Ownership & Control

1982

JAN. — DEC.

232 FM 1/1/82

LIQUOR

Three-way tussle

A confrontation between liquor licensees, the supermarkets and the Department of Commerce seems imminent as the battle for posession of off-consumption wine sales advances a further stage in the western Cape

Initially the supermarkets were granted the right, on application, and, at the Liquor Board's discretion, to sell wines providing it could be proved that existing licences in the area were not adequately servicing the potential demand

For years the terms of this controversial ruling enabled the licence holders in most areas to limit the growth of the supermarket wine business, thereby thwarting the wine-farmers who saw grocery outlets as the only viable means of disposing of surpluses

During the last two years, and more specifically since Dawie de Villiers assumed office, grocers' wine licences have been granted more freely and the supermarkets have obtained a proportionately greater share of the business

More recently this privilege has extended to the western Cape, where under-consumption of wine has never been regarded as a problem The supermarket chains have celebrated their new grocers' wine licences (*Business* October 23) with store launches featuring wine prices below official wholesale cost

So acrimonious has the battle become that some retailers are now boycotting those wholesalers who participated in this abuse of the "code of conduct" — a price fixing arrangement between producers which has, in general, been more honoured in the breach than the observance

The bottlestore view is summed up by the argument that there were always sufficient bottlestores to service the sales requirements of the wine industry, that the creation of additional licences diluted the asset value of existing licences without compensation being offered, and that grocers' wine licences, being subject to different rules and regulations from bottlestore and off-sales licences, constituted a privileged position in a controlled trade

The general view among licensees does not deny the value of positioning wine in food stores to encourage its general consumption But this is a marketing advantage and is not supposed to reflect in any way on the role of the general liquor retail trade in promoting the sale of wine

Accordingly Fedhasa, on behalf of liquor retailers, argues that instead of creating additional in-house grocers' wine licences, the Liquor Board should extend the terms and privileges of present off-consumption licences to enable them to open wine counters in the supermarkets The law does indeed make provision for this sort of arrangement, though in reality few have been applied for and even fewer granted

In general the supermarket chains are not keen to allow a foreign presence into their supermarkets This condition was resented with butchery licences, and led Pick n Pay to buy into its own butchery chain rather than tolerate an external presence

There is nothing to preclude the food chains from purchasing a group of liquor stores to obtain their own in-house wine counters though they would then be compelled to attend to the management of the general liquor store which would have to be situated away from the premises of the supermarket

They would also be limited, in terms of the 1979 liquor agreement, from acquiring more than five stores per chain — hardly an organisation worthy of the management effort it would require

So there is no doubt that if government imposed Fedhasa's solution on the supermarkets, it would be defending the privilege of the established liquor licensee

But it might equally be defeating the object of creating grocers' wine licences — namely the generation of additional wine sales — since the supermarkets might w shy away from the business, and even they to accept the wine counters, they wou hardly merchandise them or wheel-a deal with them as they do with their o operations

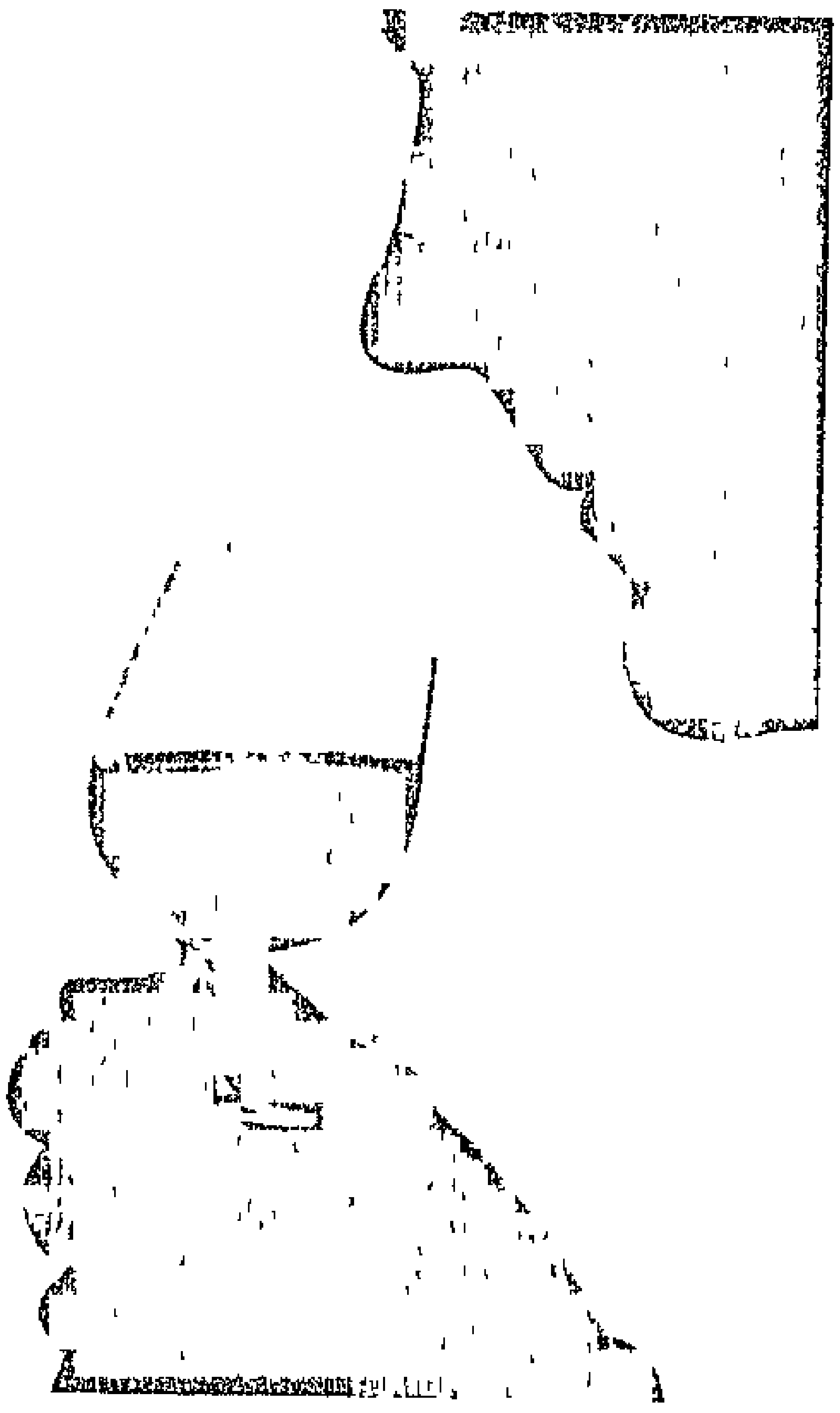
Sadly for the established bottlest trade, grocers' wine licences have, over t past year, shown that the supermarkets have a contribution to make to the sale quality wines, particularly in the inla areas where bottlestores have historical enjoyed a beer and spirits business

Grocers' wine licences account for mor than 10% of all high-priced (hp) wines sold i the country, and a comparably significa figure in the medium-priced (mp) wine market This market share exceeds the proportion of grocers' wine licences to all of consumption licences, and is particularl important in the Reef/Pretoria area, wher grocers' licences account for an estimat 20% of all hp wines and 25% of all mp wine sold

While both the hp and mp sectors of th market have shown growth in the past yea growth in supermarkets has exceeded th average percentage in each category Particularly noteworthy has been the 108% crease in the mp wine category, compar with the 48% increase in this sector in t general off-consumption licences

The case for the grocers' wine licenc rests finally on the unqualified success the supermarkets in expanding the dome tic wine market, particularly in the Transvaal The marketing and negotiating ski of the grocery business appear to ha achieved an important breakthrough for th domestic wine industry

Nevertheless two points remain to b made is it the business of the state to ba the winefarmer out of his over-producti problems? If the answer is yes, then sure it is the responsibility of the government compensate liquor licensees whose majo asset — the licence itself — is diminished value each time another business is autho ised to sell liquor



Good wine going to the grocers

(232) 1/1/82 FM

ANGLO AMERICAN

Latin American venture

The Anglo group's announcement of its $115m purchase of a 40% stake in the South American mining group Empresas Sudamericanas Consolidadas was low key considering that the major geographical diversification almost doubles the group's investment in the area

No details of Empresas' recent financial results have been revealed The reason for that is straightforward As Anglo executive director Julian Ogilvie Thompson points out, Empresas is in the throes of a major expansion phase and the Anglo group's purchase is based on estimates of future potential rather than past performance And that is very much in line with Anglo's approach to investment in South America For several years its Brazilian arm, Ambras, has been spending a lot more on exploration and development than it has produced in earnings

The remaining 60% of Empresas is being retained by its present owner, Consolidated Mining & Industries, the Panamanian registered private company which is the Hochschild trust's investment vehicle Anglo and the Hochschilds are not strangers Ambras has a 35% interest in Hochschild's $100m, 5 000 t/year Codemin ferro-nickel plant which is due to come on stream next year Relationships like that are valuable in the minefield of South American investment

The interest in Empresas will be held by a European-registered company in which Anglo will have 50%, De Beers 25%, while the remaining 25% will be acquired by Minorco in exchange for 3,8m new Minorco shares Last month Anglo placed 2,5% of Minorco in Europe as a first move in this deal That cut the Anglo group's direct interest to 70% The new Minorco shares to be issued will again raise the direct Minorco stake to about 72,5%

Once the $115m purchase price has been paid, the Anglo group has to subscribe its 40% share of a $25m pref issue by Empresas That may not mark the last major spending by Empresas which is still involved in several developing mining projects throughout the sub-continent

In Chile, it has 75% of the country's largest privately-owned copper mine, Mantos Blancos It is at present engaged in an expansion programme to add 16 000 t of copper producing capacity to its present 35 000 t/year output The first stage of that was due for completion this year

In Brazil, Empresas has the Catalao columbium mine It produces concentrates containing about 2 300 t of columbium pentoxide each year equivalent to about 11% of the free world's 1980 production of some 20 800 t Columbium sales have been hit by the world's steel industry downturn but, particularly in Brazil, 1980 marked the start of expansion programmes which will give the world a total capacity of about 40 000 t of columbium pentoxide

The way in which the deal has been put together provides some clues to Anglo's thinking on the continuing re-structuring of the group Minorco is acquiring 25% of the group's interest in Empresas, which is in line with its 25% interest in Ambras In other words it is acquiring an interest in proportion to its share of the group's existing Latin American holdings

That seems to imply that Minorco is not destined to be the group's control vehicle throughout the Americas. If that is indeed the case, then the time might be approaching when Anglo decides to float off part of Ambras Before that happens, though, Ambras will presumably have to acquire the group's Empresas stake

The $115m cash purchase price will hardly dent Anglo's resources At the end of March 1981, the corporation's own balance sheet revealed cash holdings of almost R950m In addition, at the end of 1980 De Beers had cash resources of nearly R780m By the same token, acquisition of the Empresas stake will have little immediate effect on the group's earnings, though it will be equity accounted

To put things into some perspective, the Empresas purchase will cost about as much as is to be spent this year on developments at Western Holdings Nonetheless the Anglo group's South American intersts will now be worth about R250m Were they all to be placed in Ambras and paper used to make other acquisitions in the sub-continent - mining group capable of standing on its ow feet could be created It will be no surpri if the tempo of Anglo's Latin Amer developments speeds up over the next couple of years

Jim

Anglo's Ogilvie Thompson . looking to manana

Rival Garlicks among the bidding pack

John Orr – family claims victory

232

RDM 8/1/82

By DAVID CARTE

DR NIC Labuschagne, chairman of John Orrs, says his family has secured control of the eagerly sought department store chain.

And it turns out that Garlicks, one of John Orrs chief rivals in up-market chain stores, was one of several furious bidders for the heavily traded share in the past few months.

Dr Labuschagne told me yesterday that a consortium of his and the Ossie Dawson families and associates in the past nine months had bought an additional 15% of John Orrs on and off the market for about R3 360 000

"We now have a good 50% between us and control is secure," he said

Dr Labuschagne's statement followed a report yesterday, after months of rumour and speculation, that Liberty Life and Greatermans had obtained 30% of John Orrs and were to make a bid of 500c a share for control

The report suggested that Liberty would take John Orrs properties and Greatermans the department stores

Greatermans and Liberty spokesmen both denied the report.

A Liberty Life director, Mr Roy McAlpine, said Liberty did not own one John Orrs share As to Liberty's interest in John Orrs properties, he was "unable to comment as I do not know the portfolio"

Mr Harold Joffe, financial director of Greatermans, said the report was absolute nonsense — or less polite words to that effect

But a senior source in John Orrs said he suspected that "Liberty or a person attached to Liberty" was part of a consortium involving brokers Simpson Frankel and Davis Borkhum and merchant bankers Finansbank that was bidding for John Orrs

Mr Jan van den Berg, a director of Finansbank, was adamant that Finansbank did no more than buy a block of shares for Garlicks He denied that Finansbank had formed a consortium or even

Mr John Garlick's wife said from Cape Town, said she forbade her husband to discuss business after hours

"It's the only way to keep him healthy," she said

JSE rules prevent the brokers from being quoted

Yesterday's story burned some fingers' as the share price moved up to 450c shortly after it was printed only to return to 420c later in the afternoon as it was denied in strong terms

A broker said if it were true that Dr Labuschagne and family now controlled John Orrs, they should make an offer to minorities

"Where there was a no-control situation, they are saying now there is one. They therefore owe an offer to minorities"

Other market sources said so long as control was not singular, there was no obligation to make a bid

Dr Labuschagne made no mention of an offer, but he expected the share price to come off now that control had been secured

This implies there will not be an offer

He said "The share is worth the current price as an asset strip, but the price is not warranted from the point of view of trading, at least not yet But we had a very reasonable Christmas and are confident about the future"

Dr Labuschagne said the uncertain control situation, which had led to staff uncertainty and had had an unsettling effect on the business, was now at an end

It's softly, softly

Below

Banks

(232) ST Business Times 10/1/82

A giant deal for Powertech

Lascon swallowed in biggest-ever takeover

By JOHN SPIRA

IN the largest-ever acquisition by the mushrooming Altech electronics group, Powertech and Altron have bought 91,8% of South Africa's largest fixture lighting manufacturer.

The deal, involving the R60-million-a-year Lascon operation (formerly controlled by Calan), eclipses even the STC takeover by Altech which four years ago rocketed the fledgling South African electronics group into the big league

It is the intention that Lascon, which cost Powertech and Altron R21,4-million, will be listed on the Johannesburg Stock Exchange in its own right in due course

Lascon is, according to Bunny Frey the company's joint managing director, one of South Africa's largest lighting manufacturers, with in excess of 50% of the commercial and industrial lighting markets in which it operates

Powertech is to acquire 50,02% of Lascon for R11,4-million and Altron will buy 41 75% for R9,9-million Altron is the pyramid company for Altech which in turn controls Powertech

The deal has particular significance for Powertech, since it will, chief executive Ken aud tells Business Times, ore than double Power ch's turnover to above R80- illion and, on historic prof s, will raise the group's per- hare earnings by a minimum of 2,5c

Powertech's net worth will decline fractionally

Altron's per-share earnings will increase from 63 4c to 72,4c and its net worth will fall marginally

Mr Maud comments "The acquisition will have a number of wide-ranging and beneficial effects on Powertech

"Above all, it gives Powertech strong inroads into South Africa's lighting and related product markets, thus complementing the company's numerous other activities in the power electrical industry and taking it a further step towards its stated objectives "

Gordon Forbes, Lascon's other joint managing director, draws attention to the synergy which will result from his company s tie-up with the Altech group

"Electronics is making progressively greater inroads into lighting, with the microchip playing an expanding role in an industry growing in sophistication "

Lascon's sales have grown from R23-million in 1977-78 to R40-million in 1980-81 and an expected R60-million in 1981-82

The directors of Powertech and Altron are confident that Lascon will continue to enjoy its healthy growth pattern during the coming year

Mr Forbes adds Lascon has been involved in virtually every major building project in the country These include Sandton City Sasol Escom, the Johannesburg Stock Exchange, all the Amaprop developments and the new Standard Bank complex in Johannesburg where we are installing a revolutionary fountain lighting system '

Mr Frey ascribes Lascon's success in large part to the fact that the company is South African through and through

"Our competitors have to rely on overseas expertise, and this is often a disadvantage in local conditions Further, we are always on the spot in an emergency "

He believes that Lascon will not be adversely affected by the anticipated economic downturn since it is continually entering new markets

Lascon's existing key executives have retained equity interests in the company and long-term service agreements have been negotiated with them

Both Mr Forbes and Mr Frey, who are respected as key men in the lighting industry, will continue as joint managing directors o Lascon

Powertech will pay for stake in Lascon via the of 12,3-million conver preference shares These wi be initially issued to Altec which will retain 63% and of fer the balance to Power shareholders

For its part, Altron will is sue 1,8-million of its ow shares at 630c a share T are to be privately placed behalf of the vendors — prin cipally with South Af institutions

82 (232) ST Business Times 10/1/82

Spotlight on stranglehold in timber

By John Spira

THE Competition Board's pending investigation into trends towards concentration in the timber industry will help bring the spotlight to bear on the stranglehold which the giants have on the paper and paper-conversion industry.

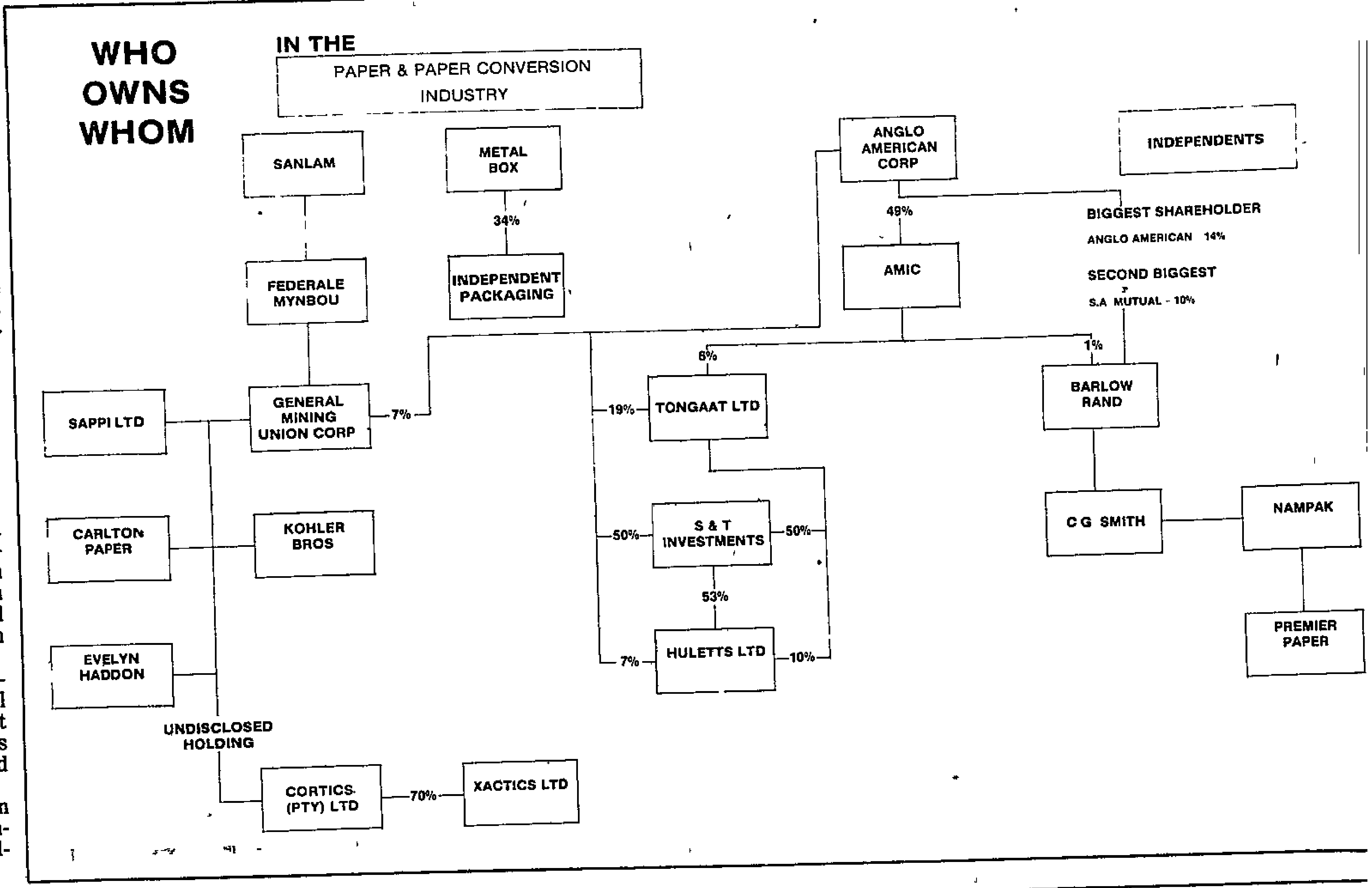
Robin McGregor, publisher of Who Owns Whom, has produced an analysis of the shareholdings of the country's many listed groups engaged in paper and paper conversion

The diagrammatic presentation reproduced here reveals that, apart from Metal Box, the lion's share of the industry is in the hands of Anglo American and Sanlam.

Barlows, of course, is a major force. But the largest single shareholder in Barlows is Anglo, which also controls Huletts and has a large stake in Tongaat

Apart from Anglo/Barlows, Sanlam and Metal Box, the only independent of any considerable size is Wiggins Teape (not listed on the JSE).

Usutu, until recently an independent, now falls under Mondi, which is wholly owned by Anglo.



WHO OWNS WHOM IN THE PAPER & PAPER CONVERSION INDUSTRY

232

Star 18/1/82

SAB takes over Scotts for whopping R25-million

By Ann Crotty

South African Breweries is paying R21,2-million for the 2,5-million ordinary shares of Scotts Stores — a premium of R6,8-million on the current market value.

On an individual share basis, the takeover price is 850c for ordinary shares that were priced at 550c n the Johannesburg Stock Exchange on Friday

Total payment for Scotts is about R25-million and includes R364 000 for preference shares and 1 150c a share for the company's sub ordinated debentures.

The two companies have announced that the holders of 75 percent of the ordinary shares of Scotts have already said that they will accept the SAB offer

About 45 percent of the Scotts shares are held by the directors. Scotts is involved in retailing shoes, clothing and footwear througn department and speciality cash stores It also owns the Uniewinkels stores group

SAB is already involved in shoe retailing through its subsidiary Amrel — it is possible thar Scotts will be linked here

SAB appears to have paid a high price for Scotts, not only in terms of its current market value, but also in view of its trading history.

Although the last year has seen it making some recovery from a long period of weakness, the outlook for the stores sector in general is not sufficiently strong to warrant the price that has been paid. But until an announcement is made regarding the future plans for the acquisition it is difficult to comment on how costly it is

No effect

The announcement says that the deal will have no material effect on the earnings of assets of SAB.

Dealers on the Johannesburg Stock Exchange were surprised by the acquisition and the price paid for it

In 1977 Scotts was earning 126c a share and was one of the strongest and most highly recommended shares in the stores sector By 1979 this had changed dramatically with the company reporting a trading loss The 1978 dividend of 61,7c a share is the last that the company has paid. Resumption of dividend payments is expected in the 1983 financial year.

What Dagama
Sales [illegible]

SAB buys Scotts

252

RDM 18/1/82

By HOWARD PREECE

SOUTH African Breweries is taking over Scotts Stores group in a cash deal worth about R[illegible] million.

An announcement by the two companies says that the holders of [illegible] of the ordinary shares of Scotts have already [illegible] the SAB offer.

SAB is offering R[illegible] cash for each [illegible] Scotts.

[illegible] price [illegible] 550c on the Johannesburg Stock Exchange yesterday.

SAB is also paying 100c a share for [illegible] preference shares [illegible] a share for the [illegible]

[illegible] a value of R[illegible] in the last [illegible]

The announcement says that [illegible]

[illegible] is the [illegible] group [illegible] another [illegible] financial [illegible]

It [illegible] and [illegible] clothing and footwear.

The group is now on the [illegible] it plunged from [illegible] of [illegible] a share to a loss equal to [illegible]1,7c a share.

In the year to February 28, 1983, the group is budgeting for a trading profit of just over R5 million according to the chairman, Mr W D E [illegible] in the annual report last May.

For the six months to August 31 there was an attributable profit of R2 059 000 from a turnover of R45 million. Pre-tax profit was R3 269 000.

About 15% of the shares are held by the directors.

Langeberg, Piccan deal hits snags

232 RDM 19/1/82

By PENNY CUMMINS

THIRTEEN months after Langeberg Co-Op agreed to take over the canning operations of Piccardi Canners for R6 800 000, the deal has not been consummated.

In its results dated January 11, Langeberg says "the provisional figures do not include the results of All Gold Foods as the agreement of sale has not yet been finalised"

On December 22, 1980, Langeberg agreed to take over All Gold effective from January 31, 1981 The agreed price was net asset value at that date, estimated at R6 800 000. Settlement was to have been in cash in five equal annual instalments

Langeberg and Picardi Canning are still haggling, apparently over different interpretations of the assets and liabilities in the deed of sale

"We have finalised our accounts," says Mr Jan Piccard "They may query our figures, but we have no problems whatsoever"

Dr Johan Mouton, Langeberg general manager, won't say which figures he queries, but admits "We do have problems with some areas in the agreement before we can sort out the final figures"

After the Langeberg transaction, Piccan became a cash shell and has changed its nature, buying Katz International, Logans Sports and Art Potteries The company recently announced an eightfold leap in earnings to R2 215 000

Langeberg's provisional results for last year show turnover of R132 373 000 — an increase of 11% over 1980

The unaudited trading results show a deficit of R305 000 against 1980's surplus of R2 800 000, but capital profits of R555 000 caused a final surplus of R250 000

Since February, Langeberg has undertaken extensive rationalisation of the deciduous and jam-processing plants of the two companies

An All Gold factory at Montague has stopped canning and been converted to a fruit-drying yard. Langeberg's big Paarl factory has closed

The combined operation has gone from five jam factories to two, and from four deciduous canning factories to two

Much of the rationalisation was effected late last year, and Dr Mouton says that All Gold turnover between February 1 and October 31 was R37 500 000

The streamlining will continue this year, but in his projections for 1982 of R207-million turnover for the total operation, he still differentiates, and says All Gold will probably generate R53-million

He blames the 15% drop in Langeberg's export turnover last year on the strong rand, which made South African canned fruit up to 35% more expensive than its EEC competitors.

SA market expansion made the total drop in turnover only 3% The SA market is more for canned vegetables than fruit, unlike the export demand which is 90% fruit.

Sage, Nefic in cosmetics

232 RDM 19/1/82

Deputy Financial Editor

UNION & London, Sage's investment company, and Nefic, Nedbank's investment bank, have teamed up with two top cosmetics executives to form a major cosmetics retailing group.

The company will be the exclusive SA franchise holder for such names in cosmetics as Max Factor, Orlane, Mary Quant, Outdoor Girl, Miners, Halston and Profumi Missoni It will be called International Cosmetics & Fragrances

According to Union & London and Nefic, the product range commands a significant share of the R80-million to R100 million a year SA market

Chairman of the new company will be Mr Neville Stranger, until recently senior vice-president of Max Factor International in London. He has been in the cosmetics business for 30 years

Managing director will be Mr Nathan Taitz, formerly general manager of Max Factor in SA. He has been in cosmetics for 20 years The staff of Max Factor and Orlane in SA have been retained

No price tag has been put on the formation of the company.

~~169~~

232

RDM 20/1/82

Liquor monopoly report out soon

THE Competition Board is rounding off its investigation into restrictive practices in the liquor industry and its report is expected to be tabled during the coming parliamentary session

By GERALD REILLY

The liquor trade expects the board's recommendations to help break what it claims has developed into a monopoly in the beer and wine and spirits industries, by introducing more competition at the producer-wholesaler level, where prices are determined

The report has been given fresh significance by the recently announced increases in wine and spirit prices by the Cape Wines and Spirits Institute

The chairman of the Hotel Liquor and Catering Association, Mr John Matisson, said yesterday the institute would make profits of "millions" on selling old stock at new prices

Mr Matisson said he took delivery this week of three consignments, and was charged the new prices, although the stock was obviously old

The new prices, he said, should not have come into force until old stocks had been sold out and this would have been some time towards the end of the year

Wine and spirit production and prices were controlled by the KWV, and rises were passed on by the Cape Wine and Spirits Institute to the retailer

The wholesale price of local wines has been raised by an average of 13 percent The wholesale prices of spirits will rise 8 percent

It was learnt yesterday that the Competitions Board had nearly completed its report on monopolistic practices in the industry in 1979, when the liquor industry was restructured

Then SA Breweries took over Intercontinental Breweries, giving it a monpoly in the beer field

Merged

In return it surrendered its interests in Stellenbosch Farmers' Winery, which controlled more than 40 per cent of all wine sold in SA

SFW then merged with Oudemeester interests to form Cape Wine Distillers, controlling most of the wine and spirits industry In this KWV has a 30 percent share

KWV, however, has a 50 percent share in a controlling company headed by Rembrandt, giving it a dominating position at the secondary level of the industry

Mr Riaan Kruger, director of Cape Wine and Spirits Association, said yesterday there was justification in the price of old stocks of wine also being raised

"This wine has been lying in our cellars for some years now It has not been making any profit for the organisation and yet it has been costing us money to store it there until it is aged"

(232) Star 20/1/82

Shlom has formed a strong conglomerate

By Anne Crotty

Sinclair Holdings results for the 10 months to December and forecast for the next six months shows that chief executive Mr Bazil Shlom has wasted no time in forming the base of a strong conglomerate.

For the 10-months trading period Sinclair reports a turnover of R14,5-million and an after-tax profit of R1,3-million

Earnings a share were 15,9c and a second interim dividend of 1,5c has been declared. Added to the first interim dividend of 3,5c announced in August, this makes the total interim payment 5c a share

The results do not include any contribution from the minority stakes that Sinclair recently acquired in General Business Corporation and Peacock Investments as dividends have not yet been received by them.

The results do include 10 months' trading for Poolquip and Plastmould and six months' trading for Sun Chemical, Premium Acceptances and their respective subsidiaries Mr Shlom is satisfied with the results, which are above budget expectations.

"Considering the operation is still in infancy, I feel that it has an exciting future with excellent growth prospects," said Mr Shlom who is forecasting earnings for the 16 months to June of 23c a share

He has indicated that dividends should be covered 2,5 times. This implies that a final dividend of 4c a share can be expected, bringing the total payment to 9c.

Mr Shlom has not felt effects of the slower economy and says the replacement demand for pool equipment is strong.

232

RDM 21/1/80

Sugar giants discuss merger

Deputy Financial Editor

SUGAR giants, Tongaat Group and Huletts Corporation, are discussing a merger, which could create another Anglo-American-controlled industrial supergroup with total assets of more than R1,000-million.

The two companies together produce nearly 40 percent of South Africa's sugar, most of its bricks and aluminium products and a good portion of its food, feeds and textiles

Huletts' last balance sheet showed total assets of R552-million while Tongaat's was R514-million

Huletts' taxed profit last year was R36-million and Tongaat's nearly R29-million

Both companies were expecting to raise profits this year by about 35 percent

The proposed merger is the latest step in a massive drive by Anglo American to tidy up control lines.

Only two months ago, Anglo created the country's biggest industrial company with shareholders' funds of R1 900-million through the merger of Anglo-American Industrial Corporation and De Beers Industrial Corporation

● See Page 11

Nak

R1 000m group after proposed me

Tongaat, Hule

talking

(232)

rger

tts

By DAVID CARTE Business RDM 21/1/82

TONGAAT Group and Huletts Corporation are negotiating a merger that could create another Anglo-controlled industrial company with assets of R1 000-million.

The two huge sugar and industrial corporations said yesterday that they were holding discussions with a view to a merger and warned shareholders to exercise caution in their dealings.

They said a further announcement would be made as soon as possible.

Tongaat's last balance sheet showed shareholders' funds of R214 456 000 and total assets of R513 566 000.

Huletts had shareholders' funds of R340 779 000 and total assets of R552 413 000.

Tongaat's sales last year were R557-million and Huletts R521-million Tongaat boasted taxed profit of R28 513 000 and Huletts R35 862 000

Tongaat produced 9% of SA's sugar. Its subsidiary, Tongaat Corobrik, produced about 90% of SA's bricks and tiles

It has a huge food and feeds division with sales of R226-million last year, and extensive textile and other interests

Huletts produced 28% of SA's sugar Its subsidiary, Huletts Aluminium, is the biggest aluminium products company in SA.

Huletts recently sold its paper interests to Mondi and most its packaging interests to Nampak, a Barlows company

Anglo American Corporation holds 19,2% of Tongaat directly.

Anglo subsidiary Amic has 42,8% of Huletts, most of which is held through a 50% holding in S&T Investments, which holds 53% of Huletts Tongaat shares control of S&T with Amic also holding 50% of that company.

While several permutations are possible, an analyst who monitors all three companies closely says the most likely structure after the deal will be Amic on top, Tongaat in the middle and Huletts at the bottom

He says Tongaat has a wider spread of interests than Huletts and greater depth of management Tongaat would make an attractive sub-group in Amic It could use a lot of unused debt capacity in Huletts, which has degeared since the sale of its packaging and paper interests

This scenario could imply share swops between Anglo, Amic and Tongaat It could also entail an offer to Huletts minorities by Tongaat for cash or Tongaat shares or both.

Anglo watchers said the deal was part of a huge drive by Anglo to tidy up its control lines

Only two months ago Anglo merged its industrial company, Amic, with De Beers Industrial to create SA's biggest industrial company with shareholders' funds of R1 900-million

Last year, in other deals running to hundreds of millions, it took radical steps to rationalise its international mining, property and insurance interests

COMMENT: There will no doubt be synergy and rationalisation benefits in a merger and all parties will probably benefit.

At the recent interim, Tongaat's earnings were up 35% to 63,4c a share and the group looked set for earnings of about 140c for the year. Yesterday's share price of 800c was 5,7 times this figure

Huletts was 36% ahead at the interim and looking for 138c for the year. Its price of 895c yesterday was 6,5 times these prospective earnings

Tongaat has the better spread of interests and is less exposed to sugar. It also has the better track record so yesterday's relative valuations were out of line.

Giant Natal companies in R1 000 m merger talks

Mercury 232 21/1/82

Financial Editor

AN INDUSTRIAL giant with assets of more than R1 000 million is likely to emerge from talks started yesterday for a Tongaat and Hulett groups merger.

A merger will create a major sugar producer in South Africa — last year output from the two was about 36 percent of the country's total.

Mr Ron Phillips, public relations officer for Huletts Corporation, said last night that it was far too early to speculate on the effect of a possible merger on employees and the products the company sells.

A brief statement from Maidstone, the headquarters of the Tongaat group, and the chairman of both companies, Mr Chris Saunders, said that discussions were being held with a view to establishing a basis for the merger of the two companies.

Shareholders were asked to exercise caution in dealing with their shares and told that a further announcement would be made as soon as practicable.

Market capitalisation of the two hides their vast investments in land, equipment and factories. Tongaat priced at 800 c yesterday is worth R160 million while Huletts priced at 895 c is worth R294 million

Their combined turnover is R1 078 million, of which one quarter comes from sugar, nearly another quarter from aluminium, and another quarter from the building materials division

Mover

Prime mover behind the scenes is believed to be a major shareholder in both companies — Anglo American Corporation — which holds about 20 percent of the Tongaat group and nearly 40 percent of Huletts

The two companies forged links many years ago when the famous Sugar Battle took place.

Tongaat, with help from Anglo American, joined with C G Smith to buy a controlling stake in Huletts which was in the midst of a takeover battle for Natal Estates

I

Smith recently sold its interest in Huletts shortly after the Barlow Rand group gained control

Huletts is the main sugar producer north of Durban with a string of mills stretching up to Zululand and a large stake in a Zimbabwean sugar mill It owns Hulamin, the Pietermaritzburg-based aluminium producer, and the group employs some 16 000 people

It recently sold its paper interests to Mondi Paper — a company in the Anglo American Group

Tongaat in addition to its sugar milling activities has a major interest in

● TURN TO PAGE 2

II

Merger talks

Mercury 21/1/82 232

● FROM PAGE 1

Tongaat Corogroup — a major brickmaker in South Africa The group employs more than 4 000 people

In a series of mergers it has expanded its textile interest which include the David Whitehead and Sons group at Tongaat, Hebox at Hammarsdale and Prilla Mills.

Its foods and feeds division recently took over H Lewis and Company, Isando Milling, Natal Oil Products and Tongaat Foods

Tongaat has interests in property, electrical engineering and electronics (this includes R S Trivett and United Electronics)

Tongaat, which directly or indirectly held 26,7 percent of Huletts' ordinary share capital at March 31, 1981, reported pre-tax profit of R48,23 million on turnover of R557 million in the year to the end of March

Huletts' turnover was R520,6 million in the year to March 31, 1981, and pretax profit totalled R67,21 million

Lift-off for Mr O's souped-up Anglo jumbo

232

Sunday Times 24/1/82

THERE is a new Anglo American group in the making This was underlined again this week with the news of merger talks between the R514-million Tongaat and R552-million Huletts groups

As in the still-settling merger of Amic and De Beers Industrial to create South Africa's largest industrial company, with shareholders' funds of almost R2 000-million (and, before that, as in Anglo's dawn raid into the R5 000-million-a-year Cons Gold Group, et al), there are clearly important up-front implications to his week's talks to produce yet another major Anglo satellite, in this case with assets of more than R1 000-million

But the message for long-term Anglo watchers goes deeper

What they should know is that, following the

- "First-stage," 1917-57, mining-finance Anglo largely confined to SA operations and following the
- Second-stage, 1958-75 mining-finance-fledgling industrial Anglo with a quickening international presence, the R12 000-million juggernaut is now well into a still more exciting
- Third stage This has been marked primarily by
- Unrecognisably more aggressive, astute and ruthless expansion, not least by major acquisitions, to build
- A dominant or at least strategic stake in virtually all South Africa's basic and major industrial sectors, and also to
- Grasp compelling game-play positions on a much larger scale than before in world mining, and some other international sectors
- A relatively huge 'cleaning-up' programme under which the vast web of group and associate company interrelationships has been widely unravelled and sewn together to form a much more efficient flexible and logical and simple overarching structure, both groupwide and, in terms of the major satellites, old and new
- Determined if sometimes troubled efforts to revamp the management ethos (now more heterogeneous and less Oxbridge) and to overhaul labour policies not least with a weather eye on the need for black advancement

In terms of the second point, moves which spring to mind include

By Stephen Orpen

- The long-range control of strategic interests in an area once anathema to Anglo liquor, hotels and the large-scale retailing of an exhaustive range of consumer goods

Anglo has some 50% of Johannesburg Consolidated Investments (JCI) through holdings via companies called Resident Nominees, Petard Nominees, Fermain Nominees, Anglo Insurance Holdings and perhaps others

JCI holds 20% of the equity (worth some R166-million) in SA Breweries SAB controls OK Bazaars, Amalgamated Retail Afcol, Solly Kramers and Southern Sun hotels and casinos Key question Would Anglo ever try to work more direct control of JCI and/or SAB?

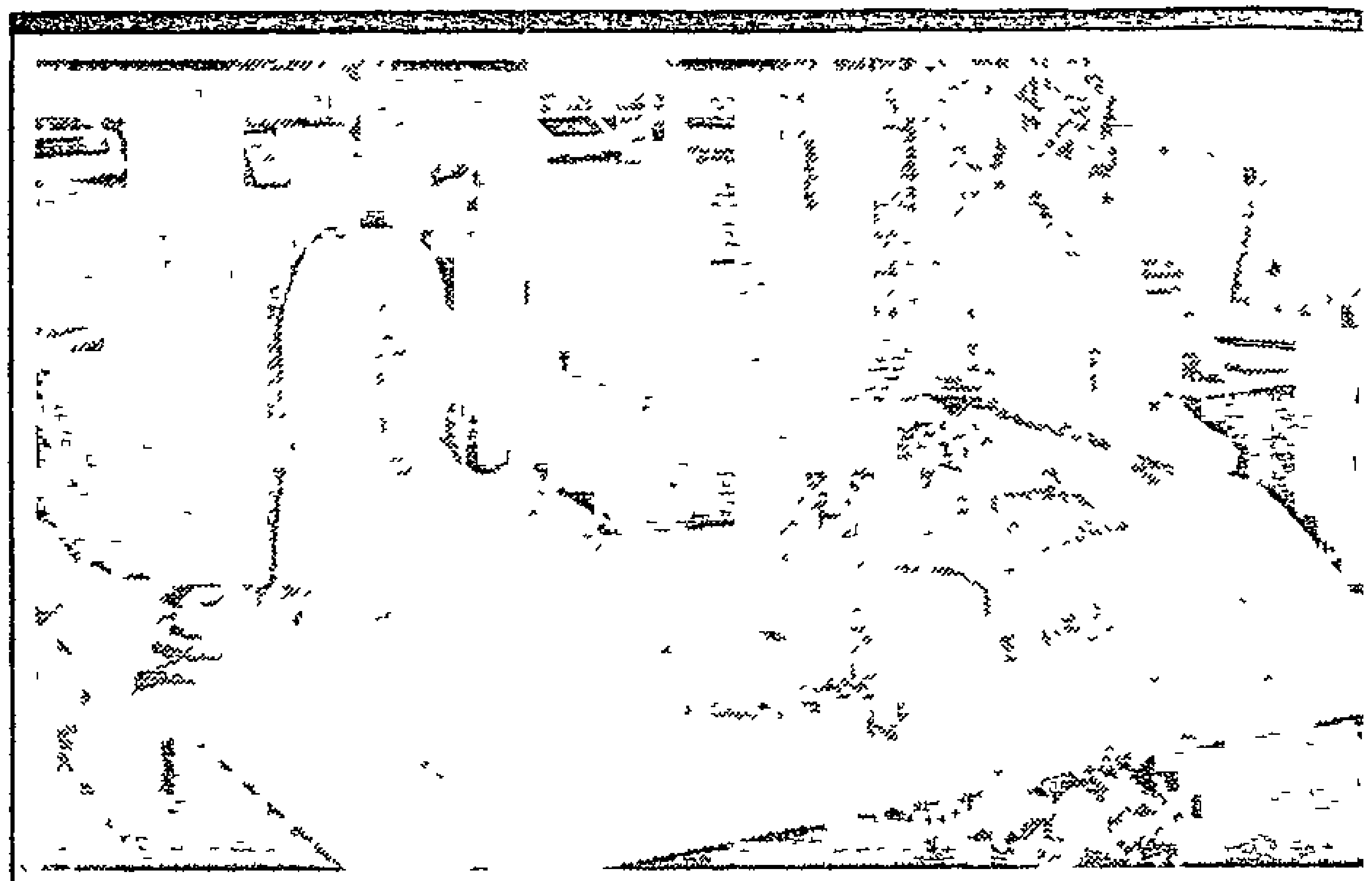
- The deal with Chrysler to spawn Sigma, providing huge leverage in the motor industry
- The steps to become a major power in the food industry The group now controls African Products, large sugar interests and has recently merged its Cape and Transvaal farming projects
- The advance in building and construction materials (Tongaat's Toncoro) as well as in civil engineering and construction itself
- The big push into pulp and paper (see Business Times, Page 50 Jan 17)
- The continued progress in steel and engineering
- The acceleration of expansion in chemicals (especially coal-based) with a keen eye on future energy investments
- The clean-up and expansion of property business

As long as two years ago I wrote 'It seems inevitable that, in the contest with Barlows for dominance in Natal's fast-growing businesses, Huletts and Tongaat will in due course be put together, to form a new satellite with assets worth as much as R1 000-million

"This could give Mr Oppenheimer an edge which Barlows will be hard put to match More realistic, perhaps, is the argument that he will simply be out to tidy up after the first furious Natal invasion, winning greater flexibility to focus funds more quickly, and with less procedure to corporate points on his Natal canvas which offer the best returns or opportunities for expansion at the time"

This still seems valid Consider

- Tongaat produces 9% of the country's sugar and subsidiary Corobrik 90% of SA's bricks and tiles It also has a huge food and feeds division with sales of R226-million last year, and extensive textile and other interests
- Huletts produced 28% of SA's sugar and its subsidiary, Huletts Aluminium, is the largest aluminium products company in the country
- Huletts recently sold its paper interests to Anglo's Mondi and most of its packaging interests to Barlow's Nampak
- Tongaat could, for starters savour much of the large pool of unused debt generated by Huletts when it degeared by selling to Mondi and Nampak



Bubbles for relaxation

By Vera Beljakova

BATHING bosses who allow their ample frames to be gently caressed by delicate bubbles make for a pleasant corporate life

This is the message from Mr Spa, who has sold 180 Genesis spa-pools since July

Therapeutic stimulus in the form of circulation-inducing spa-pools relaxes the old ogre into a clear-minded decision-maker, say South Africa's spa-pool fundis

We have all heard how horses had their strained ankles manipulated back into suppleness How rheumatic pain is alleviated through improved blood circulation How stress and tension are massaged out of the twisted and noddle-deformed backs How overweight housewives benefit from a few minutes of tender pummelling of the posteriors

In America it has long been the vogue f hard pressed men to dive into their own bu ble baths in the privacy of the leather-pa elled executive suite

This trend is now slowly seeping into t South African boardroom, says Mr Spa, w numbers among his clients the following e ecutives who had this exclusive watering ho (at some R3 000) installed within a glance their mahogany desks

Nickey Nailer of Tenecon, Mauritz Albe of Plant Park, Nelson Girdlestone of Conto Development and Johan de Beer of Slanke ama are but some of the entrepreneurs w take their relaxation seriously

Diamond whodunnit

☐ From Page 1

ence in the diaries of the expedition leader David Carnegie, who intended to return But he too, died before he was able to do so

This story made a big impression on Mr Towie, and in

diamond deposit in the area

By 1973 one of Northern Mining's geologists had discovered the first small diamond, but the consortium, especially Northern Mining was critically short of cash

Once more the ventures called in De Beer

er CRA, became the manager of the project while Northern Mining's interest was watered down to 5%

The joint venture first discovered diamonds at Ellendale in 1977 and then near Lake Argyle in September

to make the significant discoveries claims Mr Towie, noting that his son and daughter-in-law were key geologists in the discovery of the Argyle deposits

Appreciating the significance of the discoveries, De

which were heavily criticised by the Australian Press, Mr Bond controlled Northern Mining

Mr Towie says he suspects the possibility that Mr Bond could be a front man for De Beers, and recently the Lon-

One can never be sure about the verity of these suspicions What is certain is that it suits De Beers to have the unfortunate Mr Towie out of the way

All indications now point to the CSO marketing at least

Europe's economic trends,

old Katjar

multi-purpo

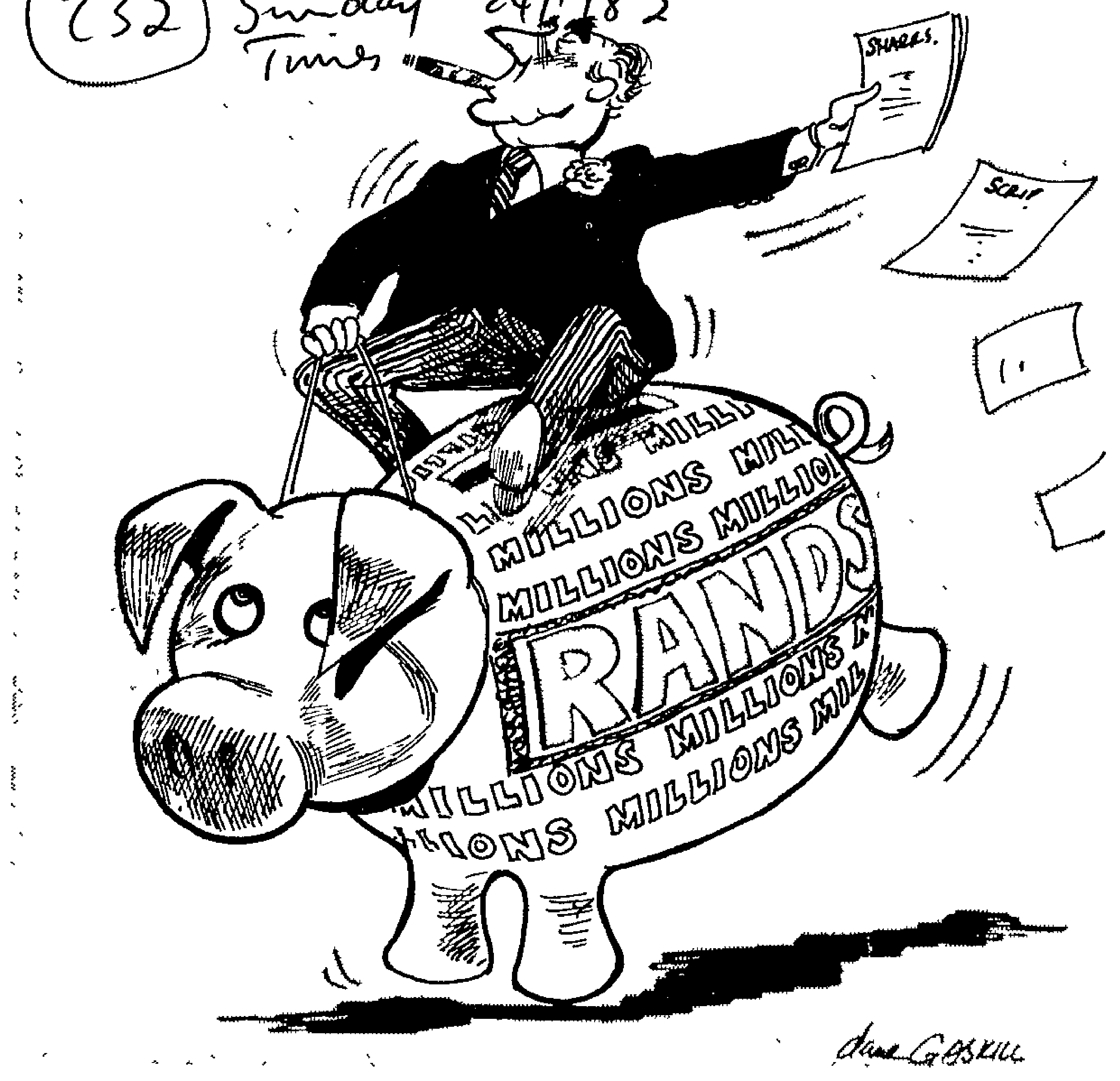
tially for u

on the trade route betwe

South Africa and Sri Lank

MEET the MILLIONAIRES!

(232) Sunday Times 24/1/82



THE fortunes of South Africa's super-rich have grown dramatically in the past decade.

The country now supports (or vice versa?) roughly 400 rand millionaires worth collectively at least R3 000-million in paper and hard assets.

This compares with only half as many 20 years ago worth not more than R500-million

Even allowing for the great slide since 1962 in the purchasing power of the rand and other currencies, the R500-million amounts to no more than R1 300-million in terms of today's inflation-eroded money

These facts are revealed by the results of an extensive investigation by Business Times with the co-operation of research sources both domestically and overseas

The information in the survey reveals that inflation has taken a heavy toll Had it been less severe, the purchasing power of the SA millionaires would have risen much faster

By STEPHEN ORPEN

Research assistance by John Spira

On the other hand, today's family millions are more soundly based than the "frothy" fortunes of the late Sixties, composed largely of grossly overpriced shares or "paper"

It seems there is currently about one rand millionaire for every 3 300 working whites, and one for every 12 250 workers of all races

Using the US dollar as the currency, this compares with one for every 23 500 working Japanese in Japan, 8 000 in the US and 12 000 in Australia

There are about 100 millionaires among the largest family and individual shareholders in companies listed on the Johannesburg Stock Exchange — rated according to readily available information on the current market value of their shareholdings

This compares with about 50 among the "instant rich" who overnight hugely magnified their "paper" worth during the great avalanche of new listings on the exchange in the late Sixties — and around 140 when counting individuals rather than families

Overall, there were about 350 "paper" millionaires among all JSE investors at the height of the 1969 boom, compared with today's 400

The Sixty-Niners held scrip probably worth R1 000-million at share prices ruling on July 15 that year

The '82 brigade is worth nearer R2 000-million in shares standing on at least double the average earnings and dividend yields ruling 12 years ago

If one puts the shares on 1969's absurdly diminutive yields (perhaps a rather meaningless exercise) the current total would be around R4 000-million

Allow for inflation, however, and the purchasing power of the 1982 total on '69 yields (assuming that all the shares could be sold at current prices — which they couldn't!) drops below R2 000-million in '69 terms

So if, as one should, one omits the adjustment to '69 yields (or if one adjusts the '69 total to accord with 1982 yields) then it is clear that progress has been less spectacular than it might appear at first sight

Allow further for the fact that those who were millionaires in 1969 would now have to be at least double-millionaires to earn the golden "M" badge in late-Sixties terms, and it is clear that, as one would expect, inflation has drastically curtailed the advance in the number of millionaires, in the "traditional" sense of the word

Of course, "paper" millions are very different from tangible (hard assets) or cash millions

The number of millionaires measured strictly by this yardstick (hard assets or near-cash of a million rands or more) is no more than about 100 in SA — or only 65-odd if one sticks to the old definition of the millionaire as someone owning hard assets of 1-million *pounds sterling*

For perspective, it is illuminating to compare the super-rich of other nations

In South Africa there are only two or three candidates for the R100-million-and-above category The Oppenheimers (possibly near R1 000-million in all, but much of it not easily realisable), the Schlesingers, if they can collectively be termed South African (R600-million in 1969 but conceivably much less in real terms now) and mystery man Anton Rupert and his clan

By contrast, as far back as 1957 there were 45 Americans worth more than $100-million, and 55 worth more than $50-million

By 1967, there were no fewer than 813 Americans who reported taxable *incomes* of more than $1-million a year And this is thought to be only about half the true number — as people in such lofty brackets invest heavily in bonds and tax-free paper

Today, there are at least 1 500 Americans in this class, even after allowing for inflation

In Japan, there seem to be about 50% more millionaires than in SA — small beer when one considers their far greater gross national product and population

Same story in Australia, with figures about equal to South Africa's — as in Britain in sterling terms

However, the British figures, at least, could be highly misleading, being based on capitalisation of reported taxable incomes in a country famous for its tolerant attitude to tax-dodging

According to one English daily "In 1969, some 109 reported incomes of more than £100 000 a year, implying assets of well over £1-million

'However, the 109 includes only those who, after every conceivable ploy, and there are so many in this country, were still unable to report incomes of less than £100 000 a year!"

Adding figures for the super-rich of the five nations — the US, Britain, South Africa, Australia and Japan — the estimated number of multi-millionaires is as follows

- **R500-m to R1 000-m** five with a total worth of R3 500-million and total gross annual earnings of R400-million
- **R210-m to R500-m** 21 with a total worth of R10 000-million and total earnings of R1 100-million
- **R150-m to R210-m** 93 with a total worth of R15 000-million and annual earnings of R1 950-million
- **R50-m to R100-m** 280 with a total worth of R28 000-million and earnings of R3 000-million or more
- **R20-m to R50-m** 3 000-plus worth R80 000-million and annual earnings of R10 000-m

The grand totals here emerge as 3 399 earners worth more than R20-million each, adding to a total for the group worth no less than R136 500-million earning R16 450-million a year

Just figures and noughts, to be sure But not bad all the same!

For instance, the total worth of the group (which excludes more of the large economies in the world than it includes) is close to twice the entire gross national product of South Africa and nearly nine times the total assets of the giant IBM

Expressed differently, it could build at least 300 cities the size of Soweto!

Many qualifications are necessary, of course Not least, in the case of the SA millionaires, the basic list for 1982 includes only identifiable parties in which the links seem highly likely

Also, the trend towards disguising personal or family shareholdings through a maze of nominee and similar companies has increased rapidly in the past 10 years for political as well as other good reasons

Thus, the figures can be taken as no more than guidelines in a fair number of cases

Here today and gone tomorrow!

WHERE are they now the golden men of only 12 years ago? No less, where are their companies and groups, once the talk of the town, dominating the stock market ticker tapes daily?

Think a little Remember Corlett Drive Estates, Glen Anil (the original), Barsab, Penguin Poolquip, Tapsa, Furncol, Sable, AS & B Gordon?

Remember "Mickey" Finn, Rosenberg, David Rubenstein, Raymond Eskapa, Schroder, the Fuchs — to name but a few

Those were the days !

SA's top millionaire shareholders

WHO are the richest families and individuals in South Africa in terms of their holdings in ordinary shares listed on the JSE and taken at current market prices?

Figures from the second edition of Robin McGregor's invaluable *Who Owns Whom* provide fascinating guidelines — as well as an opportunity to compare associated stats from the study, *The New Millionaires* by Stephen Orpen in 1969, produced for BT's sister publication, *The Financial Mail*

Various difficulties make it impossible in some cases to be strictly accurate about the "paper" worth of the people concerned But the picture is telling none the less

Thus, leaving aside the Oppenheimers and other super-millionaires (see main text), Altech's Bill Venter could be worth R70-million in terms of his indirect and direct holdings in his group Altech *if* his holdings in a controlling company called Bilven constitute 100%

Of course, in 1969 Bill Venter was virtually unknown

Similarly, *if* Sol Kerzner and "family" hold 100% in the holding company, Sun Holdings, with its large stake in Southern Sun, then his "family" could be worth R53-million just in SS shares

Sol didn't feature in *The New Millionaires* lists.

