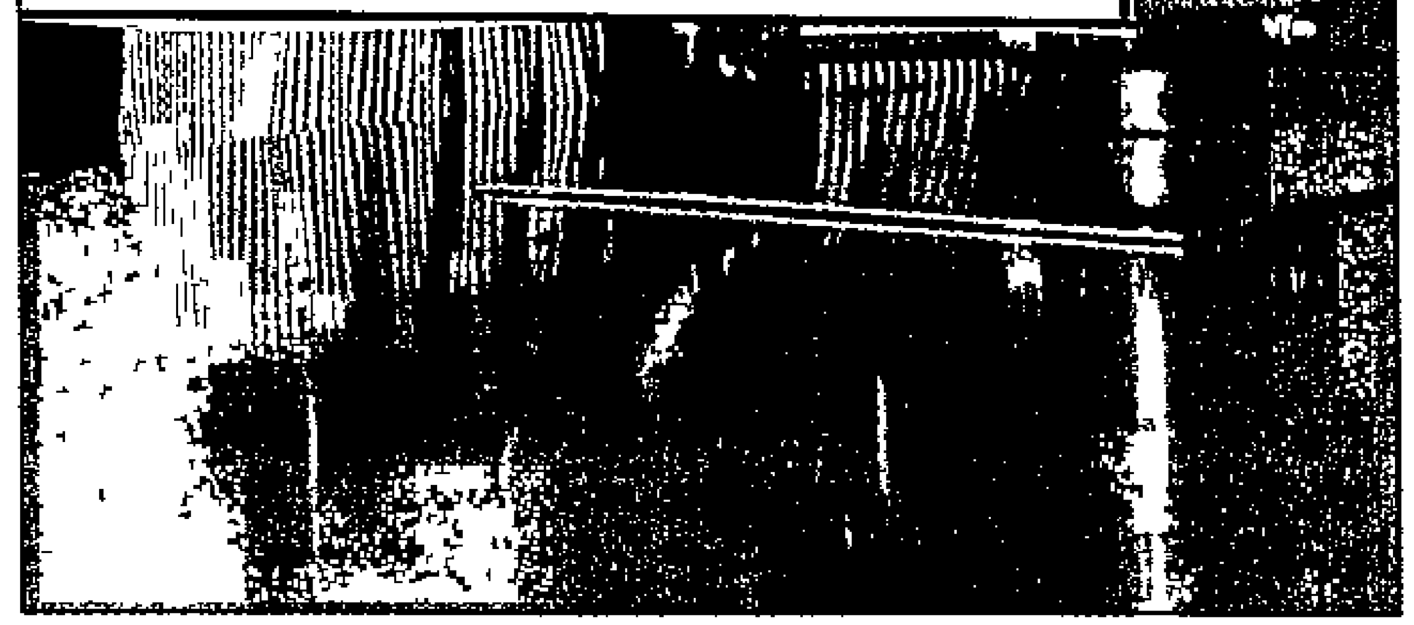
The oversupply position in international markets impedes price improvement and is forecast to continue into 1998, by which time the growth in demand should be capable of absorbing excess supplies Columbus suffered a $200 a ton reduction in its average selling price during the first half of the year although prices are expected to recover soon

International prices for stainless steel plummeted 40% over the last year, placing local primary producers under stress World prices currently range between $1 500 a ton in the Far East to slightly more than $2 000 in the US

Stainless steel prices are fixed by contract between buyers and sellers as there is no spot market for the metal A key input in stainless steel is nickel which is quoted on the London Metals Exchange and is, therefore prone to speculative manipulation Nickel can account for 40% of the cost of producing stainless steel forcing many producers to allow for a measure of flexibility in their contract pricing As a result stainless steel prices tend to reflect some of the volatility in the nickel spot market

David Slater, executive director of Sassda, says world demand for stainless steel is growing at about 6% a year, but new capacity from South Korea, China and Eastern Europe, among others has created a temporary global surplus leading to the recent drop in prices Total global demand for stainless steel is 14-million tons a year as against global capacity of 15,5-million tons

The domestic market is growing at an ebullient 9% a year Although most of this demand is satisfied by Columbus some value-added manufacturers continue to import This is because Columbus cannot manufacture slabs wider than 1 5 metres as required by some manufacturers There was also some concern about quality standards at Columbus in the initial stages of plant commissioning but these were largely put to rest in recent months as Columbus made substantial improvements in quality

LOOKING AHEAD David Slater, executive director of Sassda, who sees enough demand for SA steel in the world market Pictures JEREMY GLYN

Steel producer is confident it will break even by next year

Columbus is optimistic

ST (BR) 18/8/97 (189)

NCABA HLOPHE

Johannesburg — Columbus Stainless Steel, the stainless steel producer that posted a R102 million operating loss to June 30, would reach breakeven point before interest and loan payments by next year, Fred Boshoff, the executive director, said last week

Boshoff said he would improve operational efficiency and realign production strategies to focus on value-added products

"We have realised that we would have to concentrate on value-added products and break away from the semi-finished products that require our clients to reprocess Since last year we have been shifting away from such products as slab and black coil and in the first half of the this year only produced 3 percent of slab and 7 percent of black coil," Boshoff said

He said the completion of major commissioning issues would help to optimise operational efficiency and focus on removing bottlenecks

Boshoff was optimistic the breakeven target was attainable, despite the average fall in the price of its basket of products since 1992 from $2 000 a ton to $1 700

'We realise we must concentrate on value-added products'

He said yields from the company's saleable products from the mill had improved to 74 percent from 67 percent last June and he hoped yields would reach 86 percent by the end of the year

The Columbus integrated plant, which employs 2 200 people, was built at a cost of R4 billion last year and loan repayments and interest have amounted to R400 million a year over an eight-and-half-term period.

Turnover increased from R682 million in the first six months last year to R949 million [illegible] this year, and losses before capitalisation fell from R318 million last year to R202 million this year

Earnings before interest tax and deprecation before capitalisation also fell from R188 million last year to R63 million this year

George Grohman, a mining analyst at Rice Rinaldi Turner & Company, said the outlook for stainless steel was positive because demand for stainless steel after a period of oversupply would start gaining momentum

FOOTNOTES

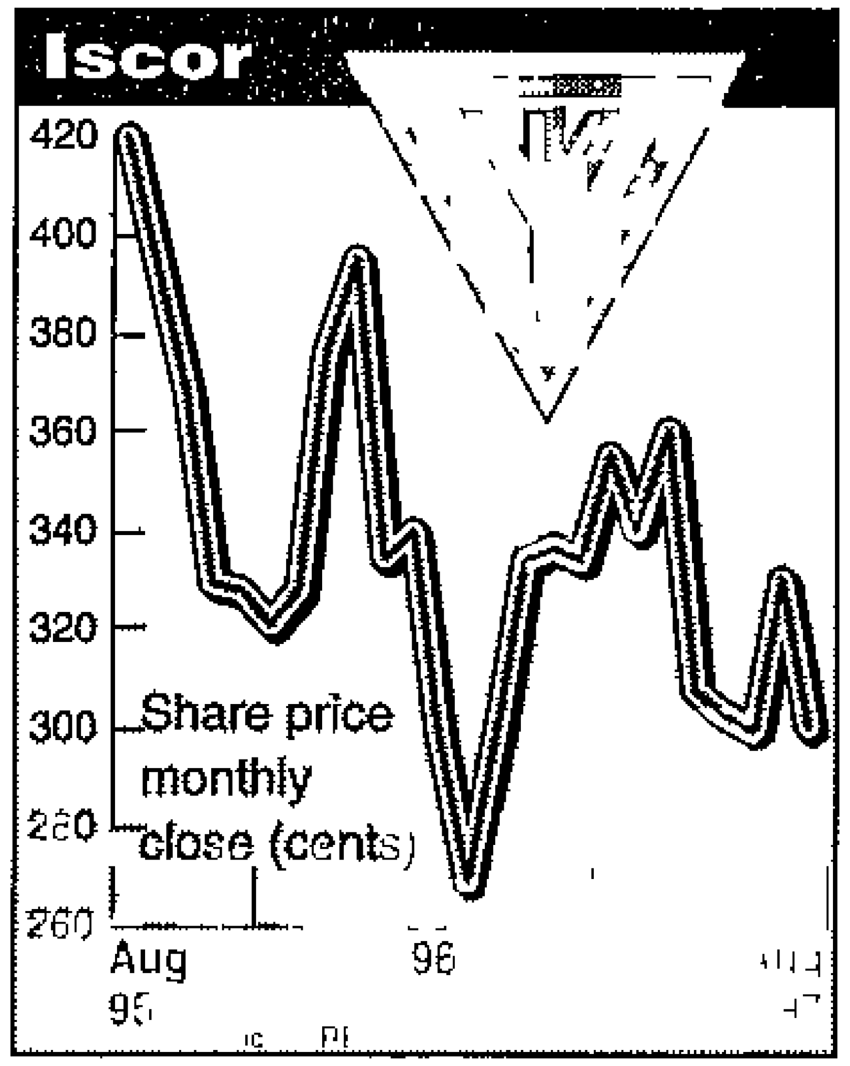
Columbus ironing out wrinkles as Iscor

(189) BD 19/8/97

WHILE Columbus Stainless Steel seems finally to be solving the production problems which have plagued it since the commissioning of the R3bn new plant in 1995, Iscor, which spent R140m converting its Pretoria works to stainless steel production, is apparently out of the market for good

Analysts expect world stainless steel demand to grow 5% this year, after last year's 1%-2% But the optimism of the early 1990s is long gone What looked like a wide open market then, with long-term growth prospects of 5% annually, has ceased to be so because so many new producers, in Taiwan and Korea as well as in SA, have jumped in to take advantage

Overcapacity is expected to keep the lid on prices well into next year and semifinished products, such as slab and black band, are almost impossible to sell profitably So Columbus is shifting its product mix to higher value added products while Iscor, which only made slab, has pulled out



"Iscor, on its own, will not re-enter the stainless steel market in the foreseeable future," says steel division MD Louis van Niekerk It would be suicide to re-enter the semis market, he says A huge investment would be required to go into downstream production and Iscor, which has several other large projects on the go, is in no position to fund this — unless an international partner happens to come along

The Pretoria works went back to producing carbon steel in March, "to stem losses". The new mill's annual capacity was to have been 480 000 tons, it was still being run in when production was halted Output was 18 000 tons in February, Van Niekerk says, and international clients who tested the steel found it to be of exceptional quality "but that doesn't pay the bills"

The group is likely to have to write off the R140m, and will detail how this will be treated when it releases its full-year results later this month. The Pretoria works is too small for profitable carbon steel production and is set to close.

Analysts visiting Columbus's Middelburg plant last week noted it was running more smoothly than earlier this year, and management seemed confident Columbus CE Fred Boshoff says before the plant started commissioning in mid-1995, management underestimated the complexities of running an integrated plant with 20 process-dependent steps

In the past six to seven months, management has focused on managing the bottleneck — the Steckel mill — and on ensuring it produces profitable products

The key production ratio which management watches is mill yield, and Columbus is still a long way from its target of 86% But it is getting closer Mill yield rose to 74% in the six months to June, against 71% in the previous six months and 67% in the first half of last year In July and August to date, yield reached 78%

Loss before interest, tax and depreciation was cut to R62m in the six months to June, from R188m in the same period last year, and breakeven before interest is possible in the current six months But with Columbus carrying an interest burden of about R200m a year and paying back R200m a year in capital, breaking into profit could be a slog

Boshoff points to the R1,5bn in long-term debt (export credit finance) which the enterprise is carrying on its balance sheet He would like to see this cut to R1bn and is in talks with shareholders Samancor and Highveld, and the Independent Development Corporation Boshoff reckons prices have bottomed though there is nothing to pull them up in the short term But a shortage of annealing and pickling capacity from next year may put upward pressure on prices

□□□□

LATEST DI900 figures from the Reserve Bank reflect the effect on Standard Bank's share of the credit card market of Woolworths' decision to take its private label card in-house Standard's share of the market fell to 21,4% at end-June, from 30,7% a year before, and its credit card debtors book fell 23% to R1,8bn, an absolute decline of R567m

But this does not reflect fully the Woolworths book, which has 825 000 active accounts and is running at more than R800m, Woolworths director Ian Sturrock says Shifting the book in-house will have a significant effect on the balance sheet of parent Wooltru, which has traditionally carried very little debt But Sturrock expects the move to be profitable for Woolworths, which is due for a separate listing later this year

Woolworths is doing most of the work, he says All that has changed is the way the book is funded and who assumes the risk Financing margins are not wide enough, relative to the risk, for the bank to make money "We either had to contribute or do it ourselves" He points to a broader trend in which banks and retailers are coming to agree that retailers are better able to control the risks and tradeoffs in granting credit

Hilary Joffe bows out

Environmental issues put iron project on hold

(?) (189) BD 19/8/97

THE exploratory stage of the joint R7,4bn iron and steel production project between Northern Province and Mozambique has been delayed to allow more time for feedback on environmental issues and to give the public more time to study the report

Process facilitator Tisha Greyling confirmed yesterday that a forum of more than 30 representatives from Mozambique, Mpumalanga and Northern Province met recently in Malelane in Mpumalanga to review environmental issues raised so far

It was decided the deadline for comments on the environmental impact assessment, originally set for August 22, should be extended to September 22.

The project involves the production of iron and steel at a plant near Maputo using waste magnetite stockpiled on dumps at Phalaborwa built up by copper producer Palabora Mining Company

The magnetite would be pumped by slurry pipeline to Mozambique, possibly through the Kruger National Park The National Parks Board is opposed to the pipeline going through the park

"The quality and quantity of water in the lower Olifants river catchment area, legal constraints involved, international conventions affecting SA and Mozambique and current land use, were some issues reviewed by the forum," Greyling said — Sapa

Move will cost R1bn and shed 1 050 jobs

Iscor forced to mothball veteran mill

CT (BR) 21/8/97 (189)

ROY COKAYNE

Pretoria — Iscor would mothball its steelmaking operations at its Pretoria Works because of unsatisfactory financial performance, resulting in the loss of 1 050 jobs, Louis van Niekerk, the managing director of Iscor Steel, said yesterday

The closure of steelmaking operations at Iscor's oldest mill would cost about R1 billion Van Niekerk said a net amount of about R1 billion had been provided for the book value of the assets being written off and the downsizing costs, but this would not have an effect on headline earnings

He said· "The impact on the financial results for the 1997 financial year will be disclosed as an exceptional item and will be excluded from headline earnings It will be written off against retained earnings in the balance sheet The annual results will be published on August 28 1997 "

Over the past 18 months this veteran mill was converted from carbon steel to stainless steel production at a cost of over R100 million. It was then converted back to carbon steel production before being threatened with mothballing and closure two months ago.

Iscor blamed international steel prices for the muddle. Afrox, the industrial gases company, had signed a 24-year contract, worth R700 million, with Iscor and upgraded its Pretoria supply plant at a cost of R40 million to supply the stainless steel production operation with the gases argon, nitrogen and oxygen

Van Niekerk said Iscor would use the Corex ironmaking facility at the Pretoria Works to produce about 360 000 tons of pig iron a year. The small-section mill would continue to be operated on site by Vereeniging Works and the coke ovens by Suprachem

He said the Pretoria Works had not been profitable since the early 1980s and had caused a drain on group cash resources.

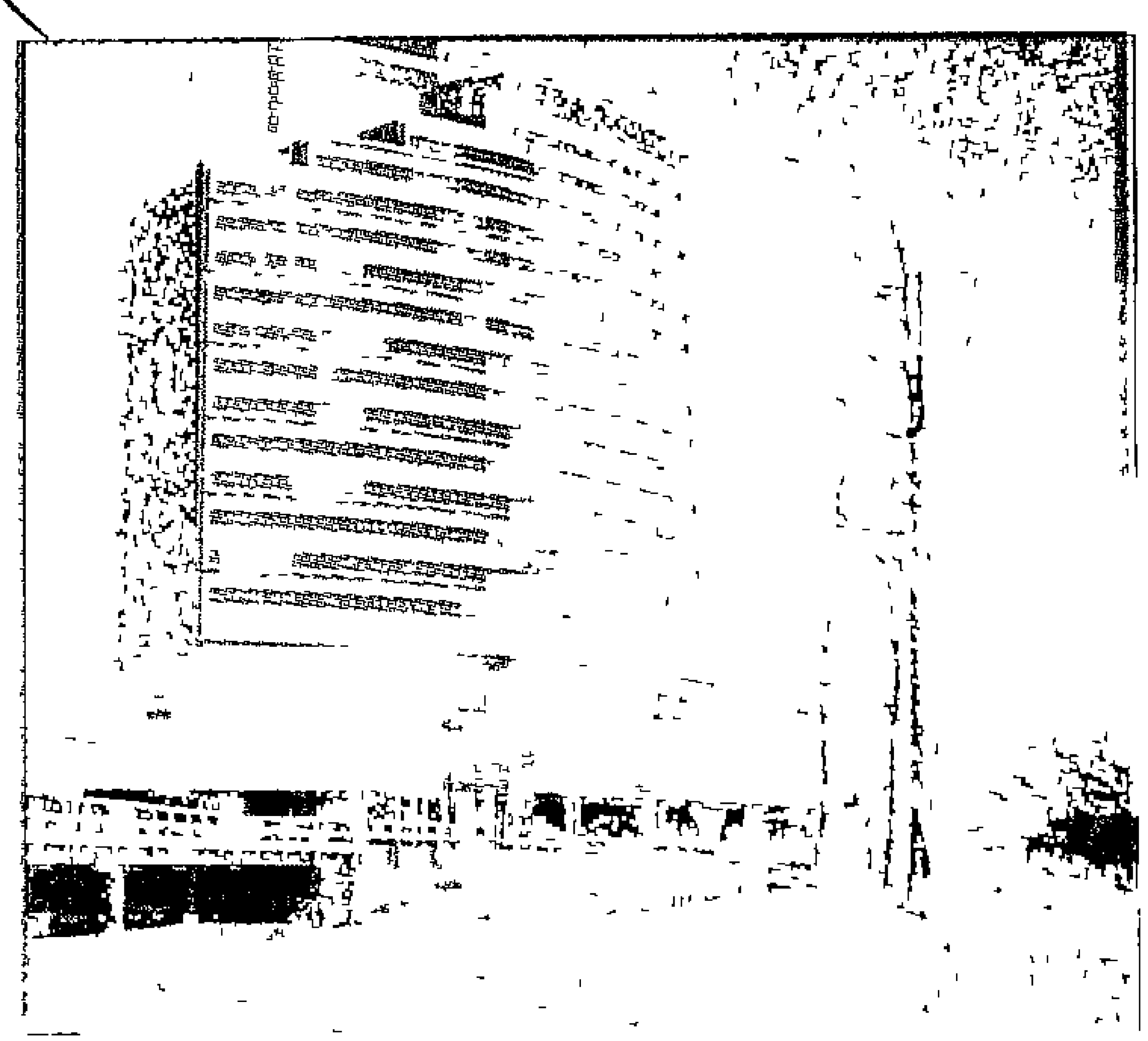
Excluding the coke ovens and small-section mill, Van Niekerk said the Pretoria Works had an operating loss of R179 million and negative cash flow of R321 million in the 1995-96 financial year In the 1996-97 financial year, the operating loss rose to R183 million and the negative cash flow totalled R300 million

Van Niekerk said the workforce, excluding the small-section mill and coke oven employees, would be reduced from 1 400 to 350 employees, but the mothballing would not affect jobs at head office.