By like processes, one arrives at the following share values for the parties that follow: Louis Luyt, R43-million; Bennie Slome, R38-million; the Beare family, R29-million, the A J Goldins, R26-million; the Eric Ellerines, R17-million, Jan Pickard and Raymond Ackerman, each more than R10-million, the Ivor and H Jacobsons, R14-million; the Hepburns, about the same; the Colin Crookes family, R11-million, the somewhat mysterious Mr M Mann, R12-million — and so on down a list of well over 90.

The key point to remember here is that *only* the value of their shares in companies in which they are directly involved are reflected in these valuations of the above millionaires.

Their "hard" assets (other investments, property, physical gold and precious stones, stamps, art et al) could add greatly to their overall "worth" — or only a little

THE TOP TWENTY

	Rm		Rm
Bill Venter	70,6	M Mann	12,0
Sol Kerzner	53,0	Crookes family	11,2
Louis Luyt	43,3	Jan Pickard	10,1
Rupert family	43,0	Raymond Ackerman	10,1
Benny Slome	38,1	Saunders family	7,8
Beare family	28,7	Carleo family	7,7
Goldin family	25,8	Pouroulis family	7,7
Ellerine family	16,8	Jowell family	7,3
Hepburn family	13,9	Searll family	6,7
Jacobson family	13,8	Kramer family	6,5

982

Electrical groups in local fusion

232

Sunday Times 24/1/82

By Vera Beljakova

THE electrical group Thorn-EMI SA, with a local turnover of more than R100-million, is to merge in April with Parkinson Cowan, which has a R15-million turnover in South Africa

This follows the marriage of Thorn and EMI in Britain in late 1979 The resulting group then merged with Parkinson Cowan

The Thorn-EMI and Parkinson Cowan subsidiaries in South Africa, however, continued to enjoy independence — until now.

The new merger is aimed to result in more effective transfer of technology

Thorn-EMI, which enjoys an international revenue of R4 000-million a year, features six product groups in South Africa — Thorn Lighting, Kenwood, TV Rentals, Clarkson and EMI Technology (the last will now merge with Parkinson Cowan)

The local Thorn-EMI organisation has recently been successful in exporting lighting products to Argentina and Brazil

It has also become one of South Africa's top four lighting manufacturers (and ranks among other international giants with local branches such as Lascon, Philips and GEC)

In total, local lighting manufacturers turn over R120-million at ex works prices

Though Kenwood products are imported (and cost up to R200 a unit), 50 000 food mixers and processors were sold in 1981 in addition to 100 000 soda-making machines (at about R40 each)

Thorn's TV Rentals business is the largest in the world, with 3,5-million operating sets on hire last year, while Clarkson's machine-cutting tools are exported to neighbouring territories

Parkinson Cowan, on the other hand, manufactures motors, boilers, furnaces, hydraulics, instruments and scaffolding.

Its UK-based parent company, now affiliated to Thorn-EMI, made its name in heat treatments, gas-operated devices and boilers

To initiate further expansion, Parkinson needs Thorn-EMI's local technology, especially in computing, to enable it to increase local content from 50% to 60%.

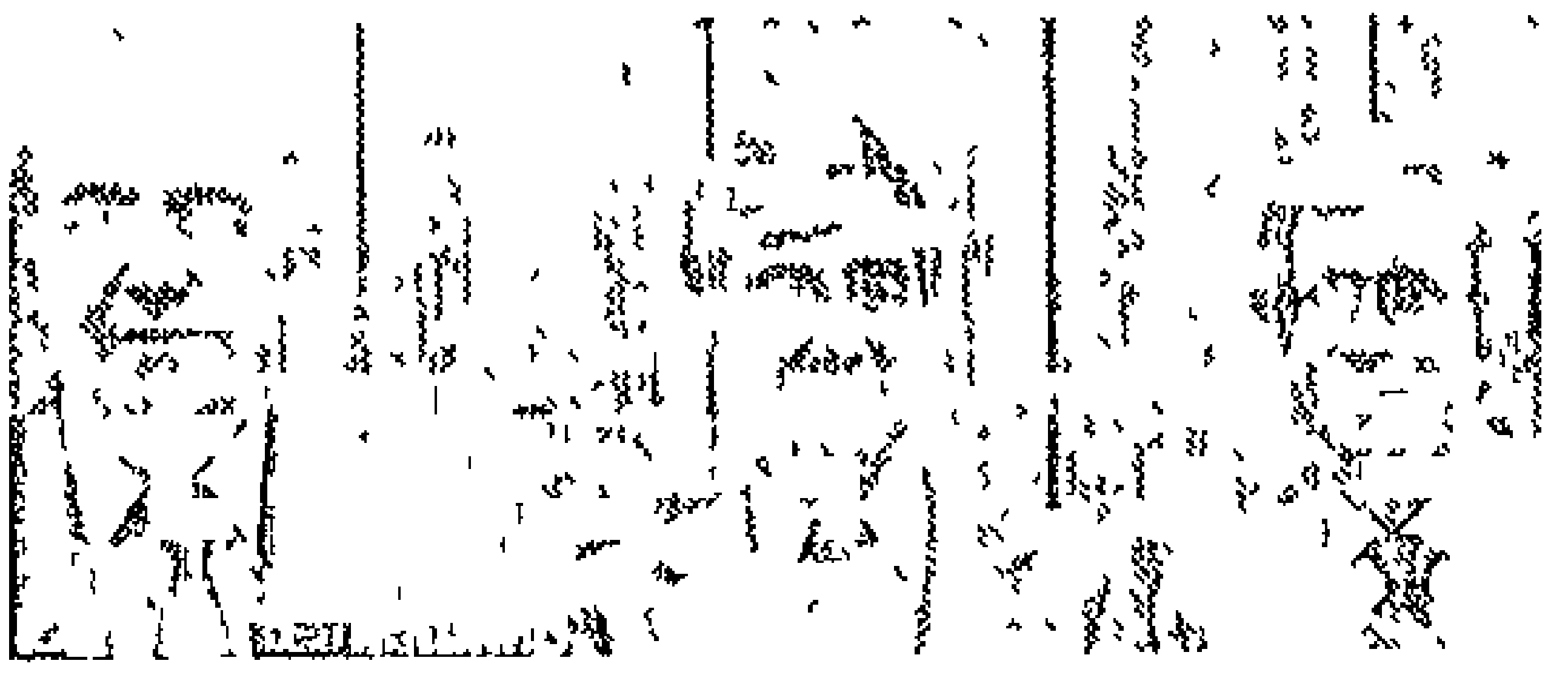
232

S. Times 27/1/82

Another R1 000-m Anglo galaxy

ANOTHER R1 000-million Anglo American Corporation group juggernaut moves into action tommorow with the launching of Anglo American Life Assurance

The move represents the culmination of a long period of complex work restructuring, reorganising, divesting and investing to produce an insurance and assurance satellite fully equipped to compete among the country's Big Five


The three billion rand doctors Shlomo Peer, Zac de Beer and Morris Bernstein

By Stephen Orpen

For policyholders, the main implication is a completely redesigned range of policies under the so-called Masterplan concept

This range combines what seem justified claims to provide the middle and upper market with contracts packaged to yield an unparalleled flexibility in terms of update and other facilities to combat inflation while also providing unusually efficient cover, in whatever mix the customer may want at a given time

Also being offerred is an *unlimited* sum-assured feature (in the right circumstances) for the first time

From Anglo's point of view, the contradictions (not infrequently denied in the past) inherited with the insurance interests acquired from the old Schlesinger group are ironed out

In the process, new opportunities have certainly been created for higher investment yields, still lower administrative and management expenses, and a more efficient marketing system (now including brokers, agents and field staff — for the Anglo insurance group as a whole)

In the first year of operations (effectively to end-March 1982, allowing for results from the old set-up) premium income is expected to reach R167-million and investment income R81-million

In terms of its R1 000-million-plus assets, Anglo Life will probably rank fourth in the country behind Old Mutual and Sanlam (each at least four times as large) followed by Liberty Life, with total assets going on twice as large

Anglo American Corporation will now control 100% of Anglo American Life, which in turn will fully control African Life (aimed more down-market) which is being injected into the shell of Guarantee Life left when this operation was merged into African Eagle

Also fully controlled by AAL will be Southampton and the leasing specialist Fund Consolidated Holdings

There will be a 25% "portfolio" stake in the short-term insurance arm, SA Eagle

An interesting sidelight is that the mishmash of property interests built up partly through Anglo s acquisition of Sorec from Schlesingers has now also been rationalised, and this will benefit the insurance interests

Chairman of AAL will be Anglo executive director Dr Zac de Beer, deputy chairman will be Dr Shlomo Peer and managing director Dr Morris Bernstein

Dr De Beer comments "By far the greatest challenge to the industry is the inflationary environment, which plays havoc with the value of money and hence of traditional insurance policies

' In the first place, this creates the need for highly expert money management Investment managers must be knowledgeable, imaginative and quick-footed to produce asset growth sufficient to offset the effects of inflation

"But even this is not enough Inflation also creates the need to maintain the real value of premiums paid, which means that these must be increased regularly by an appropriate cash amount

"The second great challenge — not new, but sharpened by inflation — is that of meeting the needs of the customer as they change during his or her lifetime

"Generally speaking, young people need life cover and older people need investment cover The right policy for today s market is one that has the flexibility to meet these changing needs in a way that traditional policies did not

Anglo American Life is offering a new series of policies designed for the current and expected environment in terms of the real value of money

"Our policyholders will benefit especially from our premium update facility, which enables them to maintain the real value of their premiums, and see the value of their policies grow in real terms by the accumulating investment yield

'The flexibility of the series enables the policyholder to emphasise life cover in the early years and savings at a later stage '

The series now includes products such as endowments, retirement annuities, reinforced plans and plans without life cover with the emphasis on investment

Zimbabwean crossroads

From Page 1

strong investor resistance began to be felt

At the end of January last year the average dividend yield on industrials was 7 6, and it now stands at 16 1%

And, in general, this decline has occurred over a period when nearly all companies were reporting improved results because of higher demand for practically all products and services within the country

With the companies moving into a much tighter period squeezed by higher wage levels and a total price freeze, there is concern about the future of the stock exchange

The ZSE is reconciled to sitting out the lean period The secretary of the exchange, Geoff Pooley, says "We are, after all, no more than a barometer of the community's business confidence We have been through quiet periods before, and no doubt they will occur again '

Fortunately for the remaining brokers, dealings in external shares almost doubled in 1981, and they now account for nearly two thirds of the total business

In 1980 the value of internal share dealing was nearly R80 million, while external deals were worth R39 million In the year to December 31 1981, this was reversed, with local shares accounting for R76,7-million

This underlines the view of a leading broker that the "local market is dying'

With the Government s present policies I cannot see any likelihood of investment going ahead '

S. Times

Gathering s

From Page 1

stream producers AECI and Sentrachem have for some time been attempting to move their operations further upstream developing projects such as ammonia plants (AECI) and Coalplex (a joint AECI-Sentrachem project)

'With Sasol's diversification plans, it would be foolish for any company such as Sentrachem or AECI not to be looking at other options for raw materials supply," says Dave Marlow, Sentrachem's managing director

Although Sasol has for years had certain downstream operations, the synfuel giant is now making an effort to diversify downstream and expand its chemical activities

Mr Uys says that these fundamental changes in the industry are 'new but to be expected as the local chemical industry matures"

Annual chemical sales by Sasol now account for R330-million, or about 20% of turnover

Andre Bedeker, executive director of Sasol Marketing, says that turnover on chemicals is projected to rise to about R600-million (in today's money) in five years

Sasol's first big new downstream project was announced last June, when the company said it was to produce and market a full range of fertiliser products.

The chairman, David de Villiers, said in his 1981 statement

"This new fertiliser project demonstrates our determination in the interests of our shareholders to take timeous action to ensure a better balance between our upstream and downstream activities in petrochemicals

Mr Bedeker told Business Times that Sasol s objective is "to integrate to where the product is saleable to a diver

Save economy; kill white ostrich!

From Page 1

ity of whites in this country believe that to meet such demands in South Africa would inevitably precipitate black rule

And black rule at this stage (most voters apparently fear) would be inefficient and discriminatory at best, Marxist and highly destructive at doms" (under the black states idea) would be swept aside and soon replaced by a one-party black oligarchy

The management of the economy would fall into the hands of political stooges bereft of any serious economic training or experience — resulting in the sort of chaotic and disorderly business en-

The conclusion to this line of reasoning must be that the price of a truly free-market system in South Africa can be only a (probably prolonged) period of unfree politics, unfree markets, decaying business confidence and performance, and all that follows

Yet to opt for the opposite and reject the free market system and the clamour for explosive situation Degenaar warns about

There is thus only one answer In a sentence, one has to accept that "political freedom is a necessary condition for the *long-term* maintenance of economic freedom" — given that, in Africa, political freedom must be released rather slowly and with consummate skill

Liberty takes big slice of PG pyramid, Placor

232

RDM 27/1/82

LIBERTY Life has become a major holder in Plate Glass an the R358-million-a-year glass monopoly is considering splitting itself into two separate listed companies.

By DAVID CARTE

Plate Glass announced yesterday that Liberty had acquired 12% of Placor, Plate Glass's 50% pyramid, for an undisclosed sum.

It said consideration was being given to splitting PG's glass and its extensive non-glass interests They would go into two separate listed companies.

Liberty has had a fairly close association with the company for several years and had 10% of Placor before this, so its total holding is now just over 22%

Plate Glass obtained its additional 2 500 000 Placor shares from the Brodie family, which for years has been a major holder of Placor shares but has not had an executive role in the company

The Lubner family has the largest single holding in Placor and therefore Plate Glass. It has and will continue to have executive control even though Liberty will appoint two members to the Placor board PG has stated that there will be no management changes

Main reason for the deal from the Lubner family's point of view is that it goes a long way towards securing control Before the deal, there was the chance the Brodie family's holding, which was tied up in trusts, could have fallen into hostile hands.

Now the shares are in the hands of a big and friendly institution, PG's control situation is that much more secure and the Lubner family's bank balances are intact

Mr Roy McAlpine, Liberty's investment chief, said the deal was in accordance with Liberty's investment strategy of taking significant holdings in companies in basic industries

Apart from its 22% holding in PG, Liberty has more than 50% of Clydesdale and 10% of Premier Group

At the pre-suspension price of 440c, the Placor shares that changed hands were worth about R11-million but a premium is believed to have been paid for this large holding

Market sources speculated about a price of about R12-million, suggesting roughly a 10% premium on the pre-deal price.

Placor's price moved up from 400c before the board asked the JSE to suspend the share

Several commentators were critical of PG and the JSE for suspending the shares merely because the market appeared to have wind of the deal

They said the company should have made an announcement and warned shareholders to exercise caution in their dealing, in accordance with the JSE's new procedure.

After such a warning, anyone with burned fingers would have only himself to blame

Critics of the suspension pointed to the non-suspension of Huletts and Tongaat, despite strong price rises in these shares since merger negotiations were firs announced

The JSE changed its on suspension largely because of a precedent by P Glass, which once its shares because a newspaper had speculated about earnings before they were published.

This is the first deal clinched by Liberty's managing director, Mr V Rapp

PG employs 12 300 locally and abroad and last year declared a pre-tax profit R55 600 000 on sales of R358 million It publishes in May

Tongaat-Huletts merger approved

CAPE TIMES 28/1/82

232

By DAVID CARTE

JOHANNESBURG. — Tongaat Group and Huletts Corporation are to merge in April following the successful conclusion of negotiations yesterday.

This will bring into existence a sugar and industrial group with total assets of more than R1 000-million

The new group, with shareholders funds of more than R550-million and sales exceeding R1 000-million-a-year, will be named the Tongaat-Hulett Group Ltd and will rank among the top 10 industrial companies in South Africa

Combined pre-tax profit last year would have been more than R100-million

Huletts will offer 117 of its shares for 100 Tongaat shares, putting a value of R550-million on the deal

The exchange terms were based on the attributable earnings of the two groups and confirm observations that the stock market was overvaluing Huletts in terms of Tongaat The market was valuing the two companies largely according to their dividend yields

Before the deal, the market valued Huletts 12% higher than Tongaat. This premium shrunk to 7% yesterday The deal values Tongaat 17% above Huletts

Anglo American will hold 39,3% of the combined operation and the Metal Industries Pension Fund about 15 Old Mutual and Sanlam will also be significant shareholders

Mr Chris Saunders, who will be chairman of the merged group, told me that all Tongaat's sugar interests will go into Huletts' sugar division In normal weather conditions, Huletts Sugar will produce up to 43% of South Africa's sugar

Mr Saunders said there would be massive synergies and rationalization benefits in sugar, with far better useage of mills and manpower

Another benefit would be the mobilization of liquidity in Huletts in Tongaat's capital intensive industries, which had immense growth potential Mr Saunders said Huletts' balance sheet was immensely strong, following the sale of its paper interests to Mondi

Asked why Huletts was making an offer to Tongaat and not vice versa, Mr Saunders, said Tongaat holders would have been less happy accepting Huletts shares than vice versa

He said, apart from the relative quality of assets and earnings of the two groups, the premium in favour of Tongaat partly represented compensation to Tongaat holders, whose shares, in a sense, would "die"

Tongaat MD, Mr Alan Hankinson, said the addition of Huletts resources would further accelerate growth and promised that "a considerable number of new projects will emerge"

Huletts MD, Mr Kees van der Pol, said the merger offered Huletts holders the opportunity to participate in a substantially diversified group He said the exchange was based on earnings and Huletts had not had to pay a premium for enhanced earnings

Huletts would be less vulnerable to climatic conditions in drought-hit Northern Natal

UAL has endorsed the terms as fair and reasonable to shareholders in both groups

The directors say earnings a share will not be affected immediately but the benefits of the merger will become apparent from 1983

They add that Tongaat holders will receive improved dividends, as Huletts has lower cover than Tongaat The Tongaat share price has improved 32% since the merger was first announced and that of Huletts 23% The merger reduces Huletts' net asset value by 10% to 928c and lifts Tongaat's 21% to 1 086c

The boards of the two companies have announced intended final dividends for the year to end March Tongaat will pay a final of 35c, making 50c for the year, while Huletts final will be 46c, making a total of 69c

Tongaat's Mr Chris Saunders will be chairman of the supergroup and Huletts' Dr C van der Pol and Tongaat's Mr D W Strachan will both be vice-chairmen

Dr Geoffrey Cleseby, of Huletts, will be group managing director, when Mr Alan Hankinson retires, and Mr Norman Duncan, also a Huletts man, deputy managing director Tongaat's Mr Ted Garner will be financial director

Dr Van der Pol will be chairman of Huletts Sugar and Mr R K Ridgway will be managing director Other appointments will be announced soon

COMMENT. This was a deal in which no-one stood to lose Huletts, after the merger, is less weather, less sugar and less Zimbabwe-exposed

Tongaat, previously exposed to volatile bricks and textiles, emerges looking a good deal less cyclical

Huletts was undergeared before and Tongaat, though not overgeared, had reached the stage of pulling in its horns on acquisitions Both groups will benefit by a pooling of management

Clearly, the merged group should outgrow the two separate companies and the recent rises in the share prices of both counters are fully justified

While one accepts that before the deal a Huletts was not worth a Tongaat, as things have turned out, the latter seems to have done marginally better out of the deal

232

New giant formed by Natal merger

Star 28/1/82

By Mervyn Harris

A new industrial giant with assets of more than R1 000-million will come into being on April 1 as a result of an agreement reached yesterday to merge the Tongaat and Huletts groups.

The R550 million deal agreed on after only a few days' discussions involves an offer of 117 Huletts ordinary shares for every 100 Tongaat shares.

The exchange terms are based on the attributable earnings of the two companies.

Mr Chris Saunders will be chairman of the new group which is to be known as the Tongaat-Hulett Group. The composition of the remainder of the board will be announced later.

Terms

The intended final dividends of the two companies for the financial year ended March 31, 1982, were announced together with the merger terms.

Tongaat intends paying a final of 35c a share to bring the total payout for the year to 50c a share. Huletts will pay a final of 46c making a total of 69c a share for the year.

The proposals did not affect the preference shares or unsecured debentures of Tongaat

The merger is expected to benefit both sets of shareholders in terms of earnings. It reflects the formalisation of the close working relationship that has existed between the groups over many years.

Benefits

The boards of Tongaat and Huletts believe that many significant benefits will be derived from the merger as the operations of both companies complement each other in many ways.

Additional benefits will be achieved through the better utilisation of the enhanced resources available and greater career opportunities for all employers of the two companies.

All the sugar operations of the two groups will be slotted into a company, Huletts Sugar, headed by Huletts existing managing director, Dr C van der Pohl.

The other operations of the companies will fall under the Tongaat umbrella and will be headed by Dr T G Cleasby who will become managing director.

Anglo

The deal means that Anglo American will hold a shade under 40 percent of the new group's shares compared with its existing 25,2 percent holding in Tongaat and 42,8 percent stake in Huletts.

Tongaat shareholders are likely to benefit in future from increased annual dividends as Huletts has a lower dividend cover than Tongaat.

S

117 Huletts for 100 Tongaat is the deal

T32

RDM 28/1/82

By DAVID CARTE

TONGAAT Group and Huletts Corporation are to merge in April. Negotiations were concluded yesterday.

Huletts will offer 117 of its shares for 100 Tongaat shares, putting a value of R550-million on the deal

This will bring into existence a sugar and industrial group with assets of more than R1 000-million

The new group, with shareholders' funds of more than R550-million and sales exceeding R1 000-million-a-year, will be named the Tongaat-Hulett Group Ltd and will rank among the top 10 industrial companies in SA. Combined pre-tax profit last year would have been more than R100-million.

The exchange terms were based on the attributable earnings of the two groups and confirm observations that the stock market was overvaluing Huletts in terms of Tongaat The market was valuing the two companies largely according to their dividend yields

Before the deal, the market valued Huletts 12% higher than Tongaat. This premium shrank to 7% yesterday The deal values Tongaat 17% above Huletts

Anglo American will hold 39,3% of the combined operation and the Metal Industries Pension Fund about 15% Old Mutual and Sanlam will be significant shareholders

Mr Chris Saunders, who will be chairman of the merged group, told me that all Tongaat's sugar interests would go into Huletts sugar division In normal weather conditions, Huletts Sugar would produce up to 43% of SA's sugar

Mr Saunders said there would be synergies and rationalisation benefits in sugar, with far better use of mills and manpower

Another benefit would be the mobilisation of liquidity in Huletts in Tongaat's capital-intensive industries, which had immense growth potential Huletts' balance sheet was immensely strong because of the sale of its paper interests to Mondi

Asked why Huletts was making an offer to Tongaat and not vice versa, Mr Saunders said Tongaat holders would have been less happy to accept Huletts shares than if it were the other way round

Apart from the relative quality of assets and earnings of the two groups, the premium in favour of Tongaat partially represented compensation to Tongaat holders whose shares, in a sense, would "die".

Tongaat's managing director, Mr Alan Hankinson, said the addition of Huletts resources would further accelerate growth and promised that "a considerable number of new projects will emerge".

Huletts managing director, Dr Kees van der Pol, said the merger offered Huletts holders the opportunity to participate in a substantially diversified group The exchange was based on earnings and Huletts had not had to pay a premium for enhanced earnings Huletts would be less vulnerable to climatic conditions in drought-hit Northern Natal

UAL has endorsed the terms as fair and reasonable to shareholders in both groups

The directors say earnings a share will not be affected immediately, but the benefits of the merger will become apparent from 1983

They say Tongaat holders will receive improved dividends as Huletts has lower cover than Tongaat The Tongaat share price has improved 32% since the merger was announced and that of Huletts 23% The merger reduces Huletts' net asset value by 10% to 928c and lifts Tongaat's 21% to 1 086c

The boards of the two companies have announced intended final dividends for the year to end March Tongaat will pay a final of 35c, making 50c for the year, and Huletts final will be 46c, making a total of 69c

Tongaat's Mr Chris Saunders will be chairman of the supergroup and Huletts Dr Van der Pol and Tongaat's Mr D W Strachan will be vice-chairmen

Dr Geoffrey Cleseby, of Huletts, will be group managing director when Mr Alan Hankinson retires and Mr Norman Duncan, also a Huletts man, deputy managing director Tongaat's Mr Ted Garner will be financial director

Dr Van der Pol will be chairman of Huletts Sugar and Mr RK Ridgway will be managing director Other appointments will be announced soon

COMMENT: This was a deal in which nobody stood to lose. Huletts after the merger is less exposed to the weather, sugar and Zimbabwe.

Tongaat, previously exposed to volatile bricks and textiles, emerges looking a good deal less cyclical Huletts was undergeared before and Tongaat, though not overgeared, had reached the stage of pulling in its horns on acquisitions. Both groups will benefit by a pooling of management.

The merged group should outgrow the two separate companies and the recent rises in the share prices of both counters are fully justified.

While one accepts that before the deal a Huletts was not worth a Tongaat, as things have turned out, Tongaat seems to have done marginally best out of the deal

SUNDAY TRIBUNE, JANUARY 31, 1982

232

2) Sugar

Sweet music as Tonhul hit Top 10

By MIKE PEIRSON
Finance Editor

IN his usual charming, cool, calm and collected manner the honourable gentleman of the sugar industry, Chris Saunders, made the historic announcement of the merger of sugar giants Tongaat and Huletts at a late afternoon Press conference in Durban city centre this week

Flanked by two indispensable lieutenants in retiring Tongaat managing director Alan Hankinson and the group financial director-to-be Ted Garner, Saunders was at pains to stress that this was a Natal-inspired venture And so it was

Saunders . . . a Natal venture

Anglo American? Yes, they had to be consulted after the merger talks had reached a conclusion, but they were happy to accept their 39,4 percent holding in the new group

Now the three pillars of Tongaat policy (food, shelter and clothes) will be consolidated with sister (?) company Huletts (who will be taking the sugar kudos away from their Tongaat brothers) to distribute interests at all levels to the best advantage of all

Certain areas, like Natal Estates, which could have been forced to close up shop will now get a new lease of life and, despite the soft talking that those responsible for the deal will have to do with certain employees (particularly the Tongaat sugar men) it looks as though the new conglomerate will settle down to even greater diversified success

The new group (to be known as Tonhul on the JSE when listed) will have assets in excess of R1-billion and will rank among the country's top 10 companies

The deal, worth R550 million, gives Tongaat an apparent edge on paper with 117 Huletts ordinary shares being issue to 100 Tongaats But that's just the way the artithmetic had to be done explained Hankinson

Final dividends for the financial year ended March 31 were fixed too Tongaat intends paying 35 cents a share making 50 cents for the year while Huletts final will be 46 cents (69 cents)

Of the new management team Dr Geoffrey Cleasby will be group managing director, Norman Duncan deputy and Ted Garner financial director

There'll be two vice-chairmen — Dr Kees van der Pohl and Walter Strachen Dr van der Pohl will also be chairman of the renamed Huletts Sugar

Saunders who has been chairman of both groups in the past, will retain the combined position

He feels that with the strong balance sheeet of Huletts matched with the dynamic management at Tongaat, the growth potential and opportunities will be considerable

It was an encouraging sign that on the second day of trading on the JSE after the merger announcement, Tongaat shares stood at 1 030c — up from 910c the previous day That's the level we are likely to find the new Tonhul when it hits the boards on April 1

LIQUOR:

232

S. Times 31/1/82

~~182~~

Hold your breath for the Competition Board on the 'monopolies' minefield!

AS D-Day draws near for the completion of the current investigation by the Competition Board into the liquor industry, it is becoming regrettably clear that, in terms of its application, there is widespread heat and confusion about how to interpret the massive restructuring of the industry in November 1979.

By ANNAMARIE MOLTENO

The momentous decision of the Cabinet to sanction the new structure, piloted by Senbank's Dr Fred du Plessis, came after a climax of intensely competitive marketing strategies and price-cutting tactics, particularly in the beer industry and among liquor retail outlets.

Lack of earnings growth in the wine industry was another contributory factor and remains a problem with political and socio-economic overtones

The stabilisation of the cut-throat retail price wars of the Seventies, as well as the recent economic prosperity, has affected the 1981 results positively.

Although it is perhaps unfair to compare these figures because of the different year ends, the basic structures of these companies reflected by the ratios are unlikely to be fundamentally influenced

A marked slowdown is expected in 1982, owing to the change in the economic scene There is, however, a wide range of opinion among liquor producers as to the severity of this decline

In 1980 the consumption of wine rose for the first time since 1973, in contrast to a 14% drop in sales volume over the preceding seven years And 1981 has seen a further upswing in the volume of wine sold

The details of the restructuring originally appeared in the Cape Wine prospectus A total of 14-million no-par-value shares at 115 cents was issued in Cape Wine described as an investment holding company managed by Rembrandt

The share capital, 33,75% of which was held each by KWV, SAB and Rembrandt, has been reduced to 30% each by the issue

SWT was renamed and designated as the holding company for the new group, which is in turn held by Rembrandt-KWV Investments

	Betrams	Picardi Hotels	S A Breweries	Southern Sun	Uniwyn	Cape Wine
Current Ratio	4,2 1	0 51 1	1,47 1	0,71 1	0 88 1	2,04 1
Liquid Ratio	0,1 1	0 14 1	0,76 1	0,67 1	0,28 1	0,74 1
Fixed Assets Turnover (Sales ÷ net fixed assets)	N A	N A	3,1	0,79	N A	N A
Inventory Turnover (Sales ÷ average inventory)	N A	N A	8,3	82,3	N A	N A
Debt Net Worth (Total liabilities Total shareholders interest)	16,0 1	1,96 1	1,04 1	0,89 1	2,91 1	1,07 1
Interest bearing debt to Ordinary shareholders interest	N A	1,07 1	0,81 1	0,59 1	2,13 1	0,30 1
Net Profit Margin (net profit after tax as a % of turnover)	N A	N A	5,1	20,7	N A	N A
Return on Total Assets (net profit before tax & interest as % of total assets)	10,3%(a)	15,4	16,2	19,7	10,7	22,3
Return of Ordinary Shareholders' interest (after tax)	N A	23,6	23,7	24,6	14,7	23,9
Earnings - cents per share	1,95(b)	28,33	54,3	43,5	33,8	22,6 (c)
Cash Flow - cents per share (Ordinary Shareholders' earnings after tax + depreciation + deferred tax)	2,97(b)	36,2	76,1	54,8	48,8	34,9 (c)
Net new investment in Fixed Assets as a % of Total Assets	NIL	20,9	6,5	11,3	12,1	2,4
Dividend - cents per share	NIL	14,0	27,0	30,0	9,0	11,3 (c)
Payout ratio (past year) as % of earnings	NIL	60	50	69	27	50
Payout ratio (past year) as % of cash flow	NIL	39	36	55	18	32

(c) Adjusted to a 12 month period
(a) NIL if LIFO stock valuation used
(b) Using FIFO stock valuation - 7,68 cps less with LIFO valuation

DIVIDEND INDEX

	1976	1977	1978	1979	1980	1981	Annual rate of growth compounded
Bertrams		-	-	-	-	-	-
Picardi Hotels	100	108	108	115	138	215	16,5%
S.A Breweries	100	100	116	126	174	284	23,2%
Southern Sun	100	105	123	184	289	526	39,4%
Uniwyn	100	100	154	169	215	271	22,6%
Cape Wine	N.A.	N.A.	N.A	N.A.	100	21	N.A.

TURNOVER INDEX

	1976	1977	1978	1979	1980	1981	Annual rate of growth compounded
Bertrams	100	137	211	276	334	492	37,5%
Picardi Hotels	100	117	120	130	144	258	20,9%
S.A Breweries	100	119	128	122	158	213	16,3%
Southern Sun	100	108	122	221	316	508	38,4%
Uniwyn	100	116	117	115	134	216	16,6%
Cape Wine	100	105	114	120	N A	N.A.	N.A.

PROFIT INDEX

	1976	1977	1978	1979	1980	1981	Annual rate of growth compounded
Bertrams (Base year 1977=100)	[illegible]	100	231	133	163	85	N.A.
Picardi Hotels	100	94	86	88	108	185	13,1%
S.A. Breweries	100	113	125	144	189	305	25,0%
Southern Sun	100	105	123	185	288	530	39,6%
Uniwyn	100	102	115	121	164	202	15,1%
Cape Wine	100	99	101	108	52	139	6,8%

Cynics point out that, where there is a monopoly, turnover declines while prices rise . . .

Cape Wine's main subsidiaries — Oude Meester, Stellenbosch Farmers' Winery group, Henry Tayler and Ries — contain all the wine and spirit production and wholesale interests formerly belonging to SAB and Rembrandt, excluding only a 49% interest in W A Gilbey (SA) which has been retained by Rembrandt

The two Pickard companies, Union Wine and Picotel, with Bertrams, are relatively small by comparison and have less reason to be enthusiastic regarding the reconstruction

Bertrams is closely involved with Rembrandt through its 49% interest in Gilbeys (SA) which in turn owns an interest in Bertrams.

Dr A J du Toit, chairman of Cape Wine, has said that long-term growth seems assured provided that the excise on spirits is not increased

As the sale of spirits is traditionally a means of ensuring profitability needed to subsidise the wine industry, the smaller companies would be severely affected by increased tax, and Bertrams in particular is in no position to absorb the effect of a setback due to higher prices

Wine exports are expected to decline in 1982

The impact of the trend towards medium-priced and higher-priced wines has been accelerated by economic prosperity.

Aggressive marketing in this area has borne fruit, particularly in the Transvaal There has also been innovation in packaging and bottling, including the "tapvat" package

The increasing acceptance by the consumer of new patterns of spending in terms of wine purchases through supermarkets, hypermarkets and liquor hyperstores has tended to increase consumer awareness of wine and has gained it valuable shelf space in prime shopping localities

The amendment of the Liquor Act in the late seventies, enabling hotel and bottle-store licensees to lease space in supermarkets, has contributed to this trend

At the upper end of the market the success of the Nederburg auction shows that the best South African wines can command prices which show appreciation considerably in excess of inflation

Rarity of the wine and the image of the winemaker have been reponsible for sales of up to R200 a case for certain vintage Cabernets

It is hoped that the newly established Cape Wine and Spirits Exporters Association will give impetus to recognition of better SA wines and spirits on international markets, which at present absorb only R10-million, a small proportion of the SA liquor output

An important aspect of the SAB/Rembrandt deal was the Government's insistence that both companies divest themselves of their bottle-store licences, about 30 in number, over a period of 12 years

This has been the major point of issue between the smaller companies, Union Wine in particular, and the rest of the liquor industry

Both SAB and Rembrandt have indicated that they feel that the separation of the producer/wholesaler function from the retail function is essential in establishing a free and independent retail situation, and that this was the understanding at the time of the reconstruction

The practice of loans and preferential discounts to controlled outlets is condemned by both SAB and Cape Wine, while they are emphatically insistent that this separation be applied consistently throughout the industry.

SAB continues to dominate the liquor industry after a particularly good year. Beer profits have risen from R14,7-million in 1977 to R43,9-million in the financial year to March 31 1981, while during the six months to September 30 1981 beer profits doubled

Cynics point out that where there is a monopoly, turnover declines while prices inevitably rise This has, however, not been the case since the establishment of the beer monopoly, and SAB's policy can better be described as "enlightened monopolistic practice"

SAB claims that sorghum beer is its true competitor in this field and continues to compete in marketing and packaging

Over the past four-and-a-half years beer profits have risen at the rate of 49% per annum compounded, while during the four years to March 1981 SA Breweries' profits from other beverages (Stellenbosch Farmers' Winery — now Cape Wine) declined from R15-million to R14-million

The poor performance of Bertrams shows just how tough the competition can be in this sector

Taking into consideration the extent of the competition, Jan Pickard's Picotel and Union Wine have achieved excellent results with earnings growth of 13,1% and 15,1% respectively over the past five years

It is true that both Picardi Hotels and Uniewyn have excessively high financial gearing with debt-to-equity ratios of 1,96 1 and 2,91 1 respectively

However, the Pickard Group's successes over the past year show that high financial gearing in one or two group companies is unlikely to detract from the intrinsic worth of these companies

In general, the expectations for 1982 are decreased profitability, particularly from spirits, a possible increase in taxes, and the effects of the Competition Board's report, which must settle the vexed question of whether it is just for SAB and Rembrandt to continue to divest themselves of their retail liquor store interests while Union Wine has been permitted to increase the number of outlets

It is thought likely by many that no further power concentration at retail level will be permitted in the industry

How and if this will be reconciled with the permission granted to Jan Pickard to acquire a further 75 bottle stores prior to the reconstruction is the burning question to be addressed by the report along with minor issues involving the number of grocers' wine licences granted to supermarkets the possibility of beer being sold via this channel and the questionable situation of Gilbeys and Rebel, which are closely connected to Rembrandt

---

Speculation on Pickard plans

THE formation of Cokicor by the Kirsh group and its acquisition of 20% of Union Wine shares in competition with Cape Wine gave rise to one of the most severe bear squeezes on the JSE in recent times

There has been much speculation as to the Pickard group's plans for its liquor-retailing operation.

A R16-million rights issue has prepared the way for Picardi to develop the liquor and hotel interests of Picardi Hotels, according to Coki's annual report

Mervyn King, chairman of Cokicor, comments. "No one knows what to expect from the report, but whatever the outcome the decisions reached will have to be implemented in a fair and just way.

"In the circumstances, I feel that the monopolies at the wholesale and production level of the liquor industry should be looked at."

Given the wide divergence of views of the parties concerned, it is possible that this report will again be a prelude to further discussions and that it will be some time before all the problems are settled

Merchant bank control switches to SA

Hillsam and The Board to merge

232

Now 4/2/82

By DAVID CARTE

HILL Samuel Group (SA) and Board of Executors & Fidelity Bank are to merge to form a merchant banking giant with assets of R250-million and funds under administration of R450-million.

As a result of the merger, effective from April, control of British-controlled Hill Samuel will shift to SA.

Until now, Hill Samuel Group SA (Hillsam) has been 71,5% owned by Hill Samuel UK, 4,5% by its directors and 24% by the SA public

After the deal, Hillsam's stake in the merged operation will be 40,6%, and that of Board of Executors and Fidelity Bank (BFB) will be 46,5%. Southern Life Association will hold 30% of BFB.

The merged company, which has not yet been named, will retain Hillsam's Johannesburg Stock Exchange listing. The public's stake in the enlarged operation will be 12,9%

Hillsam says the merger creates a broadly based financial services group with strong international and SA connections The group will have increased credit capacity, improved market penetration and a wide range of personal financial services

In addition to Hillsam's wide spread of merchant banking activities, the new group will undertake industrial leasing, money-market broking and investment management on a large scale

Mr Richard Crick, managing director of Hillsam, said the merger suited Hill Samuel, London, which had sought a South African partner for some time The merger would also be a strong motivation for SA executives

"It also accords with the aspirations of SA's banking authorities, who wish to see control of foreign-owned banks move to SA"

It enhanced the range of services offered by both Hill Samuel and Board of Executors & Fidelity Bank In addition, there were great advantages of size and location While Hill Samuel was strong in Johannesburg, its partners were strong in Cape Town and Durban

Mr Crick said Board of Executors and Hill Samuel discussed a merger some time ago, but it was decided The Board was too small "and it would have been more a takeover than a merger". Board of Executors had subsequently merged with Fidelity Bank to become big enough for the present deal

The three main divisions of the merged group will retain their existing management and separate identities, although certain compatible operations will be rationalised.

The board of the bigger group will be reconstituted to reflect the interests of the parties to the merger Sir Robert Clark, chairman of Hill Samuel UK, and Mr Christopher Castleman, group chief executive of Hill Samuel UK, will be on the board

The executive committee of the merged group will consist of Mr Neal Chapman, who will be group chief executive; Mr Richard Crick, managing director of the bank, Mr David Morris, deputy chairman of the bank, Mr Jurie Bester, deputy managing director of the bank, and Mr Bill McAdam, managing director of Board of Executors

The mechanics of the merger are that Hill Samuel SA will acquire from BFB all of Board of Executors & Fidelity Bank for the issue of 3 960 000 new Hillsam shares

BFB will subscribe for a further 1 006 710 Hillsam at 320c for R3 220 000. A total of 15% of each existing shareholder's holding in Hillsam will be redeemed at 320c a share.

The R3 220 000 subscription by BFB for new shares in Hillsam will be funded out of the subscription of 385 570 new shares in BFB by Southern Life, which will receive 161 101 existing shares in BFB at 960c a share, making Southern Life's holding in BFB 30%.

Coki to get 49% of Greatermans

232

ROM 2/2/82

By DAVID CARTE

SUBJECT to the approval of the Johannesburg Stock Exchange, Mr Natie Kirsh's Coki Corporation will today announce that it is to acquire 49% of Greatermans.

Coki, the retail arm of Mr Kirsh's aggressively expanding empire, has acquired the "major minority stake" from Federale Volksbeleggings and Mr Dusty Miller and Mr Isaac Kaye, previous controllers of the ailing retail giant.

I am told by sources close to Coki that Federale has sold its 30% stake and that Mr Miller and Mr Kaye topped up Coki's holding to just less than 50%.

An announcement would have been made last night, but JSE clearance stalled it. Mr Natie Kirsh and his right-hand man, Mr Mervyn King, were tight lipped last night.

After the transaction, Coki will be one of the major forces in the consumer sector with sales of far more than R1 000-million.

It will be SA's biggest food retailer and will be strong in furniture, white goods and other domestic products as well as liqour.

It will have 53% of furniture giant Russells, 30% of booming discount store chain Dions, and 49% of Union Wine, whose Picotel is to become SA's biggest liquor retailer.

The transaction will be financed similarly to the Metro Corporation deal — by an issue of Metro and Kimet shares to institutions.

Sources say Coki will not be a docile non-contributory partner in Greatermans Greatermans, they say, will enjoy an input of retailing expertise from Coki and the Kirsh group

Checkers is one of the biggest food retailers and should enjoy considerable synergy with Metro Cash, which is the biggest food wholesaling group in SA

Some Metro customers, small retailers to a man, will see a conflict of interest in the Metro-Checkers connection, even though it is indirect.

I am told that thought is being given to converting some of the unprofitable but well-positioned downtown Greatermans department stores into high-volume Dion stores.

Now that Game, Beare's Natal-based discount store, has moved into Dions territory in the Transvaal with its first shop in Eastgate, it could find itself challenged by a Dions where Greenacres today stands in Durban

Greatermans also has a large department store in Eastgate This could also become a Dions next door to the new Game.

Checkers has 26 wine counter licences that will go well with Coki's ambitions in liquor.

Finally, warehousing in some country districts is believed to be a major cost to Greatermans Much duplication will be saved by Metro warehousing capacity in these areas.

1 250c offer for Edcon signals bid

SA Brews wants Edgars

And Natie Kirsh ties up Greatermans stake

RDM 2/2/82 (232)

SA BREWERIES is the prime suspect in a bid for control of Edgars, the R409-million a year clothing chain.

The bid, which will cost between R50-million and R80-million, comes only a fortnight after SAB snatched control of Scotts Stores, another clothing chain, for R25-million.

By DAVID CARTE

SAB directors refused to confirm that their company was the buyer, but did not deny it

"Absolutely no comment," was the response to inquiries yesterday

Mr Donald Gordon, the deputy chairman of Edcon, and Mr Adrian Bellamy, the managing director of Edgars, said they had had no approach from SAB, but both appeared convinced SAB was the bidder.

So were institutions and the Johannesburg Stock Exchange.

First indication that a bid was coming was a jump from 800c to 1 250c yesterday in the share price of Edgars Consolidated Investments (Edcon), which holds just over 50% of Edgars.

Edcon's price leapt 56% in hours after rumours filtered back to the market that SA Breweries had bid 1 250c for the shares of several institutions holding Edcon shares.

Mr Donald Gordon, acting chairman of Edcon in the absense overseas of Mr Sydney Press, said he had been told that SAB was after a "strategic holding" in Edcon He could not say what was meant by a strategic holding

Mr Gordon said he had not had time to decide what action to take, or whether to launch a defence of Edcon He was still trying to get the Edcon board together to consider a response.

Mr Bellamy said he was in the dark The controllers of Edcon, the Press family, were the people to comment As far as he knew, no bid had been made to the Press family.

Mr Press, whose family has 32% of the 12 500 000 shares in issue, could not be reached overseas.

Mr Bellamy believed it might be a good thing if a group as strong as SAB took a significant stake in Edcon and became an associate of Edgars.

Mr Bellamy said he was highly flattered by the price being offered — 12,8 times Edcon's earnings

AN institutional investor said last night that SA Breweries would make a formal offer today of two of its shares, worth 980c at yesterday's closing price of 490c, plus about 270c cash for Edcon.

Edcon has 50% of Edgars. To equal the Press family's holding of 32% in Edcon, the bidder will have to pay R50-million at 1 250c a share.

To obtain 50% and an unchallenged say in the affairs of Edgars, it will need R78 300 000

SA Breweries watchers said a bid for Edgars was only logical and were sceptical that it would be interested in only a strategic stake.

They pointed out that SAB's policy was to expand and diversify in the consumer sector.

Scotts on its own was too small to make up a separate division in SAB and did not fit too well in Amrel, which was big in furniture and shoes. The Scotts acquisition was a signal that SAB intended going into clothing, and it never did things in a small way

With sales of R409-million, pre-tax profit of R51 726 000 and taxed profit of R29-million, Edgars is the biggest clothing group in SA Last balance sheet it had assets of R131-million.

(232) S-Times 3/2/82

Giants wrestle in huge retail control bid

By **NORMAN CHANDLER**

BIG business in South Africa is locked in a multi-million rand fight for the lucrative retail trade.

Coki Corporation, Edcon (Edgars) and South African Breweries (SAB) are the three giants struggling for a share of the R10 000-million market after this week's hectic trading on the Johannesburg Stock Exchange

- It ended with SAB winning 38 percent of Edcon — after a flurry of activity — and still very much in the push for control
- The Liberty Life Association took its holdings to 18 percent to help the Press family interests thwart the SAB attack on Edcon shares
- SAB paid R66,5-million for its shares.
- Coki gained 49 percent — at a cost of R17-million — of Griffon Holdings, owners of Greatermans

The shares in the deals changed hands for more than R100-million, and in the Edcon-SAB-Liberty Life deal, more than a million Edcon shares changed hands.

Nice stake

Business sources said yesterday they expected "an early attempt" by SAB to try to gain control of Edcon.

A weary Mr Dick Goss, managing director of SAB, told me yesterday

"We now have a nice stake in Edcon and through it, Edgars itself

"As far as our future holdings or control is concerned, it depends very largely on the Edcon consortium (Press family and Liberty Life Association)

"If they want to talk about parting with control, then we will talk

"Yes, we would be very prepared to talk about it

"SAB is interested in the retail field

"We are in the OK Bazaars, but one area we are not in is clothing, and we would like to spread ourselves a little.

MR DICK GOSS
"A nice stake"

MR DONALD GORDON
Trusts can't be touched

"Edgars is the blue chip of the clothing industry and we would like to be part of it"

Apart from Edgars Stores, there are also the Jet clothing store and Sales House chains, and Celrose, the manufacturing arm of the group — as well as Southern African and overseas interests at stake

Mr Goss said that whether SAB would be offered a seat on the Edcon board depended "on the interests already sitting on the board"

Mr Donald Gordon, acting chairman of Edcon and chairman of the Liberty Life Association which after this week has an 18 percent stake in Edcon, said that the Press family trusts — which own 32 percent of the group — "cannot be touched at present"

He told the Sunday Times "Maybe they (SAB) can take up to about 42 percent, but that's as far as they can go at this stage."

It is believed that the remaining eight percent is held by individual shareholders

They are said to be "partial" to the Press family

What the reaction of the Press family has been to the attempted takeover is still not certain

Mr Sydney Press, 63, chairman of Edcon and head of the family, is recovering in a London hospital from major surgery carried out on Tuesday — the day Liberty Life secured the company for him

Mr Adrian Bellamy, managing director of Edgars, told the Sunday Times that Mr Press had been kept informed of the position up until he underwent surgery.

No comment

He declined to comment on speculation that SAB may attempt to take over control of Edcon

Meanwhile, the takeover trail became more complicated this week when it was revealed that Edgars, only two days before the SAB attempt, was involved in trying to wrest control of Greatermans — only to have the Coki Corporation of Mr Natie Kirsh snatch it from under its nose.

In a share settlement, Coki paid R17-million for 49 percent control of Griffon Holdings through Fedchem, selling its 30 percent stake to Griffon's Mr Isaac Kaye and Mr Dusty Miller.

They then sold 49 percent to Coki and retained 51 percent for themselves.

The deal gives Coki 22,1 percent in Greatermans Stores, of which Mr Kaye is chairman.

Mr Kirsh added that talks with Griffon Holdings (Grifhold) were dictated by the fact that Greatermans had produced poor results "and it was, therefore, a good time to talk to the controlling interests

"We are not daunted by our acquisition," he said.

"We believe that our experience in retail management will do much to help the Checkers chain, owned by Grifhold

The chairman of Griffon Holdings, Mr Isaac Kaye, said yesterday that in spite of Mr Kirsh's company gaining 49 percent of the shares, "there is no change in control of Griffon or of Greatermans Stores".

Edgars goes to Liberty, Fugit and Press family

Cape Times 3/2/82 ~~20~~ 232

By DAVID CARTE

JOHANNESBURG — After hectic dealing on and off the JSE yesterday, Liberty Life, Fugit and the Press family secured control of Edgars by increasing their joint stake in Edcon, the controlling pyramid, to 50%

SA Breweries, which launched a surprise raid on SA's biggest clothing chain on Monday, ended up with a 38% holding that cost R66 500 000

SAB's stake amounted to less than control but is still the largest single stake in Edcon Nearly all SAB's shares were bought off the market from institutions

After yesterday's frantic buying, the Press family had 32% and Liberty and Fugit together 18% The Press family had 32% before SAB's foray but Liberty and Fugit increased their stake from 6%

Altogether 1 100 000 Edcons, representing 9% of the issued shares, changed hands on the market yesterday

Liberty staff spent most of Monday night offering institutional shareholders 1 400c a share compared to SAB's offer of 1 250c and the pre-deal price of 800c

SAB's offer of 1 250c included an undertaking to match counter bids and this is why SAB eventually paid 1 400c a share Acceptors had the option of taking cash or two SAB shares worth 980c plus cash to make up the balance

Edcon opened at 1 400c yesterday morning and in less than two hours Liberty and Fugit had the additional 12% they needed to secure the Liberty-Press consortium's control situation

The share price came back to 1 250c shortly after Liberty's withdrawal from the bidding

SAB managing director, Mr Dick Goss, said SAB initially set out to buy only 25% of Edcon but took more when it found sellers so willing

Mr Ken Williams, a SAB director, was adamant that SAB never intended to take control of Edcon

He said SAB launched its lightning raid without consulting the Press family to pre-empt a move on the R409 m clothing chain by another unnamed party

"Events overtook us and we had to act fast "

He regretted that SAB's bid for a strategic stake came at a time when Mr Sidney Press, effective controller of Edcon and therefore Edgars, was extremely ill overseas

I asked Mr Williams how, with interest rates on 18%, SAB justified paying 1 400c, or 14,4 times earnings, for a share with a net worth of 730c based on Edgars' current price of 1 925c

He acknowledged the price was steep according to ordinary investment criteria but said the long-term strategic value of the shares justified the investment

SAB's outlay was not a lot for a group with assets of more than R1 000 m and neither SAB's earnings or its asset value would be affected

Liberty's answer to the same question was that it did not have to buy a large number of shares to protect the control position Protecting that, it said, was worth every cent of 1 400c, even though the total cost of Liberty's additional 12% was R21 m Liberty has still not decided whether to keep the shares itself or put them all into Fugit

The Liberty spokesman pointed out that Edgars, with only 1 800 000 shares in issue, was one of the tightest held shares in the stores sector and it was virtually impossible to obtain as substantial an effective stake as Liberty now held through Edcon

Market watchers wondered if Mr Williams' reference to another prospective bidder was a pointed reference to Liberty, which only last week took a significant stake in Placor, the holding company of Plate Glass after years of being on friendly terms with the controlling family

Liberty, unlike most life companies has control or substantial strategic stakes in several other companies

One analyst was highly critical of SAB's move He said no one could justify paying such a huge earnings multiple, offering an exit dividend yield of 3% for a company that could improve earnings and its dividend by no more than 30% in the year ahead SAB's size was no excuse for what he saw as profligacy

He said SAB had plenty of scope to employ all the capital it had in the businesses it knew best — especially in booming brewing

He questioned whether returns or growth in clothing would match those in brewing and said clothing would make SAB more, not less, vulnerable to the business cycle

---

LSE over day's lows

LONDON — Gold producers closed above the day's lows following a rally in the bullion price in the afternoon dealers said Turnover was small

CLOSING MIDDLE PRICES

Mining

Afex Corp	28	Johnies	$68 1/2
Cor Syn	60p	Kinross	$10 1/4
Portlnd	18p	Hoof	$27 3 8
Falcon	93	Leslie	205c
Glb Phnx	68p	Libann	$14 5 8
Lonrho	84p	Loraine	240
MTD (M)	29p	Lydenbrg	157p
Nchart	8	Marievale	210c
Elbar	120p	Messina	295p
Roan Con	70	Mid Wits	570p
Tanks	443p	N Cnt Wt	320p
Wankie	28p	New Wits	345c
ZCI	19	P Brand	$32
Am Gld	$68	P Steyn	$27
AA Crp	11 7 8	Tongaat	138p
AA Inv	$73	Rndftn	$46 1 2
Ang Vl A	$22	Rust Plats	206p
Barlow	421p	Sentrust	775
Bracken	210c	SA Land	330
Blyvrs	$900	Southvl	$28 1/4
Buffels	$30	St Hlna	$28 1/4
Chrtr Cn	255p	Stilfnt	$12 5 8
Cn Gld	469p	G'dfd P	67p
Cn Mrch	280p	Vl Rfs	$62 3/4

---

e rate by table'

N

ge rate, possibly by as
idrik Sloet, president
said at a press lunch

cember 1981 to a total inflow of R1 136m compared with R1 639m in the comparable period of 1980 and R1 109m in 1979, the rate of inflow slowed down sharply from September

In September last year, the net inflow was R158m This fell to R116m in October, to R96m in November and to only R69m in December 1981

At present the societies were able to get money mainly in the most expensive categories — fixed deposits These increased

---

Successf

232

Goss: Edgars raid was defensive

RDM 4/2/82

By DAVID CARTE

WHETHER and when SAB, Liberty and the Press family get together to discuss SAB's taking control of Edgars depends on the Liberty-Press consortium, says Mr Dick Goss, managing director of SAB

Interviewed after the battle for Edgars, Mr Goss stressed that SAB's overnight grab of 38% of Edcon was "not a hostile attack"

It was to pre-empt another bid from an unnamed source and thus to protect SAB's position in the retail sector

Mr Donald Gordon, chairman of Liberty, was cool to any suggestion of rapprochement between the biggest holders in Edcon and the shifting of control of Edgars to SA Breweries

Mr Gordon said Liberty decided to defend Edcon because of Mr Sidney Press' indisposition and to protect a R15-million investment it had in Edgars in addition to its 10% stake in Edcon

"We did not want to be locked in forever with a major stake in Edgars, with SAB in control of the top company"

According to Mr Gordon, the 1 250c offered for Edcon initially by SAB, which put a price of R78-million on outright control of Edgars, was too low

"We could not see the company fall by default on the basis of the first offer We saw to it that shareholders got the best possible price"

In this respect Liberty, acted as a "white knight"

"I have no doubt that without Liberty's intervention SAB would have had control by noon on Tuesday"

Mr Gordon said Liberty's stake in Edcon after the battle was 22% and the Press family's 28%, making the consortium's total holding 50%

SAB and Edgars watchers said that even though it had not won control of Edgars, SAB had emerged as something of a victor

Its 38% stake was the largest single holding in Edcon and left it well poised to take advantage of any breach of the present consortium

While most parties can claim victories in the battle, the only clear losers were brokers who missed more than R1-million in brokerage because SAB went on its entire R66 500 000 share-buying spree off the market

Several commentators speculated that SAB, Liberty and the Press family would do a deal with control shifting to SAB But a source close to the Press family said this was most unlikely as Mr Press and his family were "very firm holders"

(232)

Kirsh pipped Edgars to grab Greatermans

RDM 4/2/82

By DAVID CARTE

IN, their fifth smash-and-grab raid in a year, Mr Natie Kirsh and his right-hand man, Mr Mervyn King, this week snatched control of Greatermans out of the hands of Edgars

This, and not an impending bid for Edgars from Liberty, is believed to have triggered SAB's R66 500 000 move on Edgars

As the smoke cleared after the great battles for Edgars and Greatermans, reports of amazing behind-the-scenes wheeling and dealing started to emerge

Sources close to and in between the Kirsh camp, Greatermans and SAB told me that this week's dramas in Edgars and Greatermans started when Fedchem told Mr Isaac Kaye and Mr Dusty Miller it wanted to sell out of ailing Greatermans Fedchem had 30% of Grifhold, which in turn had 44,3% of Greatermans Mr Miller and Mr Kaye had 70% of Grifhold

The trio started looking for a major holder that could lend some badly needed management expertise to Greatermans — and Edgars was approached

Edgars, market and merchant banking sources told me, was interested in taking all of Grifhold and thus 44,3% and effective control of Greatermans — if it could do so without making an expensive offer to Greatermans minorities

When Mr Kirsh and Mr King heard of the plan, they bought shares in Greatermans and, as minorities, threatened Edgars with an interdict if it tried to take control without an offer to minorities

The JSE ruled that if Edgars did take all of Grifhold, effective control would change and an offer would have to be made to Greatermans minorities

Edgars immediately withdrew

This is the story as told by various market sources, but Edgars managing director, Mr Adrian Bellamy, says Edgars pulled out mainly because the vendors were asking a high price for Grifhold

Sources close to the dealing said that with Edgars out of the way, Mr Kirsh and Mr King started talking to Fedchem, Mr Kaye and Mr Miller and later walked off with 49% of Grifhold and an attributable holding of 22% of Greatermans voting shares

They are believed also to have first option on the outstanding 51% of Grifhold still held by Mr Kaye and Mr Miller

Brokers and merchant bankers told me it was these machinations that led SAB to make its pre-emptive bid for a strategic holding in Edgars SAB apparently figured that if Mr Kirsh and Mr King lost Grifhold to Edgars, they might move on Edgars itself, as the Edgars control situation was vulnerable

SAB is believed to have thought that if Mr Kirsh was big and audacious enough to move on Tiger and on Greatermans and he had twice pushed Edgars around, it was possible he would move on Edgars next if thwarted

It is possible that SAB might also have had in mind that other bidders, including Liberty, would enter the fray if it did not

Mr Donald Gordon, chairman of Liberty, adamantly denied that Liberty would have moved on Edgars

This is the second time Edgars has been pipped by Mr Kirsh in the past year Last year the Kirsh camp grabbed Russells in the market place while Edgars and Russells were negotiating

Observers on Edgars side of the battle say it was a Pyrrhic victory, as Mr Kirsh had to pay a premium of more than 100% for a minority stake in Greatermans He paid effectively R25 against the market price of R12

But the Kirsh side said this was worth it as Greatermans, because of its poor results, was undervalued on the market

"If someone could make a margin of 2,5% on Greatermans sales of R1 000-million, they would make a killing," said an analyst, who pointed out that immense synergies were possible between Greatermans and the Kirsh group

What made particular sense, the analyst said, was the if Mr Kirsh sat on his minority stake for a year or two, he could later take the rest of Grifhold from Mr Kaye and Mr Miller, his "partners", arguing that there had been no change in control but only change within a control situation This would obviate the need for an offer to Greatermans minorities

I asked analysts whether Mr Kirsh was not creating too much of a paper empire in financing so many of his acquisitions with paper fox

232

FM 5/2/82

COKI/GREATERMANS

Control bid next?

If Kirsh Industries' chairman Natie Kirsh's track record is anything to go by, this week's acquisition of an effective 22,1% stake in Greatermans by Cokicor is likely to be the forerunner of a bid for control Coki continued its aggressive acquisitive campaign when it bought 49% of Griffon Holdings, the unlisted company which controls Greatermans through its 44,3% holding in the 3,05m voting shares of the troubled retail group Griffon was previously 70%-owned by Greatermans' chairman Isaac Kaye and co-director Dusty Miller The remaining 30% was held by Fedchem which, shortly before the deal, had sold out to Kaye and Miller In addition to the voting shares, Greatermans has 2,6m non-voting ordinaries in issue

The near R17m deal, based on a price of 2 500c a Greatermans share — almost twice Monday's market price of 1 275c — will be financed by share issues from both Metro and Kimet The mechanics of the deal involved the sale of Fedchem's original Griffon holding, with Kaye and Miller supplying the balance of 19% Kaye and Miller then receive the shares in Metro and Kimet, which in turn are to be privately placed with institutions

Metro is issuing 520 000 new shares at an agreed price of 3 350c a share Half of these are to be swapped for 2,34m Kimet shares Metro will then trade the Griffon interest with Coki for an issue of 8,6m Coki shares at 200c apiece

Seen in terms of the structure of the Kirsh group, the arrangements make sense since Coki is the retail arm of the Metro group with interests which include the recently-acquired 49% stake in Union Wine, 30% of discount store chain Dion and 54% in furniture retailer Russell

Although Kirsh agrees that the price paid for the strategic minority stake in Greatermans was extraordinarily high, he sees the group's retailing operations as "under-utilised" — a criticism which has frequently been levelled at Greatermans' current management

Miller and Kaye will retain their control of Greatermans for the moment through the 51% holding in Griffon, but Kirsh is unlikely to be a passive partner in that set-up for long If, as seems likely, Coki takes control of the group, it could become a major force in the retailing sector, with a dominant position in food retailing and increased strength in liquor and white goods Checkers continues to enjoy a good reputation, particularly among black consumers, and a tie-up with Metro Cash would undoubtedly prove beneficial to both operations

Another possibility is that the currently unprofitable Greatermans department stores would lend themselves well to conversion into high volume Dion-style discount operations Kirsh may be feeling his way initially, but even the acquisition of a minority stake is likely to result in a revamping of Greatermans' operations on a significant scale

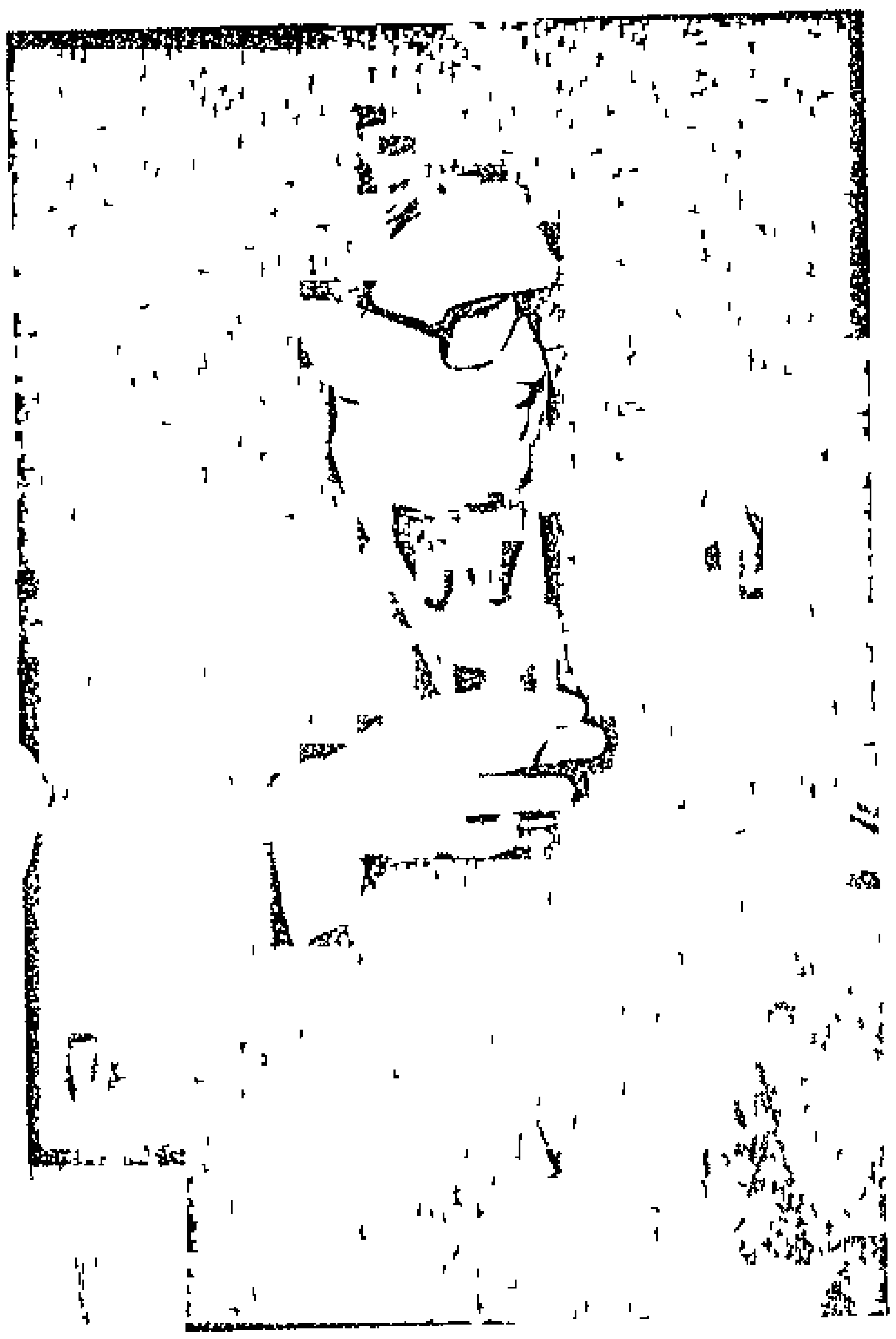
And, after turning in sharply lower fifo-based interim earnings in the 26 weeks to December 26 1981, Greatermans appears to be in need of a fresh injection of retailing expertise On a lifo accounting basis, the group made a significant loss in financial 1981 and prospects for the second half of the current financial year appear to be even bleaker

One curious aspect of this week's acquisition is that no warning notice to shareholders was published prior to Wednesday's announcement that the deal had been concluded True, control of Greatermans has not changed, but this week's developments are significant nonetheless and would certainly have justified the publication of a cautionary notice That is reinforced by the recent sharp fluctuations in the share price and the fact that the JSE is currently investigating allegations of insider trading, prior to the announcement of Greatermans' interim results

The advent of Kirsh could well provide that element of management flair Greatermans needs If the retail group's assets can now be used as effectively as those of Metro — or for that matter chief rival Pick n Pay — the current lifo loss-making position would be turned into a strong profit performance Shareholders who believe the new broom will start sweeping soon are probably best advised to stay with their investment

Chris Wilson

Coki's Kirsh . . . providing needed retail flair



SAB's Goss . . a bird in the hand

parent raiders that Press may be willing to sell once he returns

In the meantime, says Goss, he is happy to sit with the holding, as it improves the retailing portfolio, has good prospects, and does not diminish either nav or earnings a share at SAB's bottom line

Anyway, in the event, the SAB raid on Edcon was thwarted by quick work on the part of acting chairman Donald Gordon, who galvanised assurance company Liberty Life, of which he is chairman to buy a blocking stake in Edcon

Prior to the SAB offer, Liberty and Fugit together held between 9% and 10% of Edcon, while the Press family apparently held around 28% Liberty and Fugit moved quickly after a board meeting on Tuesday morning and picked up a further 12% stake in Edcon to maintain control

On near-term yield criteria, the 1400c a share Liberty paid for the additional 12% of Edcon is hardly attractive The shares have been acquired on an historic pe of 14 4 and an historic dividend yield of 3,2%

And the past half year s performances of Edgars and Edcon — which are due to be announced next week — are alone hardly likely to justify the price paid

Nevertheless, Gordon justifies the purchase by pointing out that his group is one of the largest single shareholders in Edgars itself, with a holding worth some R15m, and did not wish to get locked into the operating company with SAB at the helm of the pyramid In addition, he believes, the price being offered for the controlling company was too low bearing in mind the control structure

Gordon says the future of the enlarged 22% stake will depend on Press's action once he returns to SA However it is clear that a firm grip will obviously be kept on the shares until the danger has well, and truly passed by

Perhaps now, SAB will approach Edcon/Edgars in a more direct way than simply buying in the market From the start, it should have been obvious that Edcon/Edgars in a more direct way than most 33% of the equity — was virtually impregnable and that an attempt to gain control would be unlikely to succeed without their concurrence Now the ground has been laid for horse trading between the opposing sides

Scott Hauter

FM 5/2/82 ~~58~~ (232)

HILL SAMUEL/BFB

Attracting boarders

"The deal is about the mobilisation of money," says Hill Samuel (HSSA) managing director, Richard Crick, of the merger between his merchant bank and The Board of Executors & Fidelity Bank (BFB), the unquoted Cape based trust company which was announced this week

The deal values HSSA at around R21,5m and BFB at R13m and will create an as-yet-unnamed quoted holding company with merchant banking and lease financing operations and trust services, administering funds in excess of R750m

Crick says that though HSSA's capital base had not yet become a constraint on profit growth — especially following last year's ordinary rights issue and pref share placing — it could have become so within the next two to three years Now, however, because of the flexibility of funding which the trust company's asset backing will allow, there will be no need to approach shareholders for some considerable time

BFB meanwhile, until now had been unable to expand its leasing operations — acquired through Fidelity Bank in February last year — because of its lack of a large deposit-taking base The merger of the two companies should, therefore, be complementary to both, and will also give HSSA the break into leasing it had been seeking, together with some regional advantages

HSSA will acquire BFB s operating companies for the issue of 3,96m new shares in HSSA — equivalent to 37,1% of the new company As a result, HSSA parent Hill Samuel UK (HSUK), which currently owns 71,5% of the local company, will have its stake reduced to 40,6% of the new operation

BFB will also take a further 1m new shares in HSSA, financed by the sale of 335 000 shares in BFB to Southern Life Association At the same time, HSSA will redeem 15% of its present issued ordinary shares at 320c a share — the same price as last year's rights issue — ostensibly to avoid ending up with excess cash in the new operating company

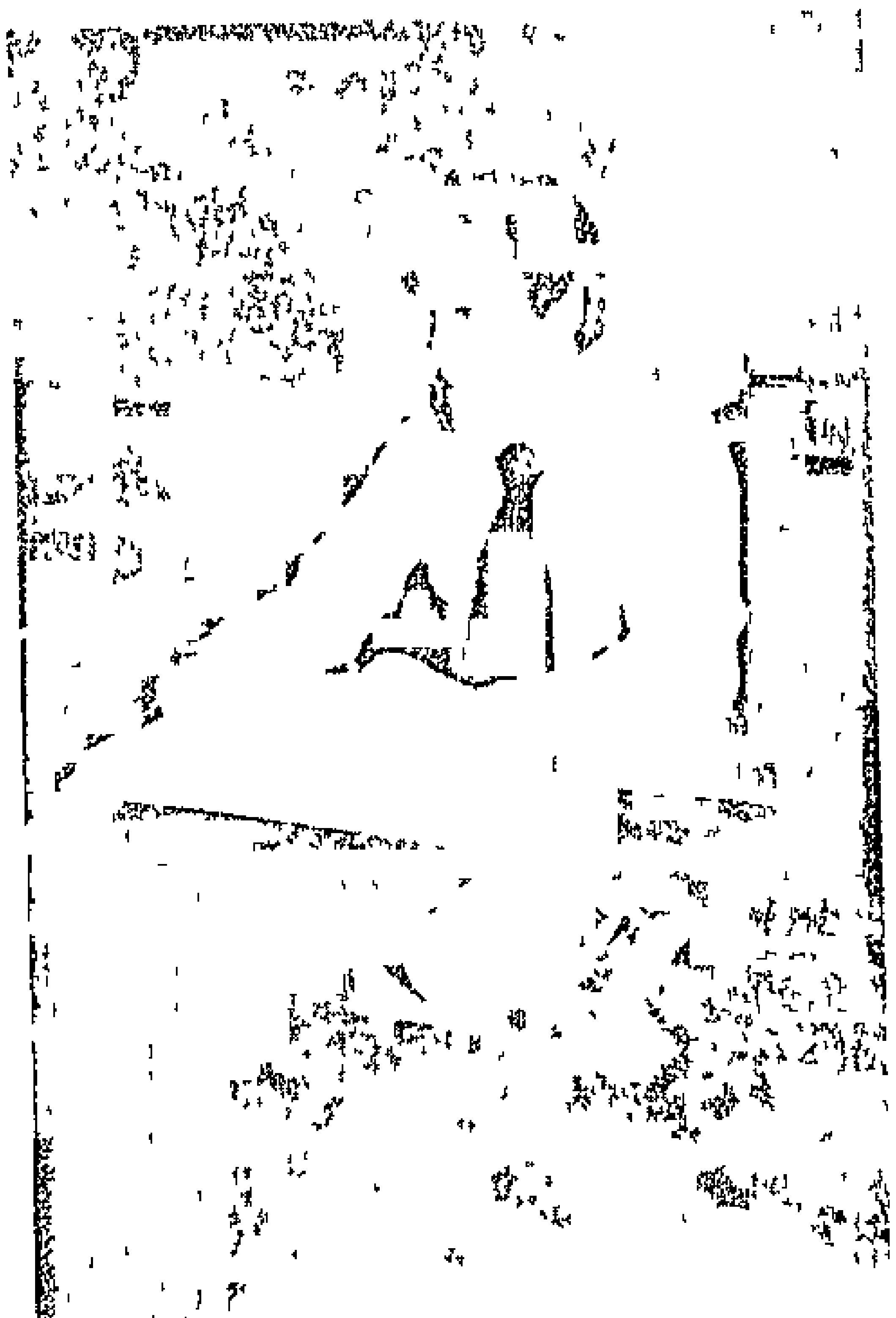
In fact, the shares that are redeemed go to BFB to help raise its stake in the enlarged company to 46,5% The 15% redemption is, I believe, unfair to those minorities who do not want their interest reduced If it is necessary for BFB to acquire the extra 1m shares why could not HSUK guarantee that, if minority shareholders do not want part of their holdings redeemed it would make good any shortfall?

HSUK will receive some R2,5m as a result of the redemption Crick says that the loss of control by the UK company is not a disinvestment move though it was helped along by Pretoria s guidelines on local control of banks These guidelines also helped dictate the way in which the deal was eventually structured More significantly, perhaps, the JSE agreed with HSSA that, though HSUK is losing its majority stake, no other single party will have control of the new company Consequently, no offer will have to be made to minorities

Neither, says Crick, was the deal motivated by the comparatively poor performance of HSSA and BFB over the past year Though HSSA's interim results for the half year to end-September showed an earnings decline, this will be reversed in the second half, Crick says, and the company will pay a total dividend of 29c (26,5c [illegible] id-March

Though there are obvious benefits from enlarging HSSA's operating base, the method leaves something to be desired Last year shareholders were courted to take up additional shares at 320c Now they are being told that their full support is no longer wanted

The arrangements appear to be largely for the convenience of HSUK and BFB Only last February, the Board merged with Fidelity Bank to form BFB and said that none of its shareholders would hold an interest of more than 1% That has been quickly forgot-

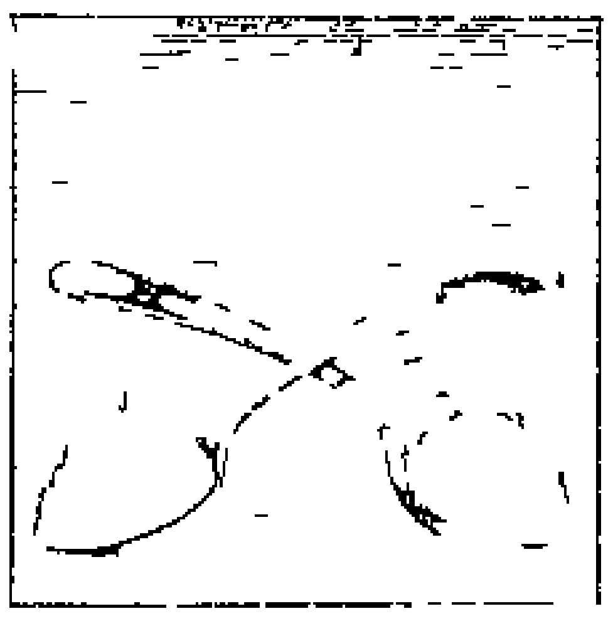


Hill Samuel's Crick . a merger of convenience

Sugar (232) FM 5/2/82

TONGAAT-HULETTS

Flexing regional muscle



The birth of the Tongaat-Huletts group could have far wider implications than the rationalisation of the sugar industry Potentially, it should be capable of considerable political influence, especially in Natal's regional affairs, as well as having substantial business muscle

Chairman Chris Saunders is unlikely to be slow in using this leverage in both spheres for what he believes to be Natal's — and ultimately SA's — best advantage

With assets of R1 billion, Tongaat-Huletts is one of the country's industrial giants — and another that has a close association with the Anglo American Corporation It is about the size of SA Breweries or Rembrandt

It dominates the sugar industry but also has substantial interests in building materials, textiles and food Yet it is centred predominently in Natal, a richly-endowed province that has historically placed a high premium on its own individuality

Saunders has long held the view that Natal has a special role to play in the development of SA Its significance lies partly in its demographic composition Natal is one of the most densely populated regions of the country — containing roughly 20% of the country's inhabitants Of those more than 78% are either black, Asian or coloured

Geographically, moreover, the province has a favourable climate, an equitable distribution of rainfall and an abundance of cheap sources of power In addition, it has a well-developed transportation network, two deep water harbours and a long tradition of orderly local government A further advantage is that it is surrounded by parts of SA — or independent states — which offer a substantial market "All that is needed," says Saunders, "is for the ingredients to be ignited so that it can take off'

But an economic surge ahead is partly dependent on developments on the political front, where progress is slow and difficult As Saunders points out, Natal has a history of rejecting political solutions a-la Pretoria But there is a chance that the power-sharing philosophies of the Buthelezi Commission must find more mutual acceptance

Saunders believes the next few decades will be crucial for Natal "They will determine whether we will be mixed capitalist and free, or mixed, Marxist and dominated" Rather than wait for some other torch bearer, Saunders believes that industrialists should take the initiative and forge ahead with a new economic federalism of their own, which would turn the region into an economic powerhouse or the "Ruhr" of the African subcontinent Political progress would not then lag far behind

Mobilising the R1 billion assets of the Tongaat-Huletts group will be Saunders' first step in achieving this economic federation He believes that if the country's economic order is not to be swept aside by the advance of Marxism, then the country — and Natal in particular — will have to grow at a far greater rate than the current 5% According to Saunders, the combined resources of the two groups should allow Tongaat-Huletts to grow at a rate of between 8% and 10% a year

But in order to encourage a higher growth rate, says Saunders, there must be a move away from labour intensive, low skills production to high technology, high skills production This will mean that industrialists will have to take more positive action in raising the educational standards and improving the skills of their employees

"We have got to move on a completely new economic path," says Saunders "Productivity is the key to progress Ultimately we will have to go the path of Japan' Saunders' vision of the future is one in which workers offer loyalty and commitment to the company virtually on a lifelong contract In return, they are rewarded by a commitment from the company and a tangible demonstration that the company is prepared to invest in their welfare

'You have to get the worker to identify with the company If the company does well then it should follow that he will do well" Like most supply-side economists, Saunders believes that industrialists should be given the opportunity to create wealth And having created it, he sees that they have a commitment to redirecting a portion of it back to the people who helped create it, especially if it is to be preserved or further extended

The sugar sector is likely to be the first to feel the impact of Saunders' "new deal" Not only is agriculture the quickest and easiest way to provide employment for people, the merged sugar interests of the two constituents will be the biggest operating arm of the group The plan is to extend the group's cane growing activity into parts of Kwazulu to enable more black farmers to participate in the cultivation of a lucrative cash crop

In some respects the decision makes good economic sense Kwazulu is one of the most economic cane-growing areas in relation to transport to the mills A small start has already been made in this direction But one problem is that the industry's production is bound into a quota system until there is a rise in world sugar prices

There are likely to be major rationalisations in joint sugar interests as a result of the merger For example, the refining operation, formerly under Huletts' control, will now be more accessible, fleet transport will be rationalised and there will be greater utilisation of milling capacity Says Saunders "The industry has a considerable opportunity to improve its productivity I believe that over a period of time we could contain our costs and combat inflation, which is one of the industry's major problems"

In addition, the sugar sector is poised for growth for the first time in five years According to Saunders, Tongaat had recently diversified out of sugar and Huletts, with 36% of the country's output, was using nearly all its resources to maintain market share The combined production of the new group will now be around 43% of the total — the country's largest The structure of the new group will give Saunders ample opportunity to extend his new economic strategies to other sectors

The remainder of the group's activities are largely centred around the provision of food, clothing and shelter — all of which are highly labour intensive Growth in these sectors should be steady, if undramatic Certainly no further diversifications are being planned Says Saunders

FM 5/2/82

232

"I see very little prospect of expanding outside the areas that we have identified"

Of course, some will argue that the merger of Tongaat and Huletts has been inevitable since 1980 when Barlows moved into the C G Smith group

At that time Barlows acquired 50% of S & T investments – an unlisted company which held slightly more than half the equity in Huletts – through its takeover of C G Smith Tongaat, which was controlled by Anglo, held the other 50% of S & T

The mere fact that such an arrangement existed is some indication of the degree of empathy between the two groups, although it is rumoured that Barlows was the more uneasy partner of the two Nonetheless, with C G Smith's interests accounting for roughly 40% of the total output and Huletts' approximately 30%, control of the major portion of the country's sugar industry seemed within Barlows' reach

A further complication was that should a disagreement over Huletts' development have arisen, both Barlows and Anglo (through Tongaat) could effectively have applied blocking devices In August 1980 Barlows backed away from this potential deadlock position by selling its half of S & T to Anglo for R97 6m The other main element in the complex deal was the sale to C G Smith of Huletts packaging interests, Hypack and Containem, which were later merged with Nampak

Although Barlows failed to get Huletts Aluminium – which it undoubtedly wanted – it came out of the deal fairly well Nevertheless, the reasons for the "retreat" were never fully explained At the time, however, Barlows' chairman Mike Rosholt said it would have been 'unacceptable" for one company to control 70% of the sugar industry as would have been the case had Huletts been absorbed into Barlows

Having gained control of Huletts, the next logical move for Anglo was to merge its sugar interests in both Tongaat and Huletts The only surprising element in last week's merger is that Huletts and not the much larger Tongaat was chosen as the vehicle

Between them Anglo and Barlows now control 80% of the country's sugar output But the important thing is that neither is dominant and they are both ranged against one another rather than participating as associates or partners This must be good for competition, even though it may be covert

What is interesting, moreover is that although Barlow s business is spread over the country, its roots are in Natal That fact, placed alongside Saunders obvious ambitions for Natal, could also have a profound impact on the province's future development It will have two heavy weights rooting for it

Graham [illegible] and Chris Wilson

232

C. Times 5/2/82

Cillié corrects wrong impression

THE impression left by Mr Robin McGregor, compiler of the publication "Who Owns Whom", in an interview with the SABC news service, that Nasionale Pers is controlled by Sanlam, is not correct, says Professor Piet Cillié, chairman of Nasionale Pers

Commenting on the interview, which was broadcast on Tuesday, Professor Cillié said that Nasionale Pers had very good relations with Sanlam but it was not controlled by Sanlam or the Sanlam group or by any other company or group

Control lay with the body of its shareholders, none of whom had, or could have, more than 50 votes There were at present about 3 200 shareholders who held 535 790 shares altogether with a combined total of 8 672 votes

The companies which held blocks of shares in Nasionale Pers, and which Mr McGregor apparently had in mind, were Sanlam with 50 votes, Federale Seleksies Ltd with 50 votes, Metropolitan Homes Trust Life Ltd with 50 votes and Assura Ltd with 50 votes

There were only four other shareholders with the maximum number of votes, Professor Cillié added One was Nasionale Pers's own pension fund, and the others were two other trust funds and one individual

It was the company's declared policy to spread its shares over the largest possible number of persons and to discourage the formation of blocks by companies or groups

All transfers of shares were subject to approval by the directors of Nasionale Pers — Sapa

EDCON/LIBERTY

FM 5/2/82

(232)

Bottling up SAB

Nobody is admitting to red faces at SA Breweries after this week's raid on Edcon shares, but there is no denying that the industrial conglomerate has ended up somewhat between two bar stools

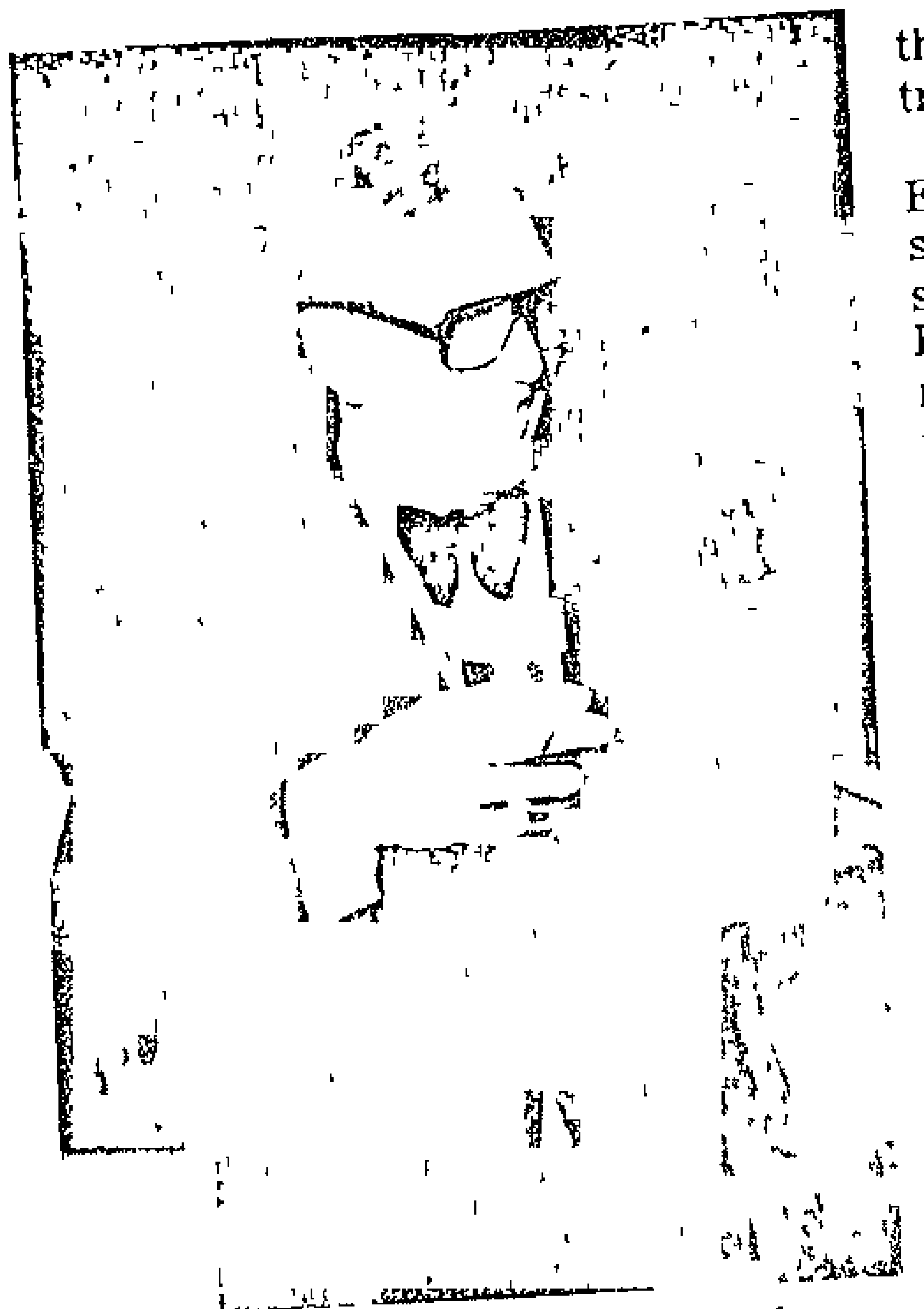
SAB was originally looking for a strategic stake in Edcon of about 25%, according to group MD Dick Goss But the response by the market and the institutions which landed it with 38% of the Edgars Stores pyramid caught even SAB by surprise

Maybe it should not have done, bearing in mind the 56% premium on the market price which SAB was offering at first and which is equivalent to more than double the nav of Edcon last June Goss, however, reckons that the price was not too high, bearing in mind the quality of earnings from Edcon and the Edgars chain and the way it would round out SAB's growing retailing division

Also pushing the bid along, Goss admits, was talk of an alternative offer from a local company which could have seen Edgars slip out of SAB's grasp altogether Some brokers believe this might have been the deciding factor in pitching SAB's offer — and though they started at 1 250c, the eventual average cost of the shares acquired was higher than this Total cost of the stake was a little above R60m, according to Goss

While Goss says he does not feel at all awkward with the 38% stake eventually taken up, control was obviously in his mind He believed that a majority shareholding in Edcon was unlikely to be immediately won with the first raid on the company's shares because of the powerful Press family holding But he now reckons that SAB is in a strong position to negotiate for a larger stake once Edcon chairman Sydney Press returns from surgery abroad

The chances of attaining control after talks with Edcon are impossible to gauge at present, however, as it is difficult to predict Press's reaction to the raid Heartless as it may seem, though, there must be some thoughts in the minds of the two apparent raiders that Press may be willing to sell once he returns



SAB's Goss — a bird in the hand

In the meantime, says Goss, he is happy to sit with the holding, as it improves the retailing portfolio, has good prospects, and does not diminish either nav or earnings a share at SAB's bottom line

Anyway, in the event, the SAB raid on Edcon was thwarted by quick work on the part of acting chairman Donald Gordon, who galvanised assurance company Liberty Life, of which he is chairman to buy a blocking stake in Edcon

Prior to the SAB offer, Liberty and Fugit together held between 9% and 10% of Edcon, while the Press family apparently held around 28% Liberty and Fugit moved quickly after a board meeting on Tuesday morning and picked up a further 12% stake in Edcon to maintain control

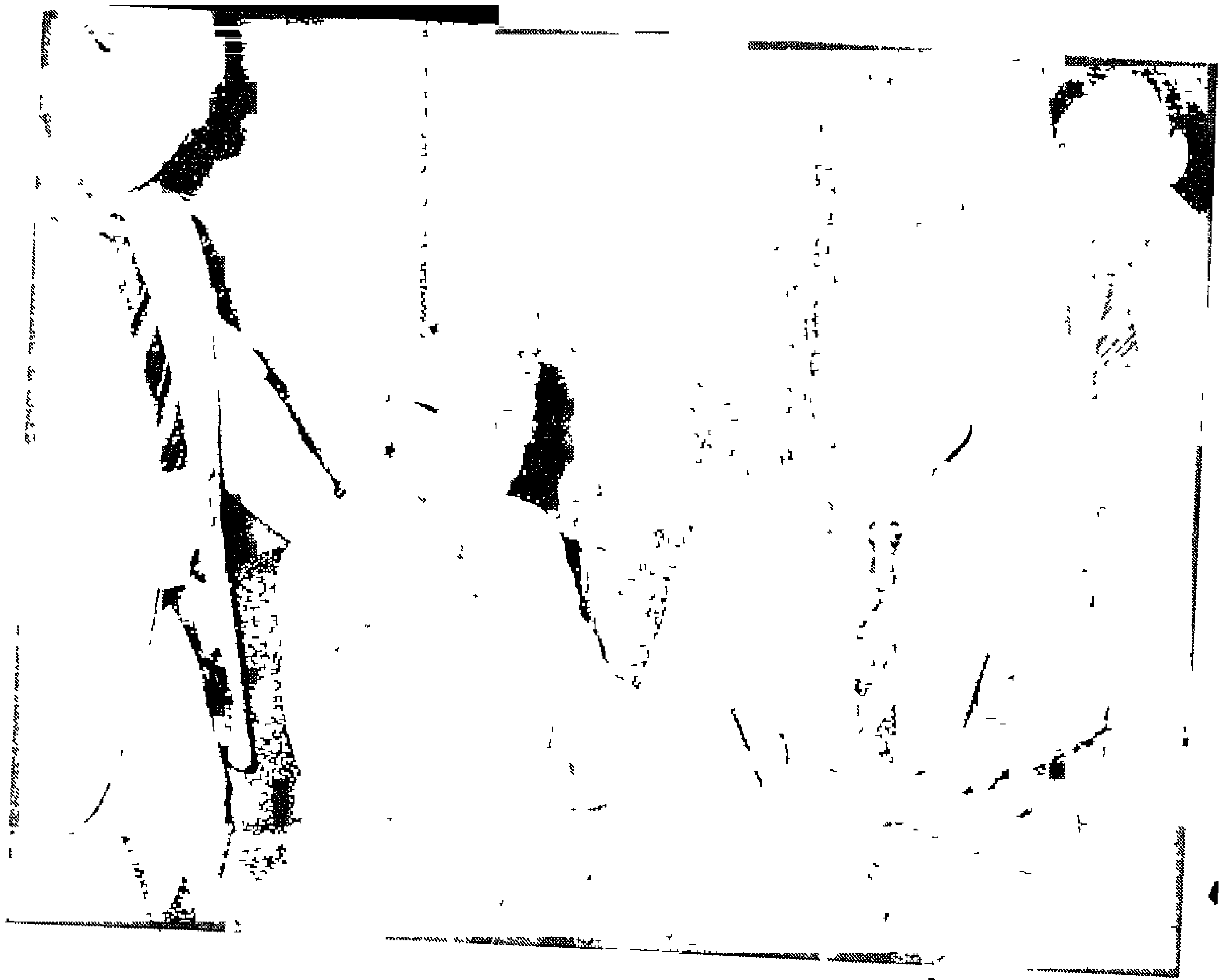
On near-term yield criteria the 1400c a share Liberty paid for the additional 12% of Edcon is hardly attractive The shares have been acquired on an historic pe of 14,4 and an historic dividend yield of 3,2%

And the past half year's performances of Edgars and Edcon — which are due to be announced next week — are alone hardly likely to justify the price paid

Nevertheless, Gordon justifies the purchase by pointing out that his group is one of the largest single shareholders in Edgars itself, with a holding worth some R15m, and did not wish to get locked into the operating company with SAB at the helm of the pyramid In addition, he believes, the price being offered for the controlling company was too low bearing in mind the control structure

Gordon says the future of the enlarged 22% stake will depend on Press's action once he returns to SA However, it is clear that a firm grip will obviously be kept on the shares until the danger has well and truly passed by

Perhaps now, SAB will approach Edcon/Edgars in a more direct way than simply buying in the market From the start, it should have been obvious that Edcon/Edgars in a more direct way than most 33% of the equity — was virtually impregnable and that an attempt to gain control would be unlikely to succeed without their concurrence Now the ground has been laid for horse trading between the opposing sides



At the signing of Bostik's R2 million expansion programme in Port Elizabeth this week were (from the left) Mr WILF CRAGG, representing the quantity surveyors; Mr HECTOR MINOTT, representing the contractors (Murray and Roberts); Mr DENNIS MACDONALD, chief executive of Bostik, and Mr VIN MEAKER, representing the consulting engineers.

Introduction to year of mergers

(232) E Post 6/2/82

Shares report by Elizabeth Rouse

BIG-MONEY battles for control of Edgars and Greatermans dominated training in Diagonal Street this week.

When Liberty Life and the Press family had finally beaten off SA Breweries' move to take over the Edgars group and after Natie Kirsh's Cokicor had gained a strong foothold in Greatermans, the JSE's total turnover had soared to over R21 million on Tuesday

Talk is that SA Brews did its share-dealing off-market, so the amount of money involved is far greater than reflected in JSE figures

In the case of the Edcon dealing, the Liberty-Press group paid about R21 million to secure control of the Edgars group while SA Brews built up its 38% stake for around R66,5 million

The R250 million Hill Samuel merger with the Board of Executors & Fidelity Bank, plus further consideration of the R550-million Tongaat-Huletts merger, also kept brokers on the hop over the week

These exciting events so early in the year bear out a forecast that 1982 will be a year of takeovers and mergers

This was a feature of trading in Wall Street last year and Johannesburg usually follows on a year later

Feeling that there could be more interesting takeovers has, to some extent, kept Diagonal Street's industrial sector tight for some time

The shares involved in this week's deals soared but then settled and, in the end, did nothing for the all-industrial index which closed about five points up on last week

However, gains just outnumbered losses over the week on the industrial board

In addition, the firmer gold price also lifted industrial blue chips, such as Barlows

The takeover dramas obscured bad news for highly-geared companies — the raising of interest rate ceilings by 1% to 22% for amounts of R2 000 to R5 000 and by 2% to 20% for amount above 20%

There is no change in the 24% maximum rate on suspensive sales and leasing transactions under R10 000 but the rates for deals above this amount have been increased from 21% to 22%

In the offing is a rise in the mortgage rate Building societies promised this week to soften the increase for present mortgage-payers, but new housing starts will inevitably be affected adversely this year

Gold shares were quiet for most of the week because of an acute shortage of scrip London was inactive as operators could not find scrip to cover short positions when the gold price firmed

Gold heavies were up to 300c firmer at times, but investors turned distrustful of marginal when it was annnounced that Wit Nigel was closing down South Roodepoort also came under scrutiny.

Snap: Jaws 3!

(232) S. Times

JUST WHEN YOU THOUGHT IT WAS SAFE . . .

7/2/82

By Stephen Orpen

One trick could be to pinpoint the most likely takeover prospects, as we are undoubtedly in for another rash of corporate concentration.

Stephen Orpen

THE gnashing and snapping of pearly (and not-so-pearly) teeth in Diagonal Street — and less visible reaches — is stretching even the toughest nerves in the corporate sector

The BT prediction of January 10 (see reproduction alongside) that investors should expect heightened activity in the takeover pit has proved positively conservative

Following the R66,5-million "dawn raid" by SA Breweries on the R410-million Edgars clothing chain and the virtually simultaneous grab as Natie Kirsh's retail arm, Coki Corp, took 49% of Griffon (which holds 44,3% of Greatermans voting shares), frantic meetings buzzed in dozens of boardrooms late in the week as other company bosses worked feverishly to shore up all possible defences against similar "attacks" on their territory

Quite plainly, merger mania is with us again

The John Orr battle, despite all denials, is not yet over, I'm told There's the R1 000-million Huletts-Tongaat marriage to chew on There's Liberty's acquisition of a large slice in Clydesdale and increased stake in Placor

All in a fortnight or so — not to mention at least a dozen smaller deals involving unlisted companies

And before that?

At the double

- Mondi bought Usutu Pulp for R110-million
- Calan went to a consortium for R63-million
- Hill Samuel signed into a much enlarged group
- Amic became the largest industrial company in the country, worth R1 600-million, by swallowing Debincor
- Triton bought Enyati for just under R10-million
- HLH bought Suiderland's timber interests for a similar sum
- The minority stake in Karoo went to Kanhym for R37-million
- Lucor bought Audiodek for R3-million
- Hanhill bought Swazi Sugar
- Edgars bought Ackermans for R30-million
- HLH bought W F Johnstone for R39-million
- Outside the stock market, the United Building Society merged with the R1 000-million Southern Trident Building Society

Who's safe?

Presumably the English-language Press groups!

Unless the Government chooses to interpret and react to this week's recommendations of the Steyn Commission with the largest jaws of all

---

ır ın
tion
has
and

All

N

N

Sur

Firs

Da

De

you

Sut

(

Pap

(

which

c)

ıg on the Examination Paper)

ıg on the Examination Paper)

Examiners' Initials		

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used
4 Do not write in the left hand margin

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

R100-m travel giant is launched

232

S. Times
7/2/82

A NEW R100-million South African travel giant came into being this week when Freight Services bought the American Express travel business in this country.

The deal includes authorisation for the Freight Services subsidiary, Musgrove & Watson, and its other travel subsidiaries to operate as an integral part of the American Express worldwide network.

Musgrove & Watson, which will change its name to Freight Services Travel, now has the facility of issuing American Express traveller's cheques

Since American Express currently issues 55% of all traveller's cheques bought in South Africa, Freight Services Travel will have a new and highly lucrative string to its bow

The immediate effect of the two-part deal will be to establish a South African super-agency with 30 branches, annual travel sales approaching R100-million and a wide range of services.

By John Spira

The agency will operate under the American Express name and will offer the full spectrum of American Express's travel products and travel-related financial services.

The next phase will be the incorporation of Freight Services' 19 travel offices in Botswana, Lesotho, Malawi, Mozambique, SWA-Namibia, Swaziland and Zimbabwe under the American Express banner

Neville Organ, chief executive of the Freight Services group, tells Business Times "Even before this development, Musgrove & Watson was, by a considerable margin, the largest travel agency in South Africa

"The addition of the American Express travel operation has given it a market share of almost 15% and has taken Freight Services significantly further along the road to its stated objective of capturing 20% of the South African market by 1986.

"Musgrove & Watson and our other travel interests had grown to the point where the logical next step was to go international

"The agreement with American Express provides us with an ideal opportunity of achieving that aim — without diluting the ownership of our existing interests"

Worldwide, American Express provides business and holiday services through more than 1 000 offices in 126 countries

Other American Express services which will be available through the combined operation include

- The American Express worldwide corporate hotel rate facility, which gives business travellers discounts of between 10% and 35% at major hotels.
- Late arrival and express check-out facilities at hotels
- A round-the-clock hotline emergency service
- Mail holding and general office facilities throughout the world.
- The meet-and-assist services at airports

Locally, domestic travellers will benefit from the expanded network and from the greater resources which will now be dedicated to the two areas Freight Services considers of crucial importance to the future of the travel industry — higher level of training and of automation.

"In short, we are looking at presenting the market with a complete travel package which is unique in its comprehensiveness, its facilities and in the resources which support it," says Anthony Salusbury, managing director of the combined operation.

War of the giants hits the corner chemists

232 | S. Times 7/2/82

FAMILY chemists believe they are on the way out — squeezed out of business in a giant pharmaceutical company battle for business and encroaching State health services.

In a series of confidential reports commissioned by the Pharmaceutical Society of South Africa, which represents all pharmacists in the country, it is claimed that:

State drug buying will eliminate little man, says report

- Already nearly half the chemist shops in South Africa are "merely eking out an existence" and could go out of business at any time
- While a commitment to free enterprise is stated Government policy, "certain present trends seem to suggest that the opposite is actually happening in health care" the State and its organisations are exercising more and more influence
- Where the State takes over the provision of health care, "costs escalate and standards decline"
- Private customers are already paying their family chemist four times as much for medicines as the State pays for the same medicines, and are in effect, subsidising the cut-price medicines sold to the State

The reason for the huge difference in price paid for medicines by private individuals and State buyers is explained as follows

Consultants appointed by the State expect that by 1985 State hospitals and health departments will be buying 65% of the pharmaceutical companies' total production of medicines

Irrelevant

Because the State is the biggest single buyer of medicines, pharmaceutical companies are forced to tender at or below cost for State contracts in an effort to stay in the market and keep up their production lines

They then make up their profits by marking up the prices of medicines supplied to retail chemists

At the end of the line the retail chemist has to invest

[illegible]

Full information about all drugs and their effects on individual patients will certainly become computerised in the near future, they say

The technician who now does all the jobs which detract from the pharmacist's professional status could then, with the new information, take over the function of the retail pharmacist

After that there will be little scope for the pharmacist to apply his knowledge — and he will no longer be able to justify adding on a substantial cost for advice to the customer

Attempts in the past 10 years to turn their shops into mini-supermarkets selling anything from food to toys have been disastrous for their professional image and their rapidly declining bank balances, the survey found

The financial situation of South Africa's retail pharmacies has already eroded to such an extent that, of the 2 200 retail pharmacies in the country, 1 000 are only marginally viable and could go under in the near future Only the top 400 are regarded as financially successful

The entire research operation is likely to cost the pharmacists close on R100 000

assistance from giant pharmaceutical companies, given either as a loan or in the form of extended credit

Usually this assistance is linked to an undertaking to buy or promote the products of a particular supplier

Because the manufacturer looks to the retail trade to make up his profit, he must both keep it going as an outlet, and he must also try to shut out his competitors by keeping a maximum number of retailers as captive buyers of his products

Cartels

Pharmacists believe, however — and this view is backed up by the report — that as the State takes over more and more of the dispensing the retail pharmacy will disappear in most areas

State or socialist medicine will have dug its own grave when the manufacturers turn to the State to make their profits Without the subsidy from private buyers, the State's medicine bill will have to double almost overnight

The fatal risk of competition between suppliers with only one significant buyer must inevitably lead to the formation of monopolies or cartels, which, without the restraint of competition, will be able to charge any price

taxpayers' tax bill

But it is not only in money that the South African public will ultimately pay the price There will no longer be any incentive to the manufacturer to develop and introduce new products, since in an all-or-nothing situation with one buyer and no competition he is unlikely to take any risks

The man-in-the-street will lose the convenience and choice of his nearest pharmacy, to be replaced by the queue and bureaucracy at the probably more distant State or factory clinic This is particularly likely to affect the standard of care for the aged.

Other problems which arise, says the report, are "common knowledge in the profession, but are rarely openly addressed"

Undesirable

QUOTE

Private customers are paying four times as much as the State

QUOTE

Retail pharmacists have to invest heavily in expensive stocks

QUOTE

Attempts to turn shops into mini-supermarkets disastrous

232

7/2/82

huge sums in expensive stocks, while he has to accept smaller and smaller profit margins to keep his customers Many won t hold the pace

The original mandate of the investigators was to recommend ways and means to avert a direct and impending threat of considerable loss in revenue to retail pharmacists through State distribution and dispensing of medicines"

But the investigators found that the threat was not so much the threat of loss of revenue alone, but much worse the threat that the retail pharmacy could become irrelevant to the provision of health services as such

Disastrous

The first two volumes of the report, titled the Syncom Report on the Future of Pharmacy, have been the subject of considerable debate behind closed doors in the profession for the past year A third volume is expected shortly

In their assessment the authors believe that the retail chemist has only two basic options

Choice 1 He becomes fully what he already is to a large extent a trader, a speciality merchant "like a hardware salesman or an electronic appliance salesman" But only a limited number of such shops will survive in city centres

Choice 2 Get out of the shop and find a professional job in a hospital, pharmaceutical factory or perhaps, some time in the future, as a professional consultant in a "health care" team

Whichever way, the survey found that present-day training for chemists was preparing them for a job that has not existed for years making up medicines and deciding which medicine was appropriate in a particular case

Now large pharmaceutical companies make up the medicines and doctors give the advice

Risk

Inability to adapt, say the investigators, has led to high financial risk and limited job satisfaction, a decline in the full use of the pharmacists' skills, a tendency to look for financial success rather than professional dignity and standards and a decline in the standard of service to the public

While alarmed pharmacists see little hope of reversing the course of events that seems sure to destroy them, the report also indicates how these trends will seriously affect the cost and standard of health care available to the public

They project that by 1985 private buyers will consume only 40% of the medicines sold in South Africa, but will pay 68% of the total bill The State will buy 60%, but will pay only 32% of the bill

In his unenviable role as milkman of the public, the retail chemist is increasingly being forced to seek financial

they think the buyer can afford to pay

Socialist medicine, the report points out, also leads to high levels of waste — another way of expanding the market, as the British pharmaceutical industry has discovered to its profit

Hidden

Retail chemists, the investigators warn, should therefore not rely on the pharmaceutical giants to stop this course of events

There is also no reason to believe that the dispensing of medicines by State hospitals and other institutions such as the Railways and Iscor is in fact any cheaper than through normal retail channels

The real costs of storage, administration and distribution of medicines must be as high or higher, with far less incentive to prevent waste The only difference is that the costs are hidden — in the

They include the doctor's loss of freedom of choice in prescribing, and what the investigators refer to as "undesirable lobbying practices by manufacturers" — under-the-table incentives

The reports, marked confidential, have triggered considerable debate and controversy in the profession But several pharmacists approached for comment by the Sunday Times denied any knowledge of their existence or shrugged off the subject

"Is there a problem with retail pharmacy?" the president of the SA Retail Chemists and Druggists Association, Mr Max Katz, asked in response to the Sunday Times's questions about the reports

"There have been a number of consultants called in by the pharmacists from time to time, but there is no crisis We are merely involved in a normal evolutionary process," he said

(232) ADM 8/2/82

Pizzaland, Mike's Kitchen for Bakers

By JOHN MULCAHY

THE Anglovaal Group's unlisted biscuit, flour and confectionery manufacturer, Bakers South Africa, has bought Pizzaland and a controlling interest in the Mike's Kitchen chain of restaurants.

The Mike's Kitchen acquisition was effective on October 1 last year and that of Pizzaland on January 1 this year

Bakers has not released details of the prices paid for the acquisitions, but they are expected to add 13c a share to earnings for the year to June 30

In the past month Business Mail has twice asked Mike's Kitchen former owner, Mr Mike Illion, to confirm the sale of his company Three weeks ago he was asked to comment on industry speculation that Wimpy Restaurants (Pty) had gained control of Mike's Kitchen

Mr Illion denied that there had been a takeover, or that Wimpy was in any way involved Wimpy is a wholly owned subsidiary of Bakers

Industry sources said control of Mike's Kitchen had changed hands for about R900 000

Bakers directors say the Pizzaland and Mike's Kitchen acquisitions are "in pursuance of its (Bakers) policy of further expansion in the food franchising business'

Bakers turnover rose to R74 761 000 in the six months to December 31 from R62 301 000 in the corresponding 1980 period Attributable profit rose to R4 650 000 from R4 006 000

Margins in the latest six months were lower than a year previously, say the directors, but profits improved because of higher sales volumes of some products

They warn, however, that there are indications of demand slowing down, and earnings for the year are expected to show little change from the year to June 1981 when attributable profit reached R8 020 000

The listing of Bakers ordinary shares was terminated on April 24 last year after acceptance by minorities of a 1 535c a share offer

Still listed are Bakers 5,5% cumulative preference shares

Official ruling on fertiliser merger today

C32

RDM 9/2/82

By DAVID CARTE

THE Competition Board is expected to rule today on a proposed merger between Triomf and Fedmis that would set up a fertiliser giant controlling 83% of the SA market.

Even if the board approves the merger, merger negotiations could be protracted and an announcement of terms could take some time, say spokesmen for the companies

A spokesman for Triomf said the merger was necessary for the long-term survival of both companies in the light of Government's harder line on fertiliser price increases

Refusal by the Government to permit more than a 10% fertiliser price increase less than a month ago led Fedmis to scrap plans for a R630-million ammonia plant The industry had asked for an 18% increase

Both companies have been in trouble recently and a merger could alleviate their problems

Both are losing huge sums on phosphoric acid exports because of a world glut and have depended on SA fertiliser profits

Fedmis recently suffered an explosion at its Milnerton ammonia plant that caused R37-million of damage and placed a question mark over the plant's operating again

In addition, Fedmis s parent company, Sentrachem, has run into a huge capital cost overruns on its synthetic rubber plant

Substantial synergies exist in the two similar companies and a merger would bring huge cost savings — especially if the immense duplication in the nationwide marketing arms of the two companies could be eliminated

Sources close to the negotiating companies were confident the merger would be approved by the Competition Board

They said that with three or four other companies sharing 17% of the industry and Sasol due to enter the market about 1985, there was no true monopoly to which the board could object

People in the fertiliser industry said Sasol was unlikely to object to the merger The bigger the market share of Triomf-Fedmis when Sasol comes on stream, the better for Sasol as it is easier to make inroads into one big market share than two smaller ones

Sasol has said it will enter fertilisers in an orderly fashion without disrupting the market It will continue to honour long-term ammonia supply contracts with its competitors

But judging by the alarm and the heat generated by Sasol's entering the market, most industry sources expect a battle once Sasol comes on stream and believe the merger anticipates this

One observer said the merger was really a takeover of Fedmis by Triomf Fedmis, he said, was in a weaker negotiating position than Triomf

In addition to phosphoric acid problems and the question mark over the damaged Milnerton plant, Fedmis had management shortcomings More important, it no longer had an ammonia facility and ammonia was a crucial feedstock

This lack of an ammonia facility could put Fedmis in a spot when Sasol's supply contracts expired Triomf, he said, also had no ammonia capacity, but AECI, with a 49% holding in Triomf would be a willing supplier

Demand for ammonia outstrips supply and is growing at about 7% a year Now that the Fedmis plant has been scrapped, the shortfall could mean 30% of the country's ammonia will be imported by 1986

Some speculators suggest AECI might build the ammonia plant that Fedmis scrapped as AECI has deeper financial and management resources

AECI makes 580 000 tons of ammonia a year and Sasol aims at 260 000 tons by 1985 Fedmis was making 90 000 tons a year at its blast-levelled Milnerton plant

Demand for ammonia last year was 1-million tons and a 150 000-ton shortfall had to be imported Now the Fedmis plant is out of operation, the shortfall will have risen to 230 000 tons a year

The SA Agricultural Union said it would pronounce on the merger if and when it took place and once the terms were announced

Its main concerns were an adequate supply of fertiliser at realistic prices, a spokesman said

Likely merger in fertilisers could bring monopoly

232

Star 9/2/82

By Patrick McLoughlin

A near monopoly of the fertiliser industry would be the direct result of the proposed merger between the industry's dominant forces — Fedmis and Triomf

Sentrachem, which took over Fedmis in the 1979-80 financial year, and Triomf have made a brief announcement that negotiations are taking place "with a view to a merger comprising the Fedmis division of Sentrachem and Triomf"

The statement added "As soon as it has been decided whether such a merger will take place a further announcement will be made but, in the meantime, shareholders of both companies are advised to exercise caution in their dealings in the shares of the companies"

The only other fertiliser producer is Omnia, relatively small beside Sentrachem and Fedmis, producing about 10 percent of domestic fertiliser output

The off-the-cuff reaction of one analyst on the Johannesburg Stock Exchange was that such a merger — if allowed to take place by the Government — "made sense" and the rationalisation was a good thing.

Triomf has a market-sharing agreement with Fedmis which assures it 55 percent of all sales of fertiliser made by these companies

Triomf's executive chairman, Mr L Luyt, said in his 1981 annual report however that notice had been served by Triomf on Fedmis of termination of the so-called bilateral agreement between the producers.

"This agreement, which came into being in 1971 as a continuation of a previous agreement within the industry and which was aimed at rationalising certain aspects of production and marketing, has often been the subject of criticism by various investigating committees of the Government and certain other institutions and has been considered as being conducive to monopoly formation," Mr Luyt wrote

He said that cancellation of the agreement must thus be seen as a "voluntary gesture" within the industry in support of Government policy towards a freer and more competitive economy

About turn

The merger negotiations, reportedly at an advanced stage, thus seem to indicate that Mr Luyt has done an about turn in his policy towards the fertiliser industry.