He said the works would be out of production from September this year (for about 100 days) for the planned Corex adjustment and a pig iron casting facility would be installed during the first quarter of next year He said it was expected the operation would be at full capacity by July next year

Van Niekerk estimated the reduced operation would still be about R230 million cash flow-negative during the downsizing and restructuring process, but would make a positive contribution thereafter.

THE ALUMINIUM INDUSTRY



Well dressed ... the Hilton Hotel in Durban.

Saying it all with aluminium

The country's first Hilton Hotel, which opened in Durban this month, is the latest example of the external use of aluminium in world architecture

Architects are, says Lance Wilson, marketing manager of Hulett Aluminium Fabricated Products, realising the freedom of design opportunities that can be provided Colour is also seen as a design opportunity

The perception that aluminium is an expensive material is incorrect as the reality is that the material is economic even before its life-cycle costs benefits are taken into account when compared with other materials Savings come from minimal building cleaning, maintenance and re-painting costs

Worldwide acceptance of aluminium in building construction and cladding has resulted in Hulett exporting its Hula-bond product to the United Arab Emirates, Japan, Malaysia and the Indian Ocean islands

Major expansions now bode well for industry

(189) Star 22/8/97

An industry think tank's vision to virtually double domestic aluminium consumption by the year 2000 could be difficult to achieve

The Aluminium Federation of Southern Africa (AFSA), the industry mouthpiece, says in its publication, Aludata, that this would mean becoming the world's seventh largest per capita producer of value-added aluminium

"Viewed against the new global trading circumstances, and the pressure of imports, this target can be seen to be very demanding Statistically, it implies a doubling of domestic consumption, a growth which will be difficult to achieve," says AFSA, adding that, nevertheless, increased world-competitive value addition at any level is worthwhile to the industry and country

"Currently, the physical evidence of added value industry promotion towards this objective as measured by advertising, editorial and capital commitment has, in general, been limited

"Important exceptions, however, have been the alloy wheel companies which have undertaken major expansions targeted at export to the world automotive industry"

AFSA also mentions Hulafab's strong development of new products in the building and cladding industry, where a composite cladding sheet is doing well

Dr Tony Paterson, the executive director of AFSA, points to South Korea as a country on which South Africa could model itself in its drive to achieve higher production figures

"Twenty years ago, South Korea and South Africa had a similar per capita gross national product Korea has soared ahead over the last 20 years while it may still be many years before South Africa materially improves its economy," he said

The aluminium industry has good reason to believe it can achieve major expansion, as the industry's primary smelter has been modernised, a new rolling mill is under construction, and the extrusion sector has upgraded its abilities The major secondary smelter will be upgraded soon "All offer opportunity downstream as will be revealed when the industry's cluster report is released," Paterson said

He pointed out that the return achieved by companies making or selling goods depends on the world trading price.

"Countries such as China and India want growth from their present low base, and, with low wages and hunger for growth, the world price of products is under pressure," he said

Paterson said that most products from the local industry beyond primary and semi-production are service related

"I believe that beyond the semi-stage we form part of other still larger industries Aluminium and aluminium products service the transport, electrical, packaging, building and construction and other markets"

Hulett turnover set to triple when new R2,4-m plant reaches full speed

(189) Star 22/8/97

The R2,4-billion Hulett Aluminium expansion at Pietermaritzburg is almost half completed. Funded by the Industrial Development Corporation and the Anglo American Investment Corporation along with Tongaat, the project includes a new hot-rolling line and metal facility as well as an expansion of the cold mill, foil mills, circle facility and finishing operations on the existing site.

Output of the rolled product operation is expected to increase from 50 000 tons a year to about 185 000, while the hot rolling mill will roll ingot down to 2,5mm in coils of up to 20 tons.

The aluminium plate section and a remelt facility is to produce aluminium ingots, with half the ingots being supplied by the remelt facility, and the other 50% coming from Alusaf.

Orders have been placed for all equipment and the engineering plans completed, according to Aludata, the newsletter of the Aluminium Federation of Southern Africa. It says that production of the first ingot is scheduled for next October, while the first coated coil is scheduled for production in May 1999.

The plant is expected to reach full speed four years after starting up in 2000, when turnover is likely to reach R3-billion, compared to the current turnover of R1-billion.

Gencor and IDC to go ahead with R5,6-billion smelter near Maputo

Star 20/8/97

189

The South African aluminium industry is to make the largest foreign investment in Mozambique, which is battling to recover from years of civil strife.

Gencor and the Industrial Development Corporation have disclosed they are to go ahead with the R5,6-billion Mozal aluminium smelter near Maputo.

The two organisations would both have a 25% stake, while other equity partners were being sought from the Far East and other areas.

Operational control is to rest with Gencor, although its Billiton subsidiary would have a major say in the project. Billiton is to list on the London Stock Exchange later this year.

The new 240 000 ton per year smelter is expected to revitalise the country's ailing economy. It is expected that the first metal will be poured in 2000.

The project will employ about 5 000 people during construction and 900 when it becomes operational, while the generation of a further 2 600 jobs in support industries was also expected, the company said.

Eskom and the Mozambique Electricity Utility are to spend about R5,4-million on building power lines to link the smelter to the South African national power grid.

While power is to initially come from South Africa, it was eventually planned to obtain power from the proposed Mepanda Uncua hydro-electric power station on the lower Zambezi River below the existing Cabora Bassa scheme.

An access bridge and road over the Matola river is to be built as well as water supply and water sewerage treatment facilities.

)USTRY

South Africa's aluminium industry is one of the most dynamic in the world. Starting off from an export-oriented base, the industry has developed into one that has shown great potential and growth, and is poised to develop further by the turn of the century.

EDITORIAL: Norman Chandler

ADVERTISING: Cathy Starnes

Confidence in the future the prevailing outlook

(189) Star 22/8/97

The growth of the aluminium industry in South Africa is substantially above the growth recorded in both the gross national product and the population of the country

According to Dr Tony Paterson, the executive director of the Aluminium Federation of Southern Africa (AFSA), this augurs well for an industry which began 70 years ago as an export operation and later turned into an import replacement industry, job creator and net exporter

The industry currently employs about 15 000 people and markets 174 000 tons per annum Only 3,3% of South African requirements is imported

"The challenge is to gain and keep customers through the combination of a sense of partnership producing fit quality, service, cost and reliability," he said

He regarded the reconstruction and development programme (RDP) as offering opportunities for the industry to grow, as the main thrust of the programme is the provision of housing, water and electricity

"All offer opportunities for aluminium, the provision of electricity offering additional scope in the potential demand for domestic appliances," Paterson said.

The industry has, over the years, increased its levels of exports and value addition, and there is, he added, every indication that it will continue to do so.

"The need to move even further down the value added chain is recognised, (but) this requires time and training The opening of previously-closed trade barriers has brought opportunities which can be grasped if South Africa meets the needs of trading partners," he said

Although this appears difficult because of the country's higher cost structure, the emerging home owner offers new opportunities for aluminium while the export market will need to be grown, in niche markets in particular

AFSA is aware of the need to develop skills and allow people to reach their full potential within the industry, and, to this end, programmes have been developed to assist the growth of new entrepreneurs, particularly in the housing field, while attention is being paid to modular training to assist the growth of the foundry market

Paterson said that the industry had shown a cumulative annual domestic growth of 5,5% in the 16 years between 1972 and 1988 and that, despite the economic downcycle which followed until 1993, levels had begun to increase, and in 1994 and 1995, had shown 20% growth.

"The impact of the Uruguay Round of the GATT and the subsequent South Africa-World Trade Organisation agreements on tariffs have obliged companies to move from an inward-looking stance to an outward one This process is at an early stage," he said

Paterson added that confidence in the future of the aluminium industry had come from investors, such as Alusaf which has opened a R6,4-billion smelter, Billiton which has ensured a secure feedstock supply chain, Hulett Aluminium's R2,4-billion rolling mill upgrade, major capital investment in alloy wheels for the automotive industry, and the realisation of a need for added value projects.

BD 18/8/97

Numsa members in sympathy strike

Reneé Grawitzky

(189) (NBR) (CRSC)

MEMBERS of the National Union of Metalworkers of SA (Numsa) in the engineering, tyre and vehicle manufacturing industries plan to strike on September 9 in sympathy with a dispute in the retail motor sector

Numsa general secretary Mbuyi Ngwenda said yesterday that the union declared a dispute against the SA Motor Industry Employers' Association this week after it refused to negotiate wage increases based on actuals and not on the minimum rate.

The employers' association argued that the union had no basis to demand negotiation of increases based on actuals because the main agreement stipulated that increases would be based on the minimum rate The association was seeking a Labour Court declaratory order on interpretation of the agreement

Numsa said this was being used by employers merely as a delaying tactic

The union's national executive committee had taken a political decision that the union could not allow wages in the motor sector to lag so far behind members' wages in other sectors Ngwenda said that the sector could not sustain a fight on its own and therefore needed solidarity support from members in other sectors

He stressed that whatever action was embarked on would be protected In line with the Labour Relations Act, affected employers in other sectors would be notified seven days in advance of the action on September 9

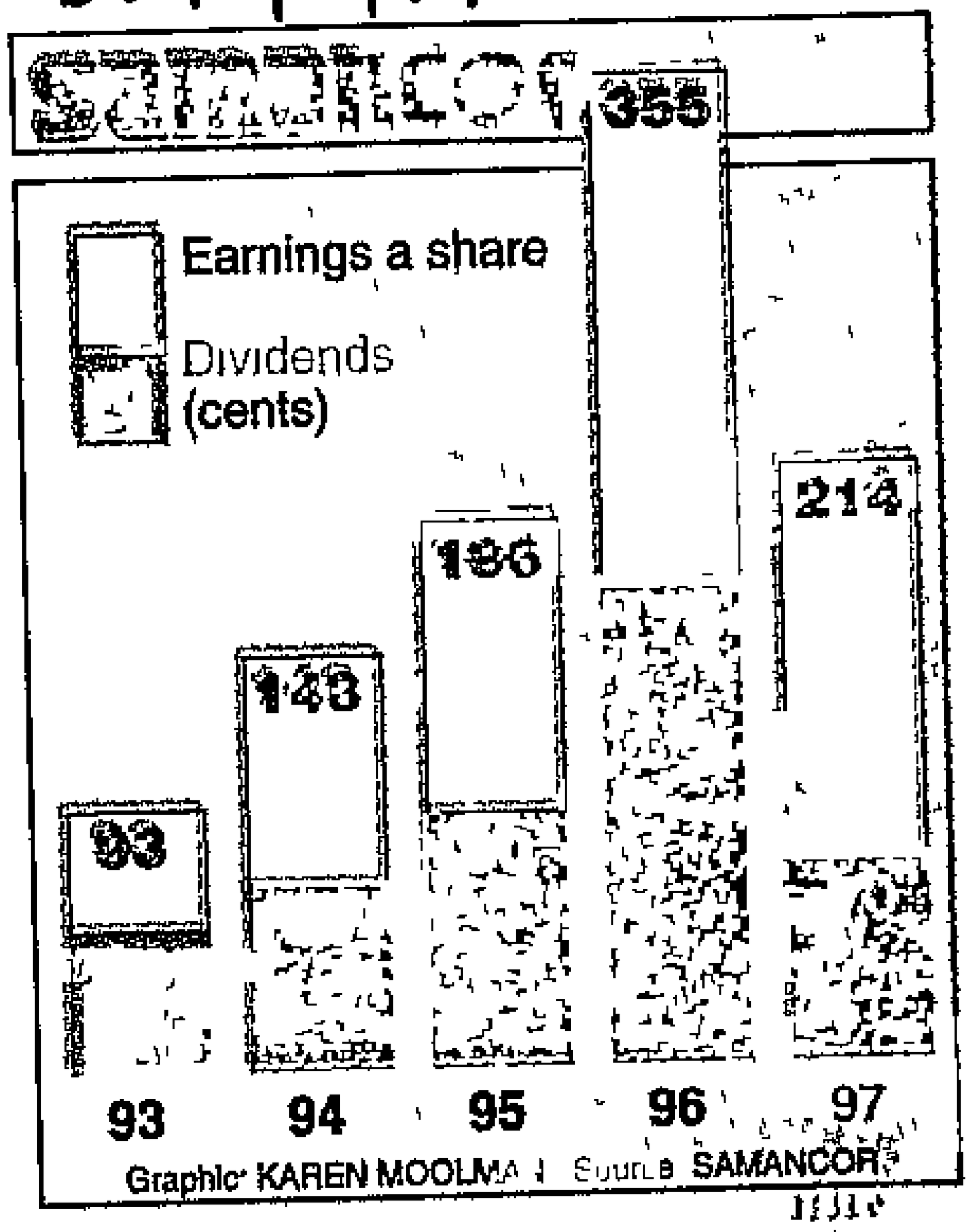
The union is demanding wage increases ranging from 15% for grade 1 where workers earn a minimum wage of R685,87 a month to 9,5% for grade 6 workers who earn in excess of R1761,44 a month Rural workers earn far less

The union said the employer offer ranged from 3,5% for grade 1 to 8,5% for other grades

Samancor's profit nosedives to R409m

BD 12/8/97 (189)

David McKay



SAMANCOR's attributable profit dived 40% to R409m in the year to June after low prices for its products, cost-raising production glitches and continued losses from Columbus Stainless, the group said yesterday

The results were roughly in line with a profit warning by Samancor this year in which it said its second-half earnings before abnormal items would be down on those of the first half Earnings were 127c against analysts' expectations of 114c (1996: 302c).

Abnormal items, contributing R167m to attributable profits, compared with R102m last year, were received from the sale of noncore assets, and helped offset Samancor's profit decline. Earnings a share after abnormal items fell to 214c from 355c last year

Samancor produces manganese, which is used in the production of carbon steel and chrome, used in stainless steel production. Its financial performance is affected by supply and demand cycles in these markets.

MD Wilrich Schroeder forecast a modest increase in performance this financial year as the world's manganese

Continued on Page 2

Samancor

(189) BD 12/8/97

Continued from Page 1

and chrome prices were bottoming out A growth in production volumes was also likely, and Columbus Stainless had "turned the corner"

Ferromanganese and silicomanganese prices were 15% and 24% lower respectively. In addition, Metalloys, Samancor's manganese producer, continued to suffer from unstable furnace conditions which damaged the equipment. A technical breakthrough at Metalloys could solve this "vicious cycle", Schroeder said

On the chrome production side, prices fell by a third on average. Demand for stainless steel was strong in certain value-added products and chrome prices had risen as the period under review drew to a close, he said

Stainless steel producer Columbus increased losses to R57,5m compared with R6,6m in the previous period. However, the company in which Samancor has invested R1,1bn, has started to make gradual output and efficiency improvements.

Samancor had approved the R85m capex increase of the Mamatwan sinter plant, Schroeder said It was considering expanding capacity at its newly acquired Polifin plant, Schroeder said

IN FOR THE LONG HAUL . . . Fred Boshoff expects prices to rise

Feisty Columbus sees light at the end of the tunnel

ST(BT)24/8/97 (189)

STAINLESS STEEL

By JULIE WALKER

THE race is not always won by the swift, but by those who keep running

Stainless steel producer Columbus's managing director Fred Boshoff aired this thought during a visit organised for analysts and the media to the Middelburg plant which has endured commissioning problems since being enlarged from the small but successful Middelburg Steel & Alloys

Boshoff says the times of pure firefighting are now behind, and the joint venture is moving towards breaking even In the six months to June, Columbus turned over R949-million — 38% more than in the same period of 1996

Costs and interest, which used to be capitalised, are now charged directly to the income statement, making bottom-line comparison irrelevant In the period under review, Columbus lost R202-million Saleable production climbed by 21% to 138 300 tons of product, the mix of which shifted towards higher-margin goods

Times of pure firefighting are behind, and the joint venture is now moving towards breaking even

At the heart of Columbus's problems is that the company bit off more than it could chew in pursuit of expansion Boshoff says there are 20 process steps, each of which determines the next one "We had to make sure the mill never stood idle Where there were no bottlenecks to delay the process when necessary, we created them In the past six to seven months there has been a big improvement in the flow of saleable quality product "

Boshoff says that unless there is a customer for the lower-value products — slab and black-band coil — production is focused on No 1 coil, plate and finished cold rolled steel where profitability is greater

"We found it was more difficult to sell a semi-finished product than a finished one with standard specifications Buyers of semis have another 10 process steps and can find lots of excuses why the initial material was inadequate "

Boshoff forecasts that only 6% of the product mix will be slab by the end of the year, 12% black coil, 21% hot rolled plate, 29% No 1 coil and 32% cold rolled — a much greater proportion of value-added than 18 months ago

The mill's yield is also climbing For every 1 000kg of input — iron, scrap metal etc — the target is for 860kg of product July's yield was 78% (and the business cash-positive) — against June 1996's dismal 67% There has been a pleasing drop-off in work in progress complemented by a rise in shipment of packed product

Unfortunately for Columbus, the stainless steel market did not smile favourably upon its problems as prices for the product basket have fallen by \$200/ton to \$1 400/ton in a year "We have probably seen the bottom There is a still a lot of fighting for market share but I expect a shortage of annealing and pickling capacity next year "

The project's interest burden is running at R200-million annually on long-term debt of R1 5-billion Boshoff says this has to be reduced to below R1-billion because Columbus cannot manage with a debt-equity ratio of more than 35% Loan repayments are also due at the year end, and Boshoff says the shareholders are considering their options Columbus is equally owned by Highveld Steel & Va[illegible]ium, Samancor and Industrial Develo[illegible]nent Corporation

Highveld's recently retired director Graham Boustred said earlier this year that he had not expected Columbus to make any money for four years Halfway into that prediction, Boshoff is hopeful that Columbus can make it

He has a word for it "Vasbyt!"