One comment by industry observers is that if the merger goes ahead it will mean a near monopoly for the two giants until the Sasol III project — which could produce about 260 000 tons of ammonia a year — goes into production

A planned project by Sentrachem to construct a R630 million ammonia factory — ammonia is an essential raw material in the manufacture of fertiliser — was shelved, some say because the producers were not happy with the Government's price increases for the inland market.

This decision not to go ahead with the plant could result in the importing of up to 150 000 tons of ammonia a year

Mercury 10/2/82 ~~97~~ 232

The

Frame group buys Natal Cotton Mills

Financial Editor

THE FRAME group has bought blanket manufacturer Natal Cotton and Woollen Mills from Anglo-Alpha. Yesterday, Mr Selwyn Lurie, joint managing director of the Frame group, confirmed the multi-million-rand deal, which comes into effect from February 15.

But he would not reveal the price — 'it will not be disclosed by either party' — and did not yet know where the company would be slotted into the Frame group

There has been speculation that the deal cost R11 million but Mr Lurie denied this

He said it was too early to make a statement on redundancies, but every effort would be made to absorb people in other companies in the Frame group or Anglo-Alpha should there have to be staff cuts

Blankets

Mr Lurie said the Frame group would produce about 75 percent of all blankets in South Africa once the take-over was completed The 'monopoly' position had been investigated before the take-over, Mr Lurie said

He did not expect that the deal would have any major effect on the earnings or net assets of the Frame group

According to the last Anglo Alpha report, the company has 690 employees and has mills at Mobeni and a recently-established mill at Canelands, where it has bought the old Masonite plant

In 1980, turnover at Natal Cotton was R11,4 million, which was a 38 percent improvement on 1979's R8,3 million Net after-tax income, before interest, improved by 550 percent to R574 000, compared with R88 000

Net assets, at historical value, were R6 million

Mr A A Nutten was appointed managing director in October 1980 of Natal Cotton, which had been included in the Hippo Quarries take-over a few years ago He was not available for comment yesterday, nor were executives from Anglo- Alpha

Big expenses

It is understood that Anglo-Alpha, which is largely owned by Swiss interests, had felt that a textile company did not fit in with their other traditional interests in stone and cement

No confirmation could be obtained that Natal Cotton has had a bad year with heavy expenses involved in the start-up at Canelands and that disclosure of the results to the Anglo-Alpha executive had precipitated the sale

But the last financial report from Anglo Alpha disclosed some problems Production was to be lifted and changed to 'lighter and finer' blankets

But technical problems arose in the last half of 1980 relating to weaving and finishing of the products and in November 1980, their finishing and dyeing operation gave them three weeks' notice of closure

Alternative arrangements were then made as the new looms were relying on this facility and it was hoped that customer confidence would be regained in 1981

The management expected that the company would strengthen its position in the market place and a diversification into polyester mixture spun yarns was being investigated

5.2.3 Evaluate the effectiveness of the following passage, which is the synopsis of a student report entitled:
THE LEACHING OF LEAD FROM CERAMIC GLAZES

SYNOPSIS

We start the introduction by discussing glazes in general, leading to a discussing on the compositions of glazes. The advantages that can be obtained from using a lead glaze are quite large, however the largest disadvantage in using a lead glaze is that the lead may leach out and poison the contents, if they are food, this is a very large disadvantage.

Lead will not leach out unless a complexing agent is present. This fact, together with the fact that the leaching lead may be dangerous has been known for some time. This is because lead is such a dangerous poison and can poison a man at comparitively low concentrations. The concentration of lead in blood is already quite high, mainly because of the presence of tetraethyl lead in petroleum, any extra increase in the concentration of lead in the blood could be disastrous.

The pottery which is produced in Lourenco Marques was suspected of having a lead glaze. Consideration was given to the methods used in cooking and to ways and means whereby these methods can be simulated in the Laboratory.

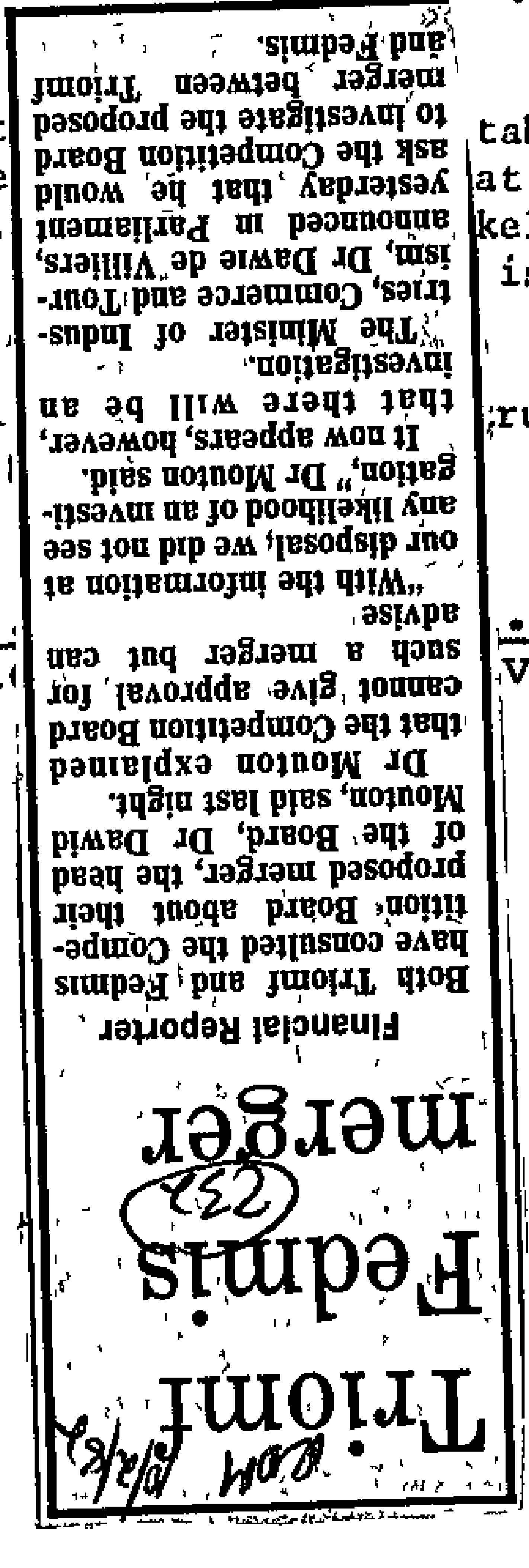
There are many possible methods that can be used to detect lead. We chose Atomic Absorption Spectroscopy because of the simplicity and availability of the process.

We conducted experiments in an attempt to simulate the cooking conditions. In retrospect o ld, and should, also have been performed.

The results of t tabulated, and plotted as graphs. From the graphs we we at the lead was leaching out at a dangerous level, kely that the leaching of lead will diminish as the is it possible to treat the pottery to prevent lead

The only possibl ruction of the pottery is to glaze it with a non-lead

Exercises 5. .2.3 are from the Communication Studi versity of the Witwatersrand.



ROM 8/2/82

Triomf Fedmis merger

(232)

Financial Reporter

Both Triomf and Fedmis have consulted the Competition Board about their proposed merger, the head of the Board, Dr Dawid Mouton, said last night.

Dr Mouton explained that the Competition Board cannot give approval for such a merger but can advise.

"With the information at our disposal, we did not see any likelihood of an investigation," Dr Mouton said.

It now appears, however, that there will be an investigation.

The Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, announced in Parliament yesterday that he would ask the Competition Board to investigate the proposed merger between Triomf and Fedmis.

~~183~~ (232) Mercury 11/2/82

Fedmis, Triomf see Competition Board about merger

Business

Mercury Correspondent

JOHANNESBURG— Both Triomf and Fedmis have consulted the the Competition Board about their proposed merger which would make 83 percent of South African fertilisers, the head of the board, Dr Dawid Mouton, said

He explained that the Competition Board cannot give approval for such a merger but can advise

'With the information at our disposal, we did not see any likelihood of an investigation Dr Mouton said

It now appears that there will be an investigation

The Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, announced in Parliament on Tuesday that he would ask the board to investigate the proposed merger between Triomf and Fedmis

Even if the board approves the merger negotiations could be protracted and an announcement of terms could take some time, spokesmen for the companies warned

Price rises

A spokesman for Triomf said the merger was necessary for the long-term survival of both companies in the light of Government s harder line on fertiliser price increases

Refusal by Government to permit more than a 10 percent fertiliser price increase less than a month ago led Fedmis to scrap plans for a R630-million ammonia plant The industry had asked for an 18 percent increase

Both companies have been in trouble recently and a merger could alleviate their problems

Both are losing huge sums on phosphoric acid exports because of a world glut and have depended on local fertiliser profits to stay viable

Fedmis recently suffered an explosion at its Milnerton ammonia plant that caused R37-million of damage and placed a

viable

Fedmis recently suffered an explosion at its Milnerton ammonia plant that caused R37-million of damage and placed a

question mark over the plant's ever operating again

In addition, Fedmis's parent company, Sentrachem, has run into a huge capital cost overruns on its synthetic rubber plant

Very substantial synergies exist in the two similar companies and a merger would bring huge cost savings — especially if the immense duplication in the nation-wide marketing arms of the two companies could be eliminated

No monopoly

Sources close to the negotiating companies were confident the merger would be approved by the Competition Board

They said, with three or four other companies sharing 17 percent of the industry and Sasol due to enter the market in about 1985 there was no true monopoly to which the board could object

People in the fertiliser industry said Sasol was unlikely to object to the merger The bigger the market share of Triomf-Fedmis when Sasol comes on stream the better for Sasol, they said, as it is easier to make inroads into one big market share than two smaller ones

Sasol has said it will enter fertilisers in an orderly fashion without disrupting the market It will continue to honour long term ammonia supply contracts with its competitors

But judging by the alarm and the heat generated by Sasol's entering the market, most industry sources expect a battle once Sasol comes on stream and believe the current merger anticipates this

One well-placed observer said the 'merger' was really a take-over of Fedmis by Triomf Fedmis, he said, was in a weaker negotiating position than Triomf

He said that in addition to phosphoric acid problems and the question mark over the damaged Milnerton plant, Fedmis had management shortcomings More important, it no longer had an ammonia facility and ammonia was a crucial feedstock

This lack of an ammonia facility could put Fedmis in a spot when Sasol's supply contracts expire Triomf, he pointed out, also had no ammonia capacity but AECI, with a 49 percent holding in Triomf, would be a willing supplier

Demand for ammonia already outstrips supply and is growing at about 7 percent a year Now that the Fedmis plant has been scrapped, the shortfall could mean 30 percent of the country's ammonia will be imported by 1986

Some speculators suggested AECI might build the ammonia plant that Fedmis scrapped, as AECI has deeper financial and management resources

Sasol

AECI makes 580 000 tons of ammonia a year and Sasol aims at 260 000 tons by 1985 Fedmis was making 90 000 tons a year at its blast-levelled Milnerton plant

Demand for ammonia last year was 1 000 000 tons and there was a 150 000- ton shortfall, which had to be imported Now the Fedmis plant is out of operation, the shortfall will have risen to 230 000 tons a year

The S A Agricultural Union, which represents farmers all over S A, said it would pronounce on the merger if and when it actually took place and once the terms were announced

Its main concerns were an adequate supply of fertiliser at realistic prices, a spokesman said

CAPE TIMES 10/2/82 ~~183~~ 1232

Govt to investigate fertilizer merger plan

Political Staff

THE government has ordered an investigation into the proposed merger of the country's two fertilizer giants — Triomf and Sentrachem

The multi-million rand deal, which would give the proposed new combine a 90 percent slice of the fertilizer market, has set the business world buzzing

However, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, announced yesterday that there was to be an investigation into the acceptability of the deal

Mr Harry Schwarz, chief Opposition spokesman on finance, welcomed the inquiry and said the concentration of economic power had not worked to the benefit of the consumer

Dr De Villiers said "The government is concerned about the formation of power groups and I have requested the Competition Board to advise me in terms of the Maintenance and Promotion of Comptition Act about the desirability or otherwise of such a merger"

Mr Schwarz said he welcomed the investigation but thought the minister should investigate the whole process of concentrating economic power in the country

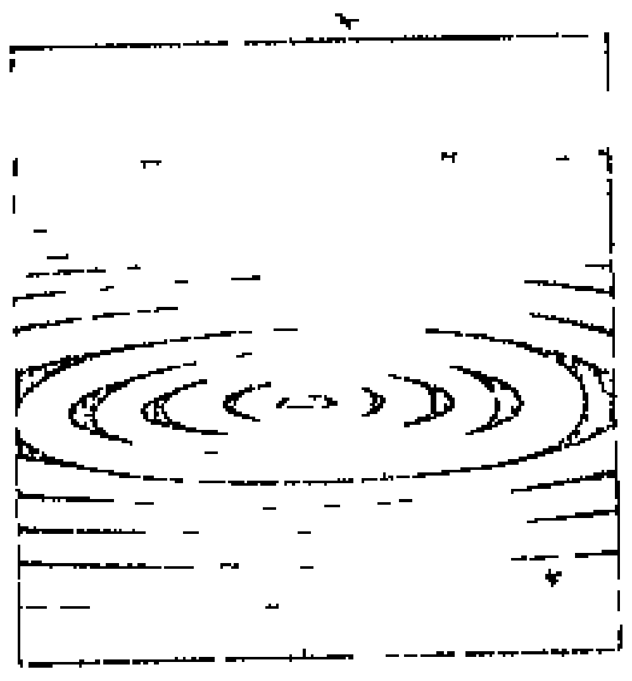
"There is an ever-increasing concentration of economic power which has been shown by recent Stock Exchange activity regarding the retail trade," said Mr Schwarz

"None of this concentration of power has resulted in any benefit for the consumer," said Mr Schwarz who added that there were indications that there would be more of this type of activity soon

FM 12/2/82 [redacted] (232)

RETAILERS

The chase hots up



Natie Kirsh and Donald Gordon had lunch together last Saturday As winners in the latest bout of turmoil to hit the retail industry, they had something to celebrate

Kirsh, the head of Kirsh Industries, had effectively sewn up control of Greatermans Stores through a quick-fire deal after Edgars pulled out Gordon, the chairman of Liberty Life Assurance had moved equally quickly to prevent SA Breweries from snapping control of Edgars while chairman Sydney Press was overseas

In the stock market this week the shares of other retailers, notably John Orr's, have been the target of some speculative action again Now, of course, as the ripples spread, the talk is of which other companies might be vulnerable to bids and of protection they are seeking

It is almost a re-run of this time last year when Woolworths took over Truworths and Kirsh whipped in to acquire Russell while the latter was in the middle of talks with Edgars That flurry prompted a number of executives to start buying shares in their own companies or creating pyramids to hold the voting stock of the operating groups

Pep Stores was one concern where the then chairman and a fellow director began increasing their stakes from the 25% level at that time The Ackerman family took similar action with Pick n Pay shares

Others to be mentioned in the current crop of suggestions include Beares, Clicks, Grand Bazaars and Harrowes Beares is a fairly well run company tightly controlled by the Beare family who show little sign of wishing to relinquish the reins Should they change their minds, SA Breweries among others, could make an offer

Clicks is run by Jack Goldin who speaks over 50% of the stock He is said to have received something of a shock last year when Kirsh made it clear he was interested in buying A defensive deal, apparently with Raymond Ackerman, was explored but it failed to come off

Grand Bazaars also suffered an unpleasant surprise last year when Max Sachar the cousin of chairman Manual Sachar disposed of his 40% in the company to an unidentified buyer Manual Sachar then set up a pyramid company to hold more than 50% of Grand Bazaars' equity and his family in turn controlled over half of the pyramid's shares The owner of the 10% remains hidden behind a nominee name

Harrowes is another company tightly controlled by the family who are believed to account for some 60%-70% of the shares

One Johannesburg stockbroker has made it plain for some time that he is a buyer on behalf of a client, but the family have shown no sign of being interested in selling

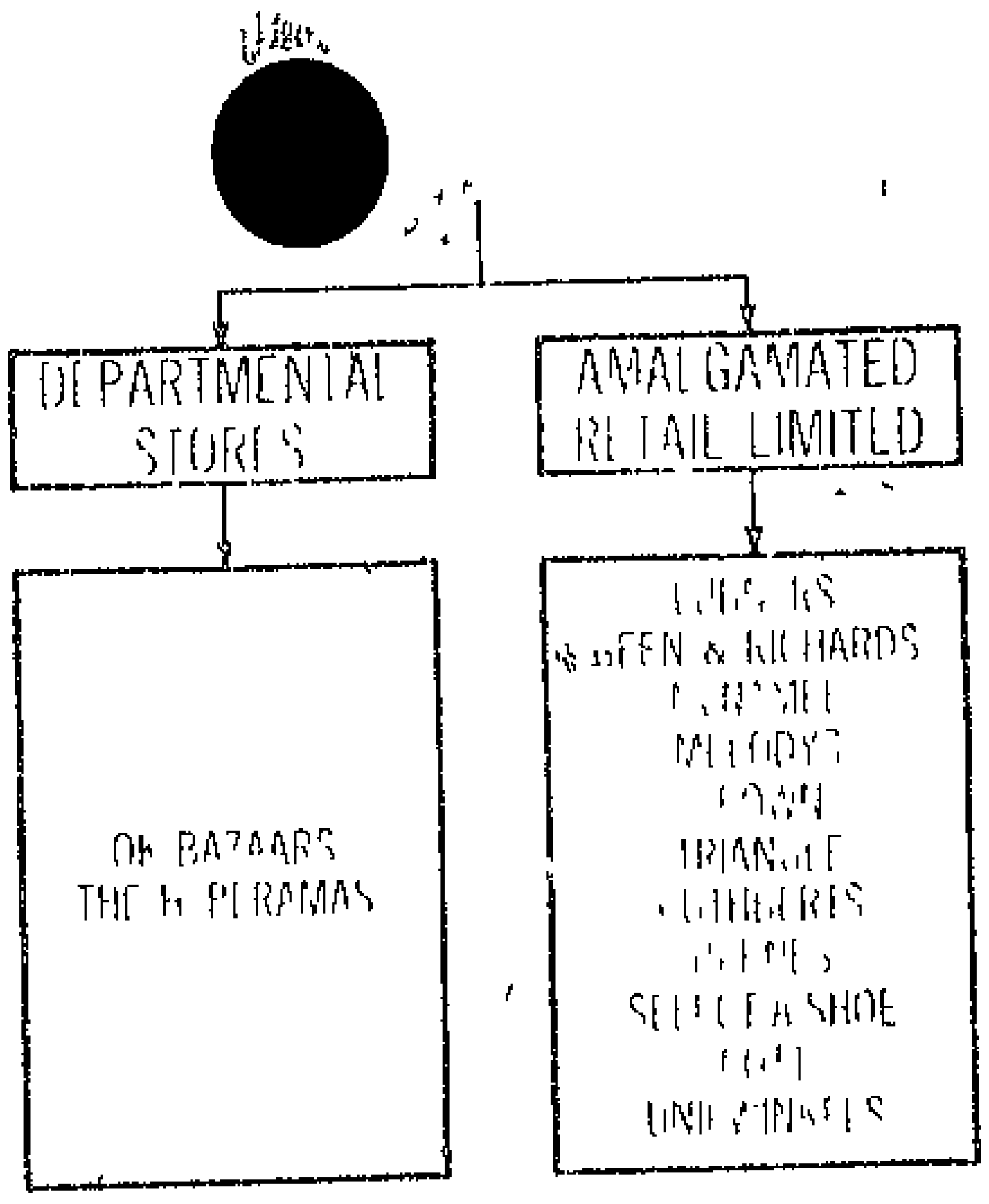
Yet tight control family or otherwise is not a guarantor for the future The latest events in the industry have shown that success or failure is judged by the profitability of the groups though other factors like friendships play their part

At bottom if the management of a company is unable to come up with the profits then it is vulnerable But the prize for success could be plentiful For the retailing market is one that is expanding with the growth in population and rising black living standard Its ultimate bounty will not be eroded by the vicissitudes of business cycles, although in the immediate future growth may be restricted as the economy cools Certainly the major groups will be unable to sustain the growth of the past two years or so when 40% increases were not uncommon

Even so the immediate prospects are not that bad Gross national product may grow at only around 2% this year That means current high living standards will be maintained They won't decline It is widely expected that the hypermarkets and groups pitching at the lower end of the market could well show profit increases in the region of 20%

The year began with a blaze of activity in the shares of John Orr long an indifferent performer although this was partly a hangover from the last four months of 1981 Often the subject of takeover rumours the shares suddenly became heavily sought after on the stock exchange Suggestions abounded that an unidentified consortium was steadily building up a stake

Dr Nic Labuschagne the chairman, and other members of the Orr family rapidly took defensive measures They persuaded Garlicks a rival store group to part with its 15% of Orr's This took the family's controlling interest to over the 50% level Jus how firm each owner of particular parcels of stock is remains an open question



There is an intriguing aspect to the dea Orr's did with Garlicks Labuschagne pointed out they had been friends for years even doing some joint buying

But the latest development at Orr's is th announcement of the forthcoming closure of the group's most famous store the one Eloff Street Johannesburg For years it was the flagship of the company possess the aura of a colonial Harrods

The logical workings of the market pla indicated that Orr's management neede bite the bullet Said Labuschagne simp 'The store is no longer a profitable en

Just before that news last week came an impressive display of business unity duri the brief, fierce battle for Edgars. Breweries mounted a raid on Edcon, publicly-quoted pyramid company, whi controlled the stores Donald Gordon, o berty Life and acting chairman of Ed swiftly countered with purchases that control beyond SAB's reach

Sydney Press the chairman of Edc whose family owns a large stake in company was undergoing surgery in US when SAB pounced Initially the was to acquire 25 but so fast came offers from institutions holding Edcons tha it switched and aimed for control

The institutions and other sharehol could hardly be blamed Edcon's price R8 before SAB started It went to R12 and then R14 It was too good to be said one stockbroker

SAB ended up with 38 and the sub of a lot of controversy There were who said it had paid too much for wha only a minority holding while others knowledged that it had to lay out a subs tial premium if it was aiming for con

The move fits into SAB's long-term egy of entering the retail field in already controls OK Bazaars and las bought Scotts

SAB is highly regarded Even Bellamy managing director of Edgars reportedly said to be reasonably happ the prospect of being part of the grou

Bellamy however probably didn realise how loyal Gordon is to Press two have been associates for 1 which is the period Gordon has Edcon's board

'With this illness of his I felt I had to something special to protect him I somebody does the same for me some There is some sentiment in business' don says no doubt rememberin takeover of Fugit

But he also stresses there were more compelling motives As chairm Liberty Life and a director of Edco

---

acilitate reading by placing texts in the short loan section of Leslie Library and distributing selected prescribed articles, you are strongly advised to make the fullest possible use of the Library. It would stand you in good stead to attend an orientation course conducted during the first

P.T.O

had an obligation towards his policyholders and other shareholders of Edcon The board of Liberty Life, already an owner of some 9% of Edcon and 6,5% of Edgars Stores, was persuaded that R12,50 for Edcon, a quality stock, was too cheap Control could have been acquired by buying 51% of Edcon which represented only 25% of the effective total equity of the group, and Liberty Life would have been faced with its large investment locked into the operating company In any case most institutions like Liberty Life are flush with cash and more interested in growth equities than money

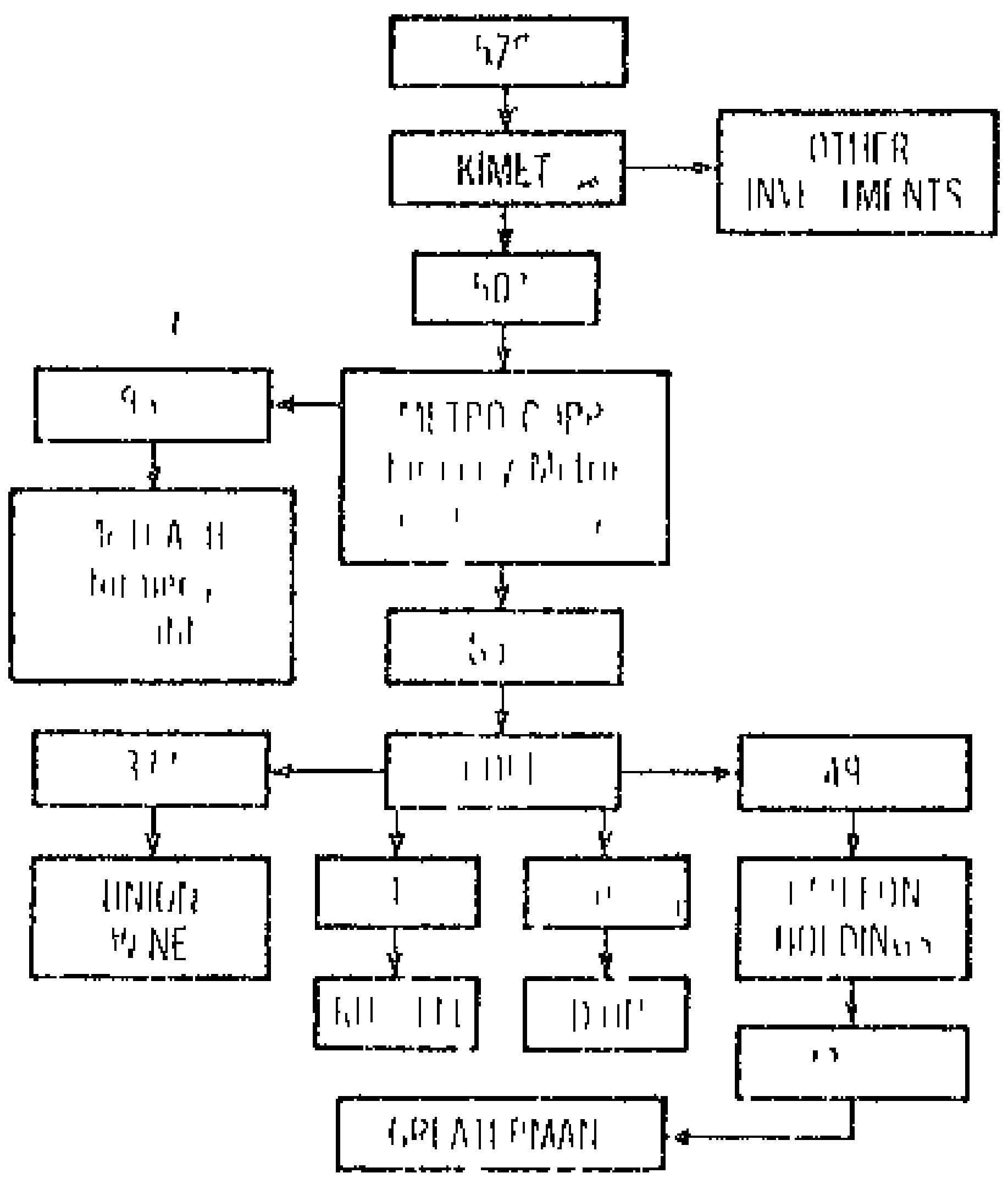
An aggressive buying spree followed which left Gordon and the Press family between them sitting on 50% of Edcon, and SAB with a strategic stake

As for the future, the suggestion is that once the dust has settled and Press returned from abroad, the three sides will sit down and attempt to work out a price Gordon is in the happy position of being able to decide to whom ultimate control will go He will have to choose whether in future the shareholders will be best served by his friend Sydney, or SAB's managers

By contrast, the Greaterman's story is about the price of failure Isaac Kaye and "Dusty" Miller took over the group from the Herber family about two years ago Initially they appeared to have some success in pulling the company right

Their public come-uppance arrived two weeks ago with the announcement of Greatermans' drop in half-yearly profits Worse, the final dividend for the year would probably be cut Clearly, something was wrong with the way Greaterman's was being run and new blood needed

Fedchem expressed its dissatisfaction in the most categoric manner It put up for sale its 30% stake in Griffon Holdings (Grifhold) which owned a [illegible]% interest in Greaterman's Stores Edgars immediately became interested and started negotiations with Fedchem to see if the basis of a deal could be arrived at Kaye wanted Edgars to come to a decision in a matter of days but the Edcon board said they needed some two months to look at the company in depth So Edgars pulled out



This left the way open for Kirsh Kaye and Miller purchased Fedchem's 30% in Grifhold and then sold 19% to Kirsh through a complex deal involving three of his companies, Kimet, Metro and Coki Corporation, issuing shares and then placing them with institutions

Kaye and Miller retained 51% of Grifhold and the announcement of the deal said pointedly that there was no change of control of Grifhold or Greatermans Cynics in Diagonal street could be found arguing that control now lay effectively with Kirsh whatever the precise nature of the shareholding

The JSE, however, was satisfied there was no change in effective control' This meant no bid had to be made for the minority holders shares

There is a fair amount of speculation that Kirsh will sooner or later make a bid for the rest of Grifhold and indeed Greatermans itself He is now virtually running Greatermans with Kaye, and particularly Miller, taking a back seat

So large are the problems of Greatermans and its Checkers subsidiary that it might be a while before he is in a position to assess the situation fully

Analysts suggest the group, given the proper stock and financial controls plus better management could well be capable of making pre-tax profits of around R25m against R21m in the year to last June This would only mean margins on turnover of some R1 000m being raised to 2,5%

In Kimet, Kirsh has a small chain of supermarkets In its last financial year turnover of the chain was R21m and pre-tax profits R1,2m, which meant margins of 5%

Apart from the supermarkets, Kirsh also has a very large food wholesaling group Metro In addition there is his 30% stake in the highly successful Dion chain

Should he succeed at Greatermans, the prospect could be raised of an ultimate link with Edgars, if Press and Gordon dislike the colour of SA Breweries money or its paper It might not be beyond the wit of the three to put together a package involving the creation of another company into which the Press and Liberty Life stakes could be placed in return for the paper of one of Kirsh's concerns Kirsh and Gordon might yet have more unscheduled lunches For, clearly, the ripples of these deals are going to spread far across the retailing pond

---

F AUER

DISCRIMINATION IN EDUCATION

1. Discrimination between population groups in South Africa

In South Africa discrimination based on race and colour has come be equated with inequality, injustice and deprivation. In educat less money is spent on the schooling of the children of populatio groups discriminated against. There are usually more pupils per most buildings and equipment are cheaper, the teachers less well qualified and still paid less even when their qualifications are same.

But that is only one aspect of discrimination. The other is the rejection implicit in enforced separation, a rejection which proc a deep hurt and a great loss. It prevents people from learning know each other and from understanding one another's language an customs, hopes, fears and beliefs.

While this paper deals with measurable inequalities, it should b remembered that those that cannot be measured are almost certain important. The reason for this is that children of one populati group grow up ignorant about those from whom they are separated ignorant and often suspicious and filled with fear of "the other The tragedy is that these fears and suspicions may last all thei

2. Education as a function of governments

In our age, education is regarded as one of the major responsibi of governments. This has not always been so. In Britain, for the first State grant to schools was made in 1840. There was a when people who wanted their children educated paid fees to sch organised to cater for the children of particular groups, or pa tutor. A result of this was that the children of poor people o no schooling at all, as is vividly portrayed in the novels of C Dickens. Gradually most countries have accepted that their gov had a responsibility to see that all children received a certai amount of education, irrespective of the wealth or poverty of t parents.

(3) (232) Star 12/2/82

Cape Wine leaves Jan with sour taste...

Picbel chairman Mr Jan Pickard believes that the only thing Cape Wine succeeded in doing last March was "to demonstrate the lengths to which they would go in order to create monopolistic conditions in the wine industry."

Referring to the 'unfortunate Union Wine bear squeeze' in the latest Picbel annual report Mr Pickard says the situation arose after the Kirsh group and Union Wine had reached an agreement to join forces and after Kirsh had made an offer for the Union Wine shares held by outside shareholders

'During the days that followed it became obvious that some other party felt threatened by this offer and tried to buy sufficient shares to win Kirsh

block our arrangement

Referring to CWD's alleged monopolistic tendencies Mr Pickard said 'We believe healthy competition is one of the cornerstones of our free enterprise system and we cannot condemn strongly enough the groups whose efforts are directed against this

Major changes took place within the Picbel group during the financial year to June 1981 which helped the group to record a substantial growth in earnings and double its dividend payment to 16c a share

Mr Pickard agrees with the general opinion that the weaker rand, high interest rates, the weaker gold price and the continuing high rate of inflation will all make 1982 a difficult year

In view of the slower growth rate he believes that the increase in earnings during the current financial year will be at a slower rate than in 1981 — **Ann Crotty.**

Your Leadership Behaviour

* **The procedure for analyzing your responses to the survey is as follows:**

1. If you circled (A) give yourself 5 points, (F) is 4, (O) is 3, (S) is 2, and (N) is 1 point.
2. To get your total score for task functions and maintenance functions, which will be discussed fully in a moment, write the score for each statement in the following table.

Task Functions

___ 1. Information and opinion giver

___ 3. Information and opinion seeker

___ 5. Starter

___ 7. Direction giver

___ 9. Summarizer

___ 11 Coordinator

___ 13 Diagnoser

___ 15 Energizer

___ 17 Reality tester

___ 19. Evaluator

___ Total for task functions

Maintenance Functions

___ 2 Encourager of participation

___ 4. Harmonizer and compromiser

___ 6 Tension reliever

___ 8. Communication helper

___ 10 Evaluator of emotional climate

___ 12. Process observer

___ 14. Standard setter

___ 16 Active listener

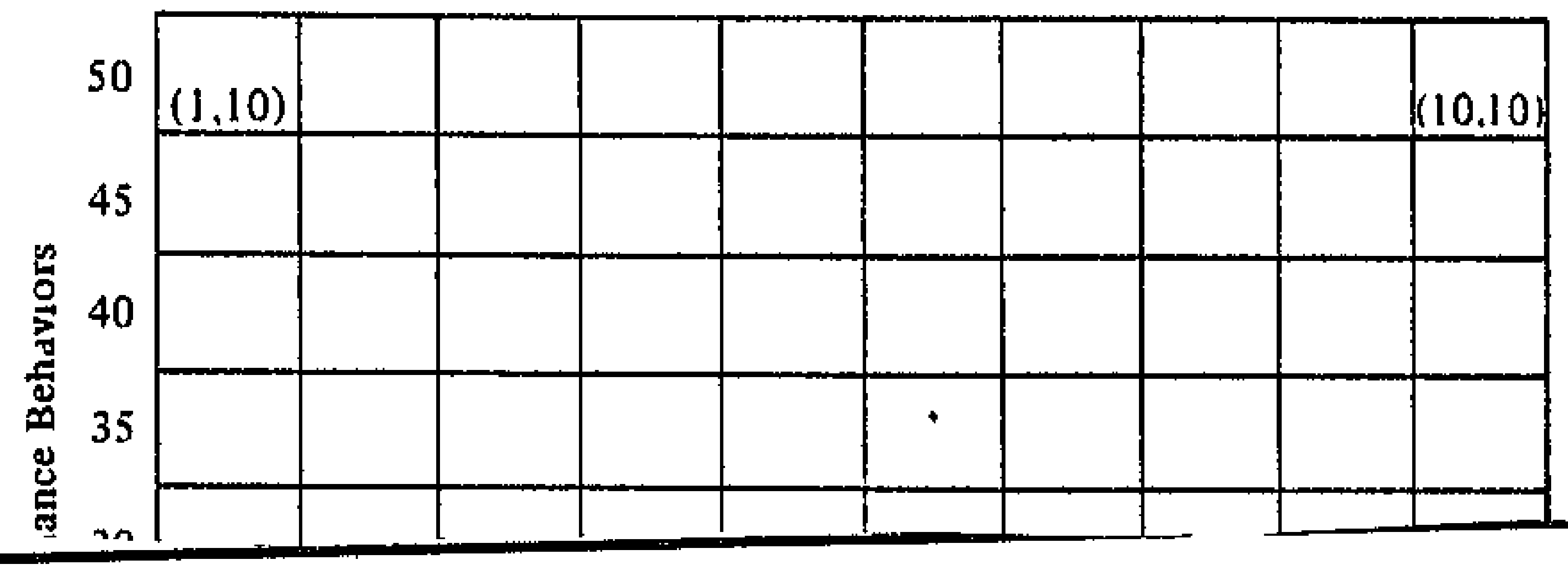
___ 18 Trust builder

___ 20. Interpersonal problem solver

___ Total for maintenance functions

3 Locate yourself on the Task-Maintenance Grid (Figure 2.1) by finding your score for task functions on the bottom, horizontal axis of the grid and move up the column corresponding to your Task score to the point of intersection with your score for maintenance functions. Place an "X" at the intersection that represents your two scores. Numbers in parentheses correspond to the major styles of task-maintenance leadership behaviors.

FIGURE 2 1 Task-Maintenance Grid



232 FM 12/2/82

GLITTERING PRIZE

A major reason behind the merger of Hill Samuel and the Board of Executors and Fidelity Bank (BFB) was Hillsam's desire for Neal Chapman, BFB's MD He is seen as the answer to the merchant bank's management problems This is in addition to the obvious and real commercial and financial advantages of the tie-up

The immediate problem for the bank is that the current MD, 35-year old Richard Crick, who has held the team together for the last few months, is under contract from the UK In the immediate future he will remain MD of the bank, and there is a hint that his stay may be prolonged further

The bank has been searching for years for a South African to lead its executive team Before ex-MD Christopher Castleman left in 1980 he appointed the bank's auditor, Andrew Flemming, to the managing directorship Flemming lasted only a few months

Sources say that Castleman, watching over the bank, was keen that BFB's Neal Chapman, with his SA connections, should lead the group

Chapman, considered a front runner with Barclays before Bob Aldworth became MD, left to join the Board of Executors in 1976

When approached to join Hillsam, Chapman suggested a merger The deal is of course easily rationalised both commercially and financially (see FM Feb 5) But bankers agree that the prize for the merchant bank is Neal Chapman himself He will be group chief executive

11.4 Hazard Potentials of Some Common Drugs

A noted authority* has ranked several drugs by their relative hazard potentials He based his judgments on such criteria as the drug's overall potential to be used repeatedly or compulsively, be taken intravenously, be used in a self-destructive manner, produce physical dependence, impair judgment, predispose to social deterioration, produce irreversible tissue damage and disease, and cause accidental death from overdose

Below are listed twelve drugs Your task is to rank the twelve drugs in the same order of hazard potentials as they were ranked by the authority Place the number 1 by the drug you think he ranked most potentially hazardous, a 2 by his second choice, and so on through to your estimate of the least potentially hazardous of the twelve in the list In a few instances, two drugs tie for the same ranking; these should be noted by placing the same ranking number beside the tied drugs.

---

*Samuel Irwin, professor of psychopharmacology at the University of Oregon Medical School and author of a paper entitled "Drugs of Abuse An Introduction to Their Action and Potential Hazards."

___ Alcohol
___ Barbiturates
___ Cigarette smoking (tobacco)
___ Dexedrine
___ Glue sniffing
___ Codeine
___ Heroin
___ Hypnotics
___ LSD-25
___ Marijuana
___ Mescaline
___ Methamphetamine

[illegible]

[redacted]

[illegible] -controlled company. With Roberts's contribution as a minority partner, he has allocated 400 building sites in Soweto by the township's Community Council. It plans to use them for both business and housing development. The company has also applied for building sites in [illegible]

Development will be carried out by African Development Construction Company (ADCC), in which ADCH has 51% and Roberts 49%. Both the holding and the construction companies are chaired by Sam [illegible], president of the National African Federated Chamber of Commerce (Nafcoc).

As the company's project manager [illegible] "We hope for a reply soon from other community councils to whom we have applied for sites. As the company expands we intend to buy sites throughout the Republic."

Some ADCH plans may be short-circuited by the bureaucracy. In the Pretoria area, for example, no 99-year leasehold schemes have yet been cleared.

[illegible] says ADCH hopes eventually to sell homes to the public. "With the money [illegible] we will undertake other projects."

Afgate would open gate to empire for Metkor

(232)

RDM 13/2/82

By DAVID CARTE

IF METKOR is successful in its takeover talks with African Gate, it will obtain control of Stewarts & Lloyds and Dorbyl as well

It would become one of SA's biggest industrial groups with subsidiaries and associates turning over far more than R1 000-million a year

This is because African Gate has 12,7% of Ipsa, controlling company of Stewarts & Lloyds and Dorbyl

This holding, added to the 47% holding Metkor already has, would make Metkor's stake in Ipsa nearly 60% Ipsa has 52% of Dorbyl and S&L

After the deal Metkor would control African Gate, Stewarts & Lloyds, Dorbyl, Wispeco Holdings, Union Steel, Air Products of SA, Hart and a host of little-known but valuable unlisted companies, such as Renbolt Engineering, Titan Industrial, Ringrollers of SA, Iscar SA, Bright Metals and RW Tools

African Gate last year had assets of R46-million and pre-tax profit of R12 856 000 Sales were not disclosed

Stewarts & Lloyds had sales of R432 700 000, pre-tax profit of R208 064 000 and assets of R208-million

Dorbyl had sales of R594-million, pre-tax profit of R36 400 000 and assets of R352-million

Metkor employed capital of R130 million and its pre-tax profit was R20-million — but this was on a conservative accounting basis with subsidiaries and investments in the balance sheet at cost

Metkor effectively controls its 39%-held associate, Union Steel, which had sales of 157-million, pre-tax profit of R15 million and assets of R85-million last balance sheet

In addition it has 50% of Air Products of SA, all of Wispeco and Hart and several valuable unlisted companies whose income statements and balance sheets do not see the light of day

Metkor, two years ago, was 80% owned by Iscor When the State stepped on the private enterprise bandwagon, Iscor started divesting its private sector assets

Iscor did not follow its rights in a Metkor rights issue and these were taken up by Volkskas, which after the rights issue, was within a hair's breadth of control Volkskas subsequently sold part of its slice to Rembrandt and perhaps to Rentmeester Beleggings

Today Metkor is owned 30% by Iscor, 20% by Rembrandt, 14% by Volkskas and 11% by Rentmeester Beleggings The public holds the balance

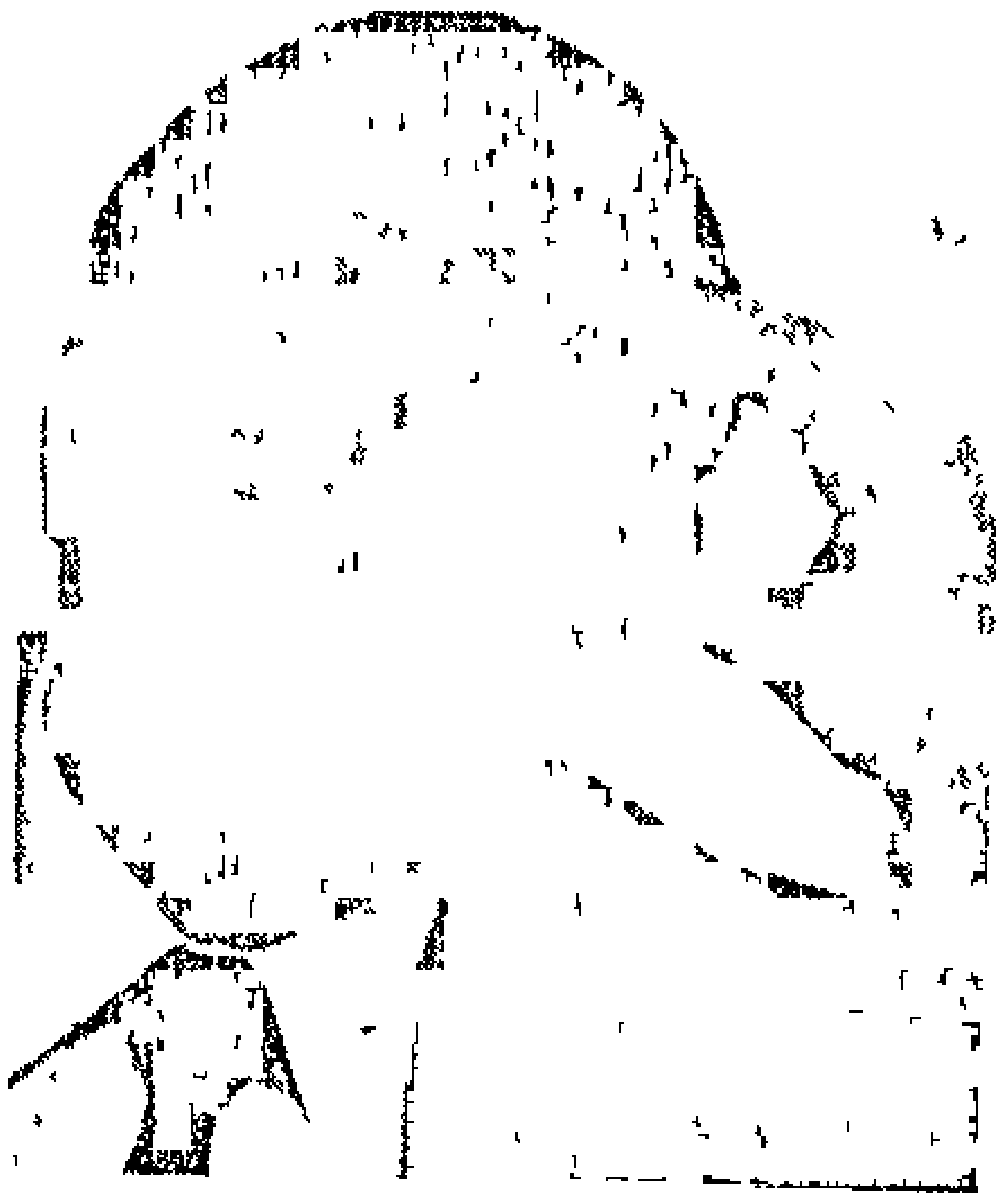
Iscor is unlikely to reduce its stake to below 25% because, if it did, it would have to offer its 50% stake in Air Products of SA to its US partner, Air Products & Chemicals Inc

Metkor's stake in Ipsa rose from 37% to 47% when British Steel sold out to the other main shareholders last year Anglo American has 40%

(232) (188) S Express 14/2/82

LUYT'S CLIMB TO THE TOP OF THE HEAP

By JOHN GILMORE



LOUIS LUYT, executive chairman of Triomf Fertiliser Investments, looks set to become king of South Africa's R700-million sales fertiliser industry following last week's proposed merger of Triomf and Fedmis — if the deal goes through

According to a source close to Triomf, Luyt "will definitely be in control" of the new grouping but it appears even at this early stage that negotiations have run into snags

The proposed merger has been referred to the Competition Board for an investigation into the rationale and desirability of building a superpower group in the vitally important fertiliser industry

However, this result is expected to be a mere formality since the upheaval in the industry was induced by the Government's refusal to grant more than a 10% increase in prices recently

If negotiations are not running smoothly now it is likely that a tremendous power struggle is taking place in the boardrooms of Triomf, Fedmis and perhaps AECI (which has a 49% interest in Triomf)

Luyt is not the most popular man in the industry and one observer suggested that AECI might be trying to use current circumstances to oust Luyt in return for his lack of co-operation in the past

At the same time it is believed that Fedmis would be far from willing to take a back seat in any new combine which will control about 83% of the industry

Of this slice Triomf controls about 54% and Fedmis 46%, so on the face of it Luyt is in a strong negotiating position, provided he has the unswerving support of AECI

Background to the Proposed merger is that with prices being held down by the Government and competition from Sasol becoming a reality Triomf and Fedmis could look forward to declining profitability

Both also suffer from ae fundamental weakness — they do not control the supply of their basic raw material, ammonia

Triomf is dependant on AECI while Sentrachem has recently scrapped plans for a R630-million ammonia plant.

If, and when, Triomf and Fedmis come together they should be in a stronger position to increase profits

There are powerful arguments for a merger before profitability is severely affected — but it remains to be seen whether the conflict of strong personalities and boardroom politics can be resolved

W & A swoops on Dugson

2 S. Ti 14

MANNIE Simchowitz of W & A Investment Corporation is swoo the men's clothing company, Dugson Holdings, according to sources.

Dugson directors announced this week that negotiations have started which m in a change of control.

Chairman Mannie Simchowitz is overseas W & A's managing director, Philip Jacc Business Times "I am not in a position to comment"

Still merger mania Mannie's bird of pr- goes for new takeo

By ELIZABETH ROUSE

From a historic view a merger of two of South Africa's oldest clothing firms is of interest

Dugson, started by the Wunsh family, is one of the country's oldest men's clothing manufacturers

The Weil & Aschheim families, enterprising immigrants from Germany, started their women's clothing factory before World War II

Talk is that Mr Simchowitz has already amassed around 260 000 Dugson shares (issued share capital is 800 000 ordinaries and 50 000 prefs) and that one or other Dugson director is willing to sell out to him

It is known that Mr D K Benjamin, now resident in Houston, Texas, has sold his 112 200 Dugsons (14% of the capital) through an off-market deal The buyer could well have been Mr Simchowitz

It is believed that the Wunsh family sold their remaining holdings, mainly to Mr Simchowitz, about 18 months ago

Dugson managing director Mr I Levy has a 13,17% holding (105 400 shares held at the end of July 1981) and deputy chairman Martin Shain holds about 180 000 shares as does director Mr C J Katz

Other board members, Mr J A Rogan (chairman) and Mr D H Anderson, probably have nominal holdings

They were made board members when Senbank and Standard Bank pulled Dugson out of trouble some years ago

Standard Bank Nominees (Tvl) holds 335 000 shares (41,87%) while Barclays National Nominees holds 165 025 shares (20,62%)

According to the 1980 balance sheet, Dugson's net asset value was 629c That includes R2,400-million from the sale of Bulawayo Clothing and other Zimbabwean assets in 1976

So far Dugson has received two tranches of around R330 000 (in 1980 and 1981) as instalments on redemption of the R2,4 vestment in Zimbabw ment bonds

However, Dugson's properties look undervalued at R903 000 on the books (last valuation was in 1973)

The company has skipped ordinary dividend payments for the past five years

Attributable taxed profit recovered to R608 000 in 1980, but the board decided to retain everything to reduce the high gearing

Interim net profit was R276 000 at the end of June 1981 with more expected in the second half of the year

● To Page 3

Swoop on Dugson

232 S. Times 14/2/82

● From Page 1

Tax is nominal because of assessed losses in 1976, 1977 and 1978

Dugson's gross return on capital employed, although probably improved on 1980's 11,2%, is well below what most industrial companies are currently achieving

Dugson therefore presents three attractive possibilities for a hunter undervalued fixed assets, nominal tax and a chance to improve return on capital employed

Dugson would neatly round off W & A's clothing manufacturing activities Its well-known men's wear will supplement Jardin des Modes (women's clothes), the Lovable Company of SA (foundation wear, lingerie and sleepwear), Mayfair Truso (men's and women's uniforms, industrial protective clothing), President Knitting Mills and Burhose (ladies hosiery and men's socks)

Dugson shares are being quoted at 550c buyers, 600c sellers, 400c bid with no deals, having moved up from 350c last week No price tag has yet been put on the company

Mr Simchowitz is an experienced raider He failed in bringing off the Calan deal but W & A Investment Corporation made R3-million on share-dealing out of his sortie on the group

W & A has done well in the six months ended December 1981, with earnings up at 125c from the 1980 half-year's 70c, and the interim dividend raised to 25c from 20c Year-end earnings should be 230c

SAB gains control of Edgars

232

Star 15/12/82

By Mervyn Harris and Patrick McLoughlin

South African Breweries has gained control of Edcon, the holding company of Edgars the country's largest clothing retailer

The move came less than two weeks after its raid on the company was thwarted by Liberty Life

In a shock announcement today Mr Donald Gordon, chairman of Liberty Life, said his group had decided to accept a new SAB offer for its shareholding in Edgars Consolidated Investment

"It was quite an emotional matter concerning Mr Sydney Press (chairman of Edgars who is recuperating in the US after hospital treatment)

Liberty Life came to the rescue of Mr Press who held 28 percent of the Edcon shares, when SAB swooped on the shares two weeks ago

Liberty Life boosted its stake from 12 percent to 22 percent and with Mr Press's holding held 50 percent of Edcon

SAB grabbed the strategic stake of 38 percent, which boosted the price from R8 to R14 in hectic trading

It now has 60 percent as a result of the new deal taken by Liberty Life at board level

Mr Gordon said he

To Page 3 Col 1

SAB in control of Edgars

232

Star 15/12/82

assumed Mr Press would now sell his holding

SAB made a new offer to the Liberty Group which was acceptable until 6 last night

Mr Gordon said "It is in the best interest of all that we took this decision The whole thing was in a state of flux and had to be resolved.

"We are an insurance company and cannot handle problems of a big retail group We were not established for this purpose"

"No less than five public companies — SAB, Liberty Life, Edcon, First Union General Investment Trust and Edgars Stores were involved It was obvious that the earliest possible resolution to the problem should be sought.'

SAB is offering shareholders two-an-a half SAB shares worth R12,25 and R2 75 in cash for every Edcon share

Mr Gordon said that Liberty now had the third largest holding in SAB.

POSITIVELY

The deal means that Liberty will now have a total of 17 million SA Breweries shares which, at SAB's current share price of nearly R5, are worth R85 million

Mr Adrian Bellamy managing director of Edgars, said he was told of the development on Sunday Senior executives in the company had reacted "very positively"

Mr Bellamy said he half expected something to happen but he was rather surprised events moved so quickly "The price paid by SAB is very high" he said 'We could not have stayed in a state of suspended animation'

99

232 Star 16/2/80

Bonn ban on Rothmans-Philip Morris merger

Own Correspondent

BONN — The planned global merger of South Africa's Rothmans with America's Philip Morris will be prohibited in West Germany where the fusion would have given birth to a giant controlling almost one-third of the booming cigarette market.

The Federal Cartel Office has said that at the end of this month it will formally prohibit the application of the merger to West Germany.

The Cartel Office is involved in talks with Rothmans and Philip Morris to work out an agreement on the best way to maintain an "as is" situation while the two companies appeal against the prohibition.

The appeal, which probably will go through two courts, could take years.

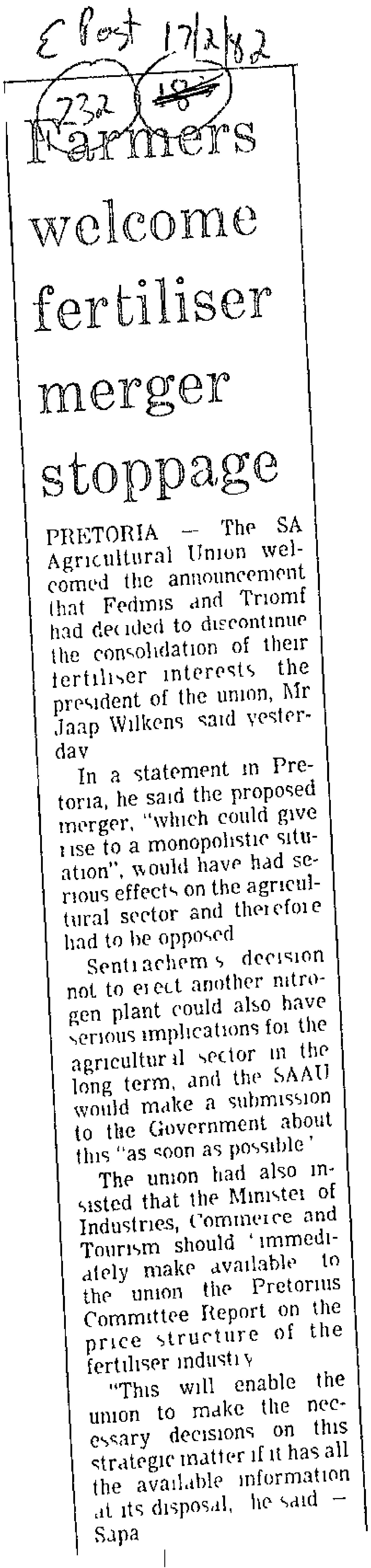
The Cartel Office wants to ensure that during those years, Rothmans and Philip Morris do nothing to prejudice the eventual outcome of the appeal.

Rothmans owns the Bremen Cigarette Company, Martin Brinkmann, whose Lord cigarette has captured 9.9 percent of the German market. Its Lux has 3.9 percent.

Philip Morris's Marlboro is Germany's fastest-growing brand, with 14.1 percent of the market last year.

Together with their lesser brands, this means that if Rothmans' Brinkmann and Philip Morris were allowed to merge in West Germany, they would control 31 percent of the market.

As the German-owned Reemtsma controls 31 percent of the market, two companies would monopolise about two thirds of the market.



E Post 17/2/82

232 ~~18~~

Farmers welcome fertiliser merger stoppage

PRETORIA — The SA Agricultural Union welcomed the announcement that Fedmis and Triomf had decided to discontinue the consolidation of their fertiliser interests the president of the union, Mr Jaap Wilkens said yesterday

In a statement in Pretoria, he said the proposed merger, "which could give rise to a monopolistic situation", would have had serious effects on the agricultural sector and therefore had to be opposed

Sentrachem's decision not to erect another nitrogen plant could also have serious implications for the agricultural sector in the long term, and the SAAU would make a submission to the Government about this "as soon as possible'

The union had also insisted that the Minister of Industries, Commerce and Tourism should 'immediately make available to the union the Pretorius Committee Report on the price structure of the fertiliser industry

"This will enable the union to make the necessary decisions on this strategic matter if it has all the available information at its disposal, he said — Sapa

Hansard

232

Amalgamation of fertilizer firms

Q.61
17/2/82
129

*30 Mr P R C ROGERS asked the Minister of Industries, Commerce and Tourism

(1) Whether he envisages that the proposed amalgamation of two fertilizer firms, the names of which have been furnished to the Minister's Department for the purposes of his reply, may result in a monopolistic situation arising, if so,

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

EDGARS

The drama of control

(232) FM 19/2/82

The way SA Breweries won control of Edgars, one of the country's leading retailers, in a dramatic move on Sunday, underlined how vulnerable to bids are a number of family-run businesses Once, concerns which were about 35%-owned by a family could believe themselves to be impregnable As the largest single shareholding group they long believed the family overshadowed diverse, smaller interests in institutional hands, especially if they had been strategically placed there Now that has changed

This was illustrated earlier this month when SA Breweries picked up 38% of Edcon, the pyramid company controlling Edgars, in an off-market raid It was prevented from acquiring control then by Liberty Life, headed by Donald Gordon, who was also acting chairman of Edcon Liberty already had about 12% of Edcon to which it hastily added a further 10%

Stalemate appeared to have been reached The family interests of Sydney Press, the chairman then undergoing surgery in the US, held 28%, Liberty Life and its associates 22% and SA Breweries 38%

But something had to happen to resolve the situation There was too much at stake Nor was an insurance company like Liberty Life necessarily in the position of being able to or wanting to run a retailing business

The situation was jolted back to life by a lightning offer at the weekend from SA Breweries, which presented formal terms to Liberty Life for its Edcon holding on Saturday afternoon with a 6 pm deadline for acceptance the following day The weekend was a convenient time to move as, with the JSE closed, the share price could not be influenced by speculation

Speed and timing were the essence of the operation The button was pressed by Dick Goss, SA Breweries' MD and the *FM*'s Businessman of the Year in 1981, late on Friday afternoon when he met Gordon and indicated an offer was on the way

At the Carlton Centre offices of Union Acceptances (UAL), the merchant bank advising SA Breweries, the corporate finance team headed by GM Malcolm Wyman had done a lot of homework on a number of possible packages for SA Breweries to offer

At 8 45 on Saturday morning, Wyman, Selwyn MacFarlane, SA Breweries' finance director, and Maas van der Bergh, a commercial lawyer, met at Goss's house in Sandton, northern Johannesburg There they worked out the final details

It boiled down to offering shares valued at the equivalent of R15 This compared with the R8 Edcon was trading at just before SA Breweries mounted its raid on February 1 and the R14 they went to the following day when Liberty Life launched the successful blocking action

The actual formula put to Liberty Life was that for every 100 Edcon shares it owned, it would receive 250 SA Breweries shares at an agreed price of R4,90 a share and a payment of R275 in cash Adding spice to the package, Edcon holders are to give up the dividend of 22c a share declared on February 11 and keep the payout from the SA Breweries' shares they receive By Liberty Life's estimates, the final dividend from SA Breweries shares will be equivalent to around 60c a share, which means a net gain of 38c to accepting Edcon holders

The meeting broke up at 10 30 am Goss telephoned Gordon and fixed a time to see him that afternoon Wyman, MacFarlane and Van der Bergh moved swiftly to the attorney's offices in the Sanlam building in town to finalise the paper work

They finished just before 4 pm and went out to Goss's house before going on to Gordon's home in Hyde Park, not far away There they met two other Liberty Life executives, Michael Rapp and Farrel Sher The offer was discussed at length and at 6 pm formally put to Gordon as the representative of Liberty Life as well as acting chairman of Edcon

After they had gone, Gordon called a meeting of the Edcon board at 8 pm They discussed the offer and, more particularly, the way they could inform Press, then recuperating in the US

They arrived at no firm decision ahead of the formal view of the Liberty Life board, although the feeling was that the deal was probably in Press' best interests under all the circumstances

On Sunday morning Rapp 'phoned around the 14 Liberty Life board members. Gordon, because of his dual interest, absented himself from the board's decision-making, though his views were made known

The board agreed by lunch time to accept the offer Control of Edcon, therefore, passed to SA Breweries which now held 60% Owen Sherry, a member of Edcon's board, broke the news to Press' eldest son who telephoned his father

An Edcon board meeting was held on Sunday afternoon and as it was breaking up, Press came through from the US He and Gordon talked for over an hour

Press was quite upset "You are giving away a fantastic jewel to Breweries," he said at one point, and spoke of his whole career devoted to building up Edgars over nearly 50 years He even asked Gordon to defer a decision for a few months

Gordon could not accept that The stake Liberty Life had built up in Edcon was worth some R50m, and hanging on meant forgoing interest on the money at the rate of perhaps R20 000 a day The deal also represented a unique opportunity for Liberty Life to acquire a large holding in SA Breweries, one of the country's leading consumer groups

Instead, Gordon attempted to console Press with the thought he would be an even wealthier man, should he accept the offer The value of the shares Press would receive would be worth some R52m cash and his income would double "That would give him R1m for every year he had worked there," Gordon said later at a news conference

Press was faced with a *fait accompli* One who knows him quite well said: "He would have agonised for months if given the chance That would not have done his health much good As things have turned out, this is probably the best thing that could happen to him "

Having undergone two heart operations over the past year, Press was in a difficult position Throughout Monday's news conference, Gordon kept stressing how sad it was for him to see his friend lose control of the company But the statement made it abundantly clear that an inevitable hard-headed business decision had been reached

"In view of his recent indisposition, an important factor in Liberty Life's decision was the complication and uncertainties inherent in the unknown period that Mr Press would be unable to be seriously involved in vital decision making in view of the new situation," the statement read

"The fiduciary responsibility of the Liberty Life board to its policyholders and shareholders must remain paramount and the consideration of the interests of the general body of Edcon shareholders was the most important consideration from the viewpoint of the Edcon board Any delay in protecting the interests of all affected parties, particularly in the present economic climate, could not be justified," it added

The documents were finally signed at Gordon's house on Sunday afternoon Goss arrived at 5 30 pm and the deal was actually concluded a little after the deadline

On Monday morning MacFarlane and Wyman met at 7 am to put the finishing touches to the statements They showed the documents to the JSE at 8 45 am and the deal was announced a little later A news conference was then called for 10 15 am at Liberty Life's headquarters in Braamfontein Now UAL is working on the formal offer documents which should be published soon

There will not be an offer for the shares of Edgars Stores Goss has made it clear it is unnecessary In any case, even SA Breweries resources might be a little stretched, given that the offer for Edcon alone values its equity at R187,5m Edgars' market capitalisation is about R200m

As for the rationale behind the deal for SA Breweries, Goss says that Edgars represents a complete fit in the retail interests of the group "Now we are in the clothing field where we were not before It rounds out our retail business," he said

SAB's Goss ... rounding out his retail interests in a big way

Most important, the acquisition fits in with the group's overall policy of trying to balance its earnings between those coming from beverages and those from what it calls its "diversified interests " The beverage side was starting to contribute disproportionately more to earnings than the other activities "Edgars will help restore the balance," he added

The purchase might not do much for the group's earnings per share at the moment, given the large amount of shares issued But that very issue can only lend strength to SA Breweries in broadening its capital base

On the criticism that the group might have paid too much for control of Edgars, the chief executive of a fast growing retail competitor said "If you can get some good assets, it doesn't matter what you pay I think Dick Goss has got some good assets in Edgars "

Goss has made it plain that Edgars will continue to be run as an independent unit For his part, Adrian Bellamy, Edgars' MD, welcomed the resolution of a difficult situation "We have a lot of respect for SA Breweries and are happy to be a major division of the group," he said

At the end of the day the question returns to what really constitutes control Press clearly believed that his stake plus the strategic one held by the institutions controlled by his fellow director, Gordon, was enough to protect his family's position of dominance In the event it was not, for two reasons As an attractive investment, his company's shares were sought after in the market The diversity of shareholding was thus eroded Second, if large amounts of money are involved, institutions like Liberty will rightly put the interests of policyholders and shareholders above bonds of friendship and cross directorships

Simon Proctor

Gen 2

term by Library staff.

ESSAY/ASSIGNMENT PREPARATION

Typing is strongly recommended. Where handwritten work is presented, a high standard of legibility and neatness is required.

One side of the page only should be used, and typewritten work must be double-spaced.

A generous margin should be left on the edge of the page to allow for the evaluator's comments.

An abstract is generally desirable, i.e. a brief statement at the outset on the content of the essay.

Students should state clearly on the front page: name, course, date,

FRAME GROUP [redacted]

Additional cover

(232) FM 19/2/82

The Frame group has the blanket industry all but wrapped up Last week, Frame acquired its largest rival, Natal Cotton and Woollen Mills (NCWM), giving it virtual control of the market

Frame has always been dominant in the blanket business but, with the latest acquisition, it is said to now control over 90% of the country's blanket production

Selwyn Lurie, Frame's joint MD, disagrees with the estimate He hotly denies suggestions that the group now has a monopoly and says Frame took a close look at what its market share would be before concluding the deal His figure "Around 75% " According to Lurie, competition with the other blanket manufacturers, Aranda, Pep Industries and a host of smaller operators, who hold the remaining 25% of the market, should still be vigorous

For all that, Frame has greatly increased its capacity through the takeover of NCWM which recently established a new factory at Canelands on the North Coast and has expanded blanket production by 40% In addition, the Frame group has undertaken some recent expansion of its own

Although the price paid by Frame was undisclosed, it is rumoured that NCWM's full order book of almost 2m blankets was included in the deal Under normal circumstances this could be regarded as a bonus, but in the current softening market it could present problems

Last year was an exceptionally good year for the blanket industry, with a total of about 12m units sold Although Lurie maintains the market is "still strong" there are signs that sales are beginning to dip as the economy cools

If the situation deteriorates further, there could be some cancellations of advance orders placed through NCWM

Adding to the industry's difficulties is the fact that the main blanket consumers, the country's rural blacks, are becoming more sophisticated in their choice of blankets Preference is turning towards better quality acrylic rather than rayon Manufacturers have thus had to re-gear to meet the changes Recently NCWM has been concentrating on lighter, finer blankets and, at one stage was even thinking of introducing a fur-pile version into its range Until now, fur pile has been available only on import

Manufacturers can, of course, turn to the export market to dispose of any surpluses Demand from Africa is still strong, but political problems present a problem for future growth Zimbabwe, for example, recently bought 3m blankets from Japan because of its reluctance to deal with SA suppliers

One advantage of the recent improvement in the quality of locally made blankets is that there is now no reason why they shouldn't sell overseas Local manufacturers are already believed to be looking closely at Australia and South America as possible future export markets

ICI takes 20% in Farm-Ag

21/2/82

S. Times

~~61~~ ~~185~~ 232

By John Spira

IMPERIAL Chemical Industries, the UK giant with a market capitalisation of R3 700-million, has, via its wholly-owned South African subsidiary, acquired a 20% stake in Farm-Ag

Farm-Ag is the Natal-based agricultural chemical company which made its debut on the Johannesburg Stock Exchange in December 1981 via a reverse takeover of Eddels

The deal is seen as a voluble display of confidence in South Africa in general and in Farm-Ag in particular

Although the companies concerned have declined to place a price tag on the deal, Farm Ag's current market capitalisation suggests that ICI will have paid in the region of R3 million for its shares

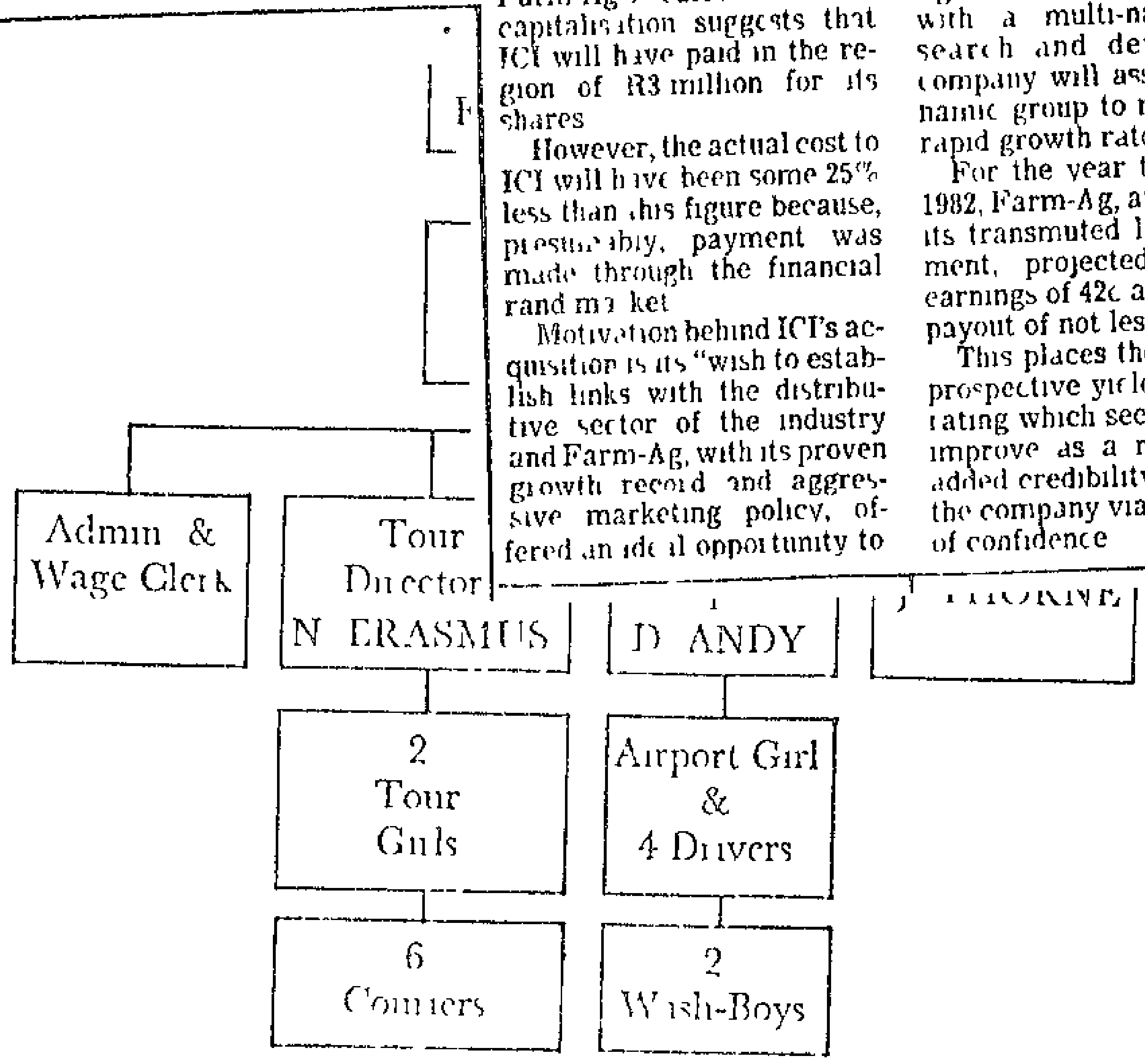
However, the actual cost to ICI will have been some 25% less than this figure because, presumably, payment was made through the financial rand market

Motivation behind ICI's acquisition is its "wish to establish links with the distributive sector of the industry and Farm-Ag, with its proven growth record and aggressive marketing policy, offered an ideal opportunity to achieve this objective"

The advantages to Farm-Ag are clear — association with a multi-national research and development company will assist this dynamic group to maintain its rapid growth rate

For the year to February 1982, Farm-Ag, at the time of its transmuted listing statement, projected minimum earnings of 42c a share and a payout of not less than 20c

This places the share on a prospective yield of 8% — a rating which seems bound to improve as a result of the added credibility afforded to the company via the ICI vote of confidence



the system could not be improved upon, possibly it would give Ball some good ideas

The next evening, Ball was in Johnson's office with the same complaint It was finally agreed that Jeoff Thorne would again drop sales and man the reception counter.

The following day Ball came to Johnson with a problem which involved a tour due to take place in two weeks' time

Ball 'Frank, Johannesburg is getting us into a mess with this tour It's a prestige account from the States which we've just taken over from our competitors This is the very first tour they are taking with us and Johannesburg hasn't informed us yet what the tour consists of and which couriers are going to be involved Since the tour is so important they want the very best couriers, Fred and Allan from Johannesburg, to fly down here to meet the tour with Stan and Percy from our couriers But now Stan is on another tour and won't be able to make it. There must be five Mercedes and we only have

SA Brews and Coki — giants battle for shoppers' custom

~~230~~ 232

22/2/82 **By DAVID CARTE** RDM

NOW that SA Breweries has control of Edgars and Mr Natie Kirsh's Coki Corporation has effective control of Greatermans, SA retailing is dominated by two corporations with annual sales of more than R2 000-million.

The Kirsh companies with projected sales of more than R2 400-million and SAB, with projected sales of R4 000-million, will become daunting opposition to smaller fry in the retail jungle — and to each other.

The two giants overlap in food, liquor, furniture and to a lesser extent in clothing

In liquor, in the aftermath of the great Union Wine scramble last year, the overlap is acrimonious to put it politely

SAB, with its Solly Kramer chain, is one of the biggest liquor retailers in SA But in terms of the Government edict permitting SAB's monopoly in beer, it must sell all but five of its bottle stores

Coki's Union Wine and Picotel, on the other hand, have permission to open 150 bottle stores and thus become far and away the biggest liquor retailers in SA Chances are some of these licences will be used to open wine counters in the bigger Checkers stores

The licences are confined to a magisterial district, but there is no restriction on location or size of store Picotel intends making its stores large

SAB and Cape Wine, the other liquor giant, are hoping that the Competition Board will rule that Union Wine, as a producer, must get rid of its bottle stores If that happens, the bottle stores will no doubt be shifted into Picotel, so Coki is unlikely to lose

In food, SAB has OK, and Coki has Greatermans, each with food sales approaching R1 000-million At the wholesale level, Coki also has Metro Cash which is budgeting for sales of R750-million, mostly food

With Pick 'n Pay commanding a huge and growing slice of the market there could be some rough stuff among the three giants if food sales start to flag

Checkers seems to have over-expanded and appears to have acute management problems Sorting this out is Greatermans No 1 priority

In obtaining 49% of Grifhold, Coki acquired only an attributable 22% of Greatermans equity The biggest stake of 23% is held jointly by Mr Isaac Kaye and Mr Dusty Miller

Either Coki has picked up a few more shares in the market to make it the biggest stake, or it has been given a management contract for Greatermans — for Mr Kirsh is putting one of his own men at the top of Greatermans

Mr Gordon Utian, a director of Tiger Oats, and according to Mr Kirsh, one of SA's brightest food men, starts work as executive deputy chairman of Greatermans in April

Mr Utian will also join a five-man executive board in Kirsh Industries at the top of the Kirsh empire — Mr Natie Kirsh, Mr Mervyn King, Mr Utian, Mr Izzy Kirsh and Mr Arnold Levy

Mr Rex Glanville stays on as managing director of Greatermans Mr Bob Harvey is retiring and Mr Kaye and Mr Miller seem likely to stay in the background

The acquisition of Mr Utian from Mr Kirsh's arch-rival, Tiger, suggests that having plundered the stock market, Mr Kirsh is doing the same to the market for retail executives

He has unsucccessfully approached two senior retailers, one of them in the SAB group, to join him But Mr Kirsh insists the group is not short of management Management, he maintains, is its strength

Dion's, he says, is running smoothly under Mr Clem McLeish, Russells goes from strength to strength under the long-standing management of Mr Les Mankowitz, and Mr Jan Pickard's team is prospering at Union Wine and Picotel The insurance interests, AA Mutual and Consure, have all the management they need

In furniture, the two big contenders prowl the same territory SAB has OK and Amrel, and Coki has Dion's — about to go national — Joshua Doore and Russells, not to mention the Checkers hypermarkets SAB has Afcol, the biggest furniture maker in SA

By comparison with Breweries, which now has Edgars and Scotts with joint sales of R600-million a year, Coki's interests in clothing — Cyril's Wardrobe, Woolfsons and bits of Russells — are small beer and SAB appears to have headed Kirsh off in this area.

Coki and SAB are acutely aware of each other and it is clear that Breweries bid for Edgars was prompted by Coki's pounce on Greatermans

After grabbing Russells out of the hands of Edgars at the 11th hour six months ago, Coki snatched Greatermans from Edgars while Edgars was negotiating with Greatermans controllers — Fedchem, Mr Kaye and Mr Miller

SAB's fear seems to have been that if Mr Kirsh were thwarted by Edgars in his bid for Greatermans, he would move on Edgars itself

Only a year ago, Mr Kirsh had moved on Tiger Oats, so Edgars was by no means too big for him.

The truth is, after two years of incredible growth, hardly anything is too big for Mr Kirsh and SAB, jealous of its retail dominance, knows it

With its Edgars bid, SAB appears to have blown the whistle on Coki's spectacular growth

Coki is not likely to heed the whistle and the paths of SAB and Coki seem bound to cross again — and the fur to fly

---

Note 2:

The death of a pa
accounting entiti have
to be drawn up foi to
ascertain the corr ie life
policy would be sh lirect
to the partners' capital accounts.

232

~~217~~

RDM 24/2/82

SOL

Enyati — risks but promise of US oil riches

By JOHN MULCAHY

(1) **THE progressive Triton group, fresh from its highly successful listings of Triton Ltd (Triton) and Triton Energy (Tenergy), is soon coming to the market with its latest vehicle, Enyati Resources.**

The primary objective of Enyati Resources is to develop an independent company with significant oil and gas reserves in the US, and the directors are looking for a 30% annual taxed return on shareholders' funds

Investment in Enyati is being offered firstly to Triton shareholders by way of a rights issue It is unique in South Africa, offering a direct investment in US oil and gas exploration to SA investors for the first time

Triton shareholders are being offered one new ordinary share in Enyati at 130c each for every share they hold in Triton, increasing Enyati's share capital by 5 972 450 shares to 20 349 197 shares.

Market sources believe a major attraction of an investment in Enyati will be its dollar link The company's assets will be based on dollar values, and the directors do not intend to hedge the dollar-rand exchange rate

Financing by overseas borrowings avoids the need to use the financial rand market, which would be expensive, and no material SA borrowings are envisaged

Another positive factor is the potential return, coming at a time when the market is dull and high growth possibilities are scarce

There will be no dividends in the first two or three years. After that, dividend (2) policy will be determined by earnings, capital requirements, the financial condition of the company and other factors.

Triton's managing director, Mr Laurie Goldberg, describes Enyati Resources as a venture listing, and has no hesitation in stressing its speculative nature

But he assesses the risk as no greater, or less, than gold and with less volatility than gold in the longer term

South Africans, says Mr Goldberg, have not had the opportunity of entering a comparable risk venture for years, and the attraction of such a speculative investment is the possibility of concomitantly high returns

What must be a positive factor for Enyati is the Reserve Bank approval it has received for the investment of $30-million in oil exploration over the next three years, $10-million this year

While not disclosing the details of Enyati's application to the Reserve Bank, Mr Goldberg says it was based on the strategic advantage of a South African company controlling oil reserves overseas

Triton has been involved in international oil and coal trading for some years, but has been constrained by its reliance on the spot market

The pre-listing statement says "Where possible, investments will be made on the condition that the Triton group will be entitled to purchase the total output of the wells developed at the current producer price"

Oil bought in this way cannot be exported from the US, but arrangements can be made for swop arrangements with US majors importing oil from other areas

As the first step in its programme Enyati has agreed to acquire 50,1% of Eaton Industries of Houston for $6 200 000.

Enyati's management decided that the most suitable entry into the oil market would be through the acquisition of an equity interest in a small oil company, and after consultation with US institutions, came up with a list of criteria

These included a competent management, with a track record indicative of its potential, and which had been used by other industry participants on a consultative basis

Eaton satisfied this requirement, and also possessed other attributes

- An experienced exploration and production staff with a record of successful drilling programmes
- The ability to generate drilling deals which have been sold to industry participants by arranging "farm-outs" A typical farm-out is the sale of a 25% interest in an oil prospect to three others on terms that they will each pay a third of the leasehold and drilling costs for one or more wells on the prospect.

The terms of each farm-out may differ in detail, but a successful farm-out will usually result in the exploration and drilling costs being borne by others, leaving the originator with a carried interest.

- The reputation to enable it to arrange working interests, or farm-ins, in prospects generated by other industry participants. This enables an operator to participate in a greater number of prospects over a large geographic area to spread the risk.
- The ability to raise funds from the public to finance its own drilling programmes

Mr Goldberg says the Eaton investment is ideally suited to Enyati's objectives, and was selected from 130 possibilities

Eaton's pre-tax profit in 1981 was $880 000 and the group started managing privately owned drilling funds during the year.

A major advantage in the Eaton investment is that most of its income is from servicing the oil industry and not from oil in the ground.

Its main area of business has been in providing drilling, engineering and other consulting services to the oil and gas industry on a consulting basis, but Eaton is now embarking on its own drilling management programme

Enyati is a 50,2% subsidiary of Triton, and was formed to acquire the entire issued share capital of Enyati Colliery (ECL) and New Bernica Coke Company

Its assets consist of a portfolio of listed investments, valued at R7 200 000 on February 2, various mineral rights, a branch railway line serving Vryheid coal mines and about R1 900 000 in cash

ECL will sell the railway line and mineral rights to Natal Anthracite Colliery for R3 465 000 and this sum, together with the R7 764 185 to be raised from the rights issue, will take Enyati's cash resources to R13 100 000

Enyati's directors say in the pre-listing statement that the cash will be invested in money-market assets "and other suitable investments", and the long-term objective is to achieve a real return of between 4% and 5%

Unique venture hard to assess

By JOHN MULCAHY

THE Enyati Resources listing presents South African investors with a unique opportunity to participate in oil exploration overseas, but its pioneering nature also means that there is no simple way of assessing prospects.

In an effort to set the scene for prospective investors, Enyati's pre-listing statement includes a summarised description of the industry.

Analagous to South African gold mines, many US oil wells were drilled to a relatively shallow depth, and if nothing was found, the well was designated a dry hole

At that time, any deeper drilling was beyond available technology and was uneconomic, while the oil and gas were extracted from the shallow wells mainly under their own pressure, and it was common that only 25% of a reservoir was recovered

Similar to the recent development of ultra-deep gold mines, modern methods have enabled far deeper oil wells to be drilled to take advantage of previously untapped reserves.

The hike in producer oil prices since 1973, as well as the de-control of oil and the pending de-control of gas in the US has attracted considerable funds to the deeper drilling of wells, to reworking of existing or old wells and to additional geophysical, geological investigation and drilling.

Large concentrations of capital have not been required to exploit small to medium sized reservoirs, with the result that many independent exploration companies have been formed whose activities account for most of the exploration of on-shore oil fields in the US.

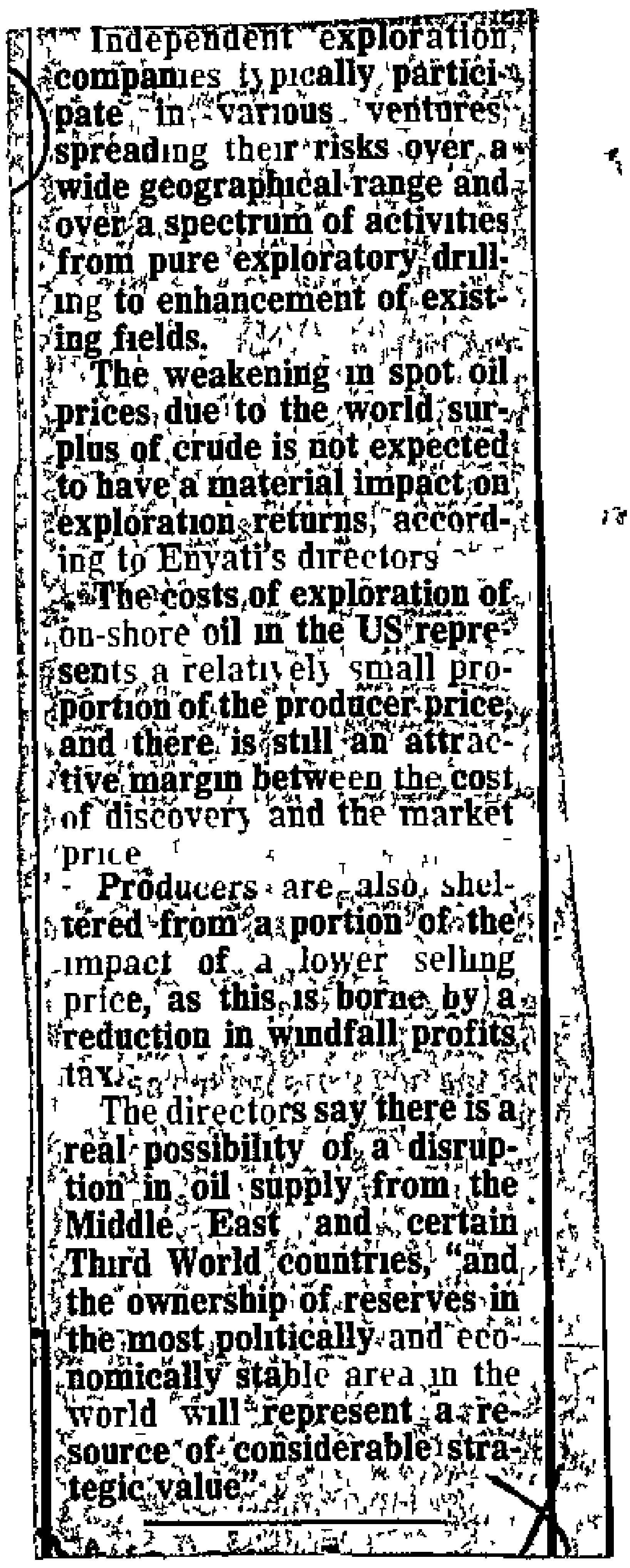
Major oil companies have dominated the exploration in frontier areas, hostile environments or other situations where the costs far exceed the capital capacities of smaller independent producers

In the past 10 years independents are said to have drilled almost nine times as many wells as the majors — the 16 biggest oil companies — but most of these independent wells were considerably more shallow than those drilled by the majors.

Continued/ ....

232

24/2/82



Independent exploration companies typically participate in various ventures, spreading their risks over a wide geographical range and over a spectrum of activities from pure exploratory drilling to enhancement of existing fields.

The weakening in spot oil prices due to the world surplus of crude is not expected to have a material impact on exploration returns, according to Enyati's directors

The costs of exploration of on-shore oil in the US represents a relatively small proportion of the producer price, and there is still an attractive margin between the cost of discovery and the market price

Producers are also sheltered from a portion of the impact of a lower selling price, as this is borne by a reduction in windfall profits tax.

The directors say there is a real possibility of a disruption in oil supply from the Middle East and certain Third World countries, "and the ownership of reserves in the most politically and economically stable area in the world will represent a resource of considerable strategic value".

BUSINESS 2

Natie Kirsh hand in Greaterman planning

Star 24/2/82

232

By Ann Crotty

Despite claims by Mr Natie Kirsh that he is not in the driving seat at Greatermans a number of developments have coincided with his acquisition of 49 percent of Greatermans' holding company, Griffon. These suggest that the hefty premium he paid for the shares involved a deal for some management control

Latest development in the Greatermans camp is the proposed sale of its 122-year-old Greenacre's department store in Durban This will leave Greatermans with only four department stores and speculation is that these will also be sold.

Closure

Announcing the closure of the Durban store, Greatermans chief executive Mr B Belcher said. "it would mean substantial expenditure, running into millions of rands to raise the store to the standard required"

Business sources in Durban estimate that the building should fetch at least R7 million. The municipal valuation is R4,8 million

Mr Belcher said, however, that the group was expecting substantially more than the R7 million.

Centred

If Greatermans does sell the remaining four stores its interest will then be centred around Checkers — the prize Mr Kirsh had in mind when he paid the equivalent of R25 for each Greatermans share that he acquired through Griffon.

However, things are by no means rosy in this division although turnover did increase by 27 percent in the six months to December 26.

It has been suggested that Greatermans' poor results for the six-month period to December would have been markedly worse had it not been for the switching around of the method of stock valuation

Management

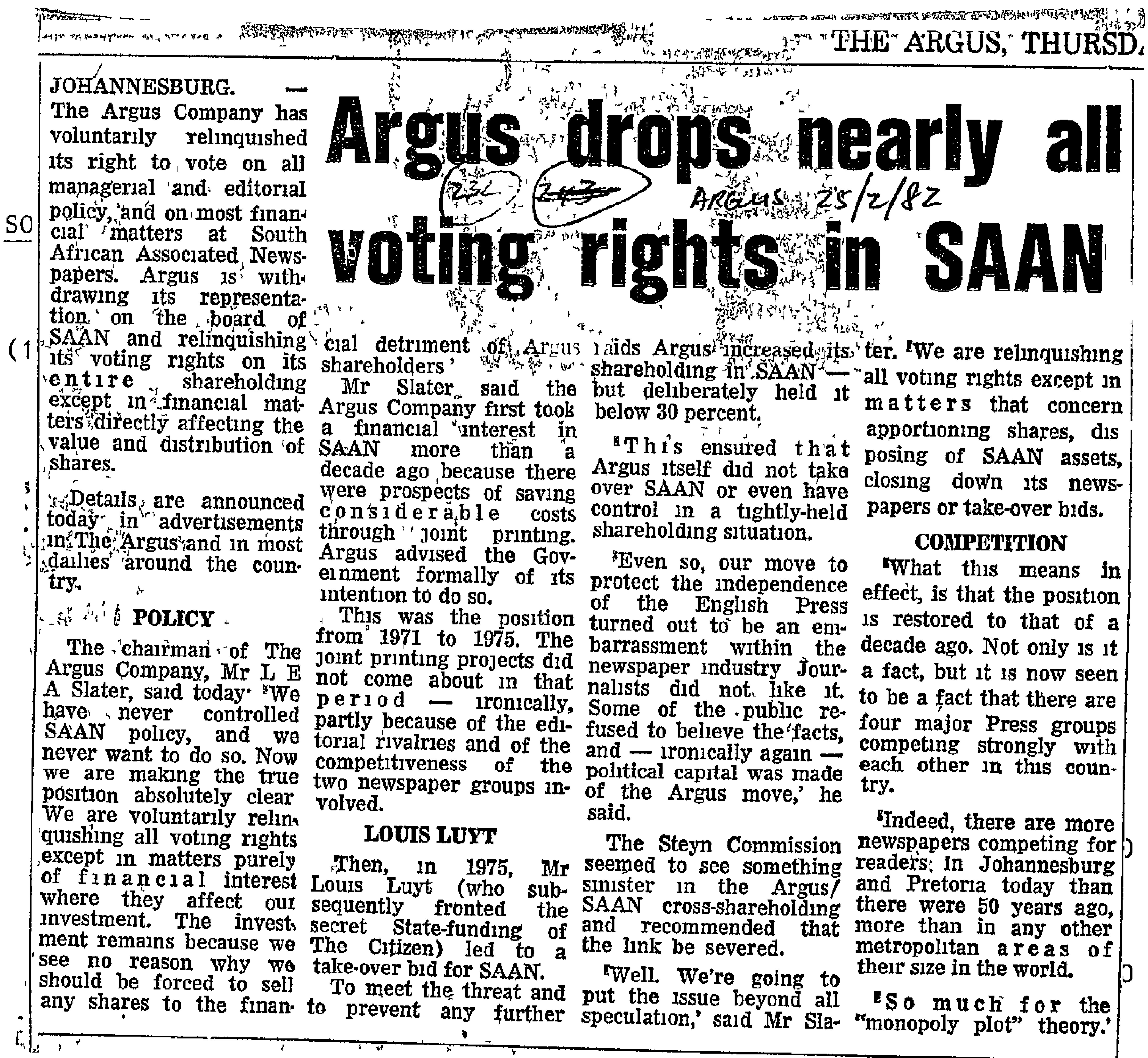
If the company is to rise to the same level of performance as its chief competitors, changes will have to be made

It seems that the main area for change is in management In April Mr Gordon Utian will be working full time as executive deputy chairman of Greatermans. Mr Utian, who will be coming from Tiger Oats where he is a director, has been described by Mr Kirsh as one of the country's "brightest foodmen" He replaces Mr Bob Harvey who retired last month

Mr Kirsh is undoubtedly behind Mr Utian's appointment, but questioned about his part in the sale of the Durban store, Mr Kirsh said that the deal had been "on the cards before he got involved in "Griffon He did however give his approval.

SO

(1



THE ARGUS, THURSD

Argus drops nearly all voting rights in SAAN

232 ~~243~~ ARGUS 25/2/82

JOHANNESBURG. — The Argus Company has voluntarily relinquished its right to vote on all managerial and editorial policy, and on most financial matters at South African Associated Newspapers. Argus is withdrawing its representation on the board of SAAN and relinquishing its voting rights on its entire shareholding except in financial matters directly affecting the value and distribution of shares.

Details are announced today in advertisements in The Argus and in most dailies around the country.

POLICY

The chairman of The Argus Company, Mr L E A Slater, said today: 'We have never controlled SAAN policy, and we never want to do so. Now we are making the true position absolutely clear. We are voluntarily relinquishing all voting rights except in matters purely of financial interest where they affect our investment. The investment remains because we see no reason why we should be forced to sell any shares to the financial detriment of Argus shareholders.'

Mr Slater said the Argus Company first took a financial interest in SAAN more than a decade ago because there were prospects of saving considerable costs through joint printing. Argus advised the Government formally of its intention to do so.

This was the position from 1971 to 1975. The joint printing projects did not come about in that period — ironically, partly because of the editorial rivalries and of the competitiveness of the two newspaper groups involved.

LOUIS LUYT

Then, in 1975, Mr Louis Luyt (who subsequently fronted the secret State-funding of The Citizen) led to a take-over bid for SAAN.

To meet the threat and to prevent any further raids Argus increased its shareholding in SAAN — but deliberately held it below 30 percent.

'This ensured that Argus itself did not take over SAAN or even have control in a tightly-held shareholding situation.

'Even so, our move to protect the independence of the English Press turned out to be an embarrassment within the newspaper industry. Journalists did not like it. Some of the public refused to believe the facts, and — ironically again — political capital was made of the Argus move,' he said.

The Steyn Commission seemed to see something sinister in the Argus/SAAN cross-shareholding and recommended that the link be severed.

'Well. We're going to put the issue beyond all speculation,' said Mr Slater. 'We are relinquishing all voting rights except in matters that concern apportioning shares, disposing of SAAN assets, closing down its newspapers or take-over bids.

COMPETITION

'What this means in effect, is that the position is restored to that of a decade ago. Not only is it a fact, but it is now seen to be a fact that there are four major Press groups competing strongly with each other in this country.

'Indeed, there are more newspapers competing for readers in Johannesburg and Pretoria today than there were 50 years ago, more than in any other metropolitan areas of their size in the world.

'So much for the "monopoly plot" theory.'

Jan 2:	Income from Life Policy	24 000	
	Income Statement		24 000
	being closing entry		
Jan 2:	Income Statement	300	
	Insurance Expense		300
	being closing entry		
Jan 31:	Bank	24 000	
	Debtor (Insurance Company)		24 000
	being receipt of proceeds		

(2) Premiums Treated as an Asset

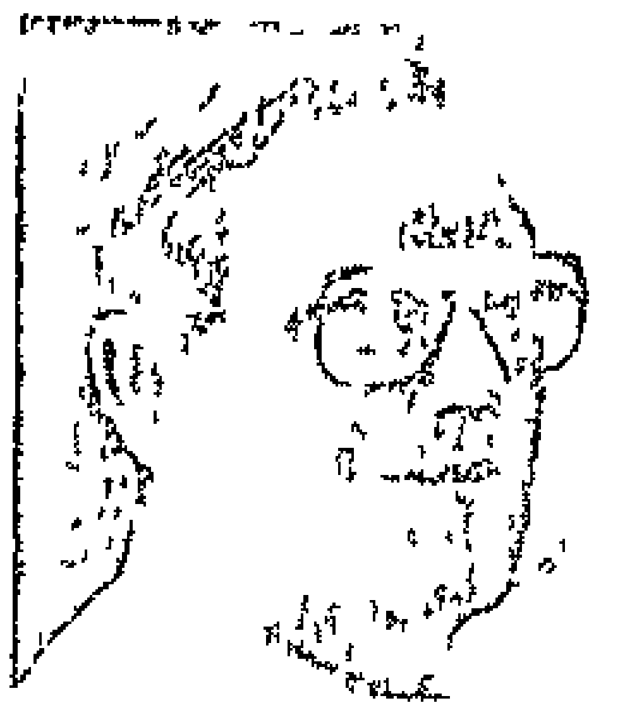
01, Jan 1:	Life Policy	300	
	Bank		300
Dec 31:	Income Statement	300	
	Life Policy		300
	(Surrender value of policy is zero - therefore no amount can be capitalised)		

Continued/ ....

DICK GOSS

FM 26/2/82 (232) [redacted]

Bagging first prize



The saga of the SAB/Edgars takeover will long be remembered It caused a sensation on the JSE with Edcon shares shooting up from 800c to 1 400c The FM talks to SAB chief executive Dick Goss on issues central to the takeover and future SAB corporate strategy

***FM.* What was the rationale for the takeover and what is SAB's retail strategy for the short and long term?**

Goss The first strategy is that we want to be represented in all sectors of the merchandise range In the context of retail sales nothing is left out since the acquisition of Edgars Before that we had little representation in the clothing sector

Were you ever interested in acquiring Greatermans? Presumably the Checkers food chain would have offered synergistic benefits to OK's food operations as well as the stores giving you the clothing interest?

Greatermans could have been of interest to us at any stage But from our point of view it would not have been the first prize Edgars was first prize When we went shopping we were prepared to pay a high price to complete our portfolio A Greatermans deal could have made sense but not as much sense as Edgars, which best meets our objectives If we had acquired Greatermans we would have got bigger With Edgars we've got bigger and broader

What are the biggest benefits of having Edgars in your stable?

We have diversified across the merchandise categories What has not been mentioned before is that we have also diversified in terms of the types of financial structuring we have The Amrel group is essentially into big ticket consumer durables with 24 months credit OK is high cash content Edgars offers six months' credit It makes financial sense to diversify especially in economic down cycles That's when different categories of business are affected differently There's a huge negative impact on big ticket items when credit is tight The cash business usually remains reasonable We don't know yet how the six-months-to-pay business will react But with this spread, one section of business compensates for the other It's a smoothing out operation It acts like shock absorbers, cutting the risk of wide fluctuations in cash flow

What is the final takeover cost to Breweries?

If we get all of Edcon, which effectively gives us half of Edgars, the whole transaction will cost us R180m

Some say you've paid far too much, that you've come in at the top of the cycle thus repeating the mistake SAB made when acquiring OK, which is said to have taken 3 - 4 years to come right

I'm inclined to look at the end result One hears all sorts of rumours about too little or too much, too early or too late What matters is how we perform It's the bottom line that counts Since acquiring OK our share price has compounded by 38% OK took a couple of years to get right There were management problems Edgars is very, very strong in management terms When people say we overpaid for their paper, they're not taking our paper into account Our paper is also at a peak At the end of the transaction the SAB balance sheet financial ratios are as strong We're not weakening ourselves Our earnings are possibly affected by a few percent but we'll make up for that very strongly The dire consequences which are prognosticated are not on the balance sheet We can't look at each transaction in isolation but in the context of our total operations

In terms of turnover and profit, what do you expect from the retailing division?

On annualised basis, retailing will account for close to R2,5 billion this year On profits, our beverage business is wholly owned so 100% comes into the SAB coffers On our diversified interests, 30% of OK is owned outside of SAB, 30% of Amrel and 50% of Edgars So we only get a proportion of those profits What we want to see is a 50 50 division between beverage and diversified interest profits We expect retailing to contribute roughly one third of overall SAB profits This is substantial

What are your intentions with regard to further acquisitions in retailing?

We must now consolidate We're moving into a depressed trading situation over the next 18 - 24 months We're in very good shape to come through with very well managed businesses I don't think we will look to expanding retailing interests but if we see a really interesting situation we will run for it We will not lock ourselves out

When did Edgars first interest you?

Probably for the last one or two years I've been thinking about Edgars making sense in the context of the SAB group About the middle of last year when we were rounding out our forward planning we thought about it more strongly By the middle of the last quarter of the year we were getting ready and we moved this year

Why did you not approach Sydney Press directly before he left for cardiac surgery in the US?

It was not appropriate I did not know him well enough I made approaches through certain directors whom I knew to try and determine if SAB could buy Sydney Press could have been aware of this, as far as I was concerned When I made the approaches I was completely unaware of his state of health One can not get into discussions before one has got the feel One has to sound people out At that point I had no dialogue with Sydney Press In many ways the events overtook the negotiations Once a situation is known in the market anything can happen Other interested parties can bid the price up Others can go in and buy to take up a strategic position and block the move. One has to evaluate a situation quickly It can all change in 24 hours

Do you think this takeover would have been possible if Press had been here?

He did not have control Unless he could marshall support to match the SAB scrip he would not have been in a position to stop the deal I would have preferred to have done the deal with Sydney here, but there were too many factors coming into play

(*FM* note The holder of more than 25% of the equity in a public company can't prevent the passing of control, but in terms of the provisions of the Companies Act 1973 as amended, he can

☐ Stop a scheme of arrangement,

☐ Prevent a raider from obtaining 100% of the company shares,

☐ Prevent the passing of a special resolution which is required for many things such as increasing a company's share capital or reducing the company's share capital or varying the rights which are attached to a share,

As a substantial minority shareholder it is likely that the courts will take his interests into account If Press had been here he might have been in a position to enlist institutional support On the other hand, he might have decided it was an opportune moment to accept SAB's offer)

Why did Liberty Life's Donny Gordon decide to accept your offer?

The offer was a good one It was too good to refuse

Would you have upped the price if Gordon had held out?

I was at the limit I was quite happy to wait if the offer was not accepted Eventually, there would have been a play for the shares and we would have been part of it With our strategic holding we knew something would happen But 1 500 was the top weight in terms of offers

If Press decides not to sell, what would be his position in terms of the Edcon and Edgars boards?

SAB has not yet taken up a position with regard to the board structure of Edcon and Edgars We don't want to rush it We have taken up a position regarding the chief executive of Edgars Adrian Bellamy remains CE and his top executive team remains untouched I cannot answer hypothetical questions about Sydney Press because so many factors are related to the issues (The *FM* understands Bellamy will report directly to Goss Like other operational heads he will have a seat on the SAB executive board)

What would be your own reaction to the takeover of a company which had taken you 47 years to build up?

Edgars is a mighty fine business I would feel pretty emotional about it to start off with On the other hand, if you strip the emotion out of it, Sydney is not a young man Here, he has the opportunity to see a business pass across into good hands at a peak price Edgars comes in on top form and it will be made even greater One has to take the total situation and evaluate it It turns on what is ultimately best for both

S. Times (232) 28/2/82

Trade & Industry buys Anglo African for R9-m

By John Spirá

TRADE & Industry has bought the entire share capital of the Anglo African shipping group for R9-million.

Anglo African's history goes back to 1921 and its gross receivables at the effective date of acquisition (July 1, 1981) were R80-million.

Anglo African is an international and domestic confirming house providing instalment credit facilities in South Africa, Australia, Israel, the United Kingdom, the United States, Singapore and Canada.

It has wholly-owned subsidiaries in South Africa, Panama, Zimbabwe, the Netherlands, the Netherlands antilles, the United Kingdom and the United States

Anglo African's offices in Johannesburg, Cape Town, Durban, London and New York are to be merged with Trade & Industry's offices in these cities, making for rationalisation "which will ensure substantial overhead savings"

The purchase consideration will be settled via the issue of 200 000 T & I shares at R10 a share and a combination of variable rate convertible cumulative redeemable preference shares

The acquisition will reduce T & I's net worth by 44c to 372c a share, while the effect on earnings will be "relatively immaterial" in the year to June 30, 1982

However, for 1982-83, Anglo African is expected to have a "substantial positive impact" on T & I's earnings because.

- The increased additional revenue generated from the combined T & I and Anglo African receivables (a total of R180-million) will boost earnings.
- T & I will be in a position to offer the full range of its financial facilities and services (and in particular insurance, travel and corporate finance) to Anglo African's clients.
- "Substantial synergistic benefits are expected to result from the merging of the Anglo African and T & I offices worldwide and the concomitant rationalisation of overhead expenses"
- Anglo African has tax losses of between R11-million and R17-million.

David Samuels, a T & I executive director, stresses that the Anglo African staff will substantially remain with the merged operation and that its clients will derive additional benefits from the new T & I involvement

He points out that apart from a R165 000 dividend on portion of the new preference shares, the new shares issued for the acquisition will not have to be serviced in T & I's current financial year.

He adds that R5-million of Anglo African's net worth will be attributable to overseas subsidiaries, thereby enabling T & I to further expand its operations abroad.

The Anglo African vendors are Credlease Holdings, a full Nedbank subsidiary (52,5%), and Selwyn and John Jacobson (47,5%), neither of whom are related to to Ivor Jacobson, T & I's chairman.

SOLI

(1)

Jan 2:	Debtor (Insurance Company)	24 000	
	Income from Life Policy		24 000
	being accrual of proceeds receivable		
Jan 2:	Income from Life Policy	24 000	
	Income Statement		24 000
	being closing entry		
Jan 2:	Income Statement	300	
	Insurance Expense		300
	being closing entry		
Jan 31:	Bank	24 000	
	Debtor (Insurance Company)		24 000
	being receipt of proceeds		

(2) Premiums Treated as an Asset

01, Jan 1:	Life Policy	300	
	Bank		300
Dec 31:	Income Statement	300	
	Life Policy		300
	(Surrender value of policy is zero - therefore no amount can be capitalised)		

Continued/ ....

28/2/82

S. Times

232

Enyati secrets unveiled

THE parties involved in the formation of Enyati Resources, the unique multi-million Triton group company shortly to be listed on the Johannesburg Stock Exchange, played a cloak and dagger game ranging from Mauritius to Houston in the US.

While Triton's Laurence Goldberg was tying up a $30-million deal with Eaton Industries, an independent Houston oil service company, an intricate share operation was conducted behind the scenes over a period of three months on the JSE.

The sponsoring brokers for the Triton group's Enyati Resources directed its dealers in November last year to quietly pick up parcels of Barlows shares which were needed in the Triton group's takeover of Enyati Colliery

By ELIZABETH ROUSE

The shares formed part of the deal in which Enyati Colliery was acquired by Triton and Triton Energy Holdings, to be turned into Enyati Resources, the first company to give South Africans a direct investment in US oil and gas exploration

Most of Enyati's shareholders were Mauritians and in consideration for agreeing to the proposal that Enyati Resources acquire the 24,2% of New Bernica Coke Company not already owned by Enyati Colliery, they were given the option of taking 800c a share cash or 800c payable in Barlows shares

Mauritian shareholders enthusiastically plumped for the deal after sitting for years on a low-priced and slim-yielding share' But they surprised Triton by opting more for Barlows shares rather than taking rands

Triton's first estimate was that about 200 000 Barlows would be required, but when individual shareholders were approached by Triton's merchant bank representatives in Mauritius, it soon became clear that substantially more shares would be needed

The final parcel of shares was picked up this week without anyone the wiser And the market never twitched, although industrials were firm and active over most of the buying operation period

Enyati comes to the market at a discount — the company's cash and shares are worth R11 a share against the R8 paid

The acquisition of a 50,1% stake in Eaton Industries for $6,2-million has its speculative aspect in that oil strikes cannot be guaranteed (although prospecting will be in known oil-rich areas) However, as an oil service company, Eaton has guaranteed profits

Enyati's $30-million investment will be matched by that of an associate in Europe (name not disclosed) and more funds will be raised from the US public By US standards Eaton is already a significant force in the independent oil service field

If it strikes oil on its own account South Africa will benefit in that the US oil can be exchanged through other sources Mr Goldberg's ambition is to see this oil refined in South Africa, whose sophisticated refineries will become increasingly under-employed the larger Sasol becomes.

Takeover transforms Hanhill

S. Times 28/2/82

232

~~183~~

HANHILL, an embryonic giant in the chemical sector with annual sales of about R1,2-million, is about to blossom into an R80-million fertiliser and explosives group

This is the major implication of the imminent acquisition by Hanhill of Swaziland Chemical Industries (SCI)

A significant producer of fertiliser — holding about 10% of the SA market — and an international trader in ammonia, SCI is 95% owned by entrepreneurs Oliver Hill and John Hahn and their associates and trusts, with the rest held by the Swaziland Industrial Development Corporation

By Andrew McNulty

If, as expected, necessary approvals are forthcoming, the deal should be completed in April

Details will be announced with the year-end financial statement in a few days, but a major term is that about 32-million new Hanhill shares will be issued, increasing capitalisation to about 35-million shares

Hanhill derives its earnings mainly from leasing of mechanical plant and other equipment to companies in Mr Hill's National Process Industries (NPI) group and from its 25% holding in National Explosives, an NPI company set up to produce and market Du Pont's water gel explosives

SCI is facing a poor fertiliser market in view of slackened demand, unsatisfactory prices and the entry of Sasol looming, but its record has been spectacular, and long-term prospects could be no less bright Developments include

- In a R15-million expansion, ammonia consumption capacity — used for production of ammonium nitrates, which are used in production of explosives — is being expanded from 28 000t/year to 55 000t by April, to be followed by a R25-million programme to more than double this level by 1983
- A decision is expected by mid-year on a plan to develop a R40-million ammonia plant in Mozambique, using the Pande gas field as a feedstock, that would produce 60 000t/year
- Protracted efforts to break into the explosives industry may soon be resolved successfully (see article on Page)
- NPI is to spend R10-million on developing a plant to produce Du Pont-developed resin roof bolts for use in coal mines The plant will have an annual capacity of 3 500t and potential sales of R7-million/year

"When it is running smoothly it will be put into Hanhill," Mr Hill says

He adds that their "ties are getting closer all the time" with Du Pont, the world's largest chemical company

On its turnover of about R75-million for the year to December 1981, SCI achieved net earnings of R7,5-million to R8-million — a huge leap from the R4,5-million earned by SCI the previous year

I understand that Hanhill's net earnings for 1981 will be about R500 000, so if the merger had taken place at the beginning of last year the Hanhill group would have earned R8-million to R8,5-million

Largely due to greatly improved fertiliser demand and prices, SCI's sales soared from R5-million in 1977 to some R75-million in 1981

The fertiliser market has slumped, which means that growth in the coming year will be nowhere near as good, but Mr Hill says that they are targetting annual compound earnings growth of 'at least 30%" for the Hanhill/SCI group

Hanhill's share price, about 130c for most of 1981, doubled since the merger with SCI was announced in late November and by Wednesday was back to 215c

The yield is only 2,4% on the historical 6c dividend (likely to rise to 8c on earnings of 18c for 1981) but with a likely dividend of about 12c in 1982, the prospective yield is an attractive 5,6%

Merger makes top company

(232) S. Times 28/2/82

By Vera Beljakova

I KUPER becomes South Africa's largest property management company in the wake of this week's takeover in which the 50-year-old estate agency swallowed Citiplan Property Management.

The newly emerged organisation — I Kuper-Citiplan — will administer more than 600 properties with a total of 20 000 tenants

Market sources estimate that, in the light of the new giant's property mix (between commercial, industrial and residential buildings), it is poised to collect at least R30-million in rents during the next 12 months

Citiplan was sold by three of its original four founders — Sid Davidoff, Peter Corrigall and Marc Wainer, all in their mid-thirties — who emerged last week with a substantial, but undisclosed, cash capital gain reputed to be in the region of R1,5-million

The three retain their directorships and have signed a service contract to ensure that Citiplan's clients' interests are looked after

They, however, are to launch a new real estate broking and trading company (yet unnamed) which is to concentrate on syndicating and renovating old residential and commercial properties

It will be staffed by Citiplan's previous broking and sales staff

The merger this week took the property market by surprise, since Citiplan was said to be definitely not up for sale

But along came Kuper, making an offer the three couldn't refuse This leaves them now freer — and definitely richer — to follow their business interests in development and broking activities

To I Kuper, the merger has the advantage of economies of scale

The new joint venture will be at least 50% more profitable than running two separate companies

It also give I Kuper both the muscle and incentive to provide far better property administration services

Citiplan was formed six years ago when Summit — who employed the Davidoff-Corrigall-Wainer troika — went into liquidation Citiplan emerged with a portfolio of ex-Summit stock 35 buildings and a rent roll of R5-million

Subsequently the rent roll grew to R22-million a year, spread over some 300 buildings

			540
	Income from Life Policy being accrual of proceeds receivable		23 460
Jan 2:	Income from Life Policy	23 460	
	Income Statement being closing entry		23 460
Jan 31:	Bank	24 000	
	Debtor being receipt of proceeds		24 000

Note 1:

At the end of year 03, the life policy would be reflected on the partnership balance sheet as a non-current asset at its surrender value of R240.

Note 2:

The death of a partner automatically dissolves the partnership as legal and accounting entities. For this reason a partnership income statement would have to be drawn up for the period up to the date of death of the partner so as to ascertain the correct balance on his capital account. The proceeds from the life policy would be shown as income in this income statement and NOT credited direct to the partners' capital accounts.

Kirsh takes over at Greaterman

232

Star 5/3/82

By Mervyn Harris

Mr Natie Kirsh's Coki Corporation has gained outright control of Greatermans at a much lower price than originally agreed upon for the group which owns Checkers, the country's biggest supermarket chain

The original deal was renegotiated because Greatermans overstated earnings by half in its interim results by the inclusion of certain items which have now been corrected in the revised figures,

New deal

In the new deal Coki will buy half of the ordinary shares in Greatermans at a price of R15 a share for a cost of nearly R23 million. This compares with R25 a share originally agreed upon for 22 percent of Greatermans voting shares through a 49 percent stake in holding company, Griffon.