SAMANCOR

Lower prices, higher costs

(189)
FM 12/9/97

Dull markets, production setbacks and the Columbus effect mean unexciting earnings

- **ACTIVITIES** *Major producer of ferroalloys and base metal ores Holds a one-third stake in Columbus Stainless*
- **CONTROL** *Billiton 53%*
- **CHAIRMAN** *M Salamon MD W Schroeder*
- **CAPITAL STRUCTURE** *191,1m ords Market capitalisation R6,9bn*
- **SHARE MARKET** *Price R36,25 Yields 1,9% on dividend, 5,9% on earnings, p e ratio, 17,0, cover, 3,0 12-month high, R61,5, low, R34,5 Trading volume last quarter, 1,8m shares*

Year to June 30	'94	'95	'96	'97
Turnover (Rm)	2 190	2 721	3 792	3 702
Pre-tax profit (Rm)	374	506	839	510
Earnings (c)	148	196	355	214
Dividends (c)	40	60	170	70
Tangible NAV (c)	1 192	1 286	1 480	1 623

After three years of rising profits, adverse market conditions and operational problems caught up with Samancor in the year to end-June, slashing attributable earnings by 39% on a 2,3% drop in turnover

The turnover performance was not bad in the poor ferrochrome and ferromanganese markets It reflects benefits of Samancor's policy over the past few years of establishing strategic partnerships with some customers to underpin sales volumes

Chairman Mike Salamon notes ferrochrome sales volumes were up 10% in a relatively depressed market That softened the bite of 34% lower ferrochrome prices

But what really hurt Samancor's management pride, as well as its bottom line, was a poor operating performance at its Metalloys manganese plant, whose production costs rose sharply

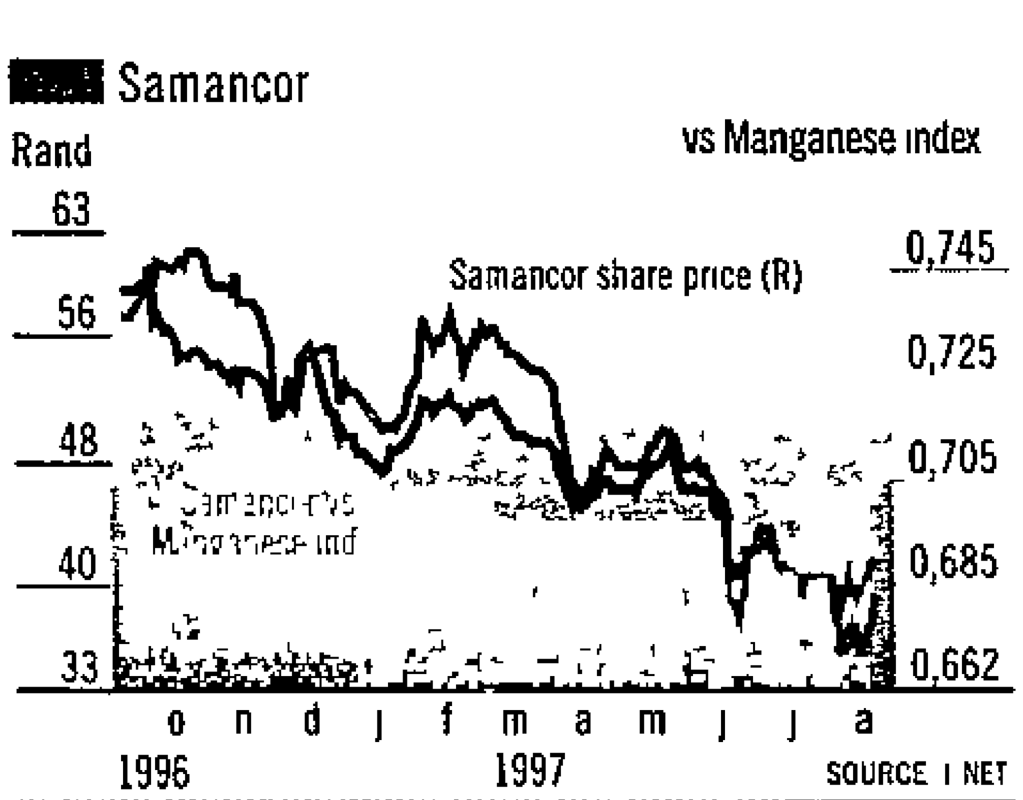
Salamon says lower chrome alloy prices took R427m off Samancor's income, while higher manganese alloy costs from the troubles at Metalloys sliced away another R157m He says the continuing production difficulties at Metalloys were particularly disappointing

MD Wilrich Schroeder says the problems result from lack of control over variations in the quality of raw material being fed to the furnaces and from deficiencies in the maintenance and operating systems

Both are being tackled Samancor is spending R85m to expand the sinter plant at its Mamatwan manganese mine after test work showed adding greater amounts of sinter to the raw material feed increased and stabilised output from the furnaces

Robert Tshabalala

***Mike Salamon** forecasts only a "modest" improvement in results*



Such hassles with established production units were the last thing Samancor needed when it is suffering the financial consequences of the difficult and protracted commissioning of Columbus Stainless

Schroeder says operationally Columbus is starting to perform, with a mill yield of 78% for July when saleable production totalled 29 803 t The target is 86% efficiency, average for the year to June was 72%

Total production from Columbus in the current financial year should hit 350 000 t from last year's 258 500 t, but the net effect on Samancor will not change as it must take its share of Columbus' finance charges for a full year

Salamon expects a meaningful profit contribution from Columbus only towards 1999 Add that to forecasts of no significant increases in either chrome or manganese alloy prices, and the outlook for Samancor's earnings in financial 1998 is unexciting

Salamon forecasts only a "modest" improvement in results — and that hinges on a better operational performance at Metalloys as well as higher chrome sales

The share price has recovered slightly from the 12-month low seen after release of the year-end figures There is little reason to buy at this stage

The annual report maintains its usual excellent standards, making it one of the most comprehensive and authoritative reviews by an SA mining group But I would still like to see a breakdown of revenues and earnings between the manganese and chrome divisions

Brendan Ryan

CONSOL

~~(193)~~ (194) ~~FM 12/9/97~~

More pain than gain so far

Market share was lost as the huge capex programme ran into trouble

Consol's bleak 1997 year was as much a result of self-inflicted problems as of poor economic conditions

The packaging industry is generally considered a barometer of the economy, so one could argue the group couldn't do much about falling demand from customers, who mostly sell products to the consumer market

But avoidable manufacturing disruptions

Numsa in new battle with big companies

Sowetan 26/8/97 (189)

By Abdul Milazi

THE National Union of Metalworkers of South Africa (Numsa) allowed many big companies to buy their way out of centralised bargaining to get short-term benefits for its members Now it is battling to stem the tide

The mass exodus of big companies from the Industrial Bargaining Council has compromised Numsa's fight to transform the industry because national wage negotiations are now dominated by small companies Twelve of South Africa's 13 major metal companies have signed individual agreements with Numsa and are independent of national industrial agreements

Numsa's national bargaining council resolved in April that by 1998 all the companies with house agreements should be brought back into the central bargaining forum

The fight to bring these companies back has proved to be difficult especially after the union met with resistance from its own members who feel they had been clinching better deals at plant-level than through the Industrial Bargaining Council

Numsa has appealed to its members who have house agreements to rejoin the central negotiations, arguing that the bigger companies are playing games with the union

Numsa spokesman Dumisa Ntuli said "In this year's negotiations, the big companies played a wait-and-see game They waited to see what the Steel Engineering Industries Federation of South Africa (Seifsa) offered at central level, and offered the same wage percentage"

Ntuli said many companies wanted a wage freeze, while some offered very low percentages and others wanted to reduce employee benefits such as annual leave

Numsa now has to ensure that these companies return to the central bargaining forum without their employees losing benefits

It has since come up with conditions for the return of these companies, which include a demand that no company should lower its conditions of employment

The other condition is that wage increases should be based on what workers are earning instead of the industry's set minimum wage

"Numsa needs these big companies to help fight for better wages and working conditions and for real change in the industry," says Ntuli

What makes the call even more urgent is Numsa's new struggle – to fight for broader social justice to ensure that the material needs of poor people are met The fight needs all the muscle the union can get

This is the direction adopted by the broader labour movement since the advent of democracy in South Africa, which changed the working class struggle from fighting apartheid to addressing the poor's social needs

According to the Central Statistical Service (CSS), 4,2 million of the country's 37,9 million people are unemployed and four million of these are black – the same people who expected to benefit from the new South Africa

Compound problem

To compound the problem, the Government has no social security system to care for the unemployed or the poor, a factor that has forced unions to call for "a social wage", where industries will be forced to pay better wages to make up for the lack of Government support for the jobless

This new struggle is linked to the labour movement's socialist leanings and its desire to strengthen the voice of the working class at all levels

A major argument among unionists is whether the black middle class should be part of this struggle

Certain quarters of the labour movement have expressed strong reservations about black empowerment, which is seen as the creation of non-racial wealth surrounded by poverty Numsa general secretary Mbuyi Ngwenda says 'Our ideological vision of a socialist society, and the creation of a socialist state must underpin our economic policies

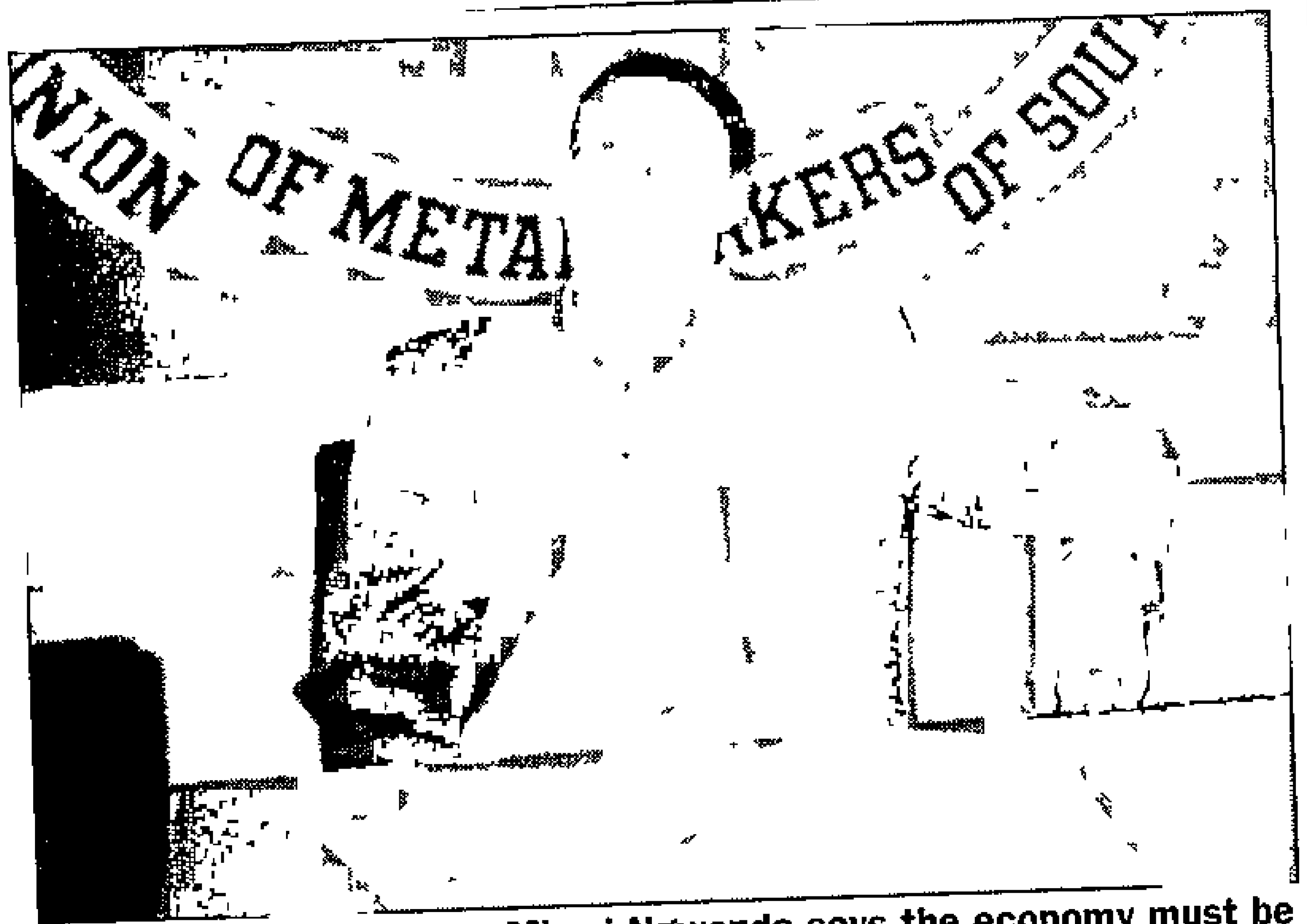
"Numsa accepts that the economy must be drastically restructured to meet the pressure of international integration and the eradication of social inequalities'

The major flaw in the Government s macroeconomic policy as seen by labour is its approach to economic growth which focuses on limited intervention by the state and allowing market forces to determine growth

'The strategic priority of the tripartite alliance (African National Congress-South African Communist Party-Congress of South African Trade Unions) following the 1994 elections was to meet the basic needs of our people and end poverty, says Ngwenda Ntuli says Numsa has realised that by allowing big companies to stay outside the central bargaining forum, they were losing out on other benefits

'We need one coherent strategy, and also to have one set of demands for the whole industry At present we are forced to change our demands at each plant-level wage talks

"It complicates everything '



Numsa general secretary Mbuyi Ngwenda says the economy must be drastically restructured to eradicate social inequalities.
PIC ABDUL MILAZI

Analysts claim group is through the worst

Unsettled Iscor sinks into the red

(189)

CT(BR)28/8/97

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — A R1 billion loss on the closure of its Pretoria steel works, the restructuring of the Iscor Refractories division and a weaker iron ore export market combined to plunge Iscor into the red

Iscor, South Africa's privatised iron and steel corporation, yesterday reported net attributable loss of R633 million for the year to June 30

On its day-to-day operations, with exceptional losses and gains stripped out, the group beat analysts' expectations to report a full year headline earnings of R384 million, or 15,2c a share.

The earnings were down on last year's 25c a share because of production problems at the Vanderbijlpark works, losses at the Pretoria works and hefty interest charges, compared with interest income last year, as the group slid into debt to fund its share of the R7 billion Saldanha Steel project

Hans Smith, the chairman, said a significant factor that enabled the group to beat market sentiment was its positive cash flows of R352 million in the second half compared with an outflow of R926 million in the first half,, which reduced net debt to R270 million at year end

He said the fall in iron ore exports related to problems on the Saldanha railway line and harbour facilities in the first half "We are looking at increasing (ore tonnage) substantially in the longer term and pushing a lot more through in the short term "

Gavin Butcher, a steel sector analyst at ING Barings, said the results were substantially more positive than expected. The drop in iron ore exports was disappointing, as were Iscor's steel sales, but its sales into the domestic markets improved, which was "a step in the right direction", he said

George Grohmann, a steel analyst at Rice Rinaldi, said the results were a sign that the company was through the worst of its difficulties

Both analysts saw Iscor's closure of its Pretoria steelworks as a positive step as it would improve the company's operating income by at least the R183 million it lost at the works this year

But Dumisa Ntuli, a spokesman for the National Union of Metalworkers of South Africa, criticised the closure "It is because of the bad management of the company that this is going to close down," he said

Smith said the Vanderbijlpark works were now "running like a sewing machine", which, together with improved tonnage on the Saldanha railway line, would filter through to improved performance next year The railway line is the primary stumbling block to increasing the Sishen iron ore mine's production

But he warned against early exuberance of a turn in the steel commodity cycle "We think we are in for another tough 12 months," Smith said.

Grohmann said "The only fly in the ointment with regard to potential commission problems is the Saldanha Steel project.

□ Business Watch, Page 18

BD 28/8/97

Saldanha 'will not harm Iscor plant'

(189)

Wyndham Hartley

CAPE TOWN — The massive Saldanha steel project under construction in the Western Cape would not entail the "running down" of Iscor's operations in Vanderbijlpark, African National Congress MP Ben Turok told Parliament's trade and industry committee.

Turok, who heads the trade and industry policy group in the committee, was asked by concerned businessmen in the Western Cape to investigate whether there was a link between the Saldanha steel project and activity in Vanderbijlpark. He was also asked to look at the environmental impact and the economic benefits of the project.

He told the committee in a written report that a visit to the plant had shown it was a "massive undertaking" twice the size of any other development under way in SA. He said it was very high technology and was designed specifically to produce hot rolled coil for the export market. Eventually the plant would employ more than 5 000 people.

Emerging businesses in the area were being used by the steel project as subcontractors, and some were already supplying painting, security and other services at the site.

Turok reported that the environmental concerns were "considerable" and depended on the effectiveness of the monitoring group established "and the maintenance of public vigilance". He said the steel project claimed that all the requirements of the Steyn commission — which investigated the environmental effects — were being met.