It comes after protracted negotiations between the Isaac Kaye consortium, which controlled Greatermans through Griffon, and Coki, the retail arm of the Kirsh empire.

This followed Kirsh group dissatisfaction with the accounting methods used by Greatermans when announcing a 31 percent fall in profits in the half year to December.

Mr Kirsh, regarded in financial circles as the "supreme opportunist," stepped in to acquire his stake in Greatermans when the poor results prompted Federale Volksbelegging to pull out.

It sold its 30 percent stake in Griffon to the Kaye consortium for a reported R15 a share, handsome profit on the first reported

The 71,4c represented a 31 percent decline from the 104c earned previously.

The interim dividend payable to shareholders has accordingly been reduced from 35c to 15c a share.

Matters corrected in the revised report are:

- Merchandise rebates of R1,1 million included in group operating profit is now reported as an extraordinary item.
- Merchandise discounts of R1 million from suppliers have been eliminated from the reported profit These discounts, normally received in the succeeding period, will be accounted for in the half year to June 1982.
- The basis of accounting attributable income of associated companies has changed, eliminating a profit of R550 000 earned before the period under review
- The value of the group's investment in Irvine Sellers, a chain of women's fashion stores in England, has also been written down by R2,2 million.

Supermarkets

It was in the contest of these corrections that the original transaction was renegotiated. The new deal means that Coki will own 26 percent of the total capital of Greatermans but the acquisition will have no material effect upon the net asset value of Kimet, Metro and Coki on an attributable basis.

Mr Kirsh said at a Press conference that he was keen to have Greatermans in his trading empire because of Checkers. The chain of supermarkets could do very well with

Kirsh does not acquire half of Greatermans ordinary capital, Griffon will make up the difference by selling part of its remaining holding to Kirsh.

Kirsh will first acquire the Greatermans ordinary shares and then dispose of them to Metro for the issue of 538 000 Metro shares at R32,50 a share and the balance in cash

Half of the issued Metro issued shall be exchanged for 2 412 000 Kimet shares at R3,48 a share.

Arrangements have been made to place these issued Metro and Kimet shares for cash.

Exchange

Metro will then dispose of its holdings of Greatermans ordinary shares to Coki in exchange for 6 771 159 Coki shares at R1,95 a share and the balance in cash

The new issued shares will not rank for the Kimet, Metro or Coki 1982 final dividend.

The board of Greatermans is reconstituted from today in line with the changed control It consists of N Kirsh, chairman, G Utian, managing director, B Belcher, M M Borkum, R C Glanville, M E King, I Kitsh, L Mankowitz, M North, J A J Pickard and N Werksman

232

Star 5/3/82

price of R7 a share three years earlier.

The Kirsh group then bought its stake at R25 a share, a premium of about 80 percent. This transaction has now been replaced by the new deal in the light of Greatermans revised interim profit results.

The new results adjust Greatermans earnings a share downwards a further 50 percent to 47,1c from the 74,1c

proper management

He was less clear about his intentions concerning Greatermans. He said he would have to look at it before getting in too deeply.

Mr Kirsh is aware of the value of Greatermans properties but has not decided what to do with them. He said he does not like disposing of properties

The mechanics of the new deal are that if other Kirsh company The Metro and Kimet shares will be placed with institutions Metro will dispose of its Greatermans' holding to Coki, Kirsh's retailing arm In return, Metro will receive Coki shares

The events leading up to these developments began on January 25 when Greatermans published its interim figures showing earnings down from 104c a share to 71c Fedchem immediately put up for sale its 30% stake in Grifhold which was bought by Kaye and Miller at R15 a share Edgars, invited in to discuss a possible bid, quickly pulled out and was replaced by Kirsh who concluded a swift deal for 49% of Grifhold based on R25 a Greatermans' share at the moment SA Breweries launched the first of its ultimately successful raids for control of Edgars (Kaye and Miller would seem to have been sitting on a handsome profit at that stage)

In three weeks in February, Kirsh people apparently discovered accounting problems at Greatermans This was hardly surprising in the light of criticism levelled at the management by, among others, the *FM* (January 29), and given the mild astonishment with which other retailers greeted Greatermans' interim profit figures.

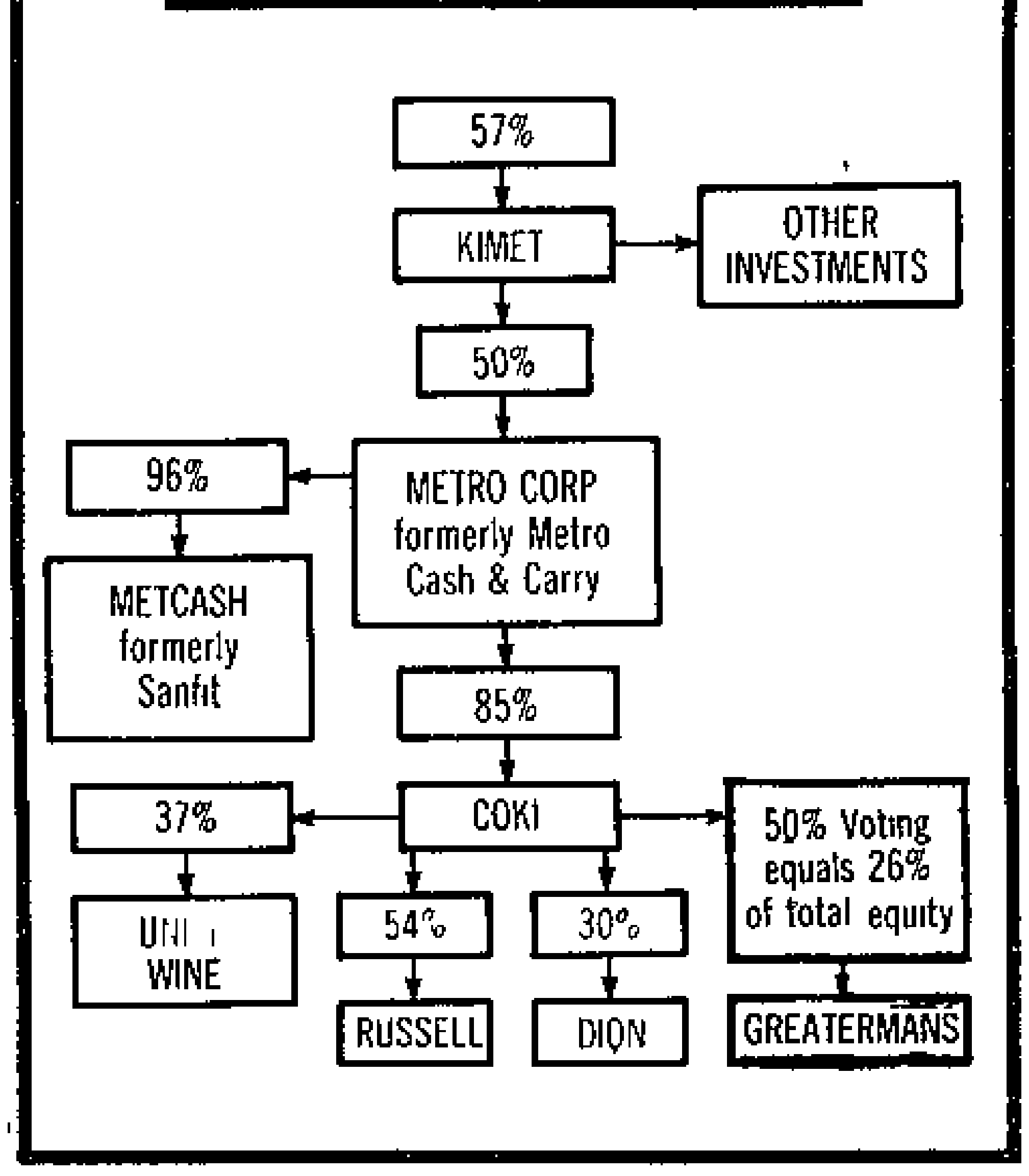
Of the problems, two concerned discounts One, involving just over R1m, was accounted for as discounts granted by a supplier, but they were in fact granted in relation to the sale of an asset and should have been treated as an abnormal item.

The second discount, amounting to roughly R1m, took place in a reporting period prior to the six months to last December and should have been taken in then.

The third was a reduction in the amount of attributable earnings from associated companies by just over R700 000

The company also wrote down by more than R2m the value of an investment in the Irvine Sellars retail group in the UK after it went into receivership last week

The impact of the accounting changes must have been considerable when looked at in relation to the level of earnings attributable to shareholders after tax In fact, a guess for attributable earnings could put them as low as R1m



KIRSH INDUSTRIES

That in turn would give earnings per share of not much more than 20c against the 71c reported in the interim statement at the end of January The dividend declared then of 35c a share would therefore be uncovered

But apparently the saga took an unusual twist when somebody suggested reducing the dividend because of the fall in attributable profits Stock market sources argued that it could not be done because of the status of the shareholder as a creditor According to informed sources, this proved to be a last-minute stumbling block which possibly prevented the announcement

The position of the auditors, Arthur Andersen, is hardly affected by the differences on the accounts The interim figures were, as stated at the time, unaudited That, of course, ignores the fact that a R1m discount should have been taken in the previous financial year for which accounts were audited

Looking back to when they were first offered the stake in Grifhold, Kirsh and his executives were a little wary of moving without full knowledge "When you are going to buy blind, you want to limit your risk We paid R17m We could have overpaid R5m and that was acceptable to us in terms of our corporate size and strength and the opportunities it gave us"

They moved fast Apart from the accounting errors, they soon found evidence of strategic and managerial problems. That was probably why the deal was renegotiated

As for his plans, Kirsh says "We believe we know what needs to be done and we do have some spare management capacity"

Kirsh realises he has to take a long-term view on Greatermans. "You can't change companies quickly I've had sufficient experience to see people trying to change things quickly to know that it is not possible We know what it means to change administrative methods, particularly in multiple store operations"

It could take about two years to turn Greatermans around, according to Kirsh Fortunately, though, there does not appear to be the need for a large injection of cash — the balance sheet of the company appears basically sound

MANAGEMENT STYLE

Just to add more drama to an already fairly dramatic scene, two representatives of SA Breweries appeared at Kirsh's house on Saturday, February 28 They offered to take him out of the Greatermans situation

The idea seems to have been that Adrian Bellamy, MD of Edgars and now a SA Breweries director, would manage the stores side Meyer Khan, who runs SA Breweries-controlled OK Bazaars, would handle Checkers Evidently Kirsh said no

Despite the recent hive of activity, Kirsh and the handful of colleagues on the top floor of Johannesburg's Glencairn building run a fairly relaxed head office

He allows the senior executives of the operating companies a lot of freedom "My own management style is such as to give people a lot of autonomy and authority I delegate widely as I don't want to be informed about every little thing

"If an executive is running an outfit, it's his responsibility I don't believe I can run it better than he can"

The main holding companies are private, including Kirsh Industries itself Dions is also private The public ones are Kimet, Metcash, Coki and Russell's

As for the group's overall strategy he believes that it is important to be in retailing "We are interested in building a diversified retail chain We would love to buy more of Dions We think it's a spectacular business

"There is an awful lot going for Russell's We need a little bit of patience as we cannot buck the economy, but it does have terrific growth prospects We don't have as much management involvement at Union Wine, but we are on very friendly terms with Jan Pickard"

Meanwhile Kirsh is renowned for moving extremely quickly when needs dictate With the delicate negotiations over Greatermans heading for a climax last Friday, the atmosphere within the head office fairly crackled While the telephone rang almost continuously, Kirsh moved swiftly between his office and that of Mervyn King, who was playing a leading part in the talks

"Our style is acting fast only in a situation where quick action is required" Last Friday was in fact one of those rare days Kirsh cancelled his regular lunch-time squash session

As for the relationship between his different companies, he says "We run them separately There is no way I will allow one company to ride on the back of another They are sacrosanct The average management fee which includes a contribution to the group charity situation is about 0,5% of profit."

It is not at the moment possible for a rational outside analysis and assessment to be undertaken that will answer the question of whether Kirsh and his colleagues are over-reaching their management capabilities. The information is insufficient given the private nature of the concerns But Greatermans will prove a key test

KIRSH/GREATERMANS

Plenty of action

232

FM 5/3/82

Natie Kirsh's Kirsh Industries is taking formal control of the Greatermans department stores and Checkers supermarkets group The move is the culmination of a number of dramatic developments in recent weeks which included an unsuccessful 11th hour attempt by SA Breweries to acquire control of Greatermans from Kirsh and the present board

No formal announcement had been made as the *FM* went to press, but there was considerable activity behind the scenes as a conference, called for Wednesday afternoon to disclose the changes, was abandoned for the second day in succession

The *FM* interviewed Kirsh last Friday but he refused to comment on specific aspects of the Greatermans deal until each one had been finalised However, early this week, details started to filter through to top retailers and stockbrokers and the following appear to be the principal developments in the drama

☐ The suspension from Stock Exchange trading on Monday of Greatermans shares amid suggestions of a rift between the existing board and Kirsh They were suspended at R11,50,

☐ The downward revision of Greatermans' interim pretax profits for the six months to last December by around R3m to R6,5m following three accounting adjustments,

☐ There was also the writing down by over R2m of the value of a UK investment in a small retail company which went into receivership last week,

☐ As a result of these changes, the original agreement was cancelled whereby Kirsh acquired, for R17m, a stake of 49% of Grifon Holdings (Grifhold), the unlisted pyramid company controlling Greatermans, from Isaac Kaye, the chairman, and "Dusty" Miller,

☐ Instead, a bid is expected to be made by Kirsh for 50% of Greatermans' voting shares at a cost of about R22,5m There will be no offer at present for the non-voting shares, and

☐ The immediate resignation of most members of Greatermans' board, including Kaye and Miller, is proposed and their replacement by Kirsh and his appointees, including Gordon Utian, from Tiger Oats, who will run Greatermans

Originally, Kirsh bought into Greatermans through the purchase of 49% of Grifhold at an effective price of R25 a Greatermans' share With Grifhold owning just over 44% of Greatermans' voting stock, he effectively controlled 12% of Greatermans' total equity

Under the new terms, Kirsh may be paying only R15 for each voting share but will secure 26% of the total equity

He will acquire initially half the 44% of Greatermans owned by Grifhold or 22% of the voting stock Kirsh Industries will then make a cash offer for up to 50% of the total voting equity

Should acceptances fall short, Kaye and Miller are under an obligation to make up the balance from their remaining holdings so that KI's stake reaches 50%

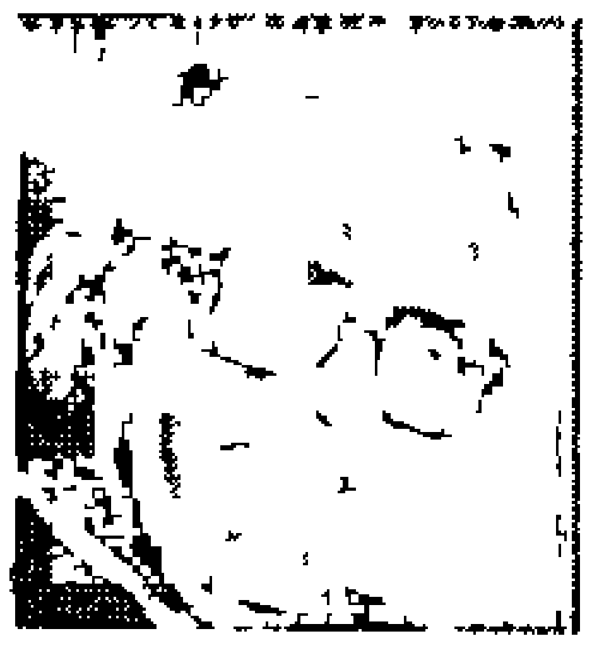
The reduction of the price from R25 to R15 obviously reflects the downward revision in profits Greatermans has been forced to make

To complete the deal, KI will dispose of its Greatermans' shares to Metro, another Kirsh company Half the Metro shares will then be exchanged for shares in Kimet, an-

232 FM 5/3/82

JOE FLOM

The making of the merger



Regarded as the undisputed "king of the takeovers," New York-based, Harvard-trained Joseph 'Joe' Flom is the senior partner in the 300-lawyer, 70-partner New York City law firm Skadden, Arps, Slate, Meagher & Flom. Broadly based in commercial law practice with particular emphasis on mergers and acquisitions. Flom's expertise in contested takeover battles and proxy fights has gained recognition world wide.

His firm was involved on Conoco's behalf in Du Pont's world record R7,6 billion acquisition of Conoco.

FM **What are the critical factors considered by a company before deciding to make a takeover bid?**

Flom: Factors include product extension where a merger can fill out product lines Broader based mergers allow a company to function in a new area and give it another leg to its business Sometimes mergers are sought to acquire contra-cyclical earning streams Companies can find themselves excessively liquid and seek to invest funds Sometimes a takeover is available at a price too good to resist

What factors should be considered by both acquiring and acquired companies when a takeover is being structured? How important are the human assets in determining the price for an acquisition?

You can't ignore human assets People are an important factor in any merger The relation between the two managements can be critical in determining if a merger goes forward In any merger management has to consider what's in the best interest of shareholders A premium on the market price is not necessarily the crucial factor Looking at takeover activities in the US, the size of premiums have reached 100% and above Occasionally there's no premium over the market price The premium paid on share market value is not the end of the question — rather it's a poor beginning

Why is that?

The market gives a poor rendition of what a company is worth When buying an earnings stream, basically you're buying the whole earnings stream But the stockholders' trade shares in most companies are to a significant extent based on the dividend yield which is typically considerably less than 50% of total earnings In structuring an acquisition, many factors have to be taken into account The buyer can take into account what it can do with the company once it gains control It has access to the cash flow. It can sell off divisions It can modify operations and afford to take a long-term view The price reflected by the stock market is more short term orientated

How do US-based takeovers differ from those in SA?

The structure in the US involves delays in accomplishing the takeover Most forms of acquisitions permit a greater degree of 'auctioning' than here It is quite common, once a company is being raided, for several other bidders to come in In most tender offer (takeover) situations the final bid is significantly higher than the original bid I have a feeling that it is much easier to accomplish a takeover at lower prices under circumstances where competitive bidding is foreclosed.

In terms of law, how does the US takeover situation differ from that which applies in SA?

The US changed its federal regulations on what we call 'dawn raids' in the Sixties A minimum 10-day period was then required in connection with a bid Even this time period was found to be inadequate to allow full opportunity for competitive bidding Now there is a more significant time delay On disclosure of intention, filing must be made giving significant information on the acquirer's plans and intentions to stockholders and the financial community

What is the role of the corporate lawyer such as yourself when takeovers are structured?

You work with the client and investment banker in planning the form of the merger and strategy You consider the legal implications of proposed steps because a whole host of laws affect the manner of the execution of the business combination and govern the legality of the combination Of course your role is significantly different when you're called on to represent the target company in a raid There you must advise the directors on their legal responsibilities and work with management to accomplish what the directors consider to be in shareholders' best interests

Is there a specific ideal offer in terms of prospective earnings as far as the acquirer is concerned?

There is no set form Different industries involve different criteria Bottom line earnings is only one of many, many factors in determining the desirability of the transaction and the price to be paid There are others such as balance sheet considerations, what gearing is involved in the company to be acquired, considerations of growth potential, the question of the multiple of earnings typical for that industry, considerations of how important the new company would be in the long-term strategy

Antitrust laws play a big role in the US. Neverthless why are there situations when, seemingly, a monopoly is deemed not to be a monopoly for the purpose of a takeover?

There's no short answer Antitrust laws are subject to extreme interpretations and to a great deal of factual analysis in determining whether an antitrust situation exists and if it's soluble

It seems as if merger and acquisition activity has escalated considerably in the US over the last year or two. Why?

It is fuelled in large part by a significant share discount caused in part by the high interest rates structures The real value of a company, its share price and the exchange rate, can mean that to do the transaction is not as expensive as when the shares are very high As a result of high interest rates, share prices are depressed

What inequities still apply in the US takeover system?

There is no requirement that the person acquiring control must make the same offer to minority shareholders as applies in most cases in SA

Is it a desirable societal stand to encourage take-overs and conglomeration? If it is, to what extent should this apply?

The consequence of mergers involves complex questions on whether or not there is an undesirable concentration of economic power

There's the question of impact on management decision-making when there's an excessive amount of takeover activity Does this cause management to operate its business differently from the way if would otherwise operate?

What is appropriate for a large diversified marketplace such as the US may be inappropriate for SA with its smaller economy and its smaller number of companies

part in this regard 11

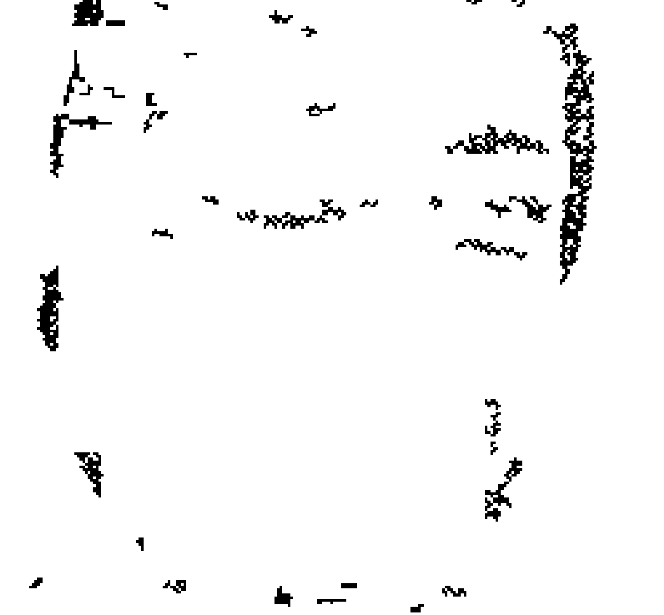
The tycoon with a smile — and time on his hands

(232)

Sun Xpress 7/3/82

PRESS BOWING OUT WITH R54m CASH FROM SAB SHARES

EXCLUSIVE



By TONY HUDSON
Business Editor

RETAIL tycoon Sydney Press is a man with a R54-million smile

That's the sum he has been paid — in cash — for his holding in South African Breweries

That means more than R22 000 a day to keep his smile in shape, at an interest of 15% compounded simply on the R54-million

If he was more interested in collecting a weekly 'wage', he would find R155 769 in his pay packet

A monthly cheque would be worth R675 000 from an annual interest cheque of about R8,1-million

Mr Press told the Sunday Express yesterday he had sold his entire holding to a large insurance organisation for cash and at a handsome profit

Just what is he going to do with all that money?

"Well," he said, "there is so much turbulence in the economies of the world at present, I am not going into equities. I would rather leave it in the money market where interest rates are excellent"

Mr Press also said he was finished with boardroom battles and intended to devote his time to private interests

"I have been working for 47 years, which is a long innings It suits me well to be free of responsibility and have some of that precious commodity, time, at my disposal"

Mr Press and his company, Edcon, made front-page news last month when SAB launched a lightning raid on Edcon, which owns Edgars, and gained control within a week

Initially provoked to anger by the raid, which occured as he was undergoing major heart surgery in the US, Mr Press has now accepted the situation

At first he felt that the raid had been launched at that time to take advantage of his indisposition However, after consulting a world-famous expert on mergers and takeovers he realised the move had been planned long before and the fact that he was ill when the raid happened was coincidence

"I accept with good grace that Dick G[illegible]s (managing director of SAB) had laid his plans well"

Of Donny Gordon, chief executive of Liberty Life who finally gave SAB control of Edcon by selling the shares he had bought in a vain attempt to stave off the takeover, Mr Press said

"I think Donny Gordon was in a difficult position He is not only my friend but has other interests that he must safeguard and what he did is understandable"

On his retirement from the battlefields of commerce, Mr Press said "It is important for a man to prove himself in life, but there is no need to do it endlessly"

He said he had planned to retire after 50 years with Edgars "but it is only a short time between 47 years and 50 years"

"The main problem is that it is a considerable wrench to sever relationships with the staff at Edgars, some of whom I have worked with for decades They are wonderful people and represent the treasure trove of the company"

But retirement does not mean that Mr Press is not going to keep busy He is already involved in a number of activities, any one of which could almost be a full-time occupation

He has been president of the Tree Society of SA for 23 years, runs the private SA Foundation for Scientific Study and Research, is one of four directors of the National Producivity Institute, is a member of the management board of the Manpower and Managment Foundation and is on the Transvaal board of the Urban Foundation

In addition, he runs a 6 000ha farm in the Eastern Transvaal

He is also investment adviser to his own trust

He takes a positive stance on his two major heart operations

"It is an encouraging thing to find that after being physically and emotionally down on your knees because of illness, you recover and bring yourself back to strength"

Jo'burg's D-day tomorrow

By ARLENE GETZ

JOHANNESBURGERS will know which political party will run their city by about 2.30pm tomorrow.

As frantic behind-the-scenes negotiations marked the days following Wednesday's no-win municipal election, it became clear that the three independent candidates were unlikely to play their hands before tomorrow's election of the new management committee

"Everybody is just stalling They're all trying to extract as much as they can," Mr Peter Soal, the senior vice-chairman of the Progressive Federal Party's Southern Transvaal region, told the Sunday Express yesterday

"I don't see how there can be a deadlock," Mr S W B Brits, director of Local Government in the Transvaal, said yesterday

"There are 47 councillors and if some of them can't decide whom they're supporting the matter can always be arranged by the drawing of lots"

Both Mr Brits and Mr Soal dismissed speculation that Transvaal Administrator Mr Willem Cruywagen might be forced to intervene to break the deadlock

"We are always threatened that the Administration will step in, but it won't happen," said Mr Soal

Mr Sam Moss, council leader of the PFP, felt it would be unfair to expect Mr Cruywagen to intervene

Mr Cruywagen could not be reached for comment

● See Pages 8, 9

Defence Force faces shock in Durban hijack trial

7/3/82
S Express

From Page 1

duced at the trial does not refer to the call-up papers

One of the most dramatic parts of the trial is likely to purpose — to unlawfully divert the Air India Boeing from its flight to Bombay so they could escape liability for their coup attempt

According to the reply to the request

Various accused with AK 47 rifles entered the aircraft from time to time while it was at Mahe airport

Mr Van Huyssteen and Mr Doorewaard and other accused

structed the passengers and crew not to converse with the authorities at Louis Botha airport

At Mahe the accused had instructed the Air India cap-

FM 12/3/82

SA BREWERIES

232

Well-heeled

The Edgars takeout has given SA Breweries control of more than the country's biggest fashion retailer — it has also handed it over 60% of national footwear outlets

The 450-odd Edgars branches have brought well over 800 of the 1 380 registered shoe stores under the SAB banner Which suits Breweries' book well, for the corporate policy is apparently to dominate whatever field it decides to enter

Yet, although SAB will dominate the retail shoemarket in terms of numbers, it will effectively hold only 25% of the R650m/year market

Prior to the Scotts takeover early in the year, the group's footwear interests were represented by Amalagamated Retail (Amrel) and manufacturer Shoe Corporation of Africa (Shoecor)

Amrel controls about 280 outlets through Cuthberts, Barnes, Select-a-Shoe and Moda Belle With Scotts, which will fall under Amrel from April, the total rose to 410

The addition of about 450 Edgars branches now gives SAB more outlets than the rest of the market combined

On the manufacturing side, Shoecor has four factories, producing brandnames like Barker, Hush Puppies and Millana With Edgars and Scotts, SAB acquired six more factories, which make brands such as Richleigh and La Nova

Some small retailers regard the latest takeovers with concern Many are supplied by the SAB factories and some feel that their supplies may be curtailed in favour of SAB's own stores

But Laurie van der Watt, chief executive of SAB's industrial division, rejects the possibility "SAB's shoe factories," he says, "are always kept at arm's length from our retail outlets The factories' primary concern is not to give preferential treatment, but to produce for the demand"

SAB's 10 shoe factories give the group less than 8% of the 130 factories registered with the Footwear Manufacturers Federation (FMF) "Taken on this wider scale," says Van der Watt, "fears of a monopoly can be scotched"

Larger retailers do not view SAB's move as pessimistically Says John Hallowes, marketing director of A & D Spitz, "Monopolies don't work in the fashion game Consumers want to be different and the greater the variety the better"

But most retailers and manufacturers seem less concerned with SAB's latest acquisitions than they are with the prospects for 1982

For the first 11 months of 1981 local shoe production reached 58,7m pairs, an increase of 10% on the same period for 1980 On the retail side there was a real annual growth during 1981 of about 8%

At the same time imports mainly from the East, jumped from 10,5m pairs worth R25m in 1979, to 16,2m pairs worth R51m for the first nine months of 1981

Manufacturers are concerned because they say they cannot compete with either the staggering growth in imports or the low production costs of most overseas competitors Furthermore, most leather materials required by manufacturers have recently been hit with a 10% import surcharge, while imported non-leather footwear remains largely unaffected.

Says Geoff Everingham of the FMF, "No compensatory increase has been forthcoming on other imported footwear and local manufacturers are left bearing the increase"

Shoe customer . . . fitting shoes from SAB?

Manufacturers have made representations to government for protective relief, claiming that job opportunities in the footwear industry are being affected by the increasing imports

A slowdown in imports, however, looks likely The pessimistic economic outlook for 1982 has caused retailers to predict that real growth in shoes this year will be a minimal 2% or even less

Says Toekie de Bruyn, chairman of the National Shoe Retailers Association "Imports will not be as high as last year This will allow a moderate volume growth for local manufacturers"

Insurance giant in the offing

S. Times

232

~~88~~

21/3/87

By John Spira

MERGER negotiations between Price Forbes Federale Volkskas (PFFV) and Alexander Howden (AH) will, if successful, result in an insurance-broking giant generating short-term premium income in excess of R200-million.

Further, the combined operation would boast life business premium incomes of close on R10-million and income from pensions business estimated at more than R100-million.

PFFV is already the country's largest group of insurance brokers, and the addition of AH will accordingly increase its dominance in the market.

The negotiations are being conducted under a heavy veil of secrecy, with neither side prepared to comment at this stage.

A merger of the operations of the two groups would make a good deal of sense because of their respective overseas connections.

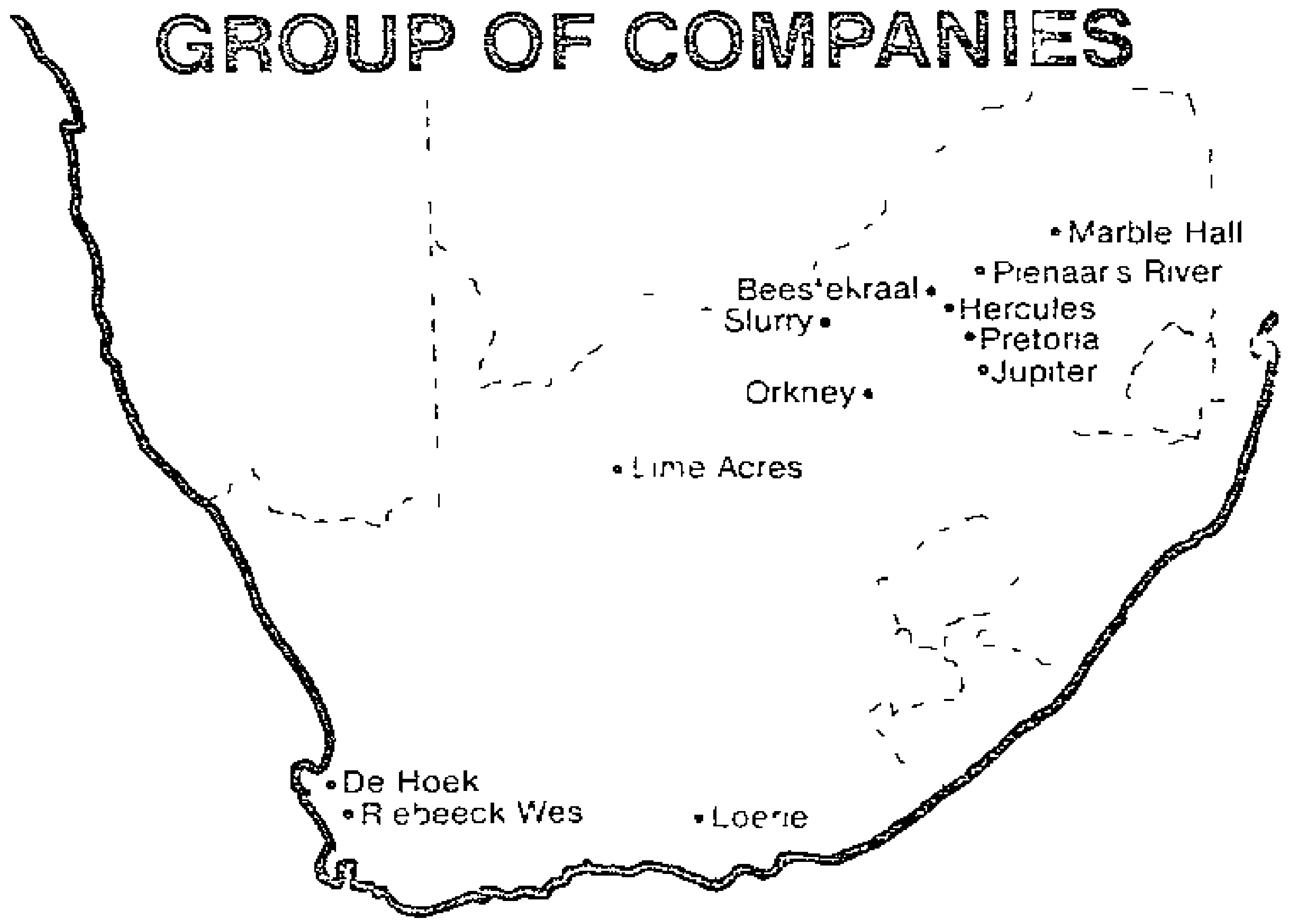
AH is 100% owned by Alexander Howden UK, which, in turn, is controlled by Alexander & Alexander of the US — one of the world's largest insurance-broking groups

232

S. Express 21/3/82

People Producing Cement that's PC

PRETORIA PORTLAND CEMENT GROUP OF COMPANIES



Cement and lime are essential elements of modern day life, as well as being fundamental to commercial and industrial growth We have embarked on a development programme which will take us well into the nineties and will ensure that we remain the major producers in our field

Our existing limestone deposits will last well beyond the turn of the century and in keeping with our philosophy on social responsibility we have an extensive programme of environmental restoration and reclamation To maintain our position and fulfil our obligations we have a team of dedicated professional, artisan, and operator staff, backed by a strong work force, totalling over 4 600 people

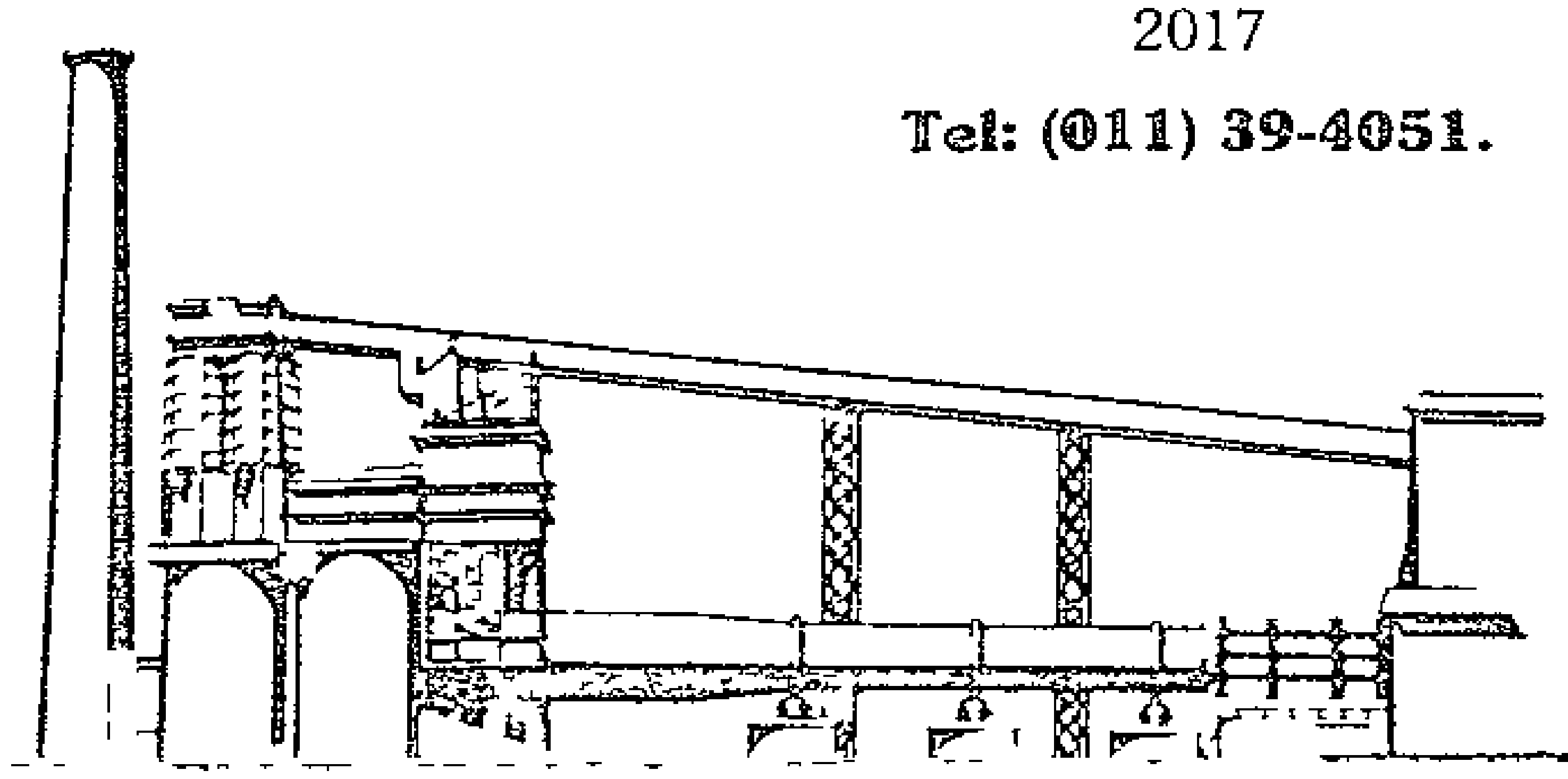
The Pretoria Portland Cement Group of Companies

- * Is the major producer of cement and lime in South Africa
- * Is wholly South African owned and a member of the Barlow Rand Group
- * Can provide excellent career opportunities and rewarding employment
- * Was established in 1892 and is still growing
- * Has capital assets with a replacement value of R498 million
- * Has an annual turnover of over R230 million
- * Provides in house and external training opportunities

Our Group has operations throughout South Africa We offer competitive salaries with a Christmas or leave bonus Pension fund medical aid fund membership group accident insurance and relocation expenses are among the benefits offered Company housing is available at our works and quarries and company cars are provided in the case of senior appointments We have a limited number of vacancies in the engineering and chemical professions for the younger man wishing to consolidate his career as well as for artisans in the electrician, fitter and boilermaker trades

If you would like to know more about us please write or call -
The Employment Adviser
P O Box 31181,
Braamfontein
2017

Tel: (011) 39-4051.



Pretoria Portland Cement

232

Sunday Trib. 21/3/82

~~88~~

Hill Samuel merger allows for streamlining

By MIKE PEIRSON
Finance Editor

ONE OF the major advantages for Board of Executors and Fidelty Bank when they merge with Hill Samuel next month is that the trust company and banking fields will be managed, in a more concentrated fashion

Durban Board managing director John Dickson told me this week that BOE, established in 1838, was the oldest independent trust company in the world.

"For over a century we provided the traditional trust company service of handling deceased estates and managing trusts etc But in the Seventies we started branching out into complimentary fields such as setting up a money market, which grew out of a service known as Cash Management

"We also got into non-traditional fields such as liquidations and money market insurance broking. We went into activities which are similar to those operated by merchant banks — corporate finance deals, mergers, acquisitions, raising of long term issues for companies and finally into instalment credit — leasing and HP.

"Last year we merged with Fidelity Bank and we found we were in general banking as well

"The beauty of the merger for us is that, with Hill Samuel in the group, we can now streamline our activites and have our trust companies operating as trust companies and our banking and related activities streamlined under Hill Samuel.

"We felt that it would enable the trust companies (operating in Cape Town, Durban, Port Elizabeth and Johannesburg) to be focussed entirely on that kind of activity, leaving the banking to the specialists in that field controlled by Hill Samuel. The opportunity presented itself for strengthening the management of the different activities

"To expand our banking side, for instance, we needed more deposits because we had plenty of takers for instalment credit Hill Samuel were the exact reverse of this. They were sitting with deposits but lacked the capacity to put those funds to work."

There were other areas where the merger made a lot of sense. Hill Samuel run a successful money market . . . but slightly different to BOE. BOE strength is in the corporate, inter-company or grey market area as opposed to assets. Most of BOE money market activity is blue chip borrowers. Hill Samuel, on the other hand, are very strong in gilts, semi-gilts and assets. So these are complimentary.

Adds Dickson: "On investment management, we are particularly strong in client portfolio management and still place great emphasis on highly personal service. Hill Samuel have a fairly significant investment management activity as well, but theirs is perhaps more heavily concentrated on pension funds.

"The real value of the move is the complimentatry nature of so many factors. Our management strength is in the trust area, theirs in banking.

"We are not faced with duplication of staff and offices, as happens with many other mergers and we expect tremendous spin offs from the inter-play of services which could be very significant."

Foreign firms still dominant

~~189~~ (220) S. Times

28/3/82

By Colin Bower

IN spite of the strenuous efforts that have been made to indigenise the R2 000-million-a-year electronics industry, more than 80% of turnover goes to overseas-owned companies.

This is the conclusion of a confidential report on the industry that Business Times had sight of this week.

Other authorities in the industry believe this estimate to be on the high side, and one spokesman said the percentage would be more appropriate if it were specifically referring to Post Office contract work.

According to the report, the electronics market remains dominated by companies such as Philips, Siemens and Plessey — but TMSA must obviously be added to the list.

Of the locally controlled companies, only Altech "is in the same league" as the principal overseas companies

"Any move towards disinvestment from South Africa would have a particularly severe effect," the report says, "owing to the dominance of Siemens, Plessey and Philips"

The report rates the electronics industry No 3 in South Africa behind mining and chemicals "in terms of importance".

Local companies other than Altech with major interests in the electronics industry are Barlow Rand, Grinaker — through its Grinel subsidiary — and Morkels and Tedelex, which operate in the consumer sector

Positive forecasts for growth in the industry are based largely on the R4 000-million Post Office supply contracts, which will run through to the next decade, and the burgeoning TV set industry.

The arrival of the TV2 and TV3 services, and the electrification of greater Soweto programme, helps manufacturers to forecast an increase in sales from 300 000 sets last year to 350 000 this year

The critical problem area remains the continuing shortage of skilled manpower, especially at the graduate engineer and technician levels

The industry has sustained an approximate growth rate of 25% over the past five years, and with the "massive scope for further application", the report suggests that the industry is "well placed to maintain a healthy growth rate over the next five years"

The telecommunications sector is dominated by the Post Office suppliers, Siemens, TMSA, Altech through STC, and Plessey

Principal manufactureres in the industrial sector — that is, measurement and control instrumentation, PABXs, traffic control and related equipment — are Altech, Siemens, Plessey, Philips and GEC

Local component manufacture in this sector is growing at 25% a year, says the report.

The consumer sector is dominated by the conservatively estimated R350-million-a-year TV industry, where a wide range of competitors is active.

The computer sector is dominated by IBM, with sales of about R150-million last year, while ICL and Burroughs vie for second spot.

In the power electronics sector, GEC is regarded as the biggest supplier, followed by Hawker Siddeley, Reyrolle Parsons, Siemens, Asea and Hubert Davies.

No mention is made of Powertech, which has sales of R95-million, and probably ranks behind GEC as the biggest locally controlled operation in the sector.

Sales in switchgear, transmission equipment, motors, transformers and related products make up 60% of this sector, with the balance in cables and lighting

Playing a major role in each of the categories is the components industry.

The only commercial manufacturer of integrated circuits in South Africa is the South African Micro Electronics Systems (SAMES), controlled by the Post Office (51% and Siemens 49%)

SAMES is also the sole supplier of ICs for Post Office telecommunications and other electronic equipment.

Altech is the other principal supplier of components

Also in the R250-million market are Philips, Plessey, and a host of independent suppliers such as Crest Components, Protromix, Allied Electronics, Suntronika, South Continental Devices and others.

Estimated turnover breakdown

	R-m	%
Telecommunications	500	25
Industrial	450	23
Consumer	400	20
Computers	400	20
Military	250	12
TOTAL	2 000	100

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question

Sugar infusion sets up R850m group

232

Tiger, Smith form top food group

RDM
1/4/82

By DAVID CARTE

TIGER Oats is to merge with the sugar division of CG Smith to create SA's biggest food group with assets approaching R850-million, sales of more than R1 700-million and taxed profit exceeding R70-million.

An announcement by the parties yesterday said the companies would be merged into a new holding company controlled by Barlows-controlled CG Smith.

The food colossus will have a substantial stake in Imperial Cold Storage, one of SA's biggest meat companies with assets in February 1981 of R182-million, sales of R765-million and taxed profit of R12-million

If it is clinched, the deal could make Barlows SA's biggest industrial company again only four months after it lost the No 1 slot to Amic through Amic's merger with Debincor.

It is also likely to put CG Smith into the top five industrial companies in SA

Mr Warren Clewlow, Barlows director in charge of industries, said negotiations should be concluded today. Interests of minority shareholders in all affected companies would be looked after and where appropriate, offers would be made to minorities

Mr Rudi Frankel, chairman of Tiger Oats, welcomed the deal, saying Tiger was now part of one of the biggest and most efficient industrial groups in SA

Tiger would continue to operate in its own right and he and his present management team would continue to run the company on a day-to-day basis

Tiger Oats, already SA's biggest food group, in 1980 had sales of R1 175-million, and its associates had sales of more than R1 000-million

It had total assets of R526-million and made a taxed profit of R36 607 000 Many of these numbers rose by roughly 20% in 1981, but Tiger has changed its yearend and has yet to publish its 1981 results and accounts

CG Smith's sugar division had sales in 1981 of R288-million, total assets of R316-million and taxed profit of R25 669 000

The parties to the negotiations are Old Mutual, which has 42% of Tiger and 10% of Barlows, Barlows, CG Smith and Imperial Cold Storage, which is effectively controlled by SA Mutual and Common Fund.

The parties were silent on terms and company watchers said it was impossible to speculate about them as so many permutations were possible

But an authoritative source close to Tiger said it was unlikely that Tiger minorities would be taken out and that the share would disappear from the Johannesburg Stock Exchange lists But the word was that a premium on the market price of Tiger would be offered

The deal was seen as logical by market commentators, especially in the wake of the merger between Huletts and Tongaat

They said Tiger had been in limbo since it became effectively controlled by Old Mutual, a sleeping partner, after Mr Natie Kirsh's unsuccessful bid about two years ago.

Several brokers hoped the deal would go some way to alleviating Tiger's management shortage

A broker said CG Smith had been waiting for a big acquisition and it could hardly have selected better prey than Tiger and ICS. These companies made CG Smith and ultimately Barlows far less cyclical than now

With Nampak into packaging, Romatex into carpets and textiles, and the new merged group into food, CG Smith was beginning to look like the manufacturing arm of Barlows that sold to the consumer sector. It also had distinct similarities to Tongaat-Huletts

Surname Tr

First Name(s)

Date 4|

Degree/Diploma
you are registere

Subject E
(to be copied f

Paper No E
(to be copied f

Examiners' Initials		

NOTE CAREFU

1 Enter at the
of the block
question yo

2 Blue or bla
answers Th
able Red o
underlining,
which penci

3 Names mus
(e g graph paper) w
examination book(s) are used

4 Do not write in the left hand margin

ooks, notes, pieces of paper or other mate-
ay be brought into the examination room
s candidates are so instructed

idates are not to communicate with other
dates or with any person except the invi-

rt of an answer book is to be torn out

nswer books must be handed to the com-
oner or to an invigilator before leaving the
ination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid-Afrika

Pickard hits at liquor monopolies

Star 2/4/82

(232)

By Patrick McLoughlin

The chairman of Union Wines, Mr Jan Pickard, has hit at "monopolistic forces within the liquor industry," in a statement attached to the group's results for the six months to December.

Mr Pickard, referring to the wholesale side of the group's operation, says that after the bear squeeze on the Johannesburg Stock Exchange of the company's shares was successfully averted, the liquor industry's "monopolistic forces" had, in an increasing manner, tried to obtain their long-term object of total domination by decreasing prices in the short term

"To maintain our position in the market, we had to follow suit," Mr Pickard said.

"The outcome was that profit margins started to decline because of the relatively small size of our group and this is reflected significantly in profits."

The chairman expects this situation to continue for a long time "But taking into account the real increase in wholesale turnover, we will maintain our position in the market," he added

Union Wine's attributable income for the half year was R1 019 000 compared with R775 800 in the previous corresponding period. This represents an increase of 13,4 percent t14gzp1 1st fri-

COMPARISON

The company's pre-tax profits went from R1,5 million to R2 million and, after a tax bill of R647 000 (R587 649) was deducted, the taxed earnings amounted to R1,5 million (R952 000).

Earnings a share went from 18,44 to 20c.

Group turnover advanced by 47,5 percent in comparison with the previous period In the production and wholesale division, turnover increased by 31,5 percent Sales in the retail division jumped by an impressive 61,7 percent.

NOTICEABLE

Mr Pickard said that group results for the half year reflected "a satisfactory growth"

Increased turnover and favourable discounts that became increasingly available in the market had a favourable effect on retail profits. The standard of group hotels was in general improved and better-quality management was being employed

These factors would become more noticeable in the results for the coming half-year

Examining the group's outlook, Mr Pickard said that current monetary policy predicted that no alleviation of the interest charge could be expected in the near future

"This prospect, together with the increase in producer's prices of liquor from the beginning of 1982 as announced by the KWV, will affect wholesale profits further and undivided attention will be given to cost control to protect profitability"

The retail division would maintain a favourable growth rate and was expected to contribute substantially to group profits for the year.

Picotel profits up 91%

Picotel's taxed profit for the half-year jumped 91 percent, from R746 000 to R1,4 million and the interim dividend was increased from 4c to 6c.

Earnings a share went from 14,13c to 20c and the company said that the physical standards of the hotels were generally improved and better quality management had been attracted

These factors would "manifest themselves" in the second half results It was expected that taxed profits for the year would show an increase on the previous year — Patrick McLoughlin

---

CANDIDATE MUST enter in
(1) the number of each question
ed (in the order in which it has
swered), leave columns (2) and

Internal	External
(2)	(3)
12 [illegible]	
6½	

NOTE CAREFULLY

1 Enter at the top of each
the block on this cover
tion you are answering
2 Blue or black ink mu
answers The use of a
able Red or green in
underlining, emphasis
pencil may also be used
3 Names must be printed
(e g graph paper) wh
examination book (s) ar

pieces of paper or other mate-
ght into the examination room
s are so instructed
not to communicate with other
h any person except the invigi-

wer book is to be torn out
must be handed to the commis-
invigilator before leaving the

Any dishonesty will rende
disqualification and to possible exclusion from the
ersity

Made in South Africa

D UCT

Vervaardig in Suid Afrika

Tiger Sugar SA's new food giant

232

RDM 3/4/82

By DAVID CARTE

A NEW listed company with assets of more than R850-million comes into being as a result of Barlows and CG Smith's takeover of Tiger Oats.

The company to be named Tiger Sugar and owning more than half of Tiger Oats and all of CG Smith's sugar interests, will be by far the biggest food group in SA

CG Smith and ultimately Barlows will almost certainly end up with control of Imperial Cold Storage, the R760-million a year meat colossus

Because it consists entirely of share swops, it is not possible to put a price on the deal, but total assets of Barlows and CG Smith should rise by more than R700-million as a result of the deal

The deal could make Barlows SA's biggest industrial company again and CG Smith will probably be in the top five or six industrial companies

Another important implication of the complicated deal concluded yesterday among Old Mutual, Barlows, CG Smith, Barlows and ICS is that Old Mutual's stake in Barlows will rise from about 15% to between 20% and 23%

The first step in the deal is that Tiger Sugar will buy 100% of the sugar division of CG Smith from CG Smith for the issue of shares to CG Smith As a result, once the proposals are implemented, CG Smith will have more than 50% of Tiger Sugar

Then Tiger Sugar will bid for Tiger Oats, offering one of its own shares for one Tiger Oats Old Mutual, which has 45% of Tiger, will accept Other shareholders are being offered three options They can stay with Tiger Oats, accept one Tiger Sugar for one Tiger share or they can take their Tiger Sugars and convert half of them into Barlows shares on a two-for-one basis

This means a Tiger holder with 100 shares will end up with either his 100 Tigers, 100 Tiger Sugars or 50 Tiger Sugars plus 100 Barlows

The third part of the deal is that Old Mutual will sell to Barlows, or where appropriate, to CG Smith, shares it holds in Imperial Cold Storage, plus a big portfolio of shares in Barlows subsidiaries

For this portfolio comprising 187 000 CG Smith, 1 352 000 Pretoria Portland Cement, 265 600 TC Land, 4 499 845 Nampak, 532 151 R&L and 7 114 915 ICS, Barlows will issue 11 400 000 new shares to Old Mutual worth more than R100-million at current prices

Barlows will keep the CG Smith, PPC, TC Land and Reunert & Lenz shares, but will pass the Nampak and ICS shares on to CG Smith for more of CG Smith's shares This will raise CG Smith's stake in Nampak to 75%

The share exchange was based on "an equation of earnings and assets applied equally to all the shares without any disproportionate premium attaching to any of the shares", says Barlows

The issue of new Barlows shares to Mutual will raise Mutual's stake in Barlows from about 15% to between 20% and 23%, depending on minority shareholder acceptance of the various offers

The 7 114 000 ICS shares that CG Smith will acquire from Mutual will make its holding in ICS 27% Tiger has 20% of ICS, making CG Smith's direct and indirect holding 47%

Because effective control has passed Barlows will make an offer for half the oustanding shares of ICS on the basis of 42 Barlows for 100 ICS

A holder of 100 ICS who accepts will thus gets 21 Barlows shares for 50 ICS Barlows estimates his income will increase by 25% if he accepts

The deal will not affect the net asset value or earnings a share of CG Smith or itself

COMMENT: The relentless agglomeration of SA industry continues It seems strange that price-controlled basic commodity industries — sugar, cement, bread, flour and maize — seem so desirable to the big predators

One mercy here is that the number of listed companies is not diminished but actually increased by what looks like a desirable vehicle in Tiger Sugar

Tiger holders can stay with their company if they have reservations about sugar and ICS holders also have the option of staying aboard if they particularly like meat.

Prospective earnings or dividend figures for Tiger Sugar, CG Smith or Barlows are unavailable, but if Mutual went upstairs, it might be advisable for others to follow CG Smith emerges as the crown jewel in Barlows's industrial crown

---

' CANDIDATE MUST enter in (1) the number of each question ed (in the order in which it has nswered), leave columns (2) and ık

Internal	External
(2)	(3)
9½	
11½	
13	

ni- s' als

J

M h o P or

asis or for diagrams, for so be used

ıted on each separate sheet where sheets additional to are used

4 Do not write in the left hand margin

otes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

seems to be taking very seriously the Britain has broken off diplomatic rela- Argentina should settle it on the rugby field," was tion

tion benches, Tories are also worried about the lack of resolution shown by the Government.

Having failed to deter the Argentinians by dip-

has rejected any suggestion that he should resign.

He has said that to have taken any military

tually in the dark about developments on the island

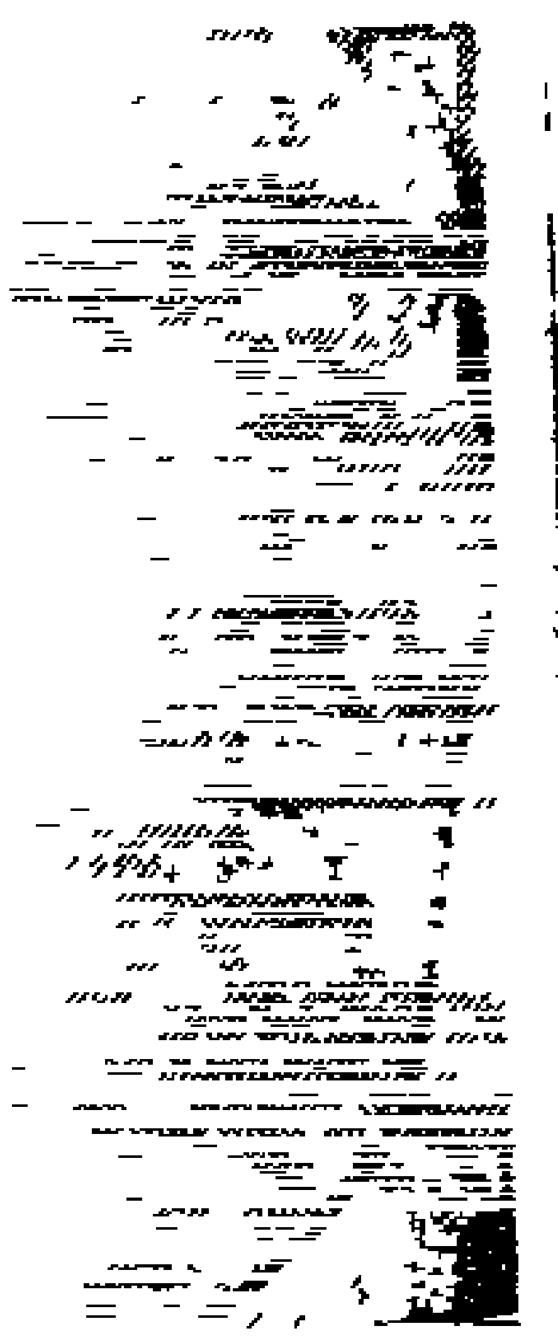
Asked if the 80 Royal Marines on the islands

Security Council bate the invasion was considering nic and other sar against Argentina

---

is

oke'



RESIDENT BREZHNEV

paper said he taken from the on a stretcher — ated Press

---

legs

nge

in a landmine is to make a up airfield tomorrow legs he needs for

from therapeutic litary Hospital in from the aircraft es to land on his

he had decided on it is a good clean

Western Transvaal which lost him

Twenty killed by US storms

LITTLE ROCK — At least 20 people were killed and nearly 370 injured when a series of tornadoes struck the mid-western states of Texas and Arkansas last night

In the space of five hours 20 tornadoes killed 13 people in towns in north, central and south-western Arkansas Police said that another 68 people were injured Heavy damage to property throughout the state was reported.

In the small north-eastern town of Paris, Texas, at least nine people were killed and 300 injured

The states of Tennessee and Mississippi, to the east of Arkansas, were on the alert for further tornadoes.

The National Weather Service described the death toll as the largest suffered in tornadoes since 1968

Five people in one family were killed near the town of Hope in Arkansas when a tree crashed on to their home.

At Richmond, in south-west Arkansas the Nekoosa Paper mill, one of the biggest in the world, suffered heavy damage.

Tiger-Sugar new food giant

232

Star 3/4/82

A new company, Tiger-Sugar, will make its debut on the Johannesburg Stock Exchange as the biggest food group in the country following the merger of Tiger Oats and the sugar interests of C G Smith in a deal worth more than R400 million

The deal will put Barlow Rand, which will control the new company through its subsidiary C G Smith, back into the top position as the country's largest industrial conglomerate — a position from which it was replaced by the merger of Amic and Debincor

It is one of the biggest deals Barlows has been involved in since its takeover of Rand Mines 10 years ago.

Besides giving Barlows an important investment in the basic food industry to complement its sugar interests, the complicated package deal will result in its gaining strategic holdings in selected group companies

The deal is unusual in that shareholders are not offered a cash alternative but may only exchange their shares.

In the first aspect of the deal Tiger Oats shareholders will be offered three alternatives

- They can ignore the offer and remain in the company.
- They can go into Tiger-Sugar
- They can go half into Tiger-Sugar and half into Barlows

The share exchange has been calculated as a package on an equation of earnings and assets.

There will be no material effect on the net assets, earnings or dividends a share of Barlows and C G Smith

---

Jaguars test star in tears

By Michael Shafto

BLOEMFONTEIN — It wasn't a stomach ailment that kept lock Eliseo Branca out of the South American team in last Saturday's rugby test in Pretoria It transpires he was merely homesick

Branca takes his place against the Springboks today, cheered by the fact that in two days' time he will be home with his wife and baby

There never was a stomach complaint The bug that struck the big man down was depression He couldn't sleep, spent nights weeping in coach Rodolfo O'Reilly's hotel room, and lost 7 kg in weight.

After the 50—18 defeat in Pretoria, he admitted "I am ashamed" But it is a measure of the tourists' understanding of players' problems that they stood by their teammate.

Caba flow

By Vanora

Spanish operatic Montserrat Caba lapsed in the Johannesburg's Theatre during formance last

It is belie Madame Caba suffering from fects of high since arriving week ago

It is her first South Africa

The audience aware of any Madame Caba ered and Belli "Norma" c

Even befo opera began, t was vibrant wi pation as women in even eagerly awaite formance

Few operat in Johannesb been app loudly as Caballé

The

Beware the Show caterin

By Andrew Davidson

Record crowds are expected at the Rand Show today But visitors might consider taking their own food and drinks to avoid what has been called the "big catering rip-off."

Although attendances in the opening days of the multimillion-rand show were far lower than last year the prices for catering are sky-high

A beer, in a small can, costs 85c — 20c more than you would pay in the city centre And you do not get a glass but must drink straight from the can or use a plastic cup

The teetotaller fares even worse. A cup of tea costs 40c from the numerous kiosks and restaurants

For this you get a plastic cup, a tea bag, some hot water and a little milk and sugar

Food will also make a dent in your wallet

Some examples chicken curry and rice — R3 95, custard slice — 60c, and an ice cream with canned fruit — R1,50

All dishes are served on plastic plates with plastic cutlery

One senior citizen, who had just eaten at one of the restaurants, told me "The prices are very everything s going up For 40 cents of tea I could at le a piece of plastic cups are what I ail"

An one who did not named, for reasons, t

"I kno more to

Six R2 000-m giants out for blood

(232) S. Times 4/4/82

By Andrew McNulty

BATTLE lines have been drawn between six giant groups which have created a major restructuring of South African industry in the past few years.

This was emphasised this week with the announcement of plans to create another massive industrial group through the takeover of the country's largest food conglomerate, Tiger Oats, by Barlow Rand.

Takeovers, mergers and the most phenomenal period of industrial growth in South Africa's history have led to huge new concentrations of economic power

The new Goliaths have spread tentacles throughout the industrial sector with meticulously diverse portfolios that leave virtually no aspect of business that affects the consumer uncovered

The interests of the top six extend from primary industry (steel production) to secondary industry (motor assembly) to dominating shares of the retailing sector

The pace has far outstripped annual rates of inflation of 13% to 15%

A takeover of the blue-chip Tiger, with sales of R1 175-million last year, by C G Smith, with sales of R1 200-million, would result in a new group with a combined turnover of R3 000-million in the current year

The C G Smith group — a division of Barlows — would then have sales of nearly double the R1 624-million turnover of the Barlows group in 1979, just three years ago

It would create what would be by far the largest food group, having assets approaching R550-million and taxed profits of more than R70-million, also holding a major stake in the R760-million Imperial Cold Storage, one of the top three meat companies

As recently as 1979, when the economy launched its take-off, Barlows, with total assets of R1 527-million was leapt past the R2 000-million level way ahead of any other industrial group

The next largest industrial company then was SA Breweries, with total assets of R917-million and turnover of R1 428-million, followed by AECI with assets of R752-million and turnover of R590-million

The new C G Smith/Tiger group joins five other industrial groups whose sales have

- Amic (Anglo American Industrial Corp) had a total asset value of R446-million and a turnover of R736-million in 1979

A series of acquisitions and — based on an anticipated "industrial take-off" in SA in the next decade — the merging late last year with Debincor and other industrial interests in the Anglo/De Beer groups turned Amic into a group with sales well over R3 000-million, and a market capitalisation of R1 500-million

- The industrial division of General Mining Union Corporation (Gencor) had turnover of R3 687-million and income of R239-million in the year ending December 1981 This compared with R2 440-million and R179,5-million in 1980

The 51% expansion in sales was achieved almost exclusively by organic growth as acquisitions in 1981 were small in relation to the size of the division

This suggests that Gencor could soon be looking at new acquisitions or mergers if the pace is to be maintained

- South African Breweries, after the most successful year in its history, achieved turnover of R2 400-million in the year to December 1981

As a result of the recent takeover by SAB of the R255-million Edcon (Africa's largest chain of retailing stores), SAB should have sales of R3 400-million this year

A subsidiary, OK Bazaars, has sales of more than R1 000 000-million

- Barlow Rand, in a race to

● To Page 3

Giants out for blood

232

S. Times 4/4/82

● From Page 1

maintain its accustomed stature as South Africa's pre-eminent industrial company, in the year to September 1981 had total assets of R4 775-million and turnover of R5 920-million

As reported in Business Times of February 28, Barlows has completed a major restructuring aimed at gearing itself for growth in the decade ahead

Six new divisions were created, each with a turnover of at least R500-million, some well over R1 000-million, and Dave Brown, an executive director, said the rationalisation could be a precursor to rationalisations and creations of new public companies

● Kirsh Industries, swelled by last month's takeover of the Greatermans group, leapt into the top six industrial companies, now boasting annual sales of R2 300-million.

It controls 25% of the country's distribution of food, hardware and softs while its stake in the food-distribution sector alone is probably in excess of 30%

In 1979 the Kirsh group was not even listed in the Financial Mail Top 100 companies list

In addition to these leading groups, many other dynamic companies are in the race other industrial companies with turnovers near or exceeding R1 000-million include Kanhym Tongaat Huletts Pick 'n Pay, Murray and Roberts, and Premier Milling.

The big question now is where the takeover raiders will strike next?

With the economy and the stock market in a downturn, organic growth is becoming more difficult and acquisitions are turning increasingly attractive — indeed essential, if growth is to continue

It can be expected also that the giants will seek to gain stronger holds of the country's big new growth industries of the future such as computers and information technology, beneficiation and — dare one hope? — more aggressive forays into world export markets

Giant film firms in SA in a secret merge move

232

RM2

E.Post 5/4/82

JOHANNESBURG — A secret merger between two giant film companies in South Africa, United Artists and CIC-Warner, has resulted in at least four senior executives being fired

Their retrenchment is part of a cost-cutting exercise by the new company — United International Pictures (UIP)

And although the process is supposed to affect an equal number of staff from United Artists and CIC-Warner, bitter United Artists staffers claim their company is receiving a raw deal.

Heading the list of fired United Artists employees is the managing director, Mr John Abel

The company secretary, Mr Gerry Pillay, and the manager of independent booking, Mr Terry Gilliam, have also been sacrificed by UIP

Those to leave CIC-Warner include Mr John Ferreira, the company's Press officer

In an interview, Mr Abel said "I guess I should be bitter about the whole affair, but I'm not

"I just wish the new company the best of luck," said Mr Abel

Mr Timothy Ord, formerly managing director for CIC-Warner, is the new managing director of UIP

Mrs Helena Nossel, ex-Press officer for United Artists, is the new UIP Press officer

Mr Ord this week refused to comment on the merger and resultant staff changes

"It is not a good time to discuss the matter," he said

Meanwhile, Mrs Nossel denied knowing anything about either the merger or the staff changes

"I don't know what you are talking about," she said

UIP is also said to be looking at employing new advertising and public relations consultants

At present CIC-Warner employ D'Arcy McManus and Masius from Rosebank

United Artists' films are promoted by Ster-Kinekor, which employs the Lindsay Smithers agency.

Mr Michael Johnson, chairman of D'Arcy McManus and Masius, said in an interview that UIP was discussing its account with other agencies.

"They have definitely held discussions with Partnership and BBD & O Retail," he said

"But we aren't too worried about losing the account."

FM 9/4/82

TIGER-SUGAR

232

Barlows, Old Mutual and Tiger announce the establishment of a new holding company, Tiger-Sugar, to be controlled by Barlow subsidiary C G Smith The complex series of deals will increase Barlows' strategic hold in a number of other prominent companies

W/E ARGUS (Suppl)
10/4/82

232

Control of large companies passing into fewer hands

A CYNICAL comment which goes the rounds from time to time is that one day South Africa will be owned by the Old Mutual, Sanlam and Anglo American — with Old Mutual and Sanlam each having a half stake in Anglo American.

The position at present is, of course, nowhere near this There are many other large insurance companies and one or two mining houses that are big enough to own a substantial share of South Africa.

But the Old Mutual-C G Smith-Barlows deal announced last weekend, which will result in the formation of the country's biggest food group, is another indication that the process is continuing whereby control of South Africa's major companies is passing into fewer and fewer hands

As a result of this deal the Old Mutual will hold about 25 percent of Barlows' shares and Barlows will control C G Smith, which in turn will control Tiger Sugar and its subsidiaries Tiger Oats and C G Smith Sugar Barlows will also enlarge its stake in Nampak, Romatex and ICS.

Huge income

The reasons for the deal are fairly obvious. The Old Mutual, the country's biggest life office, has a huge income which it must invest if it is to ensure its policy holders the returns they expect

Good investment opportunities of the type the Old Mutual wants are scarce, and this deal is most attractive as it gives the Old Mutual the chance to enlarge its stake in Barlows without having to bid up Barlows shares on the stock exchange

As a result of a share exchange the Old Mutual is to get 11,4-million Barlows shares In addition to enlarging its investment in Barlows, the Old Mutual is getting a substantial stake in the food industry. Tiger Oats is one of the country's major food processors while C G Smith Sugar is an important producer

With the country's population expected to double in the next 20 years or so an investment in food seems to be well worth having

The results of the food industry in the past year or so have not been too outstanding But this situation ought to change as the population grows and living standards rise

Good sense

From Barlows' point of view the deal also makes good sense. With the Old Mutual as a major shareholder it now has easy access — if it did not already have it — to the Old Mutual's cash resources. Besides, of course, it is getting a major stake in food.

The deal also looks a good one for Tiger Oats and C G Smith They can look to Barlows for cash and also draw on its highly professional management resources which it has built up in recent years

This is probably one of the most valuable aspects of the whole deal.

Resisted

All in all the deal looks good for the companies concerned and for their shareholders A strong group has been created with great potential for penetrating and enlarging its markets, with good cash resources and with good management.

Of course, one tends to ask whether such a large grouping is needed or desirable. The formation of such a large organisation with powerful economic pull is a development that some people feel must be resisted.

But one can argue that such a grouping, as long as it is efficient and is facing strong competition from other large groups — as seems likely — will do more to increase the country's wealth than its constituents would do separately. In a country such as South Africa today this is really what matters

If we are to grow and prosper it is essential that we use our resources as efficiently as possible and there is no doubt that in many fields of endeavour size makes for efficiency.

Competition

Furthermore, the more wealth we create the more chance there is for others to amass capital, start new companies and increase the size of the competition

The reason why there is so much competition in certain fields in the United States is not that there have been restrictions on the size of companies but because the easy access to capital by entrepreneurs has ensured that no group or company has had a market advantage for long.

So while the Old Mutual, Sanlam and Anglo American may grow in size in the coming years it is more than likely that the percentage of South Africa which they own will decline rather than grow., For given the growth that seems probable, the total economy will grow far faster than they can.

It would not be surprising if, say in 10 years, the companies that seem the market leaders today are facing strong challenges from competitors which will appear to have sprung from nowhere.

So while Barlows and its associate companies are obviously good investments now, it is wise to remember one of the golden rules of investment, which is to keep a close eye on your holdings.

Though it is unlikely that a conglomerate such as Barlows will run into trouble, its constituent parts could find competition growing rapidly as competitors try to increase their market share.

Kohler in R7m package deal

232 [illegible] S. Express, 11/4/82

KOHLER Limited has acquired the flexible packaging operations of Wiggins Teape Ltd for R7 250 000 cash.

The operations involved are Wiggins Teape Flexible Packaging and its subsidiaries Wiggins Teape Custom Packaging, Welgar Investments and Packaging Centre SA, all of which will trade under the Kohler Flexible Packaging name

The effective date of the acquisition is January 1, 1982

Kohler already has a substantial presence in the field of flexible packaging through manufacturing facilities in Pinetown and Cape Town.

Until now, however, it has not had a Flexible plant on the Witwatersrand where the bulk of the market is concentrated.

Gencor giant on the prowl

232

S.Times 18/4/82

By Andrew McNulty

ONE of the country's top three industrial giants the R6 000-million General Mining Union Corp (Gencor) could soon enter a new phase of major multi-million acquisitions.

New moves down the takeover and merger trail look almost inevitable if Gencor's industrial division is to fulfill its forecast of continued growth after its performance in 1981.

Potential takeover targets in Gencor's areas of interest — particularly mechanical and electrical engineering — are likely to become increasingly attractive in the coming 12 to 18 months.

With Gencor's resources and its low gearing the investments could be huge.

These points became clear from discussions this week with George Clark, an executive director of Gencor.

In the year to December 1981, the group's industrial division raised its turnover by 51% from R2 440-million to R3 687-million and taxed income by 33% from R180-million to R240-million, making industry Gencor's biggest earnings contributor.

The past year's industrial earnings were derived almost exclusively from organic growth, which in most areas can hardly be expected to continue unabated in the short term.

Mr Clark points out, how-

● To Page 3

S. Times 18/4/82 (232)

Gencor looks down the takeover trail

● From Page 1

ever, that some lagging areas in the industrial division are expected to turn more profitable this year - reflecting the security of the group's widely based activities

A prominent example of such cases is Trek Beleggings in the oil, petroleum and refining business now holding a 6% market share after only about a dozen years in operation

The company's profits suffered last year from the weakened rand rate, but volumes and market share have increased and more favourable controlled prices are expected to lead to improved profitability this year

Trek is highly liquid and looking for suitable acquisitions in areas such as chemicals or refining, which from balance-sheet figures could run to R20-million from cash resources or even more than double that with borrowing

The growth-oriented Darling and Hodgson (D & H) is also expected to perform better this year, particularly if the loss-making engineering division can fulfil expectations of turning round

Helping offset the engineering R13-million loss last year was D & H's 204% improvement in construction earnings, which rose to R16,4-million, and a 106% increase in earnings by the two-year-old coal division, which rose to R5,4-million.

D & H's coal turnover jumped 230% to R44-million last year, making it the country's biggest independent coal producer

"There is still a lot of room for the small, efficient and flexible contractor in coal mining," Mr Clark comments

It would be surprising also if D & H does not act to uphold its acquisition-hungry reputation

Although capital expenditure on expansion and new projects in Gencor's industrial division will be about R500-million this year, Sappi's R800-million expansion accounts for a large slice of this, so that future spending would decline in the absence of major new projects

Future projects for the group's heavy engineering activities will be influenced by the general philosophy of heading upmarket into higher technology

To boost its resources in technological expertise, Gencor has recently reached an agreement with a view to co-operation with another heavyweight, high-technology European company

Capex in future years will depend greatly on new projects that could arise, such as successors to the Astas gearbox operation, the next step in motor components probably being MAN axles

Expansion and modernisation of Dunswart Steel — including replacement of the gas plant and new furnaces — could easily absorb R50-million in the next few years, but the rate of this expenditure will depend on Dunswart's ability to finance largely from cash flow

Notably, Dunswart commissioned a new coal-based direct reduction sponge iron plant producing 120 000 tons a year at a cost of R8-million several years ago

Amic's Scaw Metals started building a DR plant this year to produce 100 000 tons a year, the estimated cost R30-million to R33-million.

Young lion at heart

232

Star 22/4/82

The creation of Tiger-Sugar in the complex deal between Barlow Rand and Tiger Oats launches a new food colossus MERVYN HARRIS interviews the young lion at the centre of the merger

The man at the centre of the complicated financial integration of Tiger Oats into the Barlow Rand empire describes himself as an uncomplicated and informal person

Mr Warren Clewlow (45), chairman of C G Smith, whose sugar interests merged with Tiger Oats to form Tiger-Sugar, says the deal was a great challenge to all parties involved

"I would be most disappointed if the synergy does not manifest itself in the next few years I would take it personally

"Food is something new for Barlows and it will test our mettle," he says

As probable chairman of Tiger-Sugar, the country's biggest food group, his informality will help him retain the common touch.

Good mixer

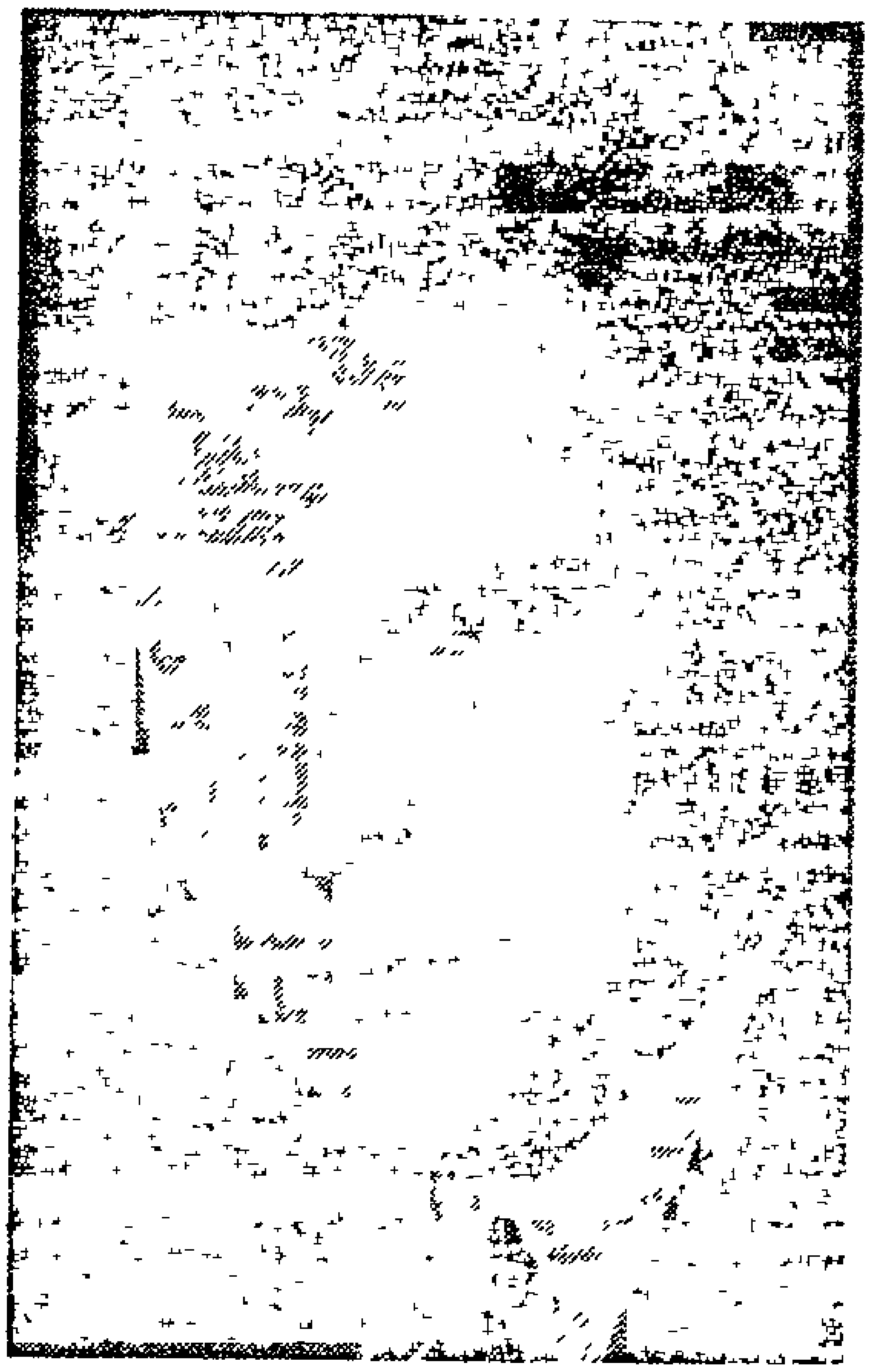
Like other executives at Barlow Park in Sandton, he often eats, sometimes jacketless, in the staff canteen, stopping briefly to chat with other employees

In his office there is no desk to separate him from people coming to see him He works, relaxed, from a comfortable armchair.

Mr Clewlow epitomises the style of leadership forged by Punch Barlow as the company rose to become the country's biggest industrial conglomerate.

Low profile

This can be summarised as keeping a low profile, placing the right people in the right job and giving them support and encouragement, and recognition that ordinary people are important to the company at all levels.

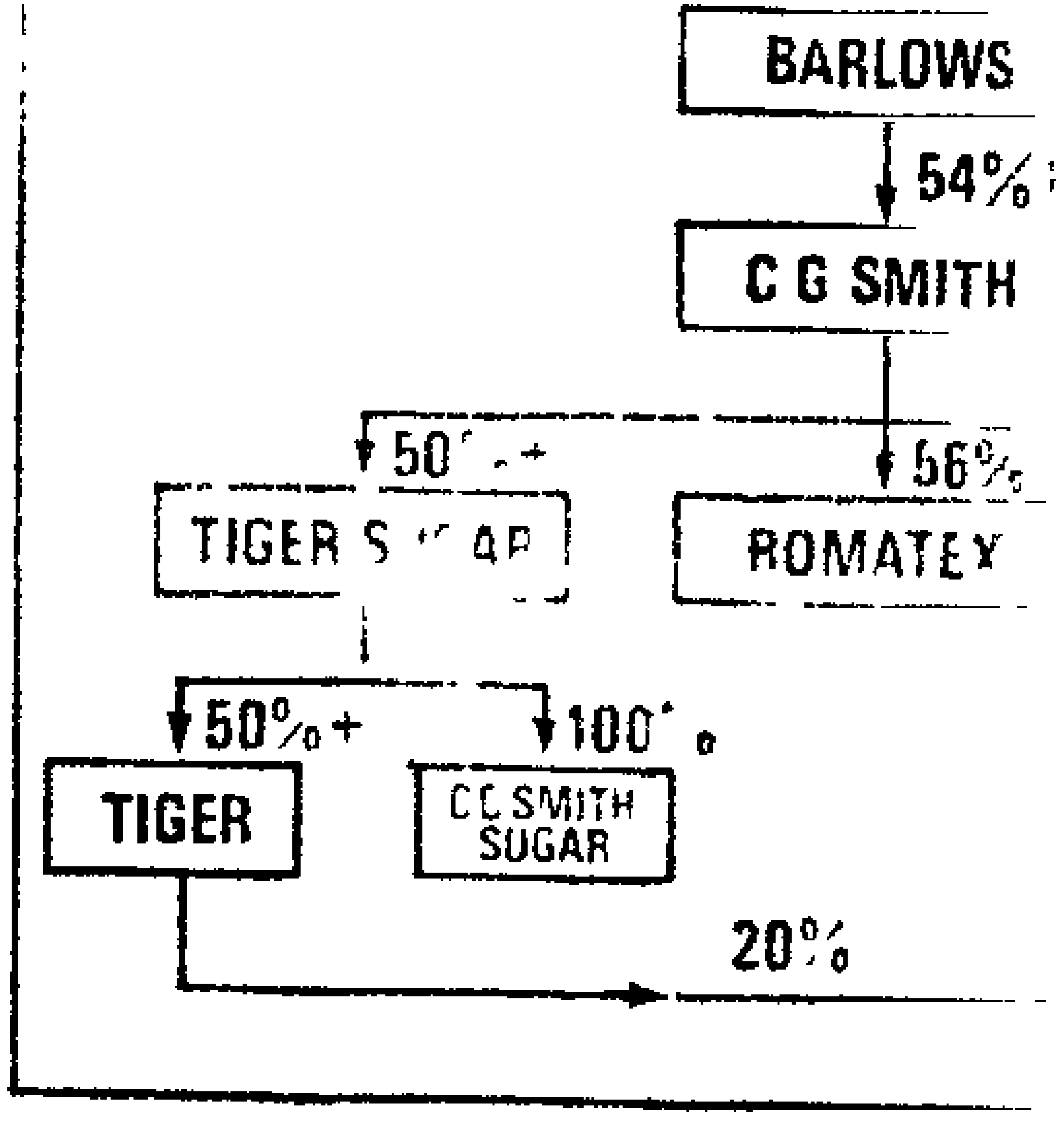


Mr Warren Clewlow . . . "I take a lot of advice and relevant opinions and mould these strands together."

Mr Clewlow says he was lucky to be associated with the group as it was growing and providing opportunities for people When he joined Barlows 19 years ago it was much smaller than many of the companies it has since acquired.

Born and educated in Durban, he qualified as a CA and was sent to Rhodesia by the Durban office of a firm of accountants.

Responsible for auditing some of Barlow's then recently acquired interests in Rhodesia, he was offered a job by the group and served his apprenticeship with the Caterpillar division in Bloemfontein



How Tiger Oats will be integrated into the
its merger with the sugar interests of C
The deal enabled Barlow Rand to obtain
several other companies, inc

Turning point

The turning point in his career came when he was transferred to Windhoek and took control of Barlow's interests in South West Africa

"I had started with the company on the financial side and saw for the first time that Barlow's gave management the responsibility to get on with the job while giving the necessary support and encouragement.

"Ever since then I have never underestimated the importance of giving support and encouragement to colleagues"

The seminal
of the five year
spent at SWA Com
cial Holdings is
by the fact that
the pictures in h
fice are of SWA
scapes

His success
sulted in his being
pointed mana
director of Ba
Manufacturing in J
nesburg in 1972
became an alter
director of Barlow
self in 1974 and a
director the foll
year

Ambition

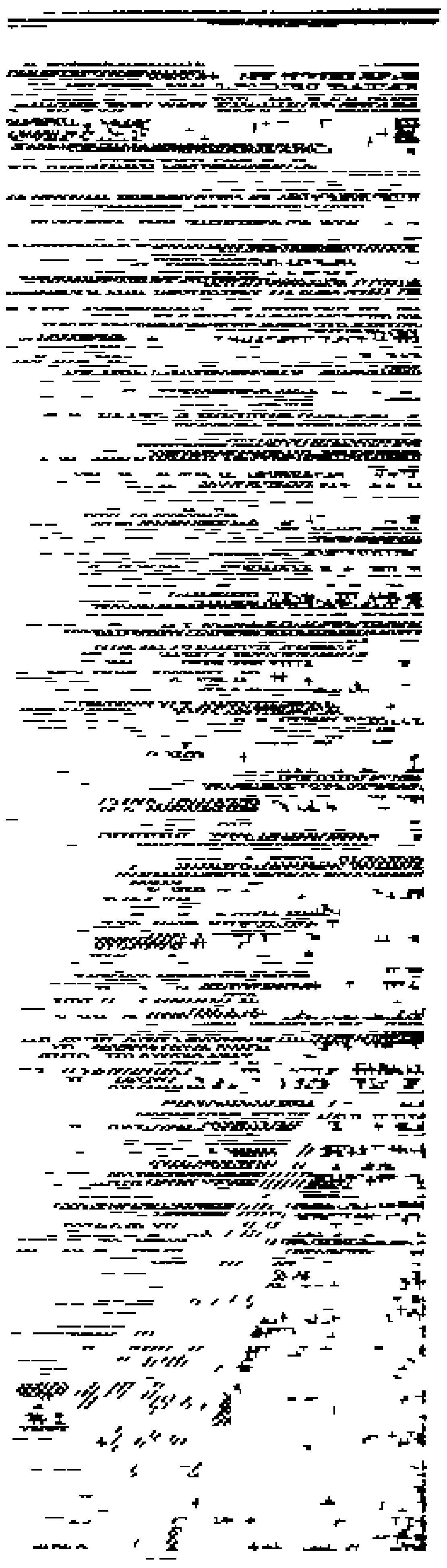
A reserved
Mr Clewlow
shudders at the
tion that ruthles
had anything to
with his rise to the
echelons of power

"My ambition
always been to be

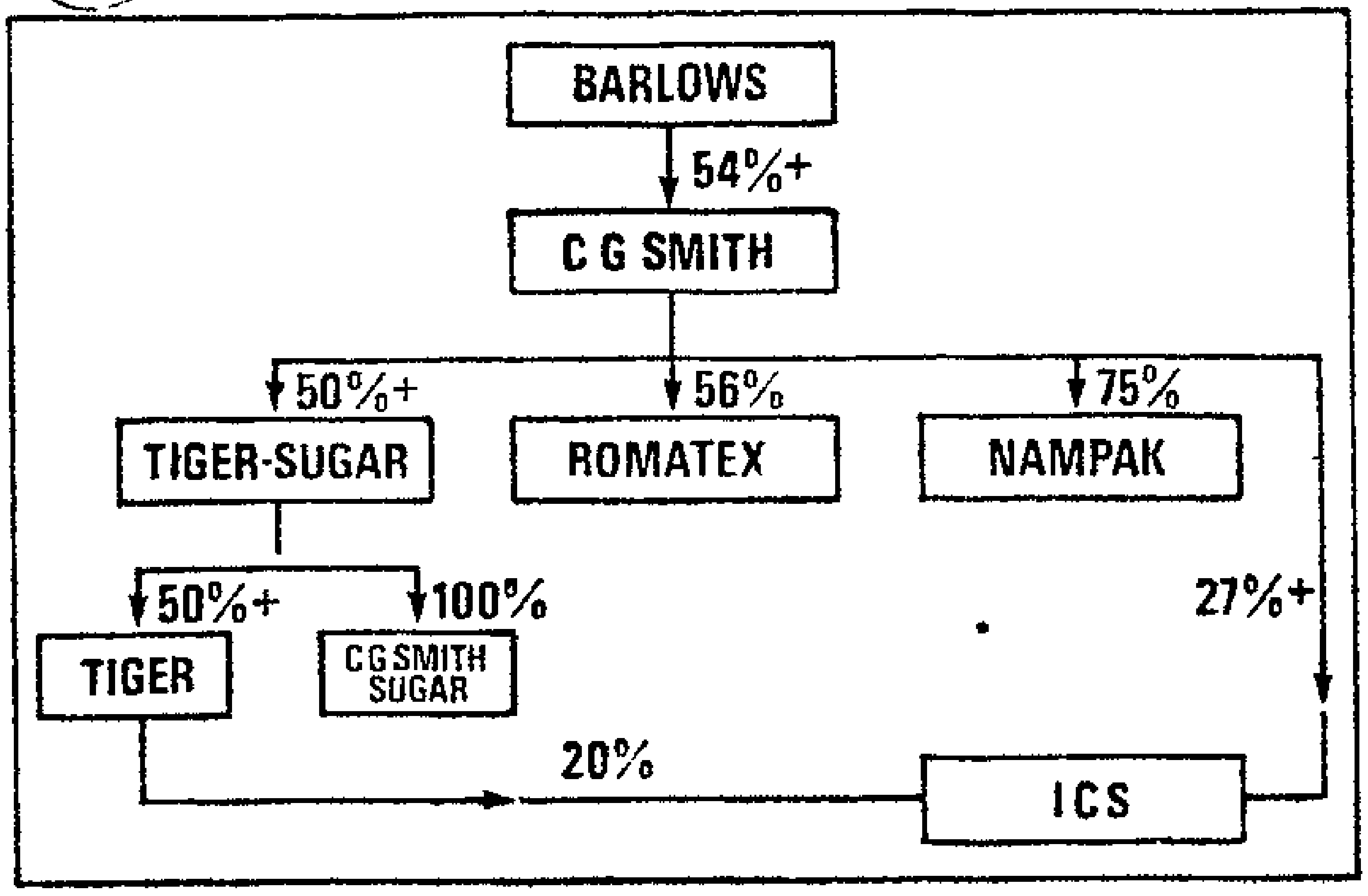
on at heart of Tiger

(232) (186) Star 22/4/82

Sugar in the com-
arlow Rand and
food colossus.
erviews the young
merger.



.. "I take a lot of opinions and mould together."



How Tiger Oats will be integrated into the Barlow Rand empire following its merger with the sugar interests of C G Smith to form Tiger-Sugar. The deal enabled Barlow Rand to obtain or improve strategic stakes in several other companies, including Nampak.

Rhodesia by the Durban office of a firm of accountants

Responsible for auditing some of Barlow's then recently acquired interests in Rhodesia, he was offered a job by the group and served his apprenticeship with the Caterpillar division in Bloemfontein

Turning point

The turning point in his career came when he was transferred to Windhoek and took control of Barlow's interests in South West Africa

"I had started with the company on the financial side and saw for the first time that Barlow's gave management the responsibility to get on with the job while giving the necessary support and encouragement.

"Ever since then I have never underestimated the importance of giving support and encouragement to colleagues"

The seminal nature of the five years he spent at SWA Commercial Holdings is shown by the fact that half the pictures in his office are of SWA landscapes

His success there resulted in his being appointed managing director of Barlows Manufacturing in Johannesburg in 1972 He became an alternate director of Barlows itself in 1974 and a full director the following year

Ambition

A reserved person, Mr Clewlow visibly shudders at the suggestion that ruthlessness had anything to do with his rise to the top echelons of power.

"My ambition has always been to be able to give of my best I would feel embarrassed if I felt I was not giving of my best in whatever I did

"I want to do well for my company but I am not a perfectionist — I'm a strategist and a planner It is not my nature to do things on the spur of the moment

'You could say I am a dull planner," he adds

He is quick to praise his colleagues and points to the team effort involved in a firm like Barlows

"I am conscious that one does not do things alone. I take a lot of advice and relevant opinions and mould these strands together

"The links I have built up in the group with people I can call on who have the experience helps me It is what colleagues are there for"

Mr Clewlow regards the fellowship and ability of Barlows to absorb people into the group as one of its great assets

"We maintain a balance between an informal and formal group he says

Grown too big?

Is Barlow Rand becoming too big to maintain this balance?

"Size is not the problem," Mr Clewlow said "It is keeping to a successful formula

"The group has recently been reorganised with a view to ensuring that the formula which has been successful for the group until now will continue well into the eighties"

Hardworking and with a large family he also tries to keep his activities in balance between his responsibilities as a family man and his functions as a top businessman

No advertising

His social conscience also rises to the surface but like most of his and Barlows' other activities, it is not something he likes to advertise

Nor has it been necessary for Mr Clewlow and Barlows to blow their own trumpets The mettle shown in the past augurs well for the new food giant which will soon make its debut on the Johannesburg Stock Exchange

Explosives industry monopoly to go

232

ARGUS 23/4/82

THE Government today set out to break an AECI stranglehold on the R250-million explosives industry in South Africa

The Competition Board found restrictive practices caused by three agreements between AECI the Chamber of Mines, Fedmis and Sasol, which effectively tied up the supply of explosives and raw materials prevented newcomers from entering the field

It recommended that the restrictive practices should be declared unlawful in terms of the Maintenance and Promotion of Competition Act

SIX WEEKS

The Minister of Commerce, Industries and Tourism, Dr Dawie de Villiers, has instructed the board to negotiate the ending of the monopoly with all groups concerned He gave six weeks' grace for the abolition of the restrictive practices

Representations to abolish the monopoly came mainly from National Explosives (Pty) Ltd, a subsidiary of National Process Industries Holdings (Pty) Ltd, quoted on the stock exchange as Hanhill Industries

The board acknowledged the role that AECI had played in the development of the explosives industry and its record of having supplied the country's needs for many years

It was not convinced that AECI's achievements were made possible by restricting the entry of any newoomer.

AECI had submitted that the size and complexity of the explosives industry as well as the manufacture of raw materials was so great it could only develop through the emergence of a dominant supplier.

Dynamite 'closed shop' is to end

232

Star 23/4/82

By David Breier, Chief Reporter

The Government today broke the AECI stranglehold on the R250 million a year explosives industry in South Africa which dates back to the last century

The Competition Board, in its first major finding since it was founded in 1980, published, its report on monopolistic practices in the giant explosives industry

It found that restrictive practices caused by three agreements between AECI, the Chamber of Mines, Fedmis and Sasol effectively tied up the supply of explosives and raw materials — and prevented newcomers entering the field

The board recommended that these restrictive practices be declared unlawful and be prohibited

NEGOTIATIONS

The Minister of Commerce, Industries and Tourism, Dr de Villiers, has instructed the board to negotiate the ending of the monopoly with all groups concerned, and has given six weeks' grace for the abolition of restrictive practices

Representations to abolish the monopoly came mainly from National Explosives (Pty) Limited

It sought to break AECI's 90 per cent stranglehold on the explosive market

The board found three contracts to be restrictive These were

● The agreement between AECI and the Chamber of Mines whereby, for all practical purposes, the sale of all explosives is confined exclusively to AECI and the chamber

The board found that this restriction was clearly calculated to restrict the entry of new producers

● The agreement between AECI, Fedmis and Sasol which restricts Sasol from selling more than a certain quantity of nitrogenous raw materials for explosive purposes from its Sasolburg plant

● The agreement between AECI and Fedmis which restricts Fedmis from manufacturing explosives or raw materials of every description intended for the manufacture of explosives

The board acknowledged the role AECI had played in the development of the explosives industry in South Africa But it was not convinced the achievements were made possible by restricting the entry of newcomers

AECI submitted that the size and complexity of the explosives industry and the manufacture of raw materials was so great that it could develop only through the emergence of a dominant supplier

"OBSOLETE"

Both AECI — controlled effectively through a tie-up of De Beers and Anglo American — and the Chamber of Mines opposed any change of the present system

National Explosives maintained that dynamites made by AECI had become obsolete for safety and health reasons They said it intends to produce modern water-gel explosives under licence from Du Pont of the United States

AECI denied that its explosives were obsolete

● See Page 7

4 The Cape Times, Saturday, April 24, 1982

232

Govt warned on growth of monopolies

Political Staff

HOUSE OF ASSEMBLY — The competition board has warned that the growing concentration of wealth in the South African economy requires constant supervision of monopolies and oligopolies

The board, whose second annual report was tabled in Parliament yesterday, said these oligopolies could push up prices and distort competition

It said "Concentration, chiefly in the form of oligopoly, is a pronounced feature of the South African economy "

With growth it might have been expected that this concentration would have decreased but the trend towards agglomeration both in the West and in the Republic, particularly through mergers, had not had this effect

"In the Republic this tendency is accelerated by firms with cash superfluous to their requirements, the activities of merchant banks and by corporate and fiscal legislation which inhibits the distribution of the profits generated by mining and manufacturing ventures

"It is clear that the spate of takeovers and mergers of the last couple of years has in no way diminshed during 1981

"Oligopolies always carry with them the danger of causing prices to congeal at unduly high levels, while conglomerates can distort competition by ensuring market support for their members at the cost of more efficient outside firms

"Clearly, these oligopolies and conglomerates should be under constant scrutiny so that possible abuses can be detected and, where necessary, corrected in the public interest "

The board said the merger movement should be closely monitored to prevent the destruction of viable small and medium-sized businesses

The government had in recent years repeatedly signified its intention to move away from interference in the economy in favour of the free enterprise system but it was clear that the competition policy "in the imperfectly structured world of private enterprise, oligopolies and conglomerates" would become even more demanding

It accepted that competition in the economy was desirable but this did not imply that restrictive practices and concentrations of considerable economic power were fundamentally bad and undesirable

The board, however, believed that its policy should be sufficiently flexible to accommodate the demands of public interest

It was sometimes presumed that economic power unfailingly corrupted but could be unavoidable and it need not be bad

"Nevertheless to ensure 'good' behaviour, the monopolists or oligopolists must be under constant supervision and equally important, be kept aware of such supervision," the board said

---

OK

er)

er)

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

	Internal	External
(1)	(2)	(3)
.	11	
	11 + 1 1	
[illegible]	6	
	10 +1	
?	10	
	48	
Examiners' Initials	SC	

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

be used:

4 Names must be printed on each separate sheet (e g. graph paper) where sheets additional to examination book(s) are used.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Govt accepts explosives monopoly ruling

AECI to mount counter-attack

232 [illegible] [illegible] ROH 24/4/82

rst time in

By HOWARD PREECE

A COMPETITIONS Board report which yesterday condemned as unlawful agreements giving AECI a virtual monopoly in the supply of explosives in South Africa has been accepted by the Minister of Industries, Dr Dawie de Villiers.

He has given AECI, the Chamber of Mines, Sasol and Fedmis (part of Sentrachem) six weeks in which to decide how to end various restrictive practices.

The explosives industry has a turnover of about R280-million a year

AECI has total control of the market apart from production at Palabora Mining, which makes it own requirements, and small sales by Mr Oliver Hill's National Explosives Limited (NEL).

NEL has the Southern African sub-licence for Tovex, Du Pont's water gel explosive.

On the Johannesburg Stock Exchange yesterday the share price of Hanhill, which has a 25% stake in NEL, bounded up from 155c to 230c

The Competitions Board finding is a major victory for Mr Hill, who has been battling for four years to get AECI's monopoly agreements with the Chamber of Mines ended.

According to the Competitions Board, NEL has only 1% of the existing market.

Mr Hill told me yesterday, however, that this figure was actually now up to about 2% in volume terms and higher still by value at about R6-million

He said NEL was already planning to double its capacity and was currently operating at only about half its capacity

Mr Hill's target is to push sales up to R24-million over the next four to five years — which would give NEL close to 20% of the market for "sophisticated" explosives.

If he is successful, this would have a major effect on Hanhill's profits.

However, NEL can expect a fierce marketing counter-attack by AECI

In a statement last night AECI, which is controlled by De Beers and ICI of Britain, said. "AECI, the world's largest producer of commercial explosives, will enter into negotiations in terms of the recommendations of the Competitions Board firmly believing in the strength of its product range and quality, its proven research and development capacity and its trusted service will enable it to meet any competition

"AECI, also producer of the world's largest range of explosives, has always been able to supply the four requirements of the mining industry since the first contracts with the Chamber of Mines were entered into in 1924

(According to the board those contracts account for 90% of the South African explosives market.)

"The contracts have been renewed from time to time voluntarily and willingly by the mining industry and on the basis of cost, quality, research and supply are, in AECI's opinion, to the benefit of the industry and, therefore, to the public as well.

"The agreements with Sasol and Fedmis were part of the rationalisation schemes for ammonium nitrate product distribution which produced cost benefits for all parties, including customers, and were also 'arm's length' deals willingly concluded by independent companies".

The Competitions Board found that.

● The agreement between AECI and the Chamber of Mines, by restricting competition, has or is calculated to have the effect of preventing or restricting the entry of new producers into the explosives industry, limiting the facilities available for the production or distribution of explosives and preventing or retarding the development or introduction of technical improvements or the expansion of existing markets or the opening up of new markets for explosives.

● The triangular agreement among AECI, Fedmis and Sasol, which restricts Sasol from producing at and selling from its Sasolburg plant more than certain quantities of nitrogenous products . constitutes a restrictive practice.

● The agreement between AECI and Fedmis, restricting Fedmis from manufacturing explosives or nitrogenous materials . is, therefore, a restrictive practice.

(232) RDM 24/4/82

Board warns SA of growing monopolies

Political Correspondent

THE ASSEMBLY — The Competition Board has warned that the growing concentration of wealth in the South African economy requires constant supervision of monopolies and oligopolies

The board, whose second annual report was tabled in Parliament yesterday, said these oligopolies could push up prices and distort competition

It said "concentration, chiefly in the form of oligopoly, is a pronounced feature of the South African economy"

"In the Republic this tendency is accelerated by firms with cash superfluous to their requirements, the activities of merchant banks and by corporate and fiscal legislation which inhibits the distribution of the profits generated by mining and manufacturing ventures

"Oligopolies always carry with them the danger of causing prices to congeal at unduly high levels, while conglomerates can distort competition by ensuring market support for their members at the cost of more efficient outside firms

"Clearly, these oligopolies and conglomerates should be under constant scrutiny so that possible abuses can be detected and, where necessary, corrected in the public interest."

The board said the merger movement should be closely monitored to prevent the destruc[illegible]ble small and medium sized businesses

The Governme[illegible] in recent years repeatedly [illegible]fied its intention to [illegible] away from interference in the economy in favour of the free enterprise system

"Nevertheless to ensure 'good' behaviour, the monopolists or oligopolists must be under constant supervision and, equally important, be kept aware of such supervision," the board said

232 S. Times 25/4/82

Pharmaceutical deal

Industrial Reporter

HOECHST Pharmaceuticals has acquired the entire assets of Caps Industries, the South African subsidiary of Zimbabwe's biggest pharmaceutical group.

The deal, believed to have involved more than R1-million, covers all the pharmaceutical and medical products, trade marks and drug registrations belonging to Caps Industries.

FOOD, BEVERAGE AND ALLIED WORKERS UNION

Year	Membership			
	African	Asian and Coloured	White	Total
1970				
1971				
1972				
1973				
1974				
1975				
1976				
1977				
1978				
1979				
1980	2 196			2 196

Star 27/1/81

Address: P.O. Box 24271
Ferreirasdorp,
Transvaal 2048

Telephone: (011) 863 8351

Officials: Secretary: S. Sikhakhane

Area of Operation: Natal and Transvaal

Founded: This union broke away from Sweet, Food and Allied Workers Union in 1979

Registration: Yes

Recognition: Irwin and Johnson
Unilever

1981 Membe

Warning on SA monopolies

Pretoria Bureau

THE Competitions Board has warned of the increasing tendency towards big commercial and industrial mergers in South Africa

In its annual report tabled in Parliament this week, the board says the merger movement had been accelerated by firms with superfluous cash in recent years

It was clear that the spate of take-overs and mergers during the past few years had in no way diminished during 1981

"Clearly these oligopolies and conglomerates should be under constant scrutiny so that possible abuses can be detected and where necessary, corrected in the public interest"

The report said the tendency had developed in South Africa towards increased State interference in the private enterprise system

Price control appeared to have persisted in regard to certain commodities long after the need for controls had disappeared

In other spheres such as the protection of local industry, free use of direct, as opposed to indirect, measures had been applied

The report says, however, that the Government has repeatedly signalled its intention of moving away from such interference in favour of the free enterprise system

The board had been asked to advise the Government on the desirability of retaining official price control on a number of commodities

(232) D. Dispatch 30/4/82

The big grow bigger as the small vanish

From
HOWARD PREECE

JOHANNESBURG — The South African economy is becoming steadily more characterised by the concentration of great power in the hands of a few large corporations and institutions

Look at some recent developments

Anglo American and Barlows carve up the sugar industry between them Edgars buys Ackermans — and South African Breweries buys the enlarged Edgars and Scotts stores for good measure

Tiger Oats and C G Smith come together to form the country's biggest food group HLH takes over Blaikie Johnstone with important implications for the building supplies business The acquisitive Mr Natie Kirsh scoops up Greatermans stores

And so it goes

It has been said that if you don't work for Anglo American, Sanlam or the Government you might not work at all.

Well yes, that is obviously taking things a little too far — but it still has a niggling germ of truth

In its annual report tabled in Parliament this month the Competitions Board said "*Concentration, chiefly in the form of oligopoly, is a pronounced feature of the South African economy*

In the Republic this tendency is accelerated by firms with cash superfluous to their requirements, the activities of merchant banks and by corporate and fiscal legislation which inhibits the distribution of the profits generated by the mining and manufacturing ventures

'Oligopolies always carry with them the danger of causing prices to congeal at unduly high levels, while conglomerates can distort competition by ensuring market support for their members at the cost of more efficient outside firms

"Clearly these oligopolies and conglomerates should be under constant scrutiny so that possible abuses can be detected and where necessary corrected in the public interest "

The board said the merger trend in South Africa needed to be closely watched The principle of non-interference in free enterprise should not be extended to unquestioning acceptance of the steady disappearance of small and medium size firms into large groups

This report coincided with the decision by the Competitions Board — accepted by Dr Dawie de Villiers, the Minister of Industries — that the monopoly agreement between AECI and the Chamber of Mines over the supply of explosives was against the public interest and should be compulsorily ended

It is important to understand why the board was right, to have reached that conclusion

The principles involved apply far more widely than the particular instance

The explosives produced by AECI's tiny competitor, National Explosives, may or may not be more efficient or better value for some needs

But that ought to be tested in something more akin to a genuine market

If AECI's products are comprehensively better they may still command their existing 98% or so of the market Good luck to them in that case

If on the other hand however, there is greater merit in the products of National Explosives than has so far been reflected in sales, then it is in the public and national interest that this should be changed

A touch of genuine competition, even on the margin, may also be in AECI's long-term interests in terms of motivation research and marketing developments

But that issue — a restrictive practice entrenching the position of a virtual monopoly supplier — is only one aspect of the threat to competition

Take another example SA Breweries has a monopoly on beer production There is nothing to stop any other company from trying to combat it — but after the experiences of Whitbread, Dr Louis Luyt and Dr Anton Rupert — nobody is likely to try

The drawback to new competition is that the costs involved and the entrenched power of SA Breweries make the prospect pretty unappealing

That applies with equal force to many long-standing monopoly or tight oligopoly situations Glass, bricks and pulp are instances

The Competitions Board is trying to make some dent in this. Fertilisers timber, soft drinks, bearings, travel and electrical contracting are among the areas that either have been reported on or are now being investigated

But solutions are difficult

Monopoly or oligopoly may not always work against the public interest

At any rate, it often may not pay to compel a large and successful group to break up its operations

There is also the critical issue of power wielded by state or semi-state bodies which may act against the public interest, but about which the Competitions Board is effectively powerless

It can also be argued that the Reserve Bank should, even in times of balance of payments difficulties, be consistently sympathetic to exchange control requests by South African companies to acquire overseas interests wherever a good commercial case can be argued

That might reduce some of the pressures for ever-larger domestic concentrations of business

South Africa certainly faces a conflict between a generally professed commitment to competiton and enterprise and the reality of a constant diminution of that competition

Year		al	
1970		93	0
1971		07	0
1972		00	0
1973		00	×
1974		00	×
1975		00	×
1976		00	×
1977		00	×
1978		49	$
1979		00	$
1980		28	≠

Address:

Officials:

Area of Ope

Founded:

Registratic

(1) NUDW was
Commerci

232 D. Dispatch 30/4/82

E Dagga surprise: Anglo out, foreign group takes over

From JOHN MULCAHY

JOHANNESBURG — Only hours before East Daggafontein Mines annual general meeting yesterday morning, an announcement to shareholders appeared in South African newspapers

The notice was significant it told of the resignation of all directors nominated by Anglo American Corporation, to be replaced by a Swiss businessman Mr Adolf H Lundin and his associates

Annual shareholders' meetings are traditionally mere formalities and the business at hand is dealt with in a matter of minutes, as shareholders seldom attend to raise queries

There was nothing contentious in East Dagga's annual report for 1981, nor any obvious points likely to be raised by shareholders

However on Wednesday — almost eight weeks after the annual report was published — all of East Dagga s directors resigned and were replaced by six new board members

The meeting was presided over by Mr Gerald Langton, managing director and chief executive of Anglo s gold and uranium division and a director of East Dagga until Wednesday, who opened proceedings by relating the extraordinary events of the previous day

Saying that he was still a shareholder in East Dagga being the holder of 200 shares, Mr Langton added that the new chairman Mr Lundin had asked him to chair the meeting and the shareholders agreed

The meeting immediately proceeded to confirm the appointment of the six new directors being Mr Lundin, whose nationality is given as Swedish, although he operates out of Geneva in Switzerland Mr E W Baznet (Canadian), Mr J H Craig (Canadian) Mr L Klingman (German) Mr O S Redfern (British) and Mr F Bentley who is financial director of Anglo's gold and uranium division

Shareholders who do not read newspapers or who possibly did not notice the advertisement yesterday, may be surprised to learn that the entire executive structure of East Dagga has changed since the date of the annual report, and that the change has formally been ratified by general meeting

Mr Lundin is believed to own 510 000 East Dagga shares or 13,7% of the company while he and his associates have a total of 34% of the issued share capital which compares with the 13% held by Anglo and its associates

Anglo insists that there was nothing sinister in the deal and Mr Dennis Etheredge, chairman of Anglo's gold division and a former director of East Dagga told me the change in the board came about because the consortium headed by Mr Lundin had a far bigger interest in East Dagga than Anglo, and was intent on using East Dagga as a vehicle for diversified activities

Anglo's tenure as technical advisers and secretaries to East Dagga has been terminated Mr Lundin has entered into an agreement with the auditors Arthur Young and Company to provide secretarial services while new technical advisers will be appointed shortly

Mr Etheredge said the change was not sudden and had been under discussion for some time "It was quite amicable — there was no rough and tumble " he said

Little is known about Mr Lundin or his associates but he is believed to be involved in the oil business

One of East Dagga s new alternate directors, Mr S de C O'Grady, would not comment on the identities of companies now associated with East Dagga, but said Mr Lundin would visit South Africa in a few weeks

The official announcement says the new board intends continuing East Dagga's current undertakings in the same way in which they have been conducted up to now, and also to investigate new sources of financing and possible diversification into the exploration and development of other natural resources

Yesterday's annual meeting was East Dagga s forty-ninth, and the company enters its 50th year under new, unknown and foreign direction, with most minority shareholders blissfully unaware of developments

Corporate monsters trigger earthquake

232

S. Times 2/5/82

REVEALED BY SHATTERING NEW FIGURES, A GARGANTUAN CONCENTRATION IN SA CORPORATE POWER IS REWRITING SA's ECONOMIC GROUND RULES. THE IMPLICATIONS ARE AWESOME . . .

By STEPHEN ORPEN

THE country's 100 largest industrial companies, with assets almost 600% greater than 10 years ago, now account for an incredible near-80% of the value of all shares in the industry sectors of the johannesburg Stock Exchange.

In an accelerating, multi-billion concentration of corporate power into fewer hands, via ever more colossal mergers and takeovers, the 100 largest industrial giants have gobbled an extra 50% of the total market value of the 460-odd JSE-listed industrials in less than a decade, and an extra 25% in a mere two-and-a-half years.

The implications in terms of monopolistic conditions and the growth of oligopolies are clearly far-reaching

A string of crucial questions arises.

Mainly, these concern

- The spirit of free competition, which *in theory* lies at the heart of the country's economic system
- The impact on the consumer, on business efficiencies, and on prices and wages.
- The impact on inflation
- The impact on employees' negotiating positions, and on trade-union bargaining power
- The impact on the stock exchange Can it still be considered a genuine free market in terms of the spread of unrelated listed companies' shares?
- The impact on relations between the public and private sectors — and much besides.

The roaring agglomeration has seen close to 40% of the companies in the Top 100 in 1972 disappear down the throats either of other Top 100 monsters — or of companies which have leapt into the Top 100 ranks by merging with other giants.