He noted that the arrival of job-seekers had led to the "establishment of highly undesirable squatter camps".

He advised that this was the responsibility of the local council and the Western Cape provincial government, which should develop a strategy to deal with the "in-migration".

Astounding R287m spent on commissions — Leon

BD 28/8/97

Linda Ensor

CAPE TOWN — An "astounding" estimated amount of R287m had been spent on seven commissions in the three years from 1995 to the current fiscal year, Democratic Party (DP) leader Tony Leon said in Parliament yesterday

He called on government to draw up publicly acceptable guidelines for remuneration packages, subject to Parliament's scrutiny The R287m covered the human rights, gender, youth and truth commissions, the Independent Broadcasting Authority, the Volkstaat Council and the Pan-SA Language Board.

Leon noted Deputy Finance Minister Gill Marcus had estimated that this financial year R200m or more would be spent on commissions Leon, describing the salaries earned by comission chairmen as "obscene", expressed concern that so much was spent on commissions at a time when government was trying to cut public spending

"Since so many commissions seem to have done so little, one cannot but wonder whether many were solely established with the purpose of dispensing patronage within the African National Congress (ANC)

"Statutory bodies must cut back on unnecessary expenditure Publicly funded bodies need to accept that they must perform their tasks with fewer frills than the private sector can afford, especially in a developing country with limited resources."

Responding, Finance Minister Trevor Manuel noted that all these commissions had been established recently and were sailing in "unchartered waters" With experience they would redefine their mandates and redefine their own performance areas In any event, evaluating a commission's worth was a political judgment.

While Manuel said the DP supported the establishment of the commissions in terms of the constitution, Leon said the party had never endorsed the salary packages

Leon noted that while the chairman of the Human Rights Commission earned more than R400 000 a year (about R33 000 a month) — almost as much as a cabinet minister and linked to the pay of a Supreme Court judge-president — the organisation's management was characterised by chaos and paralysis

Leon queried the justification of having a gender commission to deal with what were essentially human rights issues, and stated that the youth commission, with its R10m annual budget and R30 000-a-month chairman, had not come up with a single youth development project

Bill to establish new science advisory body tabled

CAPE TOWN — Draft legislation to establish a "national council on innovation" to advise government on science and technology was tabled in Parliament yesterday

The National Council on Innovation Bill seeks to establish a successor to the defunct Scientific Advisory Council, which was dissolved in June 1994.

The new council will consist of a chairman and 16 to 20 members appointed by the science and technology minister

The director-general of science and technology and an officer of the trade and industry department will also serve on the council

A memorandum to the bill says the proposed national council on innovation will be responsible for giving informed advice to government on the development and implementation of science and technology policy, and on the stimulation of innovation. — Sapa

Land tenure bill approved with tough changes

BD 28/8/97

Wyndham Hartley

CAPE TOWN — Land Affairs Minister Derek Hanekom's controversial Extension of Security of Tenure Bill has been approved by the land affairs committee with tough amendments from the African National Congress (ANC) and will be debated in the National Assembly later today.

The committee debated into the night on Tuesday as it battled to complete its work so that the bill could be printed in time for submission to the house

Committee chairman Phatekile Holomisa (ANC) said yesterday that the bill would be ready on time He said that the work of the committee had been made more difficult as National Party members had been absent to hear FW de Klerk's announcement that he would be retiring.

Among the controversial amendments approved by the committee yesterday was a clause including rights such as grazing and use of the land for crop production in the definition of "suitable alternative accommodation" Both farmer and tenant will have an obligation to seek suitable accommodation in cases of "no-fault" eviction.

Holomisa said considerable effort was given during Tuesday afternoon to find a compromise with the SA Agricultural Union This had proved to be impossible and the amendments were approved in the form submitted by the ANC

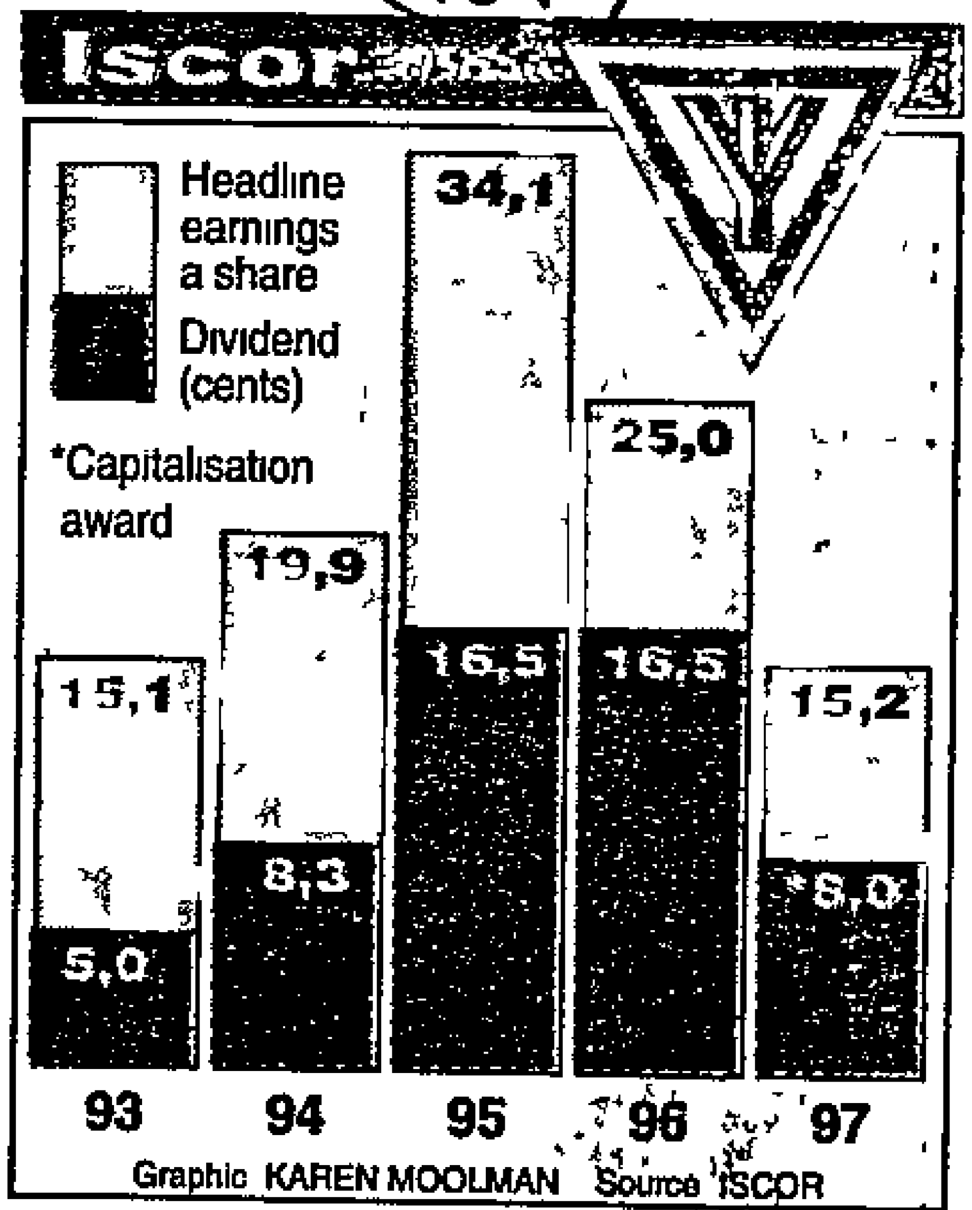
Another controversial amendment lowers the tenancy period which will give workers almost absolute rights of continued residence The original bill set the period at 20 years' residence and 60 years of age, while the approved bill sets a 10-year period

The bill also gave the Land Claims Court automatic review of magistrate's court decisions on the new law This amendment flowed from complaints by the National Land Committee that magistrates had in the past been biased in favour of farmers because many of them were either farmers or friends or relatives of a farmer.

Iscor surprises with steely performance

(189)

David McKay BD 28/8/97



Graphic KAREN MOOLMAN Source ISCOR

IRON and steel producer Iscor exceeded analysts' forecasts of 11c-14c headline share earnings for the 12 months to June, posting a figure of 15,2c against 25c a year earlier.

Analysts questioned whether the company had finally put its production and financial woes behind it.

Executive chairman Hans Smith said an outstanding performance at the Vanderbijlpark works in the last part of the year accounted for the higher than forecast earnings.

The current year's results would be better as losses from the Pretoria works had been staunched. In addition, output at the Vanderbijlpark works had stablilised.

He said the Sishen-Saldanha railway link, where bottlenecks had held Iscor's iron ore exports back in the past, had been eased.

Smith said lower iron ore exports, production interruptions at Vanderbijlpark and weaker steel markets, had caused Iscor's net operating income to drop 21% in the period.

"The year had been more difficult than expected," he said.

Iscor's steel division suffered a two-thirds drop in net operating income

Continued on Page 2

Iscor

(189) BD 28/8/97

Continued from Page 1

due to depressed markets and production glitches at Vanderbijlpark. Dispatches of 5,3-million tons of steel were 1% higher than last year's.

The mining division lifted turnover and posted a higher operating profit, overcoming the effects of lower iron ore exports.

Investec's Hennie Vermeulen said the outlook for Iscor was good as it had started a wide-ranging re-engineering programme. The group had also shut most of its loss-making Pretoria works at a writedown cost of R1bn.

Smith said that if the re-engineering programme had been implemented at the start of the past financial year, the contribution from Vanderbijlpark would have been "at least double what it is now"

Rice Rinaldi's George Grohmann said the decision to keep the corex section open at Pretoria might be unwise if it had not been written off as part of the Pretoria mill writedown.

In addition, Iscor had a 50% risk exposure to the Saldanha steel project. If this project did not meet expectations, it could affect the company's cost base.

Smith said Iscor's diminished cash reserves were of concern as the company had many new projects on the table. "Some tough decisions will be made in the coming months as to which projects will be approved," he said.

Compromise ends strike at Hulett Aluminium

ET (BR) 29/8/97 (~~150~~) (189)

SHIRLEY JONES

Durban — An amicable compromise on both sides brought the strike at Hulett Aluminium's Pietermaritzburg plant to an end yesterday afternoon, the company said last night

However, workers at the company's Olifantsfontein plant had yet to accept the final settlement and would meet this morning, it said

The final settlement, which has been accepted by both the company and by the three major trade unions — the National Union of Metalworkers of South Africa (Numsa), the National Employee Trade Union and the South African Electrical Workers' Association — has resulted in overtime being incorporated into basic wages and 96 percent of employees receiving increases ranging from 10 percent to 10,6 percent The remaining 4 percent will receive increases of up to 11 percent

Tongaat Hulett said the cost to the company of this total package would exceed 10 percent

The company's original settlement package included wage increases ranging from 9,7 percent to 10,5 percent, with improvements to overtime pay and long-service awards The union demanded a 13 percent across-the-board increase, but was prepared to drop to 12 percent as the strike dragged on

Hulett Aluminium said the 14-day strike had cost workers at least R3 million in lost pay, or 5 percent of their annual basic wage This did not include substantial overtime payments

The company had not tallied up its losses

Numsa slams retrenchments

Sowetan 1/9/97 ~~(???)~~ (189)

By Abdul Milazi

THE retrenchment of 1 500 workers at the ill-fated Iscor Pretoria plant will add to the woes of the metal industry which has shed close to 300 000 jobs since 1982 as a result of industrial restructuring

Last week Iscor announced that it was closing the loss-making plant at an estimated cost of R1 billion

This is the second major retrenchment this year involving the American-based MacKinsey management consultants, after its recommendations on the restructuring of the South African Broadcasting Corporation resulted in the corporation s loss of 1 400 jobs

The National Union of Metalworkers (Numsa) has blamed the closure of the Pretoria plant on bad management

Numsa spokesman Dumisa Ntuli said industrial restructuring was a worrying trend as many companies were trimming their workforce due to the pressures of globalisation

The steel engineering industry alone has shed 200 000 jobs since 1982, while 9 000 workers were retrenched in the metal industry in the past seven months

Ntuli said South Africa's major shortcoming was that employers still excluded workers from decision-making because they believed it was the prerogative of management to plan for the future

Workers should be involved in short-term and long-term planning of the companies they work for, so that whatever measures are taken for purposes of competitiveness do not have adverse effect on jobs,' said Ntuli

The axe ~~also~~ hangs over Iscor's Saldanha Bay steel project after management expressed concern about it saying it might affect the company's cost base if it did not perform to expectations

Ntuli said Numsa had proposed that Iscor should seek an equity partner or transfer the affected workers to other plants

"Workers can be accommodated at the Saldanha, Pietermaritzburg and Vanderbijlpark plants, while voluntary retrenchment should be considered for those who are not in favour of relocation," said Ntuli

Iscor's financial report for the 12 months ended in June showed a 21 percent drop in net income, and a 15 2c headline share earnings against 25c a year last year

The share earnings exceeded the 11c to 14c forecasted by economists

NEWS

Company and unions agree to overtime demands and wage increases from 10% to 11%

Hulett strikers to return to work

CT(BE) 1/9/97 (189)

RAVIN MAHARAJ

Durban — About 1 300 workers at Hulett Aluminium in Pietermaritzburg and Elandsfontein would return to work today after a three-week strike, the National Union of Metalworkers of South Africa (Numsa) said at the weekend

The strike ended on Thursday after the company and the three main trade unions — Numsa, the National Employee Trade Union and the South African Electrical Workers' Association — reached a final settlement.

The parties agreed to incorporate overtime pay into basic wages and 96 percent of the employees would receive increases ranging from 10 percent for higher levels to 10,6 percent for lower levels The remaining 4 percent of employees would receive increases of up to 11 percent

The company's original settlement package included wage increases ranging from 9,7 percent to 10,5 percent, with improvements to overtime pay and long-service awards The union demanded a 13 percent across-the-board increase, but was prepared to drop to 12 percent as the strike dragged on

The company said the 14-day strike had cost workers at least R3 million in lost pay, or 5 percent of their annual basic wage This did not include substantial overtime payments The company had not tallied up its losses

Stephen Nhlapho, a Numsa spokesman, said at the weekend that the conclusion of the strike was a victory for workers because the company's "dirty tricks had failed to crush the strike and demoralise workers"

He said the settlement granted the majority of workers real wage increases with access to training which would ensure a long-term improvement on their wages

He said workers' outstanding demands would be negotiated later this year These included an agreement on worker incorporation ~~into~~ the Metal Bargaining Council Main Agreement, finalisation of a document on subcontractors and other issues deferred to a working committee from the 1996/7 wage negotiations

Meanwhile, 400 workers went on strike at Usko Limited in Vereeniging, Gauteng, on Friday Workers are demanding that housing subsidies should not discriminate against workers staying in rural areas A Numsa spokesman said the company had proposed the discontinuance of the housing subsidy scheme and that new employees should not be eligible for a housing subsidy from the date of the agreement

Labour court dismisses bid by employers to block Numsa

ET (BR) 1/9/97 ( ) (189)

Johannesburg — A labour court judge dismissed on Friday an employer association's application to prevent the National Union of Metalworkers of South Africa (Numsa) from tabling demands on actual wage increases as opposed to increases on minimums

Actual wages are the amount an employer pays the worker above the prescribed minimum wage for the industry The South African Motor Industry Employers' Association had asked the court to declare that for ongoing wage negotiations Numsa was only entitled to negotiate on "minimum rates of pay"

The employers' association had also asked the court to interdict a strike by the union

The judge, AJ Maserumule, said the applicant's argument was related to the parties' previous practice of negotiating only minimum wages at the bargaining council However, he said nothing precluded a party from tabling demands whose effect would be to change the regime that might have existed until then. — Frank Nxumalo

Court's ruling on wages favours Numsa

BD 1/9/97 (189)

Reneé Grawitzky

THE Labour Court has ruled in favour of the National Union of Metalworkers of SA (Numsa) and ordered the SA Motor Industry Employers' Association to negotiate both minimum and actual rates of pay with the union within the bargaining council

The union declared a dispute early last month against the association after it refused to negotiate actual increases and claimed it was negotiating in bad faith

The association believed the industry's main agreement restricted bargaining to negotiations on the minimum rates and said the unions' dispute was in breach of the accord and any contemplated action would be unprotected

Numsa threatened to embark on a a protected sympathy strike After the union declared a dispute, the motor industry bargaining council approached the court for a declaratory order on interpretation of the main agreement

The court ruled that the definition of a "wage" in the main agreement included both minimum and actual wages That being the case, Numsa was free to table increases in relation to actual wages and was not limited to increases on minimum wages

The employer association was not available for comment

Citizen 5/9/97

NUMSA PROCEEDS WITH PLANS FOR NATIONWIDE STRIKE NEXT TUESDAY

189

Johannesburg — More than 2 500 workers allied to the National Union of Metalworkers of South Africa (Numsa) are forging ahead with plans to stage a nationwide strike next Tuesday This is in solidarity with their colleagues in the motor sector who have declared a wage dispute with the South African Motor Industry Employers' Association (Samiea)

Mbuyiselo Ngwenda, Numsa's general secretary, ~~said~~ yesterday the strike would continue despite Samiea's appeal for the reversal of last week's labour court judgment allowing Numsa to "follow the dispute with a strike that will be protected"

Last week the labour court ruled that Numsa had not reneged on a motor industry agreement to negotiate only on minimum wages as opposed to actual wages, and also dismissed, with costs, Samiea's application to have Numsa's planned countrywide strike declared unlawful and unprotected — Frank Nxumalo

'Customs fraud could wipe out whole sectors'

Import scam threatens SA steel makers

(189)

CT (BR) 19.9.97

Sherilee Bridge

Johannesburg — South Africa's steel industry was under threat by Indian and Malaysian producers who avoided paying import duties by bringing in low-value welded pipe under the guise of specialised seamless pipe, industry officials said yesterday

"This is direct customs fraud that could wipe out sectors of the industry," warned Tony Heher, the chief director of the trade and industry department (DTI)

He said steel pipe and tube was being dumped on the local market as well, placing the entire metals industry under extreme pressure. "This type of activity puts industry sectors at risk if it goes unchecked."

Reclassification of welded pipe as seamless pipe has meant that the Pacific Rim manufacturers bringing these products into South Africa evade a 12 percent import duty The government was also losing millions in lost customs revenue through the evasion of import duties

The foreign companies accused of violating customs rules were not identified by the DTI, customs and excise or any of the local metal industry companies.

By pulling the prices down, the low-cost imports are eroding the business of 14 local tube and pipe manufacturers, which have a combined annual output of 500 000 tons and contribute some R1,3 billion to the national economy.

The imports also threaten the livelihood of the industry's 3 500 employees.

In line with international trends, the import barriers are to be reduced to 7 percent in the next five years This means South Africa's traditional markets will be under increasing threat from other world producers

The consequences for the South African economy would be serious if the steel tube and pipe sector were to decline any further, Heher said

South Africa's tube and pipe sector was dealt another blow with recent reports that hot and cold-rolled stainless steel and carbon steel coils were entering the South African market and were available at a fraction of the cost of the domestically produced product

The local steel industry was caught between cheap imports and heavy domestic prices, an industry source said

Steel producers have been accused of inflating domestic prices to keep their export prices competitive

Domestic prices were reportedly 10 percent to 20 percent higher than the export prices offered by the local monopoly producer

This has ripple effects on the downstream industry where the price and quality of the locally sourced material is of concern

David Slater, the executive director of the South African Stainless Steel Development Association, said that pipes, tubes and fittings made up 42 percent of the 7 000 ton, or R170 million worth, of final products brought into South Africa last year

Growth in imports has averaged 50 percent a year since 1991

Court to rule today on Numsa strike

BD 8|9|97 (189)

Reneé Grawitzky

THE Labour Appeal Court will decide today whether a 24-hour strike by thousands of National Union of Metalworkers of SA (Numsa) members scheduled for tomorrow will be legal

Numsa has called for the strike in the motor retail sector, and has asked members in the engineering, vehicle manufacturers and tyre sectors to strike in sympathy

The motor retail workers are embroiled in a dispute with the SA Motor Industry Employers' Association (Samiea) over the refusal to negotiate on the actual wages paid to workers

Samiea appealed against a Labour Court ruling last week that the planned strike was protected in terms of the Labour Relations Act This meant the union had complied with the act's requirements and workers could strike without fear of dismissal

The court ruled that Numsa could demand that employers negotiate on minimum and actual rates of pay

Numsa said it would be logistically impossible to call off the national action at the last minute

Steel and Engineering Industries Federation of SA spokesman Dave Carsons said widespread notification had been given of the sympathy strike action Member companies had been advised that if no link existed between themselves and the motor retail sector, they could explore the option of an interdict against the sympathy action

In August, Numsa declared a dispute against Samiea after it refused to negotiate wage increases on actual rates and indicated that members in other sectors would strike in support of workers in the motor retail sector

The motor industry bargaining council applied to the Labour Court for a declaratory order

Samiea argued that the industry's main agreement restricted bargaining to negotiations on the minimum rates of pay It said the union's dispute was in breach of the agreement and any action would be unprotected.

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Nonlisted company finalists announced

Business Day Reporter

TWENTY finalists for the 1997 SA Nonlisted Company Award were announced at the weekend, including pu-Clearing; Computicket; Heritage Financial Holdings; Lakato; O'Hagans Investment Holdings; Qualichem; Railit Total Transportation; Small Business Development Corporation;

LABOUR *Court declares it has no jurisdiction over dispute*

Numsa may be unable to stop strike

CT(BR) 9/9/97 (189)

FRANK NXUMALO

ELEVENTH HOUR *Peter Dantjie, Numsa's assistant general secretary, and Mbuye Ngwenda, the general secretary*
PHOTO: JOHN WOODROOF

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) said yesterday it would find it difficult to call off a nationwide strike by more than 240 000 metalworkers originally planned for this morning

This comes after the labour court declared at the 11th hour yesterday it had no jurisdiction over the dispute between Numsa and South African Motor Industry Employers' Association (Samiea) The dispute concerns the interpretation of the industry's main agreement

Samiea claimed Numsa reneged on an earlier motor industry bargaining council agreement to negotiate on minimum wages as opposed to actual wages and asked the court to declare the union's planned industrial action unlawful and unprotected.

Dumisa Ntuli, Numsa's spokesman, said the judge put aside last week's ruling allowing for Numsa to hold a protected strike. Instead, the court said this morning's planned strike may be both "protected and unprotected", and urged the two parties to explore mediation through the Commission for Conciliation, Mediation and Arbitration in terms of section 24 of the new Labour Relations Act

Ntuli said the court's ruling was "regrettable as it will not better the conditions of motor sector workers" and that Numsa was "questioning the credibility of the court as we had followed all the procedures as laid down by the act"

Ntuli added: "As a result we have suspended the strike as we want to protect our members, and we have appealed to Samiea not to take disciplinary action against our members because of the 11th-hour notice"

Victor Fourie, Samiea's spokesman, said he had requested employers not to act against workers who did not report for duty as they might not have been advised of the strike's cancellation

Numsa calls off 24-hour national strike

(189) 6/9/97

Reneé Grawitzky

THE National Union of Metalworkers of SA (Numsa) called off today's planned 24-hour national strike last night after the Labour Appeal Court did not decide on its legality, leaving uncertainty as to whether workers would be protected from dismissal

The union appealed to employers not to take punitive action against workers who went out on strike today unaware that the action had been called off Numsa said it would work hard to communicate to workers the decision to suspend the action

Numsa general secretary Mbuyi Ngwenda said the decision left workers in a vulnerable position The union could not act irresponsibly by jeopardising their jobs

Numsa had called for a strike in the motor retail sector in support of the demand for employers to negotiate on actual wages and asked members in the engineering, vehicle manufacturing and tyre sectors to strike in sympathy.

The SA Motor Industry Employers'

Continued on Page 2

Numsa

(189)

Continued from Page 1

6/9/97

Association (Samiea) appealed against a Labour Court ruling last week that Numsa could require employers to negotiate on minimum and actual rates of pay. The court said the demand was legitimate and could be followed by a strike which could be protected.

The Labour Appeal Court yesterday set aside this decision and found the courts had no jurisdiction to hear the wage dispute, which should be referred to the Commission for Conciliation, Mediation and Arbitration

The court also failed to grant motor retail employers an urgent interdict against the strike and did not rule whether the action would be protected.

Samiea spokesman Vic Fourie said Numsa had made a sensible decision, but he could not guarantee on behalf of the whole industry that strikers would not face disciplinary action. He said although the Labour Appeal Court had not made a definite decision, it had set aside the Labour Court's ruling requiring employers to negotiate on actual rates of pay

A number of companies facing secondary action applied for interdicts with varying degrees of success. Cape Gate was granted an interdict. Numsa said the employer argued it would be unfair to bring it into the dispute as it had no relationship with the motor retail employers and thus could not influence them.

The Cape Labour Court refused to grant an interdict to GFN Chep on the basis that the secondary strike would have a significant impact on the primary employer.

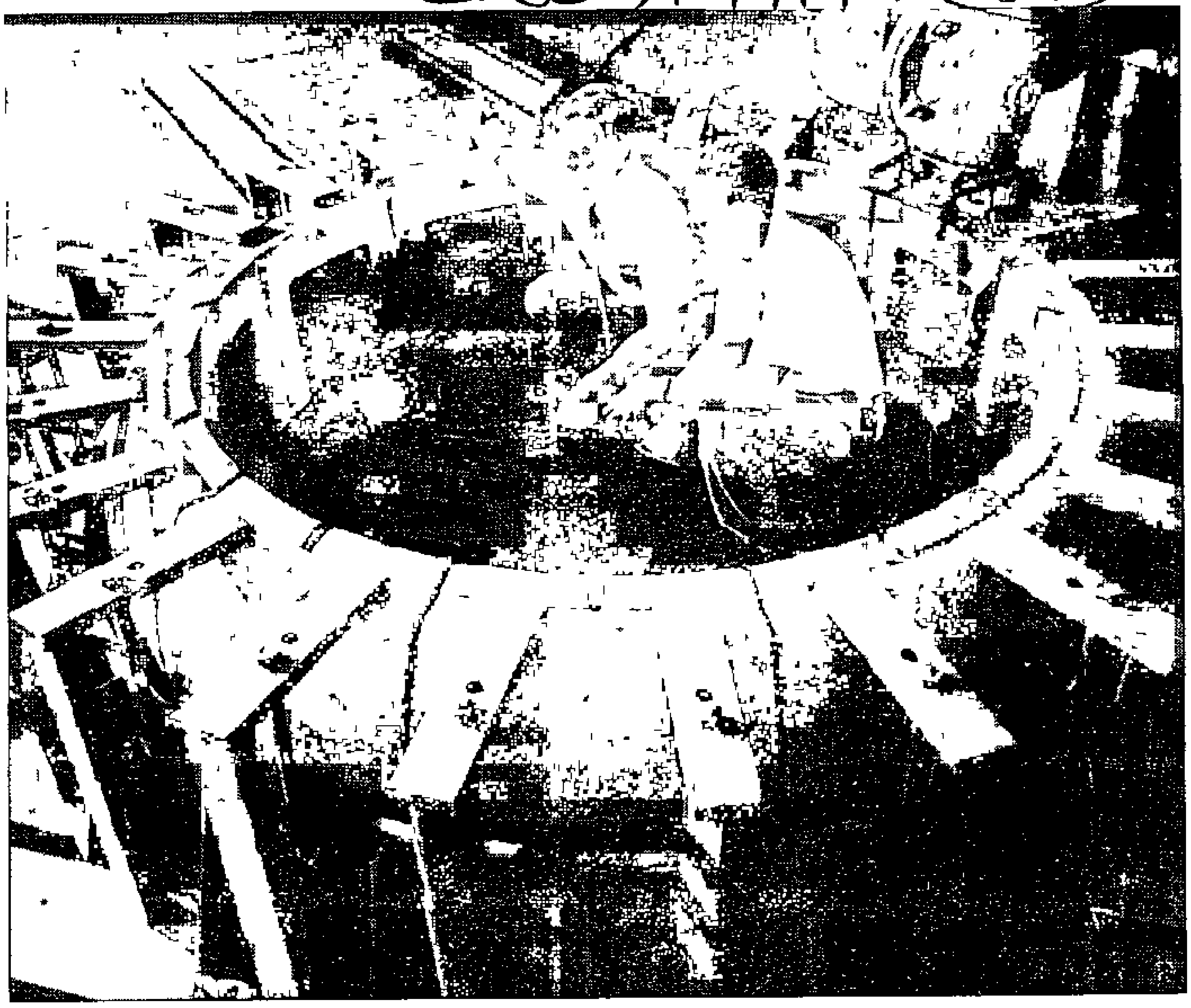
Picture: Page 3

HEAVY INDUSTRY *Umgeni Iron Works is expanding in line with its optimism*

A bullish attitude that's cast in iron

ET (BR) 10/9/97 (189)

SHIRLEY JONES
KWAZULU NATAL EDITOR



ROUNDING OFF *Gavin Rice, the managing director of Umgeni Iron Works, left, and Larry Gabin of Elgin Engineering examine a new set of 12 roller wear segments, part of a joint project for the cement industry in North West Province*

Durban — Expansions at Umgeni Iron Works — including a new foundry, the installation of a massive gantry crane and the introduction of sophisticated testing equipment — would be concluded within a month, Gavin Rice, the managing director, said yesterday

Umgeni Iron Works, a family business servicing local industry for well over a hundred years, is one of three foundries in Durban and among the country's few independently owned operations

The company had now significantly increased capacity, Rice said He added that the new plant enabled the company to handle moulding boxes three times larger than previously for large and complex jobbing work

He said Umgeni Iron Works also had the widest range of metal grades available from any single foundry in the country and was able to quote on a multitude of stainless steels, chrome irons and other alloyed ferrous metals

The rationale for the expansion was to provide a one-stop foundry service to local industry and to cater to the larger end of the market, Rice said

At present, 80 percent of Umgeni Iron Works' business is in KwaZulu Natal, with a fair portion in Gauteng Larger Kwazulu Natal contracts included Alusaf and Richards Bay Minerals, Rice said

Umgeni Iron Works serviced the sugar and brick industries from the outset, providing steel and iron castings for sugar mills and spare parts for the production of pressed and extruded bricks It also processed specialised orders for the mining, shipping and general engineering sectors

Rice said the expansion showed confidence in the market He said 1996 was probably the best year in the company's history and, consequently, management was very bullish

"We'd like to promote local industry," he said "A lot of products are imported unnecessarily We have the capability and skills to meet local needs here Imports are often a waste of foreign exchange"

Rice said local foundries were extremely price-competitive and were scoring because of exchange rates "Major companies stand to save a great deal," he said "We have won contracts on the basis that we are far more competitive"

He said there were opportunities for small companies like Umgeni Iron Works as long as they were open to meeting local industry's needs "We would welcome more developments from industries like Alusaf, which would act as catalysts for smaller businesses such as ours," he said

Saldanha Bay steel project loan gets British backing

CT(DR) 15/9/97 (189)

SHERILEE BRIDGE

Johannesburg — Britain's Export Credits Guarantee Department (ECGD) has thrown its weight behind developments in Saldanha Bay by guaranteeing a $61,4 million loan to VAI Industries for the construction of a cold steel strip processing plant near Saldanha Steel

Ian Mackay, an underwriter at ECGD, said the department had an estimated £1 billion of cover available for two projects in the region The other project under review was the second phase of the Lesotho Highlands Water Project, said Mackay

The ECGD, which backs loans to help finance projects, was also involved in the guaranteed $235 million for the Columbus Stainless Steel project

VAI Industries, a British engineering company, won a R600 million contract to build, on a turnkey basis, a complete rolled coil processing plant for a new steel mill complex that will process hot rolled coil from the Saldanha Steel mill

The complex is expected to produce 610 000 tons of finished product a year

Bernard Smith, the chairman of Saldanha Steel, said the facility was on track to produce its first steel early next year and its first iron in the second half

COMPETITION BOARD (189)

Nuts and bolts of pricing

When is the practice of price leadership — where one party sets the price and the other follows — justified? Or, more importantly, when can it be construed as collusion?

A case in point is that of SA's two largest industrial fasteners manufacturers, National Bolts (Natbolt) — a subsidiary of the Forward Corporation — and listed engineering company TPN Investments

Both have been accused by an unnamed complainant of price collusion This has sparked a preliminary investigation by the Competition Board

The board's director of investigations, Johan Liebenberg, says it has asked Natbolt and TPN for comment on the allegations The companies have denied there is any such practice

"At this stage we do not have enough *prima facie* evidence to refer the matter to the SA Police Service," Liebenberg says

However, within the industry, the two companies have been criticised for consistently producing identical price lists, even though they have different cost structures

One critic estimates that they have about 75% of the total market for bolts Despite this, both companies have failed to convert their commanding position in this R450m market into profits Natbolt hasn't made any money for Forward, listed in the industrial holdings sector, in the past eight years It is one of three problem companies (together with Gentyre and MacPhail) receiving urgent management attention

TPN profits have been inconsistent and generally appear to be on the down with half-year results to December showing a 35% decline in EPS The company blames the competitive domestic market for its problems and, like Natbolt, looks to the export market for its salvation

Natbolt MD Dennis Dedwith denies price collusion, and says fasteners are commodities and prices are set by the market

The *FM* was unable to contact TPN for comment

Liebenberg says the Competition Board has decided to assist the complainant by helping to accumulate evidence, after which the board may decide to refer it to the police

Competition Board chairman Pierre Brooks says, however, that it's possible these practices may amount to price leadership, which is acceptable

Stuart Rutherford

FM 19/9/97

ARG 24|9|97
(189)

New R850-m steel plant for Saldanha

Major Swiss-IDC boost for jobs and economy on West Coast

LLEWELLYN JONES
Business Reporter

A new multi-million rand industrial development project has been launched at Saldanha Bay which will boost the local job market and the West Coast economy.

Bruno Bolfo, chairman of the Swiss-based steel trading and manufacturing giant Duferco, turned the first sod at the site of the R850-million Duferco steel processing plant – a venture between Duferco and the Industrial Development Corporation

"We anticipate that the plant will create permanent employment opportunities for 220 people, with another 700 indirect jobs generated, and therefore representing a significant spillover effect into the economy of the region," Mr Bolfo said

The plant will be the first major downstream development after the R7-billion Saldanha Steel project The plant will have a capacity of 610 000 tons of steel products a year

Raw material in the form of hot rolled coil has been guaranteed by Saldanha Steel This take-off represents about 50% of Saldanha Steel's total production of 1,25-million tons and is expected to add about 35% to the value of the hot rolled coil

Its total production is aimed at the export market and the new plant is expected to earn the country R200-million net annually in foreign exchange.

Mr Bolfo said the IDC and Duferco would jointly fund 40% of the equity component of the project while loans would make up the remaining 60%

The project is expected to come on line in early 1999.

At yesterday's ceremony, Mr Bolfo said the company's investment in South Africa and its association with Saldanha Steel as its major client were evidence of the company's confidence in South Africa and in the IDC

'The IDC is playing an increasingly important role in the W Cape's industrial development'

IDC deputy managing director Jan de Bruyn said the corporation was playing an increasingly important role in the industrial development of the Western Cape, with 322 new financing authorisations approved for the province between July 1992 and June this year

"This figure represents 22,5% of the IDC's total authorisations for South Africa, and although second in number, the Western Cape was first in rand terms with R7,8-billion, or 36,6% of the total of R21,4-billion approved," Mr de Bruyn said

Some of the major projects in which the IDC is involved are Sasol, Sapekoe, Alusaf, Atlantis Diesel Engines, Columbus Stainless Steel, Foskor, Namaqua Sands, Richards Bay Minerals and Saldanha Steel

In terms of small and medium enterprises, the Western Cape was also the overall leader as far as both the number of approvals and the total amount were concerned, he said

"A total of 253 approvals, or 22,9% of the total, and R600,6-million, or 29,5% of the total, were recorded for the period 1992 to 1997"

This had created more than 21 500 new jobs in the region

Duferco and IDC start work on R850m Saldanha steel mill

BD 25/9/97

Business Day Reporter (189)

THE Industrial Development Corporation (IDC) and Swiss steel company Duferco's R850m downstream steel project kicked off this week as construction started on the groups' steel processing plant at Saldanha

The plant is the first major downstream development after construction of the R7bn Saldanha Steel project The IDC and Duferco are jointly to fund 40% of the project's equity component Loans will make up the remainder

The plant is expected to come on stream early in 1999

Duferco international chairman Bruno Bolfo said at a sod-turning ceremony on Tuesday that the plant would create 220 jobs directly and another 700 jobs through the "multiplier effect" This represented "significant spillover" into the Western Cape economy

The plant's production of pickled and oiled, galvanised and cold-rolled steel products is geared for the export market About 34% is destined for the US, 43% for Europe and 23% for the Far East It is expected to net R200m in foreign exchange annually

The IDC said the completed plant would have a production capacity of 610 000 tons of steel a year Raw material in the form of hot-rolled coil had been guaranteed by Saldanha Steel, representing about half of Saldanha Steel's annual production of 1,25-million tons The Duferco project was expected to add about 35% to the value of hot-rolled coil

IDC deputy MD Jan de Bruyn said the corporation was playing an increasingly important role in the Western Cape's industrial development Between July 1992 and June 1997, 322 new financing authorisations were approved in the province, representing 22,5% of the IDC's total across the country In total rands value this ratio grew to 36,6% or R7,8bn

He said the Western Cape was also the leader in the number of IDC approvals granted to small and medium enterprises, a process which had created 21 500 new jobs

HULETT ALUMINIUM

(189) FM 26/9/97

Foreign partner brings in leading edge technology

Growth in local markets in line with world trends should see black ink etched into bottom line

With global aluminium giant Norsk Hydro now on board as a 30% equity partner, Hulett Aluminium (Hulamin) will soon be able to meet local and global demand with state-of-the-art production technologies

Hulamin MD Peter Staude says the company could increase its soon-to-be commissioned 150 000 t/year aluminium coil rolling capacity at its new Maritzburg plant to 400 000 t/year, "should market demand warrant this move"

Global aluminium consumption is growing at a steady 4%-5%, and the only competitor on the horizon is a new coil rolling mill project in Brazil Hulamin is set for fair sailing, growing markets and good profits, says Staude

Local aluminium consumption last year was 120 000 t But Hulamin aims to grow both the local and export markets, using the linked benefits of a 10-year supply contract for raw materials from Alusaf and its own radically reduced cost structure

The expansion to 400 000 t/year will more than double Hulamin's planned capacity increase, which is due for commissioning by the second quarter of 1999 Commitments to this new R2,4bn rolled mill expansion project are already nearing 70% — allowing Hulamin to treble its existing hot- and coldrolling capacity output of 50 000 t/year

Staude says Hulamin is still forced to import 32 000 t/year of rolled product which it cannot produce from its existing technologies, "but this position should reverse in the near future"

Rob Barbour *Mozal project on track*

A major marketing benefit for future sales is aluminium metal obtained from Alusaf's Richards Bay complex, which will be made available to Hulamin at export parity pricing levels for its exports and its customers' exports A substantial downward "stepped change" in raw materials pricing will make Hulamin price-competitive on global markets

"Until about two years ago, Alusaf still had 20% tariff protection, but this has now been reduced to zero With raw material input costs slashed, we will not only be able to compete globally with about 45% of planned future output, but our rolled product should also allow for the development of a competitive aluminium cluster of downstream processors and manufacturers," says Staude

If Alusaf's Maputo-based Mozal project also comes off, there will be more economically priced aluminium available in the region

Alusaf CE Rob Barbour says the Mozal project is on track with marketing to prospective equity partners going ahead as planned

Staude says there are huge gaps in the local market waiting to be exploited His group plans to develop opportunities in electrification — conductor cable, busbars and transformers Present worldwide use of these products in aluminium form is 75% compared with 25% in SA Other areas include industrial roofing at the coast (the SA percentage is 2%, compared with 20% in Australia), the building market, where a potential 25 000 t-30 000 t/year market will be exploited, packaging, consumer durables, the boating industry, and the vitally important automotive market

Because of the lightweight, durable characteristics of aluminium alloys there's a growing global trend to increase the aluminium content of vehicles

"Together with some local automotive car manufacturers, we are involved in bidding for some major worldwide contracts, including heatshields, sunroofs, sumpguards and pulleys Today SA produces 18% of the world's aluminium wheel rims, while 5% magnesium alloy car jacks alone could lead to the development of a 4 000 t/year local market," says Staude

Hulamin's marketing and manufacturing plans with the motor vehicle industry include discussions about global exports of locally manufactured car parts "This might also include revolutionary new technologies developed in SA to manufacture aluminium-based radiators"

Even in the local 64 000 t/year beverage can market, fortune seems to be smiling, with Iscor's tin plate output expected to reach its capacity ceiling between 2000 and 2004, opening a potential niche growth market Globally, aluminium constitutes about 80% of the beverage can market

Arnold van Huyssteen

EL NIÑO

Rising temps

A reference to El Niño on Page 53 incorrectly states the weather phenomenon is caused by a drop in Pacific Ocean temperatures The reverse is true as a rise of about 3°C occurs The error is regretted ■

US threat to SA steel plate exports

(189)

Simon Barber

BD 3/10/97

WASHINGTON — The US commerce department is threatening to price "dumped" SA steel plate out of the US market, while guaranteeing market share for China, Ukraine and Russia, even though they have been selling plate in the US at lower prices and in far greater quantities.

The ironic reason is that SA, which shipped the US 65 500 tons of plate valued at $26m last year, is a market economy while the other three are not.

Iscor and Highveld Steel are negotiating with the commerce department to avoid stiff antidumping duties provisionally imposed on SA plate in June, but a compromise — which must be reached by October 24 if the duties are not to become permanent — is proving elusive. The duties — 32% for Iscor and 16% for Highveld — were imposed in response to complaints by two US firms, Geneva Steel and Gulf States Steel, alleging that SA, China, Ukraine and Russia were selling plate in the US at below domestic prices.

The commerce department has announced that the other three countries have reached "suspension" agreements restricting the amount and floor price of plate they may export to the US in lieu of paying dumping duties.

Russia, for example, has accepted a quota of 100 000 tons a year, to be sold at no lower than $300 a ton. Although that quota is far below the 225 000 tons Russia sold into the US last year, the price floor is low enough effectively to guarantee a continued US market for Russian plate. That would not have been the case if Russian producers had been obliged to pay antidumping duties initially assessed by the commerce department at between 61% and 185%.

Marcela Stras, the Washington trade lawyer representing Iscor, said SA producers were looking for a similar arrangement, under which they would be able to export an agreed volume to the US on a "free" basis, while sales over that amount would be subject to a price agreement.

Continued on Page 2

Steel (189)

Continued from Page 1

BD 3/10/97

Thus far the commerce dept is willing only to negotiate a price floor with SA. It insists that, under law, volume-based deals are available only for non-market economies. The reason for the distinction is that it is impossible to calculate domestic costs and prices — the basis for assessing dumping margins — in nonmarket economies.

Iscor and Highveld reluctantly initialled a draft agreement last week under which they agreed to charge US customers no less than a price the department would "construct" from its own calculations of their costs. Stras said that figure would be considerably higher than the floor price set for the nonmarket countries and would likely drive Iscor out of the US market as surely as the 32% duty provisionally in place on Iscor's steel plate.

Union plans to muster thousands

Numsa joins protest over dismissals

CT (BR) 7/10/97 (189)

Frank Nxumalo
Labour Correspondent

Johannesburg — More than 4 000 National Union of Metalworkers of South Africa (Numsa) members would picket Bosal's factory in Pretoria this week in solidarity with 140 workers dismissed last week by the exhaust manufacturer, the union said yesterday

The workers were fired for taking part in an apparently unprotected strike over working conditions, the union said.

However, the affected workers yesterday said they had resorted to industrial action after management refused to discuss their grievances The workers were paid their monthly wages and annual bonuses, but not severance packages.

'We call on Bosal to act speedily and soberlly and allow workers to return to work'

Bosal management declined to comment yesterday and said the company would "be issuing a press statement soon"

The matter has been referred to the Commission for Conciliation, Mediation and Arbitration for resolution.

Mbuyiselo Ngwenda, the Numsa general secretary, said the union was chagrined by Bosal's handling of the strike and its hiring of replacement labour

"We call on Bosal management to act speedily and soberly and allow workers to return to work," he said.

Meanwhile, the lockout of more than 400 Numsa workers at the Usko plant in Vereeniging has entered its fifth week after repeated negotiations between Numsa leadership and management failed to break the impasse

Workers are demanding the extension of a housing subsidy for rural accommodation and protesting against the company's apparent intention to reduce severance packages from four weeks for every year of service to two

Numsa said negotiations had failed to achieve a result as the employers insisted that they wanted to achieve something out of the strike as they had "budgeted" for it

"Numsa views such statements as vicious and an act of revenge because the company has long declared its intention to retrench workers, therefore the lockout is just an excuse for them to dismiss workers", Ngwenda said

The Usko managing director, John Beck, said that although the protected lockout of striking workers continued, "nobody had budgeted for the strike", as that was not "humanly possible"

Beck said the company's position was still that its benefit structure was one of the best in South Africa and globally He said Usko had no immediate plans to retrench workers

"We have no specific plans for retrenchments, but everybody has to look at their cost structure. No company can operate on the basis of our cost structure and remain competitive," Beck said

(189)

FM 24/10/97

ISCOR

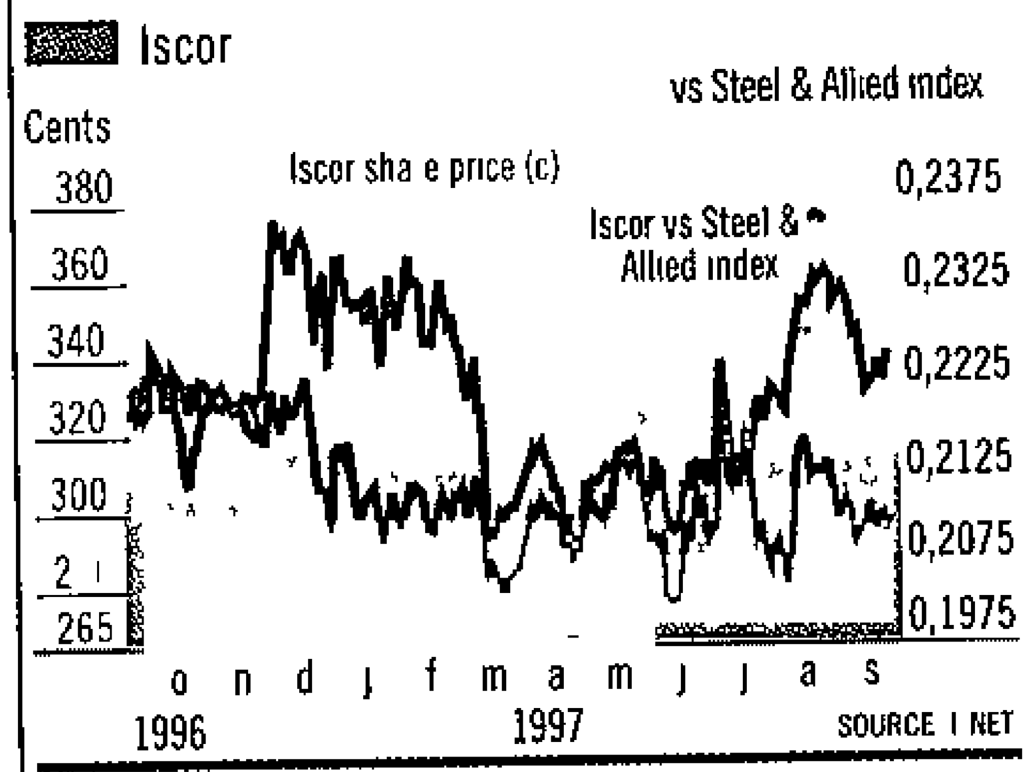
Now for the efficiencies

Re-engineering costs hit 1997 profits Benefits may follow in 1998

If there is one thing Iscor management has learnt — the hard way — it is that this steel and mining company remains closely linked to commodity cycles And, as chairman Hans Smith says, they cannot predict the cycle with unerring accuracy

That's why heavy investments are being made in improving the efficiency and competitiveness of the operations

In the short term, this is expensive The resultant costs and losses were the most important cause of the earnings collapse in



financial 1997 With a R259m attributable loss, it was Iscor's worst result ever

Dull domestic and export markets simply made things worse Weak product prices tightened margins in the steel division

Smith predicts that trading conditions in the year to June 1998 will be much the same as last year But he is looking for "significantly improved" earnings, largely on a better operational performance

Though the re-engineering programme is far from over, management is now expecting to see more of the benefits

Bullish factors include the elimination of the losses at the Pretoria works, where there was a negative cash flow of R321m in 1996 and R300m in 1997, stabilisation of production at the Vanderbijlpark works, benefits from broader rationalisation and re-engineering programmes, and higher iron ore exports with improved throughput on the Sishen-Saldanha railway line

The re-engineering project is being taken steadily through the group The head office

- **ACTIVITIES** *Steel production and mining*
- **CONTROL** *Widely held IDC 14,4%*
- **CHAIRMAN** *H J Smith*
- **CAPITAL STRUCTURE** *2,52bn ords Market capitalisation R7,56bn*
- **SHARE MARKET** *Price 301c Yields 2,7% on dividend, 5,1% on earnings, p e ratio, 19,8, cover, 1,9 12-month high, 380c, low, 275c Trading volume last quarter, 222m shares*

Year to June 30	'94	'95	'96	'97
ST debt (Rm)	706	320	697	634
LT debt (Rm)	1 210	964	615	909
Debt equity ratio	0,31	n/a	n/a	0,04
Int & leasing cover	2,9	5,5	6,2	3,4
Return on equity (%)	6,8	11,9	8,4	5,1
Turnover (Rbn)	9,57	11,16	11,42	12,66
Pre-int profit (Rm)	806	1 172	1 094	*(797)
Pre-int margin (%)	8,42	10,5	9,6	5,4
Earnings (c)	18,4	32,9	25,0	15,2
Dividends (c)	8,3	16,5	16,5	8,0
Tangible NAV (c)	279	312	328	286

* After exceptional charge of R1,47bn

P.T.O.

procurement department and Iscor Mining were early targets Last year it was the Newcastle steelworks During the first half of financial 1998, the focus is on the Vanderbijlpark and Vereeniging works

Smith says all programmes have been able to identify enough opportunities to meet the aim of cutting compressible costs by 40%, resulting in an overall cost reduction of about 25% over a three-year period in real terms

The work force has been slashed by 16 900 or 28,8% over the past six years Last year the amount spent on employee remuneration rose only 7,6% Salaries and wages now absorb 27% of total costs, down from 28% a couple of years ago, the 1% difference means a saving of R107m

The group operating margin is still less than half what it was two years ago That emphasises the potential for profit recovery when markets turn

Smith succeeded in ensuring Iscor was not caught with excessive borrowings at the bottom of the current steel cycle However, the net debt at June 30 stood at R270m (1996 R304m net cash), the cash pile raised in the rights issue shrinking over the year from R1,91bn to R979m

Hans Smith *cannot predict the commodities cycle with unerring accuracy*

The group is investing heavily during the downswing In financial 1998 capex will be about R3bn, with Iscor due to contribute its R745m equity participation in the Saldanha project

Net cash flow was a negative R574m last year and will remain negative next year Net debt will rise further, as will finance charges, which in 1997 absorbed a net R116m, a swing of R176m

The worst of the large costs associated with the closure of the Pretoria works came in the form of a R1,5bn exceptional loss, resulting in an attributable group loss of R633m Headline EPS fell 39% to 15,2c

Largely because of internal improvements, and assuming somewhat better export volumes and prices, analysts are forecasting EPS of about 27c-30c in 1998 If domestic interest rates are cut by several percentage points as hoped, and GDP accelerates, EPS could rise sharply in 1999, to at least 40c

At 301c, that would give a forward p e of 7,5 on a two-year view, suggesting the share is worth buying However, it may require patience, as adverse sentiment could keep the share in the doldrums until there is evidence of an upswing in international steel markets **Andrew McNulty**

Kuils River steel works unveils R9-m upgrade to reduce pollution

(189)

ARG 27/10/97

LLEWELLYN JONES
Business Reporter

The Cape Iron & Steel Works (CISCO) in Kuils River has unveiled a R9-million upgrade which will drastically cut emissions from the plant

Managing director Pat Hickling said new extraction equipment would double the plant's capacity to extract noxious emissions and a new canopy would cut particle emissions entirely

Work on the project began in August and is expected to be completed by the end of April next year

"In 1995 CISCO became part of a joint venture between Murray & Roberts and Iscor and the new management felt that the steel works, having been overtaken by urban creep and residential suburbs, had a considerable responsibility to become more environmentally friendly," Mr Hickling said

The upgrades were designed to strict European standards

CISCO buys and recycles about 190 000 tons of scrap metal a year, producing 170 000 tons of billets – an intermediate steel product which is then sent through a rolling mill, turning it into more recognisable steel

Of these 170 000 tons of billets, CISCO exports about 65 000 tons and produces reinforced steel with the rest

Environmentally friendly: Barry Laing, engineering director of the Cape Iron & Steel Works

Local steel makers face floor price as Canada reacts to dumping claims

Simon Barber (7445) (189) BD 29/10/97

WASHINGTON — In response to dumping complaints by domestic steel manufacturers, Canadian authorities on Monday imposed a floor on the price at which Highveld Steel & Vanadium Corporation may sell carbon steel plate into the Canadian market

The move came after Canada's International Trade Tribunal ruled that export of plate from SA, Mexico, China and Russia, had not harmed the local complainants, Stelco and Ipsco, but threatened to do so in future

In July, Revenue Canada, the government agency administering tariffs, ruled that, after adjusting for transport and other costs, Highveld was charging Canadian customers at 18,1% less for its plate than SA consumers, and imposed dumping duties assessed at 22,1% of export price

As a result of the tribunal's finding of no past injury, any duties paid before Monday will be refunded. As for the floor price that will apply to future exports, that was proprietary information and could not be disclosed, Revenue Canada spokesman Michel Leclari said

Ipsco, based in Regina, Saskatchewan, said it was pleased with the outcome "This is the first successful prosecution of a carbon steel plate antidumping complaint since 1993 and hopes are that it will act as a deterrent to others who view Canada as a dumping ground for their excess production capacity"

Of the four countries named in the latest case, SA was the largest exporter of steel plate to Canada in 1994, shipping 19 200 tons It is now the smallest, accounting for only 1 900 tons in the first four months of this year

Iscor and Highveld fight to retain their US market

(189) BD

By Simon Barber

WASHINGTON — Iscor and Highveld are locked in negotiations with the US commerce department to escape US antidumping duties which could shut their carbon steel plate out of the US market

The department issued a "final determination" last Friday assessing dumping duties of 26% and 51% on the plate of Highveld and Iscor respectively, reflecting what it judges to be the difference between their US and higher domestic prices, adjusted for transport and other costs.

However, the department agreed to suspend application of the duties if the SA companies would agree to floor prices on their future exports to the US

SA was targeted along with China, Russia and Ukraine in an antidumping suit filed late last year by two US producers, Geneva Steel and Gulf States Steel

The other three countries have reached compromises with the department under which they will be permitted to sell fixed quantities of plate in the US at or above an agreed floor price.

Russia, for example, has a quota of 100 000 tons a year at a floor price of $300 a ton China has 150 000 tons at $350

Such arrangements are available only for nonmarket economies under US law.

Marcela Stras, a Washington trade lawyer representing Iscor, said yesterday Iscor was not likely to receive a floor price from the department "close to" Russia's very favourable $300 a ton Other sources said SA would have difficulty getting the $350 a ton given to China.

"We have been penalised for being a market economy and a member of the World Trade Organisation," Stras said

The issue could become moot if the US International Trade Commission determine rules that SA imports have neither injured nor threaten US producers in future The tribunal is scheduled to issue a final ruling on December 1

At a hearing before the commission on Tuesday, Stras said the SA firms, which sold 65 000 ton of plate valued at $26m in the

30/10/97

US last year, served a "niche" market for a particular variety and quality of steel plate, which only two other US firms — one of them Geneva — made

Because of reliability and quality problems with US suppliers, American customers had come to rely on SA

"We would like to maintain our presence here. We have long-standing clients we would like to keep," Stras said

US STEEL IMPORTS

(189)

Washington puts SA producers through the mill

Case for Iscor and Highveld seems lost as commerce department digs in heels

Two SA steel companies are losing hope of doing good business in the US, for what they regard as a bad reason They've fallen foul of Washington's ironclad antidumping regime, which singles out imports from market economies for its toughest action

As a result, import volumes of SA steel have crashed to around 10% of last year's volumes Last year's combined volumes from both companies amounted to just under 1 Mt of flat product

Teams from Iscor and Highveld Steel & Vanadium are locked in negotiations with the Department of Commerce in Washington, after strict antidumping duties were imposed on them in June The penalties followed complaints from two US producers that SA was one of four countries (along with China, Ukraine and Russia) "dumping" plate in the US and undercutting domestic prices

Unluckily for the SA companies, trade law allows nonmarket economies (a designation applying to the other countries in this case) to export cheap steel to the US under a quota system, market economies, a category that SA falls into, are subject to price floors

Last week, the commerce department issued a final determination assessing dumping duties of 18% and 33% on Iscor and Highveld respectively The companies have managed to have these tariffs suspended while the haggling over the price floor for their steel exports continues in Washington, where teams will remain until December 1 Then, an International Trade Commission tribunal is scheduled to rule whether the SA imports have threatened, or will threaten, US producers

The fracas began when two domestic steel producers, Geneva Steel and Gulf States Steel, filed an antidumping suit against four countries

Marcela Stras, the lawyer representing Iscor, argues that SA has become a victim of poorly framed international trade law that penalises market economies and makes their exports subject to price rather than quota

"It sounds fine and rational but this has worked grossly against us," says Stras "We are being penalised for being a market economy and a member of the World Trade Organisation "

The three other countries have reached agreements with the commerce department, under which they can sell fixed quantities of plate to the US at or above an agreed floor price in lieu of paying dumping duties Russia has agreed a quota of 100 000 tons a year at US$300/t

This is the deal that Iscor and Highveld — with the backing of the SA government — have unsuccessfully sought for their exports

Negotiators are now losing hope of fixing a price floor of $350/t, the deal China has struck with the commerce department

The SA government has attempted to sway matters, but Washington has so far refused to make an exception for Iscor and Highveld, even after they received a high-level *démarche* from the South Africans, who argue that SA is an economy in transition, rather than a fully fledged market economy

"The law is the law We are very sympathetic to SA's situation but as far as we can see it is still impossible to compare the pricing structure of goods from market and nonmarket economies, and so we must treat the countries differently," says a spokesman from the department's policy office Cold comfort for Iscor and Highveld steel

Rachel Johnson, Washington

VOLKSWAGEN SA

FM 7/11/97

MD's contract up for review

Holtmann may take rap for falling market share and labour problems

German car manufacturer Volkswagen will say this weekend whether Heinrich Holtmann, MD of the company's SA subsidiary, will stay on

His three-year contract at VWSA expires next month and is unlikely to be extended Two other senior executives, financial director Wilhelm Kirchberger and technical director Burkhard Welkener, are also expected to be recalled to Germany after two years in SA Both were still working this week at VWSA's headquarters in Uitenhage Holtmann was in Germany

VWSA denies management changes are the result of a crisis within the company It says any changes are "scheduled " According to spokesman Matt Gennrich "Holtmann's contract is up for review "

Reports this week claimed the expected recalls are the result of financial losses, falling market share and labour troubles Gennrich won't comment on claims that VWSA has lost R250m in 1997 The German parent says VWSA recorded a "positive balance" in 1996 but sources say the situation has deteriorated this year

Despite strong Audi and Polo sales, last year's log leader is second behind Toyota

The German parent may feel VWSA needs a firmer hand By drawing VWSA into its global sourcing network, and helping with its export programme, VW in Germany may reasonably have expected its subsidiary to perform better

David Furlonger

Informal steel industry seeks funds

ET (BR) 4/11/97

NCABA HLOPHE

Johannesburg — Lack of capital and adequate skills hampered the emergence of an informal steel industry worth R26 million and potentially able to employ more than 6,000 people, Jimmy Mabula, the president of the National Informal Steel Development Association (Nisda), said at the weekend.

Mabula called for support by the state and the private sector to realise the industry's potential to create jobs, especially in black townships

The informal steel industry consists of small and medium-sized welders and steel fabricators who operate from small backyards It has been in existence for the past 20 years

Mabula said the association was formed in 1993 and governed more than 1 300 steel fabricators throughout the country Its main focus was to mobilise all the fabricators to speak with one voice to secure subcontracting and joint venture opportunities with big steel manufacturers

Mabula said most of the association's attempts had been undermined by a lack of skills and the inability to compete with the large firms

"We had focused our eyes on the reconstruction and development programme (RDP) as a launching pad, but we discovered that big fabricators were better organised and we could not match their prices," he said

He said his industry was not benefiting from the new procurement policies which remained unable to accommodate small steel concerns

He lauded the trade and industry department for setting up the Masiari Development Fund to provide loans to the iron and steel sectors "The time of winning tenders and selling them because of lack of capital is now over"

Nisda has formed links with the South African Institute of Steel Construction to merge resources to open up empowerment opportunities

(189)

Y NEWS

Stainless steel sector (189) 'ready to defy imports'

CT (PTR) 6/11/97

NCABA HLOPHE

Johannesburg — The stainless steel industry was well poised to defy the influx of finished imports and sustain its 9 percent compound growth to increase its global competitive edge, Dave Slater, the executive director of the Southern Africa Stainless Steel Development Association (Sassda), said yesterday

Slater said more effort would have to be placed into downstream beneficiation opportunities to increase the local industry's global market share from the present 2 percent to 5 percent

Total revenue for the industry is estimated at more than R6 billion, and local mill production is close to 300 000 tons a year

Local consumption amounted to 68 000 tons last year, while export volumes of 214 000 tons, valued at R1,1 billion, had been growing by 25 percent a year since 1991

"There is no doubt that a lot of work is still to be done before we become globally competitive But the indicators point to a positive outlook and open up new opportunities for beneficiation to boost the value of our exports and expand the industry locally," Slater said

He expressed concern at the influx of illegal imports into the local market, originating mainly from Asian countries Growth in imports had averaged close to 50 percent since 1991, and amounted to more than 7 000 tons at a value of R170 million last year

The industry has submitted an anti-dumping petition to the board on tariffs and trade in a bid to curb the "scourge"

***MAN OF STEEL** Sassda's Dave Slater calls for greater emphasis on downstream beneficiation* PHOTO JOHN WOODROOF

Government to establish R2,5-b zinc refinery

(189)

Sowetan 11/11/97

By Shadrack Mashalaba,

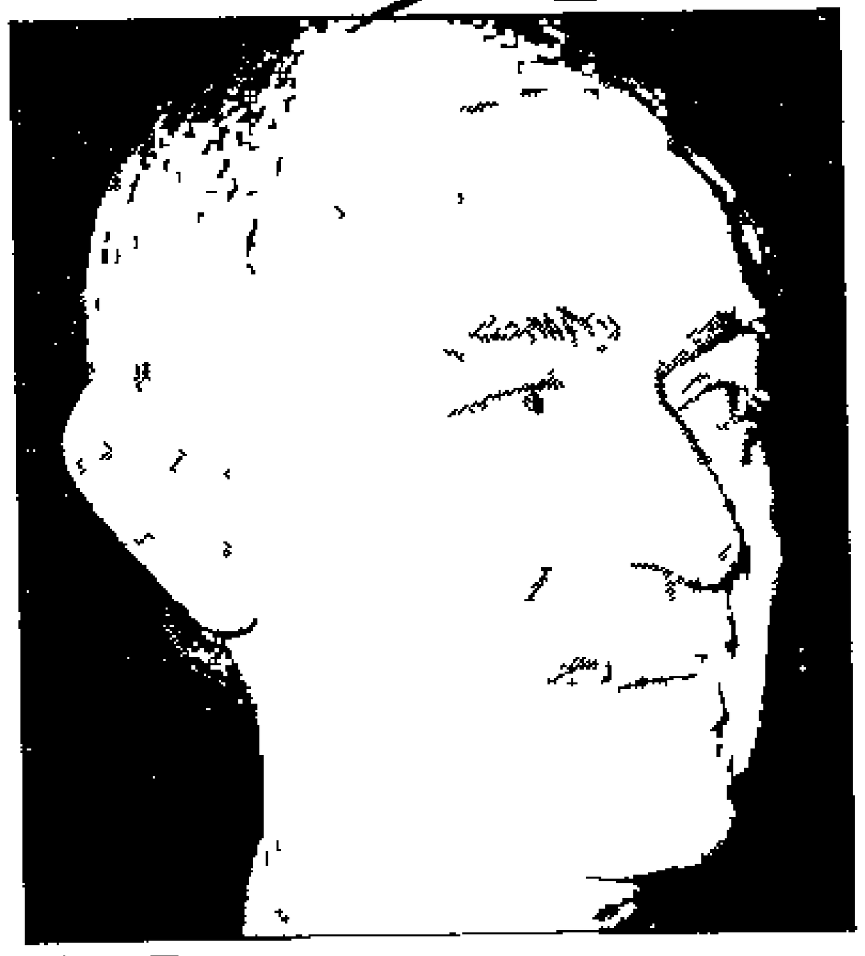
THE GOVERNMENT will proceed with the establishment of Industrial Development Zones (IDZs), including a proposed R2,5 billion zinc refinery in Coega in the Eastern Cape

This was revealed by Trade and Industry Minister Alec Erwin at an international investment conference in East London, Eastern Cape, at the weekend The projects are part of the Government's economic development and job creation plan for the Eastern Cape

Erwin said the Government would make a decision next month on how the projects would be run

"We are currently preparing legislation to establish a port We will proceed with our initiatives in tandem with all stakeholders by establishing a regulatory structure to package our incentives

"Our aim is to work with parastatals, local structures and investors to come up with a financial engineering strategy The Government is confident that the project is feasible," Erwin said



Alec Erwin

The British-based Billiton Group had announced its intention to build a R2,6 billion zinc refinery in East London

Billiton director John Raubenheimer said during the investors conference that his company was hard pressed to complete its feasibility study by December this year

Raubenheimer said a final decision will be taken in the first quarter of next year The investors conference was attended by more than 500 delegates representing 17 countries

Some of the corporations which announced major investments which are expected to create jobs in South Africa include South African Breweries, Sappi, Mondi Limited, Delta, Mercedes Benz of South Africa and Good Year-Contred

The other companies are Murray and Roberts Engineering, Volkswagen South Africa, Billiton and the Industrial Development Corporation

Erwin said that the Government's seriousness about the project had been demonstrated by the establishment of an implementation committee

INDUSTRY *Small business will be penalised by new pricing structure for windowframe steel*

Iscor threatens thousands of jobs

(189) CT (BR) 13/11/97

Jonathan Rosenthal
Industrial Editor

Johannesburg — Iscor, the steel maker, released a new pricing structure this week that penalises small users of windowframe steel and could put thousands of jobs in small businesses at risk, industry sources said yesterday

Hardest hit would be black-operated start-up windowframe manufacturers, which have proliferated in the townships in recent years.

The new price structure, which Iscor released on Tuesday and which is due to come into effect in the new year, will charge small users of windowframe sections 22 percent more than large users, who will not pay a cent more than they pay now

Bruce Chapman, the owner of a nine-employee windowframe manufacturer, said the additional R550 a ton he would have to pay would leave him unable to compete with larger manufacturers, which were continuing to buy steel sections at the old price of about R2 400 a ton

"We can't compete like this because the R500 is our margin We might as well close our doors and nine guys are going to be jobless this goes completely against the government's policy to create jobs," he said

Michael McDonald, the head of economics for the Steel and Engineering Industries Federation of South Africa, said discrimination against small companies exacerbated problems of jobless growth through favouring larger and more capital-intensive employers

"Small companies create jobs the bigger the company the less growth you get in terms of jobs," he said

Ernest Webb-Stock, an Iscor divisional manager, said the surcharge was levied to offset the administrative and production costs of serving large numbers of small buyers

"Up to now, sales were done directly to buyers of small quantities from the despatch section at the mill. Because of the number of small quantity buyers, this created production difficulties (and) delays in dispatches and eroded margins "

Webb-Stock said because there had been no price increase, the handling fee from the steel merchants "should not impact dramatically on the input costs of the small quantity buyer"

But Chapman said the margin charged by steel merchants could be as high as 30 percent on some products, which precluded small manufacturers from competing if they purchased steel through a merchant

Neither McDonald nor the South African Iron and Steel Institute were able to provide figures on the number of businesses or employees involved in the manufacture of window frames

It is believed that large numbers of township-based businesses serving localised building markets have started up recently

GRIM FUTURE *Bruce Chapman, the owner of a small steel windowframe manufacturer, will be adversely affected by Iscor's new pricing policies* PHOTO JOHN WOODROOF

Leaders in aluminium agree to share strategic knowhow

(189) CT(BR) 18/11/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Hulett Aluminium and Alusaf, South Africa's aluminium leaders, have signed a strategic technology agreement that would ultimately result in improved technology and pave the way for future agreements, the companies said yesterday

Peter Staude, the managing director of Hulett Aluminium, said the agreement involved no equity sharing on any projects Each company would pay its own way and the focus would be on melting and casting processes for the production of aluminium rolling ingot

"We are in different sectors of the aluminium industry, but we can exploit synergies," Staude said The two companies would pool their knowledge to develop Hulett's R200 million new remelt and recycling facility, which would use state-of-the-art equipment for the recycling of production scrap

This investment formed part of the company's R2,4 billion aluminium rolled products expansion

Staude said Alusaf's Bayside smelter had been the sole supplier of primary aluminium for 25 years This longstanding relationship would be enhanced by the Hulett rolled products expansion, which would increase Bayside's line production capacity from 50 000 tons to more than 150 000 tons a year

Jimmy Wilson, Bayside's general manager, said the casthouse at the Bayside smelter was undergoing a renewal process that would realise a dramatic increase in value-added product capacity "The present capacity of approximately 80 000 tons a year is expected to more than triple, thus paving the way for continuation of present supply agreements "

Staude said the agreement would ultimately benefit the entire industry "Alusaf's Bayside smelter and Hulett Aluminium share the objective of profitably growing the aluminium industry As the first two links in South Africa's aluminium supply chain, any improvements will lead to superior quality metal at more competitive prices "

Tongaat's growth record remains sweet

(189) ST(BT) 23/11/97

TONGAAT-Hulett kept up a fine growth record when it announced a 21.4% rise in interim headline earnings a share to 242.7c, writes **JULIE WALKER**.

Group managing director Cedric Savage says tough economic conditions contributed to group turnover edging up only 1.6% to R2.36-billion in the six months to September 1997.

Earnings were lifted nearly 10% to R261-million and interest income doubled to R85-million.

After nontrading items, profit before tax was 27% up at R367-million, and headline earnings 24% higher at R234.2-million.

Savage says Tongaat-Hulett is in both a consolidation phase and one of intensive investment in new projects such as the starch and glucose facility at Klipriver — currently being commissioned — and the new aluminium-rolling mill at Hulett Aluminium in Pietermaritzburg.

"The rolling mill is on time and within budget. To date about R1.7-billion has been committed and R800-million spent. Construction is 36% complete and R99-million of interest costs have been capitalised," says Savage.

The circles plant, producing flat discs for saucepans and so on, will be commissioned next month, the cold mill by next August and the hot mill by February 1999.

An alliance with Norsk Hydro — world players in aluminium extrusion — is starting to improve production output and profitability at the existing operations.

Sugar contributed 34% of the headline earnings, building materials 7%, aluminium 9%, textiles 4%, starch and glucose 16%, property 8%, international operations 10% and corporate 12%.

Savage expects the slowing economy to reduce the rate of increase in Tongaat-Hulett's earnings growth although he still expects to show a real increase for the year as a whole.

The group's shares traded at R68 on Friday.

Iscor, Highveld struggle with US prices

(189) BD 24/11/97

Simon Barber

WASHINGTON — SA exports of steel to the US have fallen sharply this year as antidumping proceedings forced Iscor and Highveld Steel & Vanadium Corp to increase their prices

US trade figures for the first eight months of the year show imports of SA iron and steel down almost 20% compared with the same period last year

Much of the decrease is attributable to the virtual cessation of shipments of Iscor and Highveld steel plate which became the target of an antidumping suit by two US companies, Geneva Steel and Gulf States Steel, in December last year

The department has set dumping duties of 51% and 26% respectively on Iscor and Highveld's plate The figures represent the margins, as calculated by the department, between what the companies have been charging US customers and their higher prices back home

These duties have been suspended, and any that have been paid are now refundable, as a result of a deal the companies have signed committing them to sell in the US at prices no lower than figures to be determined by the department on the basis of their production costs

The deadline for the companies to supply data to enable the department to establish preliminary floor prices passed on November 7 Both companies have asked for extensions as they struggle to produce numbers acceptable to the department that will not result in their plate being priced out of the US market

In pleadings to the department earlier this year, Highveld openly acknowledged it was charging domestic customers more than US ones as it was more expensive to trade on the home market than abroad

It had to engage in "an additional level of sales activity" such as pricing support, technical advice and advertising at home, it said In the US, these matters were handled by its distributor Newco Therefore, Highveld argued, the costs involved should be subtracted from its domestic prices which would then be in line with its US ones The commerce department rejected the argument

Iscor and Highveld's last hope to escape the US antidumping regime is if the US International Trade Commission rules on December 1 that their plate is neither harming nor threatening to harm US industry, in which case everything returns to the original status quo

The commission is not, however, expected to rule in SA's favour That means the SA firms will have to provide details of their costs and prices to the commerce department on a quarterly basis until at least 2002 so the department may set floor prices, or they can accept the prohibitive duties and seek to get them reduced when they come up for annual review

Either way, and failing a global shortage of steel plate, to have a chance of selling in the US, the companies are going to have to reduce their SA prices processing division to a new co-operative of wattle growers, Wattle Extract Manufacturing Co-operative Limited (Wemco), for R45m.

Wemco will trade as NTE and NTE management and staff complement of 520 people will transfer to the co-operative, the membership of which includes the majority of about 2 000 black growers in the wattle industry

Following the acquisition, Wemco would be the largest wattle extract manufacturer in SA

Harmony may reverse cash loss

HARMONY Group was poised to reverse most of the September quarter's R37m cash loss in the December quarter despite losing R7m-R9m in revenue as a result of a wildcat three-day strike, MD Bernard Swanepoel said yesterday

With about a month of the quarter left to run, recoveries at Harmony's Free State section had returned to above 4g/t and with the gold price at about R47 000/kg, cash profits were still possible, Swanepoel said However, the group had entered into forward sales contracts for an eight-week period This was structured to come into effect if the gold price fell below $300/oz.

Mustek to pay R9m

INFORMATION technology distribution company Mustek is to pay R9m for a 7% stake in Atio Corporation

Mustek said on Wednesday that it would pay R4,5m for a 10% stake in Atio, but corrected the figure yesterday, saying the R4,5m was an upfront payment to Theta, current holders of the shares The balance would be paid direct to Atio over the next two years

REPORTS Business Day Reporter

Muslims fight to refloat troubled Islamic Bank

(189) BD 08/11/97

Belinda Beresford

CONCERNED Muslim community members are attempting to save troubled Islamic Bank from permanent liquidation by arranging a rescue package which could contain a deal with one of the big SA banking institutions

Islamic Bank was placed into provisional liquidation last week after an application from the Reserve Bank The niche bank is reportedly insolvent, with debts estimated at between R25m and R90m

Goldman Judin & Werner partner Haroon Laher said an ad hoc committee of accountants and lawyers was formed last weekend after "representations made by a substantial number of depositors" of Islamic Bank The committee was formed to look after depositors' interests, and to facilitate the flow of information from the provisional liquidator and the Reserve Bank

The Reserve Bank has indicated its intention to compensate individual depositors up to a maximum of R50 000 each — which was likely to cover all the losses of between 80% to 90% of those affected Laher said the terms and conditions of this compensation package were likely to become clear next week

He said a major concern was that bank clients continued servicing their loans, to maintain the bank's goodwill and the principle of Islamic banking

Laher said his preliminary assessment from court documents was that it was "not Islamic banking which is flawed, but the way it was managed in this particular instance that caused the bank to collapse"

The bank's position had been affected by a number of runs on the bank, triggered by rumours and a decision by religious authorities to remove their approval of the institution's activities.

Laher said he had heard a number of western-styled banks had indicated an interest in Islamic Bank, with First National Bank (FNB) and Absa among those mentioned

FNB spokesman Alec Grant said the company could not comment on the issue since Islamic Bank was a client and therefore entitled to client confidentiality Absa MD Nallie Bosman said the bank had not been approached to form a rescue package

The ad hoc committee is holding a meeting about Islamic Bank on Thursday next week

Iscor is considering plans to scale down its steel output

David McKay (189)

ISCOR is considering scaling down the output of its steel division, part of an attempt by the iron and steel producer to revive its flagging fortunes

The division suffered a two-thirds drop in net operating income in the year to June due partly to depressed markets

Steel division MD Louis van Niekerk said options were being considered in a strategic review due for completion in March, one of which was to downscale production at its Vanderbijlpark works Steel grades would to be pruned, allowing Iscor to make certain value-added products.

Iscor is in the top echelon of world iron and steel producers, but the group's overall strategy is to expand its mining division. Analysts say the steel division is vulnerable to the cyclical downturn in steel markets Its mining division is more diversified, which makes it less price-sensitive

Iscor's mining division signed an agreement this year to develop a copper mine in the Democratic Republic of Congo and has expressed a desire to prospect for gold to add to its coal and iron ore product lines

Van Niekerk said steel grades at its Newcastle works could be reduced to about 50 from the current 296 grades, allowing the company to concentrate on building value-added product lines and increase output over 18 months Discussions with buyers of threatened product lines were under way, while retrenchments at Iscor's steel works were a possibility

BD 28/11/97

Iscor recently halted production of steel slab at its Pretoria Works due to the low demand The works will produce about 360 000 tons of pig iron a year instead

Van Niekerk would not disclose to what level Iscor's steel production could fall It produces about 5,6-million tons a year

Iscor did not exclude the possibility of finding a value-adding partner from the steel or mining sector to buy a stake in the company

INSIDER TRADING

PROFIT WARNING

By JABULANI SIKHAKHANE

Metal producers fear impact of Asian upheavals

(189)

ST(BT) 30|11|97

TWO major metal producers, Palabora Mining and Billiton, said this week earnings could be hit by the recent upheavals in the Asian economies Asia is a major consumer of metals, with an estimated 30% share of world consumption

Copper producer Palamin, which has seen copper prices drop 17% this year, said in its dividend declaration that "further deterioration in the copper price is possible given the slowdown in economic activity in Asia"

Copper prices realised by Palamin had fallen from R11 409 a ton in the first half of the year to the current level of R9 500, the company said.

It said the board had decided to reduce dividends paid until copper prices started to improve

International aluminium and non-ferrous metals group Billiton, spun off Gencor a few months ago, also warned shareholders that the turmoil in financial markets could have a material negative impact on significant economies, particularly Japan and Southeast Asia, the Financial Times reported

Chairman Brian Gilbertson said these were important markets for Billiton, which had seen falls in coal, nickel and ferro-alloy prices

Billiton, which also reported a fall in operating profit for the year ended June 30, said earnings would not escape the impact if the turmoil continued

Billiton's operating profit fell from $667-million to $628-million on sales only a touch higher at $5 3-billion for the year

Billiton's aluminium interests, which reached capacity at the Richard's Bay-based Alusaf during the period, contributed $193-million to operating profit This was a rise of 43% in spite of a 6% decline in aluminium prices to an average $1 513 a ton

Billiton described as poor the performance of the steel and ferro-alloys division, where profit fell from $111-million to $19-million

Group pre-tax profit was $943-million ($921-million)

US broker Merrill Lynch says in a report that the non-ferrous metals and mining industry is suffering from negative sentiment generated by turmoil in Southeast Asia and Latin America

The US broker says that, assuming no growth in metals consumption in Asia next year, with the exception of Japan where consumption is expected to increase 1 5%, global consumption of non-ferrous metals will increase next year, but at a slower pace than earlier assumed

"The increase looks sufficient enough, however, to support higher prices during 1998 versus 1997, but not by much " Merrill Lynch recently lowered its metals price forecasts for the next two years

"We now are more inclined to recommend companies that are highly liquid with strong balance sheets and above average, strong earnings prospects in a soft metals price environment "

Merrill Lynch adds that the impact of the recent turmoil to the metals industry will be fairly limited as a result of the devaluation of the Asian currencies

The weaker rand will most likely make domestically produced goods more competitive on world markets, thus increasing demand That should increase demand for raw materials to manufacture those items, which should benefit demand for metals

"The logic holds together since the cost of the metals, even though denominated in US dollars, is such a small portion of the total cost of the manufactured item Therefore, if the regional economies begin to export their way out of the current situation, we believe this will limit the downside impact on the non-ferrous metals industry," the report says

"It is our view that the near-term outlook remains quite uncertain, but the longer-term outlook is positive, as demand remains healthy in the region," the report says

NEWS

Stainless steel dumpers face state scrutiny

(189)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

CT (BR) 2/12/97

Johannesburg — The Board on Tariffs and Trade (BoTT) had launched an investigation into the alleged dumping of stainless steel pots and pans imported from China, Taiwan and South Korea, the board confirmed yesterday

David Slater, the executive director of the Stainless Steel Development Association (Sasda), which lodged a complaint with the BoTT, said stainless steel hollow-ware was coming into South Africa at less than the local costs of the raw materials

"The total value of imports during 1996 was R60 million, of which dumping amounts to over 50 percent The cost to the country is probably double that figure if one takes into account lost jobs and missed opportunities both within the industry and among suppliers," he said


David Slater, the executive director of Sasda

Slater said stainless steel cookware sets were being brought into the country at a cost of R40.

"To produce an identical set in this country would cost at least R84, of which the raw material cost amounts to a minimum of R30," Sasda said in a written statement

In its petition to the BoTT, Sasda said imports were suppressing the domestic selling price and were gaining market share at the expense of domestic manufacturers

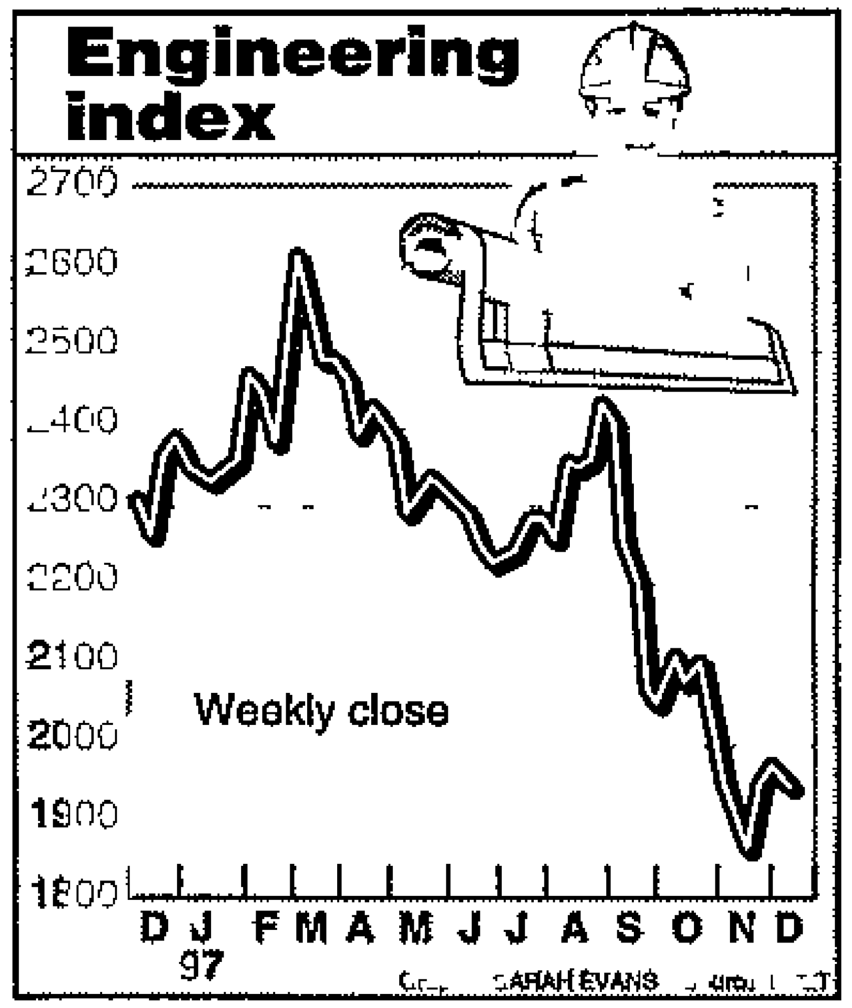
The BoTT said it had already notified the trade representatives of the exporting countries and would conduct the investigation in line with World Trade Organisation rules

For the petition to succeed, it has to prove that the exporters' export prices are lower than their domestic selling prices It could result in the government slapping additional import duties on stainless steel imports from the three countries

Slow spending dulls engineering sector prospects

(189E) BD 4/12/97

Lucia Mutikani



PROSPECTS for the engineering sector remain subdued due to a slowdown in infrastructure spending, analysts say, and company earnings growth is expected to lag the Johannesburg Stock Exchange average in the next year

Engineering industry representatives said that government should introduce tax incentives in order to promote large manufacturing industries and to boost fixed investment.

"The government must be encouraged to promote large manufacturing industry-type projects through various manufacturing incentives, such as tax.

"The Coega project was a good idea, but it should be doing more," Afrox chairman and MD Royden Vice said. "There is lack of infrastructure spending going on . there is very little stimulus to the economy." Afrox, the biggest player in the sector, had invested R670m over the past two years, which he said should give the company an "acceptable growth in the next couple of years.

"The economy appears to have very little growth. The investment was done in anticipation of some growth in the economy," he said.

Similar sentiments were echoed by analysts, who said an improvement in the sector's prospects was expected from the second half of next year, strengthening in 1999 because of an expected rise in fixed investment

"There are no major projects that can create work for engineering Fixed investment is positive but still relatively low, and that is why we are not buoyant about prospects at the moment," one analyst said. "Real interest rates are still high despite the recent reduction, and financing operations is still expensive "

He said the further cuts in the Bank rate predicted for next year should help engineering companies perk up.

Another analyst said that tax incentives would make it cheaper for investors to finance big projects benefiting the industry

Growth in share earnings was not expected to thrill the market

"Nothing exceptional or above average for the next 12 months is expected," the analyst said.

Imported pans put pressure on SA pots

(189) BD 8/12/97

Ingrid Salgado

SA's cookware manufacturers are facing "tough" choices in the face of rising pressure from imports, according to a report released by the Industrial Development Corporation this weekend

The report, part of the trade and industry department's stainless steel macrocluster study, said the cookware industry would have to explore options that involved severe cost cuts and strategic rationalisation or refocusing

The cookware industry produces a range of products such as pots and pans for domestic and commercial food preparation.

"An obvious scenario is to become more export-focused," the study proposes This will entail targeting higher-quality market segments as manufacturers offer a package of services to defined geographic areas More than 60% of production will be exported under this "high-risk" option

A second possibility is to focus on Southern African Development Community (SADC) markets and to support the local industry's position in the region through government intervention The latter route will enable manufacturers to build on existing strengths such as direct selling distribution techniques, and is less risky

Alternatively, the industry could redefine its target market to focus on products such as catering equipment, sophisticated kitchenware or cutlery

Cheap imported cookware has been a major factor in the local industry's market growth during this decade as stainless steel cookware became more affordable

SA's stainless steel cookware market grew 26% a year from 1992 to 1995 — double the rate of global markets

Last year local cookware manufacturers contributed only 24% to SA's total tonnage consumption of stainless steel cookware, although the figure rose to 47% when measured in terms of value.

"This can be explained by the fact that the average retail price of imported products is estimated to be less than half of that of products manufactured in SA," the report said.

Pressure from imports, especially from China, had either restricted local manufacturers to the direct-marketing segment and other high-value areas or had left them facing "severe" competition. The report said the local cookware industry, comprising AMC Classic, Hendler & Hart, Nutristahl, Southern Cross, Cityware and Noorsaheb, tended to use exports as a cash source to finance the burdens associated with local sales.

Cookware exports this decade had fluctuated with changes in the exchange rate and government export incentives, with manufacturers remaining focused on local market niches Last year exports represented more than 25% of local production

SVA workers on strike over pay

Sowetan 8/12/97

(189)

By Abdul Milazi

A HUNDRED and fifty workers downed tools at the Shanghai Video and Audio (SVA) firm in Garankuwa in North West at the weekend, demanding wage increases

National Union of Metal Workers (Numsa) Pretoria spokesman Mal'Bongwe Qolo said the workers, mostly women and children, did not enjoy benefits such as maternity leave, pension and provident fund

Qolo said "During the recent round of negotiations Numsa managed to persuade management to agree to a 15 percent wage increase, four months' paid maternity leave and a provident fund

"Management has, instead of signing this agreement, introduced a target-based productivity clause to be incorporated into the agreement Numsa was about to sign the agreement, but was surprised to find this new clause"

Sixty other Numsa members at South African Wash (a washing machine manufacturer) in the same area went on a sympathy strike with SVA workers

Same group

The two companies which manufacture television sets, music systems and washing machines, are owned by the same group of Chinese business people

"This action by management is indicative of the employers' attitude of undermining the collective bargaining process

We have followed all the procedures in the Labour Relations Act and victory is certain," said Qolo