Calculations by Business Times based on figures from the Financial Mail's Top 100 Companies surveys (the latest appeared this week) and from the JSE and other sources show that

- Total assets of the FM Top

This represents growth of more than 550% during a period when the growth in the gross domestic product for manufacturing, construction

● To Page 3

Small business; mixed feelings

A DOZEN small businessmen in eight different industries questioned by Business Times this week about the "Big Is Beautiful" syndrome provided conflicting views.

In brief, there was approximate consensus among five of those questioned that: "The bigger they get and the fewer they are, the better our chances of beating them in specific areas requiring nimble policies and action and the personal touch plus prompt, tailored customer service."

The remaining seven questioned thought Big Was Bad because it allowed the giants to squeeze out the small man by using their buying, pricing, financing and related muscle with suppliers and customers.

Explosives row blows up

2/5/82 S. Times 232

● From Page 1

demonstration of his Tovex water-based explosive to the group's gold mines in the Klerksdorp area next week.

In addition, West Rand Consolidated Mines, which held Tovex trials two years ago, is said by Hill to be interested in using the explosive when the time is right

At the time W R Cons found that Tovex had a variety of advantages over the traditional nitroglycerine explosives, though none of them appeared overwhelming

In particular, the mine found that absenteeism fell sharply from 4% to 1,55% as both day and night shifts claimed they were free of headaches in Tovex-blasted workings

Fragmentation was described as marginally better while less noxious gases were generated Breaking was found to be as good as if not better than the gelignite-dynagel combination used on the mine

The report showed Tovex to be safer to handle, gave better hanging wall control and could result in considerable steel savings

It concluded that "the water-resistant qualities together with the longer shelf life should warrant an application to the Inspector of Mines for longer storage periods underground, thus having fewer deliveries and better shaft utilisation".

AECI, however, claimed that it did not fear the entry of competition into the explosives field and in fact welcomed it, and, according to executive director explosives division Steve Anderson, "would be happy to meet it"

While admitting that the agreement with the Chamber of Mines was restrictive, he maintained it was in the public interest since AECI "was interested in a strong mining industry, and we provided a source of supply at a price below that on the international market, with the exception of ammonium nitrate"

Anderson also denied that the agreement had led to a lack of research effort, since AECI could draw upon the worldwide resources of the giant ICI group and AECI itself was spending about R3-million a year on research in South Africa

He pointed out that AECI had been producing a water-based explosive, Syntex, since 1967

Anderson also claimed that AECI as a group always competed in terms of price, quality and service, and admitted that on these grounds, though a final decision has yet to be made, might well be prepared to meet competition from newcomers to the explosives industry head-on.

That, presumably, is one of the aims of the Competition Board.

Explosives rumpus

232

S. Times 2/5/82

TURNOVER of National Explosives, 25% owned by the quoted Hanhill group, is forecast by ebullient chairman Oliver Hill to shoot up by 50% in the current year from R6-million to R9-million following the Competition Board's finding that AECI's explosives agreement with the Chamber of Mines constitutes a restrictive practice

Looking farther ahead, in four or five years Hill expects to corner around 20% of the South African explosives market, currently 93%-controlled by AECI, and estimates that this could give him sales of around R25-million

By Stephen Orpen

In it's last financial year AECI's explosives division notched up sales of R282-million.

Currently this market is divided between slurry, or water-based, explosives, with 20%, nitroglycerine, with 35%, and ammonium nitrate-based explosives with 45%

Obviously Hill cannot set his sales team to work on the prepared list of potential clients until AECI has decided whether to appeal against the board's decision in five weeks or to meet any competition directly, but he told Business Times that he has already had phone calls from interested parties

The mine manager of Stilfontein gold mine, in the General Mining group, has requested Hill to give a

● To Page 3

(232) E. Post. 4/5/82

'Monopoly in fruit canning, baking'

Political Correspondent

CAPE TOWN — Accusations of monopolistic practices in the fruit canning and baking industries have emerged in the report of the parliamentary select committee on public accounts

The records of the committee's hearings — tabled in Parliament yesterday — reveal monopolistic canning practices have forced the price of cans for fruit higher than the cost of the fruit itself

In another instance, members of the committee have complained about the Government's wheat subsidy scheme, which they allege only serves to benefit a few large producers and squeezes out competition

In evidence before the committee, Mr A V van der Merwe, acting chairman of the Canned Fruit Board, revealed that in 1980 the total cost of cans was R47 million while the fruit inside cost only R30 million

Mr Van der Merwe revealed that the board could have imported tins from Australia more cheaply than Iscor could deliver them in South Africa He confirmed that there were no other canning manufacturers in the country

He admitted that as a result of canning costs, the price of the canned goods could not compete with fresh fruit in attracting black consumers

Further evidence at a different meeting of the committee was that at present, only four major organisations in South Africa produced standardised bread qualifying for State subsidy

Mr C D Cillie, the chairman of the Wheat Board, admitted that to an extent, the small baker could not compete because the board paid subsidies only to the larger bakeries licenced to produce standardised bread

He argued that control over the paying out of subsidies could best be maintained by supervising large bakeries

If licences were granted to smaller bakeries, it would require a massive increase in staff salaries to keep the staff necessary to monitor the subsidised bread and pay the subsidies

4 — DAILY DISPATCH, TUESDAY, MAY 4, 1982 232

Lucrative management contracts at stake

From JOHN MULCAHY

JOHANNESBURG — Last week's coup d'etat on East Daggafontein Mines by "foreign invaders" was orchestrated by the London stockbroker, James Capel and Company

After tipping East Dagga as a good speculative buy some months ago, Capel is believed to have bought a large number of East Dagga shares for a small number of its clients

Negotiations between these clients and Anglo-American were then initiated by Capel, and the complete change in the board of directors last week was the result

The new chairman, a Swiss businessman, Mr Adolf Lundin, is said to have 510 000 shares, or 13,7 per cent of the company

The most surprising aspect of the East Dagga coup was the fact that Anglo so placidly gave up its management contract

While the East Dagga contract was not significant in the huge Anglo empire, this questions the durability of management contracts generally, and in theory opens the way for raids on other minory-controlled mines

One Johannesburg broker said there was little doubt that events at East Dagga would have South African mining houses taking a careful look at their contracts, and those with loopholes would soon be tightened up

In the ordinary course of events, mining houses holding about 20 per cent of a mine would feel quite confident about their control position

The management contracts are a lucrative source of revenue for the houses, as they ensure a steady income flow independent of dividends from the mines

It is impossible to put a figure to the amounts involved in management fees, but one widely accepted estimate is that mining house fees account for as much as 10 per cent of working costs

Acquisition of control of a mine would be pointless without acquiring management control, and this must be a major factor militating against further bids for board control

A study by a Johannesburg firm of stockbrokers earlier this year showed that in 1981 foreign ownership in South African gold mines totalled 39,87 per cent of issued share capital, and ten mines had foreign ownership in excess of 50 per cent

A significant stumbling block to anyone attempting to stage a coup is, however, the lack of cohesion among outside shareholders

While foreign shareholding in a particular mine may be over 50 per cent — this holding is usually spread among numerous shareholders

However, if East Dagga is seen as a test case the possibility of similar action at other mines cannot be ignored

While East Dagga was probably not considered by Anglo to be worth a protracted battle for control, any advances made on a profitable operating mine are likely to be met with fierce opposition and meanwhile contracts held by the mining houses will be under close scrutiny

JEWELLERS AND GOLDSMITHS UNION

Year	Membership				
	African	Asian and Coloured	White	Total	
1970					
1971					
1972					
1973		98	320	418	x
1974		28	294	322	x
1975		26	305	331	x
1976		21	201	222	x
1977		30	347	377	x

Annual

)/81

232

Star 5/5/82

Fattis and Monis goes to Premier

By Mervyn Harris

The Premier Group is to acquire control of Fattis and Monis Industries

The announcement was made by the chairman of Premier, Mr Tony Bloom, who said that details of the takeover would be released soon

EXCHANGE

Another Premier company, Jabula Foods, is to be sold to Fattis and Monis in exchange for shares

Premier has also commissioned a new corporate headquarters at The Wilds in Killarney Occupation is scheduled for the end of 1983

Records tumbled at Premier Group in the year to March but the group is gearing for a testing period in the current financial year

Increased profit in nearly all divisions pushed up attributable earnings by 28 percent from R41 million to R52 3 million

The final dividend was increased from 29c to 37c to boost the total payout by 27 percent from 51c to 65c a share

Sales for the year exceeded R1 500 million for the first time, reaching R1 504 3 million out of which trading profit rose from R84 3 million to R112,1 million

FACTORS

Interest took R21,5 million (R16,6 million) and taxation was R8 2 million higher at R29,9 million After minorities and preference dividends earnings a share climbed 28 percent from 159c to 203c

The rise in attributable profits was achieved in spite of the big increase in interest charges and was attributed to various factors

These included the higher level of turnover improved control of group working capital and cash resources, manufacturing efficiencies as a result of tight control and high use of plant capacity, the benefits of the heavy capital-expenditure programme in recent years and good results from Gallo

The chairman, Mr Tony Bloom, says that the group also improved financial structure with total borrowings as a percentage of shareholders' funds at 65,1 percent at year-end compared with a financial objective of 85 percent

Total loans as a percentage of total assets were 29,5 percent against an objective of 40 percent Short-term loans as a percentage of total loans were 29 percent against an objective of 40 percent

The rise in interest rates was anticipated and medium-term facilities of R30 million were secured last year at a rate of 8,25 percent

This will increase by 0,75 percent a year until mid-1983 when the rate will become market related

With the increase in company taxes and a further big rise in the group s total nterest cost expected this year, Mr Bloom says that management control of costs and working capital will be required to enable Premier to achieve its growth objective of 20 percent a year compound

Premier shares firmed 25c to a bid price of 1 200c ahead of the results This puts the share on a prospective dividend yield of 5 4 percent — in line with the average of 5 3 percent for the food sector

---

Pepkor

CAPE TOWN — Pepkor the Cape-based retailing and manufacturing group increased net profit by 38 percent in the financial year ended February 28

Its net profit, after allowing for tax and interest payments amounted to a record

R19 4
pared
lion la
ing to
issued
Follow
percent
net pro
Pepkor
means
past f
group
its net
an ave
percent

Pretoria Portl hit by tax

The results of Pretoria Portland Cement (PPC) for the six months to the end of March show that earnings a share have increased by 22 percent over those for the same period last year The interim dividend has been raised to 19c (16c)

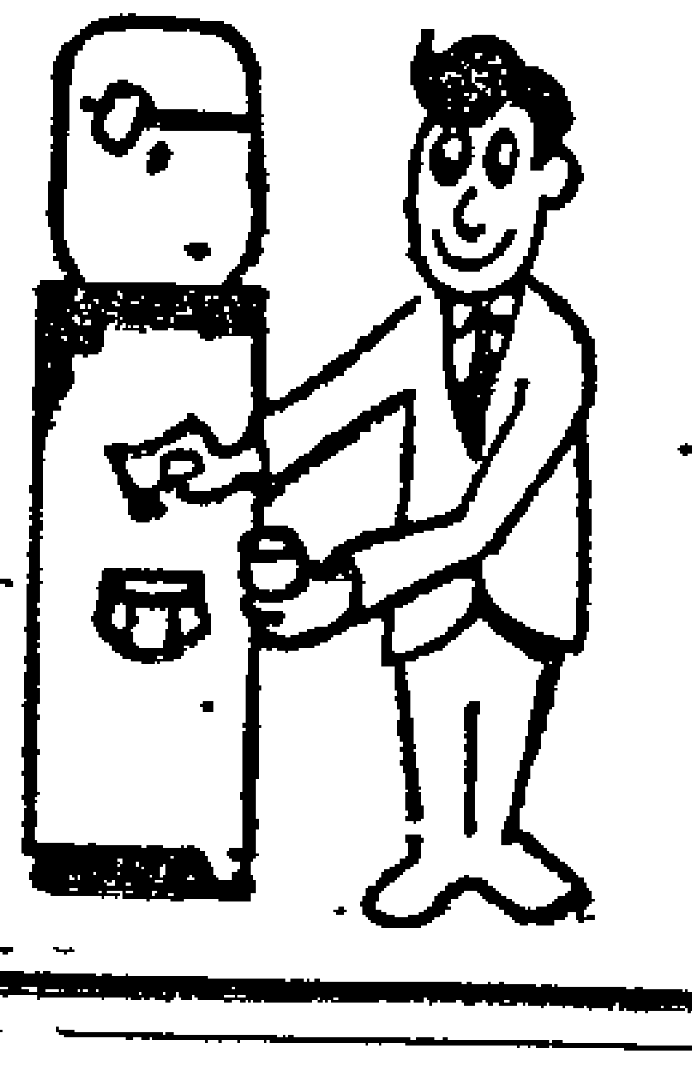
However, the directors expect that earnings a share for the full year to the end of September will show an increase of only 12 percent over last year reflecting lower demand for cement and lime and hte effect of higher taxation

The interim report shows that sales increased to R129,4 million from R103 4 million Pre-tax profit at R33 367 000 compares with R26 114 000 in the comparative 1981 period

Tax takes R14 663 000 (R10 795 000) leaving an after-tax profit of R18 704 000 (R15 139 000)

The directors expect cement sales to decline in the next six months

and over
the year
marginally
those for 1
They
moval of
on cement
that their
increas
prices as
necessary
adequate
sets emplo
"The fo
cable unde
trol will be
long as it
objective,"
port
This pol
however, a
for the cu
Pretoria
Cement int
tinue with
tionalisation
ments for
ing of ceme
says, "ensur
tion efficien
duce deliv
the benef
user"
PPC esti
in the next
it will spend
lion on capi
sion This
out of inte
and facilities
— Sapa



HO

Premier pushes profit up 28%

By HOWARD PREECE

THE Premier Group increased attributable profit by 28% to R52 300 000 for the year to March 31 — with turnover reaching R1 504-million — from R41-million in 1980-81.

The final dividend has been raised from 29c to 37c to make a total of 65c (51c)

Earnings a share were up from 159c to 203c

Sales were up by 25% from R1 205-million in the previous year.

Premier is primarily a food group with its main interests in the processing of wheat, maize and oil seeds

It has diversified, however, and controls Gallo, the musical group, and has joint control of Ovenstone Investments in fishing

Premier itself is a 51%-owned subsidiary of Associated British Foods

Gross trading profit last year jumped by 33% from R84 300 000 to R112 100 000

There was a heavy jump in interest charges — from R16 600 000 to R21 500 000 — but this still left taxed profit 34% higher at R60 700 000 (R46 100 000)

A significant rise in the payment to minorities — basically because of the success of Gallo — increased the contribution of pref dividends and minorities from R5 100 000 to R8 400 000

Among other points made by the chairman, Mr Tony Bloom, are

- There were increased profits in nearly every division of the group last year
- Total borrowings as a percentage of shareholders funds were 65,1% at the end of the year against an objective of 85%
- Total loans were 29,5% of total assets against an original objective of as much as 40%
- A surplus of R20-million has been added to fixed assets arising from a revaluation of some land and buildings
- The return on ordinary shareholders funds eased fractionally from 22,8% to 22,6%, mainly because of the asset revaluation.

COMMENT. Premier ran into problems for various reasons in the 1975-77 economic recession.

In the last few years, however, it has made a handsome recovery.

Earnings a share have risen steadily — 84c in 1977-78, 90c in 1978-79, 111c in 1979-80, 159c in 1980-81 and now 203c for 1981-82.

Over the same years the total dividend advanced solidly: 32,5c, 33c, 39c, 51c and 65c.

Excellent though that performance has been, however, it has mostly come in easy to boom times (although the second half of the past year was certainly a difficult time on interest rates)

Now the economy is heading back into recession, but Premier certainly looks to be preparing for it in better shape than last time round

Even so, Mr Bloom has revised his hope-cum-forecast of an annual earnings increase of 20% minimum from a net to a pre-tax basis for this year

That is perfectly reasonable and, if achieved, will reflect well on Premier's ability to handle difficult times

However, that could mean that attributable profits will be up by "only" about 12,5% this year, less than the likely rate of inflation.

Although Mr Bloom rightly points to the burden of interest rates Premier is partly protected by the group's foresight in securing R30-million at medium-term facilities last year at the giveaway rate of 8,25% with an 0,75% escalation clause to mid-1983 when the rate will then reflect market levels

Some overseas loans were also arranged

The fact that profit last year was up by much the same amount whether calculated before or after interest charges is testimony to that foresight

At 1 175c Premier's shares are down 20% this year, largely in line with the general market trend.

With a dividend yield of little over 5% they might still be vulnerable to any further market setback.

180

and is to take over Monis

232

5/5/82

Financial Editor

THE Premier Group is taking over Monis & Fattis Industries, makers of pasta, bread and other foodstuffs.

An announcement yesterday by Barclays Merchant Bank says Premier "intends to merge the trading activities of its subsidiary Jabula with those of Monis & Fattis as it is expected that such a merger will create a more diversified base with benefits to the shareholders of both companies"

Premier is to acquire 50,025% of Moni Bros (Pty) which holds some 80% of Monis & Fattis

No details of the bid have been revealed but the announcement says a comparable offer will be made to the minority shareholders in Monis & Fattis by Premier

Full details will be published in about four weeks time

Shareholders of both Monis & Fattis and Jabula are advised to exercise caution in the meantime

Monis & Fattis made an attributable profit of R1 624 000 in the year to January 31, 1982, from a turnover of R42-million

The directors forecast "a further satisfactory increase in profits" this year.

It was disclosed by the chairman, Mr J J Moni, at the end of last month that the company might have to sell some of its SA Breweries shares (worth about R5 500 000 in early April) to help liquidity.

Financial Reporter

these times of high inflation

Concentration of power in hands of a few

Cape Times 5/5/82

232

By HOWARD PREECE

JOHANNESBURG — The South African economy is becoming steadily more characterized by the concentration of great power in the hands of a few large corporations and institutions

Look at some recent developments

Anglo American and Barlows carve up the sugar industry between them Edgars buys Ackermans — and SA Breweries buys the enlarged Edgars, and Scotts stores for good measure

Tiger Oats and C G Smith come together to form the country's biggest food group HLH takes over Blaikie Johnstone with important implications for the building supplies business The acquisitive Mr Natie Kirsh scoops up Greatermans stores

And so it goes

It has been said that if you don't work for Anglo American, Sanlam or the Government you might not work at all

Well, yes, that is obviously taking things a little too far — but it still has a niggling germ of truth

In its annual report tabled in Parliament this month the Competitions Board said *"Concentration, chiefly in the form of oligopoly is a pronounced feature of the South African economy*

"In the Republic this tendency is accelerated by firms with cash superfluous to their requirements, the activities of merchant banks and by corporate and fiscal legislation which inhibits the distribution of the profits generated by the mining and manfacturing ventures

"Oligopolies always carry with them the danger of causing prices to congeal at unduly high levels while conglomerates can distort competition by ensuring market support for their members at the cost of more efficient outside firms

"Clearly these oligopolies and conglomerates should be under constant scrutiny so that possible abuses can be detected-and, where necessary, corrected in the public interest"

The board said the merger trend in South Africa needed to be closely watched The principle of non-interference in free enterprise should changed

A touch of genuine competition, even on the margin, may also be in AECI's long-term interests in terms of motivation, research and marketing developments

But that issue — a restrictive practice entrenching the position of a virtual monopoly supplier — is only one aspect of the threat to competition

Take another example SA Breweries has a monopoly on beer production There is nothing to stop any other company from trying to combat it — but after the experiences of Whitbread, Dr Louis Luyt and Dr Anton Rupert — no-one is likely to try

The drawback to new competition is that the costs involved and the entrenched power of SAB make the prospect pretty unappealing

That applies with equal force to many long-standing monopoly or tight oligopoly situations Glass, bricks and pulp are instances

The Competitions Board is trying to make some dent in this Fertilizers, timber, soft drinks, bearings, travel and electrical contracting are among the areas that either have been reported on or are now being investigated

But solutions are difficult

Monopoly or oligopoly may not always work against the public interest

At any rate, it often may not pay to compel a large and successful group to break up its operations

In its submissions to the Government in 1980 the Association of Chambers of Commerce quoted Nobel prize winning economist Professor Paul Samuelson on the dangers of anti-monopoly action that "rather than concentrating on bringing down prices for the consumer concentrates on keeping many firms in business, even though some may be inefficient."

There is also the critical issue of power wielded by state or semi-state bodies which may act against the public interest but about which the Competitions Board is effectively powerless

It can also be argued

In its annual report tabled in Parliament this month the Competitions Board said "*Concentration, chiefly in the form of oligopoly is a pronounced feature of the South African economy*

"*In the Republic this tendency is accelerated by firms with cash superfluous to their requirements, the activities of merchant banks and by corporate and fiscal legislation which inhibits the distribution of the profits generated by the mining and manfacturing ventures*

"*Oligopolies always carry with them the danger of causing prices to congeal at unduly high levels while conglomerates can distort competition by ensuring market support for their members at the cost of more efficient outside firms*

"*Clearly these oligopolies and conglomerates should be under constant scrutiny so that possible abuses can be detected and, where necessary, corrected in the public interest*"

The board said the merger trend in South Africa needed to be closely watched. The principle of non-interference in free enterprise should not be extended to unquestioning acceptance of the steady disappearance of small and medium size firms into large groups

This report coincided with the decision by the Competitions Board — accepted by Dr Dawie de Villiers, the Minister of Industries — that the monopoly agreement between AECI and the Chamber of Mines over the supply of explosives was against the public interest and should be compulsorily ended

It is important to understand why the board was right, I think, to have reached that conclusion

The principles involved apply far more widely than the particular instance

The explosives produced by AECI's tiny competitor, National Explosives, may or not be more efficient or better value for some needs

But that ought to be tested in something more akin to a genuine market.

If AECI's products are comprehensively better they may still command their existing 98% or so of the market Good luck to them in that case

If, on the other hand, however, there is greater merit in the products of National Explosives than has so far been reflected in sales then it is in the public and national interest that this should be some dent in this Fertilizers, timber, soft drinks, bearings, travel and electrical contracting are among the areas that either have been reported on or are now being investigated

But - solutions are difficult.

Monopoly or oligopoly may not always work against the public interest.

At any rate, it often may not pay to compel a large and successful group to break up its operations

In its submissions to the Government in 1980 the Association of Chambers of Commerce quoted Nobel prize winning economist Professor Paul Samuelson on the dangers of anti-monopoly action that "rather than concentrating on bringing down prices for the consumer concentrates on keeping many firms in business, even though some may be inefficient."

There is also the critical issue of power wielded by state or semi-state bodies which may act against the public interest but about which the Competitions Board is effectively powerless

It can also be argued that the Reserve Bank should, even in times of balance of payments difficulties, be consistently sympathetic to exchange control requests by South African companies to acquire overseas interests wherever a good commercial case can be argued

That might reduce some of the pressures for ever-larger domestic concentrations of business

South Africa certainly faces a conflict between a generally professed commitment to competition and enterprise and the reality of a constant diminution of that competition

over Monis & Fattis

minority shareholders in Monis & Fattis by Premier.

Full details will be published in about four weeks

Shareholders of both Monis & Fattis and Jabula are advised to exercise caution in the meantime

Monis & Fattis made an attributable profit of R1 624 000 in the year to January 31, 1982, from a turnover of R42m

The directors forecast "a further satisfactory increase in profits" this year

It was disclosed by the chairman, Mr J J Moni, at the end of last month that the company might have to sell some of its SA Breweries shares (worth about R5 500 000 in early April) to help liquidity

profits up 28%

- There were increased profits in nearly every division of the group last year
- Total borrowings as a percentage of shareholders funds were 65,1% at the end of the year against an objective of 85%
- Total loans were 29,5% of total assets against an original objective of as much as 40%
- A surplus of R20m has been added to fixed assets arising from a revaluation of some land and buildings
- The return on ordinary shareholders funds eased fractionally from 22,8% to 22,6%, mainly because of the asset revaluation

COMMENT Premier ran into problems for various reasons in the 1975-77 economic recession

In the last few years, however, it has made a handsome recovery

Earnings a share have risen steadily — 84c in 1977-78, 90c in 1978-79, 111c in 1979-80, 159c in 1980-81 and now 203c for 1981-82

Over the same years the total dividend advanced solidly 32,5c, 33c, 39c, 51c and 65c

Excellent though that performance has been, however, it has mostly come in easy to boom times (although the second half of the past year was certainly a difficult time on interest rates)

Now the economy rs heading back into recession, but Premier certainly looks to be preparing for it in better shape than last time round

Even so Mr Bloom has revised his hope-cum-forecast of an annual earnings increase of 20% minimum from a net to a pre-tax basis for this year

That is perfectly reasonable and, if achieved, will reflect well on Premier's ability to handle difficult times

However, that could mean that attributable profits will be up by "only" about 12,5% this year, less than the likely rate of inflation

Although Mr Bloom rightly points to the burden of interest rates Premier is partly protected by the group's foresight in in securing R30m at medium-term facilities last year at the giveaway rate of 8,25% with an 0,75% escalation clause to mid-1983 when the rate will then reflect market levels

Some overseas loans were also arranged

The fact that profit last year was up by much the same amount whether calculated before or after interest charges is testimony to that foresight.

At 1175c Premier's shares are down 20% this year largely in line with

Pepkor pushes net profit up 38% to R19,4m

232

Cape Times 5/5/82

By ALEX PETERSEN

PEPKOR, the diversified retailing and manufacturing group, has increased net profit 38 percent from R14m to R19,4m in the year to February, in spite of a hefty R3,3m increase in its interest bill

This follows the 78 9 percent increase in net profit Pepkor recorded in 1980 Over the past four years, the group has improved its net taxed profit by an average of 38 percent per annum

Earnings per share amounted to 346,4c compared to 249,8c in 1980, although after lifo adjustment to which the group has switched this is cut back 239,1c The final dividend has been increased 10c to 65c, making 100c (80c) for the year

Dividend cover has been increased from 3,1 to 3,46 times

The Cape-based group's audited figures released today show that on a 39 percent turnover increase to R279,9m (R201,8m) operating profit rose from R22,98m to R31,1m

The increase is, however, trimmed by Pepkor's more than doubled interest bill, which increased from R2,6m to almost R5,9m Executive chairman, Mr Christo Wiese, says the increase is due to both the current record rates as well as significantly increased borrowings

A side effect of the restructuring of the group is a lower tax rate and Mr Wiese expects that Pepkor's average tax rate will continue to be lower for the next few years

Pepkor has now adopted the lifo method of stock valuation, so improving its cash flow position The full impact of lifo amounts to R6m leaving a lifo adjusted profit figure of R13,4m, while the lifo adjustment on earnings a share cuts it back to 239,1c from 346,4c before lifo adjustment

Departing from its usual pattern of writing off goodwill piecemeal, Pepkor has elected to write off the Back goodwill and all the goodwill the group has accumulated in recent years in the period under review

The goodwill from Back and that accumulated from other companies acquired over the years amounts to R4,2m

"We believe that our decision is correct and that with this we have continued the process of tidying up the Pepkor balance sheet," Mr Wiese said

Commenting on the restructuring of the group in recent months, he said that part of the cost of this was reflected in the extraordinary items, "but we believe this to have been a valuable investment"

The Pepkor group now consists of four main arms — the clothing retail division operating 485 outlets, the food retail which controls 15 outlets, the manufacturing operation with 12 factories around South Africa, making it the second largest manufacturer of clothing and footwear in the country

There is also a property division with a portfolio which has a market value of R14 9-million, Mr Wiese said

Commenting on the move to lifo, he said the decision was deemed prudent in times of rampant inflation

He added that after the lifo adjustment, which reduced earnings a share to 239,1c, the 100c a share dividend was still covered 2,39 times — a comfortable margin by most standards

Theron order final

THE Cape Supreme Court yesterday granted a final order restraining Theron Holdings from holding a

Sanlam and Rupert clash

232 [illegible] RDM 7/5/82

By JOHN MULCAHY

CONTROL of the giant Federale Mynbou (Fedmyn) group came under the spotlight yesterday with an unprecedented public clash between two major Afrikaner business interests, Sanlam and Rembrandt.

Federale Mynbou is the holding company of General Mining Union Corporation, which last year controlled or administered subsidiary and associated companies with a turnover of R5 900-million.

Sanlam controls Fedmyn, with an interest estimated at about 50%

Rembrandt, through its subsidiary Partnership in Mining Beperk, is the second-largest shareholder with 30%, and Volkskas has 5%

A Sanlam proposal to increase the number of directors on the Fedmyn board was opposed by Rembrandt and Volkskas, a polarisation of interests which has never before been evident

Afrikaans business institutions have in the past presented a united front — at least in public — and yesterday's disagreement suggests that battle lines have been drawn between insurance colossus Sanlam on the one hand, and Rembrandt, with Volkskas support, on the other

On the agenda for Federale Mynbou's annual meeting in Johannesburg yesterday was an ordinary resolution, proposed by Sanlam, that "in terms of article 77 of the articles of association the maximum number of directors be increased from 12 to 15 and that article 3 (a) of the schedule to the company's articles of association be amended accordingly"

Section 62 of the Companies Act states that " a company may alter or add to its articles by special resolution".

However, article 77 of Fedmyn's articles of association provides for a maximum of 12 directors "or as otherwise decided by shareholders in general meeting", and this is where the legal dispute arises

When Fedmyn's chairman, Dr W B Coetzer, drew the meeting's attention to the proposal, Mr Dirk Hertzog, a director of Fedmyn and of Rembrandt Group, said he could not support the motion. He did not believe it was necessary or desirable that the number of directors be increased.

In his view the proposal required a special resolution, and he asked that voting on the issue be conducted by a poll instead of a show of hands

Dr Philip Morkel, managing director of Volkskas Group, said that after taking legal opinion, he agreed with Mr Hertzog that the resolution calling for an amendment to the articles of association had to be a special one

An ordinary resolution is passed on agreement by a simple majority — more than 50% of those voting — whereas a special resolution requires acceptance by at least 75% of the votes.

The significance of the request for the resolution to be considered by a poll instead of a show of hands is that, in terms of the Companies Act (Section 197), on a show of hands each person present has only one vote, irrespective of the number of shares he holds or represents. In a poll a member (or his proxy) is entitled to exercise all his voting rights

Replying to Mr Hertzog, Dr Coetzer said the resolution had been carefully considered, and would proceed as an ordinary resolution, but agreed that voting would be carried out by a poll

The resolution was carried with about 21-million votes in favour and 15-million against, and Dr Coetzer then proposed that three additional directors, all nominated by Sanlam, be elected by an ordinary resolution.

Mr Hertzog and Dr Morkel both asked the meeting to place on record the fact that, as they considered the increase in the maximum number of directors allowed to be ultra vires, and questioned the validity of the resolution, they would not vote in the election of the new directors

After their remarks had been recorded, a vote on a show of hands was taken, and the three Sanlam nominees — Mr P L le Grange, Dr P J Riekert and Mr Pierre Steyn — were elected.

Questioned on the clash later, Sanlam's managing director, Dr Fred du Plessis, said it was merely a case of each side protecting its own interests, and too much should not be read into the proceedings

He said Sanlam had been the controlling shareholder in Fedmyn since the inception of the company in 1953 Although it had a policy of non-interference with management, Sanlam did protect its control situations

Asked why the differences between Sanlam and Rembrandt-Volkskas could not be resolved at board level, without airing them at the general meeting, Dr Du Plessis said the problem had only arisen "a couple of days ago"

There has been growing speculation that Rembrandt is on the verge of launching an extensive investment programme in South Africa, using its foreign reserves to take advantage of the weak rand

Market observers said yesterday the clash over Fedmyn could signal a new era in South African business, with major Afrikaans institutions prepared to compete openly against one another in contrast with the traditional "solidarity" approach

Fedmyn row mystery

(232)

RDM 8/5/82

Storm breaks over a trifle

By JOHN MULCAHY

THE clash between Sanlam and Rembrandt-Volkskas at the Federale Mynbou annual meeting is believed to have been the climax of frantic jockeying for power over the Fedmyn-Gencor group in recent weeks.

Sources close to the group said yesterday the nomination of three new directors from the Sanlam camp and the opposition from Rembrandt-Volkskas reflected a deepening rift between the two factions

On the surface, the difference revolves around a technical interpretation of the rule pertaining to the constitution of the board of directors, but the motives behind the confrontation are said to be broader

Sanlam now has 10 representatives on Fedmyn's 15-man board against seven out of 12 p-reviously, so the control situation has not altered

Sanlam's managing director, Dr Fred du Plessis, said on Thursday that the number of additional directors was irrelevant — they were appointed because of their particular talents and the contributions they could make to Fedmyn

Board decisions are carried on a simple majority, the chairman having the casting vote, and there is no immediately apparent significance in Sanlam's two-thirds majority on the enlarged board

A corporate lawyer said yesterday that it would be extraordinary for a two-thirds majority to give a group any more control than a simple majority of more than 50%

That the matter will be taken further seems likely from a terse Rembrandt statement yesterday, in which the group said it was treating the issue as sub judice

"Our group's representatives acted both in their own right and on behalf of shareholders Since they had senior counsel's opinion that the passing of such an ordinary resolution did not comply with the law they felt obliged to draw attention to it and to vote against it in the public interest"

It is curious that Rembrandt has chosen to adopt a "knight in shining armour" stance, as the impact of Sanlam's proposals on the public, or on minority shareholders, is difficult to assess — at least from available information

One view is that Rembrandt objected to Sanlam's attempt to "steamroller" its proposals through

The articles of association in question are

- Article 66 — "The minimum and maximum number of directors is as determined in the schedule"
- Article 77 — "The company (Fedmyn) may from time to time by ordinary resolution in general meeting from time to time increase or reduce the number of directors... Whenever such increase is made the members at the meeting, or if they agree, the directors, may fill the vacancies so created"
- Article 3(a) of the schedule to the articles — "Until the company in general meeting decides otherwise, the number of directors shall be not less than four and not more than twelve"
- Article 80 — "The secretary of the company must receive written notice of nominees for election as directors at least seven days but not more than 14 days before the meeting

Rembrandt's contention is that far more weight should be given to article 66, and that as soon as the number of directors moves outside the parameters provided in article 3 (a) of the schedule a special resolution is required

832

9/5/87 S. Times

Afrikaner business giants lock horns

THE country's most powerful Afrikaner business houses are squaring up for what could be a legal battle royal.

It concerns the procedure adopted for electing directors at last week's general meeting of the giant Federale Mynbou Beperk.

The Rembrandt Group and Volkskas, which each hold substantial shares in Federale, claimed at the meeting that the correct legal procedure was not followed when three additional directors — nominated by the giant Sanlam group — were elected to the board

Special

They said they might institute legal action to have the election of the directors nullified

According to the two companies, the law requires that the articles of association of Federale must first be altered by a special resolution of the board (and the articles changed at the Companies Office) to accommodate the additional directors before had been a dispute at the meeting over the directorships

He would not comment on

By GEOFFREY ALLEN

they can be elected

They claim this procedure was not followed

Federale chairman Dr W B Coetzer said that the directors could be elected by a majority decision at a normal general meeting provided more than 50 percent of the voters were present.

From his home in Cape Town, Dr A D Wassenaar, whose Sanlam group owns 50 percent of the shares in Federale, confirmed that there

a story in the Afrikaans newspaper Die Transvaler that the issue had blown up as a result of a long-standing feud between himself and Dr Wim de Villiers, chairman of Federale

According to Die Transvaler, the alleged feud came into the open this week when Sanlam managed to strengthen its grasp on the directorship of Federale

Sanlam owns 50 percent of the Federale shares but was in a minority position on the directorate

Now the board has increased from 12 to 15 with the addition of three Sanlam nominees.

According to Die Transvaler, the feud stems from the time when Dr de Villiers was vice-chairman of Sanlam and disagreed with certain actions taken by Dr Wassenaar.

The newspaper said that if Sanlam succeeded in its bid to achieve overall control of Federale, Dr de Villiers (as head of the wholly owned General Mining Corporation) would be in a very vulnerable position.

---

ed Workers Union (SAAWU)
and Allied Workers Union
trial Workers Union
& Chemiese Operateursvakbond

ral Products

ction and Allied Workers Union
kers Union
on
ployees Union
Brick and Allied Workers
Transport & General Workers Union

Base Metal Industries and Manufacture of Fabricated Metal Products Machinery and Equipment

Amalgamated Engineering Union of South Africa
Amalgamated Society of Woodworkers
Black Allied Workers Union
Electrical and Allied Trade Union of S.A.
Electrical and Allied Workers Union of S.A.
Engineering and Allied Workers Union
Engineering Industrial Workers Union of S.A.
General Workers Union
General Workers Union of South Africa
Iron Moulders Society of South Africa
Metal and Allied Workers Union
Motor Assembly Components Workers Union of South Africa
Motor Industry Employees Union of South Africa
Motor Industry Combined Workers Union
Motor Industry Staff Association
National Union of Engineering, Industrial and Allied Workers
National Union of Motor Assembly & Rubber Workers of S.A.
Radio Television, Electronic and Allied Workers Union
S.A. Boilermakers, Iron and Steelworkers, Shipbuilders and Welders
S.A. Electrical Workers Union
S.A. Iron, Steel and Allied Industries Union
S.A. Tin Workers Union
South African Allied Workers Union (SAAWU)
Steel, Engineering and Allied Workers Union
Transvaal, Radio, Television and Allied Workers Union
United African Motor and Allied Workers Union

232

S. Times 9/5/82

SA giants are global midgets

By John Spira

IF Barlows operated in the United States, it would rank as that country's 83rd-largest industrial corporation in terms of turnover.

Using assets as a yardstick, Barlows would take 69th place — just behind IC Industries, which, according to the most recent Fortune listing, boasts assets of $3 693-million.

SA Breweries, South Africa's second-largest industrial group, would fill 162nd place in the turnover rankings and 192nd position in terms of assets

Based on the turnover listings in the recently published Financial Mail Top Companies survey, no fewer than 26 South African industrial groups would feature in Fortune's largest 500 US industrials

In terms of the asset yardstick, 88 SA companies would qualify for the Fortune 500, suggesting that US companies produce more sales from their assets than their SA counterparts

Looking beyond SA's listed industrial groups, SA Transport Services (the former SAR & H), with assets of R10 186-million, would take 18th position in the Fortune 500

Anglo would rank 21st, Escom 23rd, Barclays 24th, SA Reserve Bank 26th, Stanbic 36th, De Beers 41st and Nedbank 42nd

On a global basis, the company with the largest assets ($68 404-million) is Royal Dutch Shell, followed by Exxon ($56 577-million), BP ($38 997-million), General Motors ($34 581-million) and Mobil ($32 705-million)

SA Transport Services SA's largest enterprise, would fill only 45th position on a global scale — fractionally ahead of Nestle, which boasts assets of $10 279-million. Anglo American would slot into 47th place

Barlows, with assets of R3 689-million, wouldn't make the world's top 100, being considerably smaller than the 100th-ranked Rockwell International ($4 431-million)

In assessing the size of SA companies relative to those based elsewhere in the world, it must be appreciated that the sizes of the former have been artifically boosted relative to the latter during the past 12 months by the appreciable devaluation of the rand against the dollar

Sanlam – Rembrandt clash on cards

By Patrick McLoughlin

A legal battle could be looming between two major Afrikaner business giants — Sanlam and Rembrandt — following an unprecedented public clash at the recent Federale Mynbou annual meeting

This possibility has become increasingly more evident after a Sanlam proposal to boost the number of directors on the Fedmyn board aws opposed by Rembrandt Volkskas has supported Rembrandt in the dispute

Fedmyn is the holding company of Gencor Sanlam controls Fedmyn with around 50 percent, Rembradnt is the second biggest shareholders with 30 percent asd Volkskas has a 5 percent stake

The fireworks occurred on Thursday over Sanlam's ordinary resolution to increase the maximum number of directors from 12 to 15 in terms of article 77 of Fedmyn's articles of association

The Companies Act, Section 62 says that a company may alter or add to its articles by special resolution — which requires 75 percent of the votes However, article 77 refers to a maximum of 12 directors as otherwise decided by shareholders at a general meeting

The legal dispute occurred here At the meeting, Mr Dirk Hertzog, Fedmyn director and a director of the Rembrandt, said he could not support the motion and that it was not necessary to increase the number of directors

He said the proposal should be ratified by a special resolution

In the event the resolution was passed as an ordinary resolution — which is passed with a simple majority of more than half of those voting — and the new directors were elected.

SANLAM MD

Questioned on the disagreement, Sanlam managing director Dr Fred du Plessis told me "I do not know whether they (Rembrandt and Volkskas) want to make a test case of it That could be As far as I am concerned it's a matter of legal interpretation, nothing more"

Dr du Plessis added "I must agree, looking at it from an objective point of view, that they might have a case — but I do not think so"

He pooh-poohed the observation by some people that the clash represented a far deeper rift between the three — a possible "new era" in South African business with traditionally united, at least publically, Afrikaner operations competing openly.

'First of all Bankorp have been competitive with Volkas all along, there's beenno doubt about that

"There's been no competition between Rem randt and Sanlam because we are not in the same field So I don't think the view is relevant. We have never tried to avoid competition."

Dr du Plessis said the rationale behind the bigger board was to add more talent in a bureoning group

"I feel it logical to have a bigger board because the company has increased 10 to 15-fold over the pas few years"

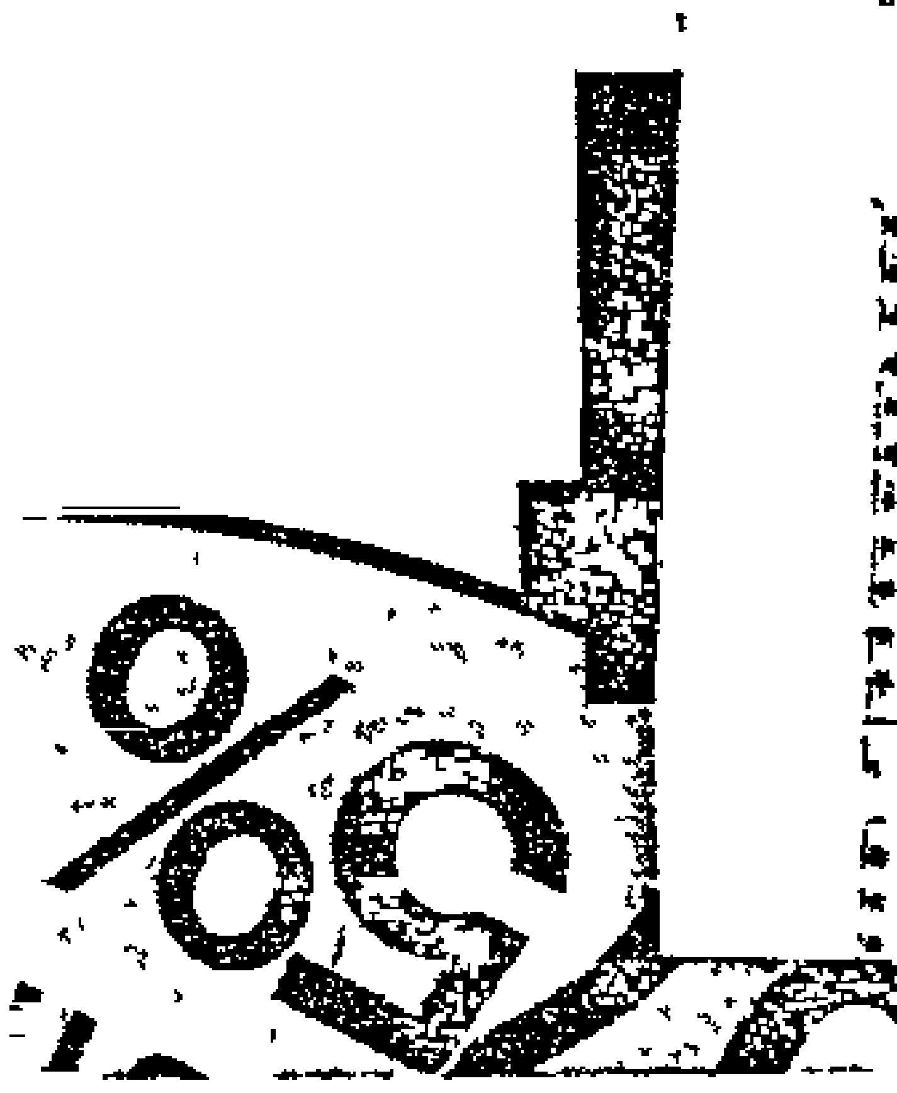
As far as Sanlam was concerned the matter was finished and he was waiting for further developments from the other parites

Rembrandt says legal opinion was that the passing os such an ordinary resultion did not comply with the law and they felt obliged to vote against it in the public interest

"In view of possible further ction from our side we are treating the matter as sub judice and have no further comment"

ARGUS 12/5/82

232



Shareholders of Greatermans left in dark

Financial Editor

BEFORE any further action is taken on Greatermans, some consideration should be given to its shareholders, who need up-to-date information about their company's affairs.

This is especially so in view of the disturbing reports that have been made recently about the company's financial situation Greatermans shareholders have not fared well in the matter of official news of their company's affairs this year.

In January they were told that though earnings had dropped 14 percent before tax in the six months to December 26, the company had still made a taxed profit of R5,5-million, equal to 71.4c a share It was also indicated that the adoption of LIFO and the sale of Ackermans had resulted in a healthy cash situation

But on March 5, at the same time details of Kirsh Industries' new offer were announced, they were told these figures were incorrect

It appeared that amounts had been included in the profits which should not have been there and that taxed earnings were only 47,1c a share

Sweetening the bad news, however, was a statement that the balance sheet had been greatly understated as property revaluations had not been taken into account for some time

If shareholders were a little perturbed about the company's affairs there still seemed no cause for serious concern

RESCUE BID

But last month, during the court hearing on the Johannesburg Stock Exchange's decision not to insist that Kirsh Industries should make an offer for the non-voting shares, the president of the JSE, Mr Richard Lurie, made several devastating remarks about Greatermans

He said its financial affairs were "in a mess" and that the offer by Kirsh Industries was a rescue bid

A similar sentiment was expressed by the JSE committee in a statement this week in which it said that it believed its decision on the Kirsh offer was in the interests of all Greatermans shareholders

From this it seems that Greatermans' affairs could be or were in a serious situation That raises the question why the company's shareholders have not yet been told about it

The last official news they received was on March 5 when the reduced earnings of 47,1c a share for the six months to December were announced

Surely they deserve more news about the affairs of their company especially on court evidence has disclosed that as far back as March both Greatermans management and the JSE appeared to believe the company was in serious straits

The saga has now taken another turn with Kirsh Industries announcing that it is to appeal against the Rand Supreme Court judgment that the JSE had ruled wrongly in deciding Kirsh did not have to make an offer to the holders of the non-voting shares

M & R prepares a R72m pounce

RDM 14/5/82 232

By JOHN MULCAHY

THE way has been paved for a major acquisition by Murray & Roberts through a new share issue, while protecting Anchusa Holdings effective control of the group

A reconstruction of various cross-holdings between M & R and Anchusa announced today, will leave Anchusa with 46% of M & R, compared with the 30% it now holds, and allow some scope for the issue of M & R paper without diluting Anchusa's interest

The first element of the plan comprises the acquisition by M & R of Anchusa's 50% holding in Manchusar making the latter a wholly-owned subsidiary of M & R, in exchange for 3 262 923 new ordinary shares in M & R

Manchusar holds 100% of Crown Mills, 100% of Bromor Foods and 94,7% of CI Industries

The second facet of the transaction, engineered by Barclays National Merchant Bank and The Board of Executors, is the acquisition by M & R of 2 575 415 new Anchusa shares in exchange for 1 770 528 M & R shares now held by wholly-owned subsidiaries of M & R

Mr Roger Voysey, a director of M & R, said yesterday the objective of the transaction was not to entrench Anchusa's effective control of M & R, but to enhance M & R's capability to look for acquisitions by enabling it to issue new shares without reducing Anchusa's stake below its current 30%

As evidence of this intention, Mr Voysey said that while Anchusa's holding in M & R would rise to 46% as a result of the transactions, it would restrict its voting rights to about 42% of M & R's capital

Anchusa will waive its voting rights in respect of the 1 770 528 M & R shares acquired from M & R's wholly-owned subsidiaries, but if M & R issues any new shares, Anchusa will exercise voting rights in respect of the 1 770 528 shares pro rata to increases in M & R's capital, until Anchusa's total holding in M & R is reduced to 30% of M & R's issued ordinary capital

After this stage is reached, Anchusa will be entitled to vote in respect of the full 1 770 528 shares

Mr Voysey said there was no significance in the timing of the announcement, and M & R had no immediate takeover plans

The decision to transfer the whole of Manchusar into M & R was based on the duplication of management and administration, and circumstances had changed since Manchusar was established

At that time M & R was almost exclusively in construction, and Manchusar was the vehicle for Anchusa's other interests, but M & R's base had since broadened and Anchusa now had a diversified earnings base through M & R

According to M & R the financial basis of the transaction is that neither the ordinary shareholders of Anchusa nor of M & R will suffer any dilution in earnings a share

No value was placed on the components of the transaction for this purpose because "the integrated transaction as a whole was determined with reference to earnings'

The transaction is not expected to materially affect earnings of either Anchusa or M & R this year, but a non-recurring surplus of 8,3c a share arises in Anchusa

According to the announcement the commercial objective of the scheme is the improvement in the quality of earnings of Anchusa and M & R by adding a new dimension to M & R's acquisition policy

Anchusa's net asset value at June 30, 1981 is increased by 6c a share to 468c as a result of the moves, while the effect on M & R's net asset value at the same date is a 22c reduction to 553c

"This reduction in the net asset value of an M & R ordinary share results from the acknowledgement of the goodwill arising from past acquisitions by Manchusar — particularly the acquisition of the CI Industries group"

The effective date of the proposals — to be presented for approval to Anchusa and M & R shareholders in general meeting — will be January 1, 1982; and the new shares are expected to be issued on June 29

COMMENT. The stated objective of the transaction, to provide M & R with the facility to go for significant acquisitions, cannot be read in isolation, but must be seen in conjunction with the understandable desire to protect Anchusa's control situation

While the intention is clearly to use paper in future M & R acquisitions, this has not been done without "watching the back"

The reconstruction increases M & R's issued capital by 22,4% to 27 577 107 shares from 22 543 656 shares

After the transaction Anchusa will hold 11 895 451 M & R shares, and if this interest is ultimately to be maintained at 30%, it implies the future issue of another 12-million shares

At the current market price of 600c the transaction has thus created a R72-million facility for acquisition without influencing Anchusa's control

National Union of Distribu
Pretoriase Vakbond vir die
Transvaal Retail Meat Tr

Catering and Accommodation
Commercial, Catering and A
East London Liquor & Cater-

● R3 000-m GIANT POISED FOR OVERSEAS EXPANSION

SAB in offshore thrust

S. Times 16/5/82

232

By ANDREW McNULTY

SOUTH African Breweries seems poised for a major offensive overseas. With growth in the South African economy braking almost to a standstill, offshore ventures look like the next logical avenues for growth by the R3 000-million group.

This was the conclusion reached by Business Times after an interview with SAB managing director Dick Goss

Mr Goss confirms that if "unique situations" occur overseas and such situations present appropriate new growth avenues for its beverage and hotel devisions, SAB would be a willing investor

Geographic diversification overseas could become almost unavoidable

Mr Goss says the group has a well-established philosophy of remaining based in mass-market consumer goods

In South Africa it is strongly represented in beer, wine and soft drinks, retailing and food (OK Bazaars), hotels (Southern Suns), furniture manufacturing (Afcol), furniture retailing (Amrel), footwear (Cuthberts, Barnes and Select-a-Shoe) and clothing (with the recent acquisitions of Scotts and the giant Edcon group)

After a trail of takeovers and mergers in the past few years, these areas are now largely carved up between the giants SAB, Coki and Kirsh Industries, Pick n' Pay.

If the proposed offshore ventures come to fruition, they would clearly have to be of a type and size to have a meaningful impact on SAB's prospects

As such, they could involve investments amounting to millions of rands

In the local market, with the acquisition of Scotts and Edcon to be digested, the group's strategy — "unless any unique opportunities" arise — will be to return to a phase of following organic growth of its business

"We see no point in acquiring more companies for the sake of bigness Instead we are going to rely on the fact that we have a good base with tremendous growth opportunities," Mr Goss commented after announcing results for the year to March 31 1982, which included

- ● Turnover up by 28,7% to R3 057-million
- ● Attributable earnings up by 38,3% to R167-million
- ● Earnings per share up by 38,3% to 75,1c
- ● The final divided is 24c for a total of 34c, up 25,9% on last year's dividend of 27c

With the economy entering a stage of little or no real growth, SAB's earnings per share are forecast to rise at a more modest rate in 1982

A big factor in the 38%

● To page 3

Union
rks Association
ed Workers
ryf
Union

16/5/82 (232) S Times

SAB in offshore thrust

● From Page 1

growth in turnover — well ahead of the estimated private consumption expenditure growth of 20% last year — was the performance of the beer interests, whose sales volume rose by 21%

But Mr Goss points out that last year's beer sales growth was well down on the 30% achieved the previous year, and could fall significantly, possibly by as much as half — to about 10% — this year

"We couldn't complain about that because it would give us a breathing space

"We have been under a lot of pressure to supply the market and have been barely succeeding"

Commenting on the general outlook, however, Mr Goss says that he has not yet seen the more pessimistic growth levels that had earlier been expected to emerge by now in consumer fields, other than in durables, which are showing negative real growth

"I find the market very difficult to predict right now

"In some of our business we are doing better than expected, and if the economic commentators are to be believed then we are due for a very sudden downturn"

SAB is expecting to outperform average economic growth levels because all its activities except hotels are pitched at mass markets aimed at lower-to-middle-income spenders

This group is expanding with the growth of black spending power, fuelled by efforts to close the wage gap, by the greater muscle of trade unions and by the movement of blacks into better-paid positions.

Mr Goss adds that consumer spending generally could be fuelled by pay rises, many of which may still be awarded at levels of about 15%

1970					
1971					
1972					
1973		98	320	418	x
1974		28	294	322	x
1975		26	305	331	x
1976		21	201	222	x
1977		30	347	377	x
1978				..	
1979				445	$
1980				460	Fosatu Annua Report 1980/81

Address: 201/4 City Centre
Corporation Street
Cape Town
8001

Telephone: (021) 433658

Officials: Secretary: A.Frazer

Area of Operation: Western Cape

Founded: 1939

Registration: Yes

1974 affiliated to TUCSA and had disaffiliated by 1977/78 and with other unions formed FOSATU in 1979

Scots ire at Anglo bid

232 [illegible]

RDM [illegible]

20/5/82

London Bureau

LONDON — Scottish workers may stage demonstrations and occupy factories if Charter Consolidated, Anglo American's British arm, succeeds in a controversial takeover of the coal mining equipment company, Anderson Strathclyde of Glasgow

The works committees at each of the five Anderson Strathclyde factories have asked that "everything possible" be done to prevent a takeover

The committees have warned the giant Amalgamated Engineering Workers Union (AEWU) in London that they would "resist strongly, possibly including demonstrations and sit-ins"

Anderson's chairman Sir Monty Finston said they did not need Charter's money and that Charter does not have the necessary expertise in coal mining

Companies stalk the market for more prey

22/5/82
Star

232

By David Braun

The business community has not seen the end of company takeovers and mergers, says Mr Robin McGregor, author of the "Who Owns Whom" series.

Large industrial conglomerates are ready to gobble up smaller viable concerns which in turn are always ready to ingest the smallest of successful businesses.

"As the downturn in the economy starts to bite we can expect companies with cash flow problems to divest themselves of subsidiaries or to sell off interests to raise cash.

"Many will have to sell a controlling share in themselves to survive," said Mr McGregor.

"At the same time companies which have a healthy cash position but are unable to expand within their own industry, and who are seeking to diversify, are on the prowl for interesting prospects."

GIANTS

Mr McGregor said the tide of takeovers and mergers would be stemmed only when the big corporations got so gigantic as to make efficient management no longer possible.

"The bigger and more sophisticated the organisation becomes the more managers must be able to administer efficiently.

"In the US the biggest corporations often became so bureaucratic and inefficient that they were forced to start dismantling their empires.

"We are still some way off from that situation

"Mergers and takeovers tend to be a cyclical phenomenon and we have not yet reached the peak of the current cycle."

RATIONALISATION

For many experts monopolies or oligopolies are not necessarily a bad thing.

Rationalisation in the motor industry, for example, is often considered to be in the public interest

It would make sense to have fewer motor manufacturers competing in what is now considered to be one of the most over-traded motor industries in the world.

Fewer companies would have bigger market shares and enjoy bigger profits or be able to pass on savings to the consumer

For these people the bigger conglomerates become and the fewer they are the easier it will be for the small businesses to compete with them in specific areas.

The most successful example of this in recent times has been in the computer industry.

Opponents of agglomeration fear that the spirit of free enterprise is being threatened and that oligopolies would make their impact felt on the consumer, business efficiencies and prices and wages.

The country's 100 largest industrial companies, according to Business Times, now account for almost 80 percent of the value of all shares in the industrial sectors of the Johannesburg Stock Exchange.

Through more colossal mergers and takeovers the 100 largest industrial giants had gobbled up an extra 50 percent of the total market value of the 460 JSE-listed industrials in less than a decade.

TREND

In its annual report tabled in Parliament last month the Competition Board said the merger trend in South Africa needed to be closely watched.

The principle of non-interference in free enterprise should not be extended to unquestioning acceptance of the steady absorption of small and medium-size firms by large groups, said the board.

Again depending on circumstances, the State will finance other colleges on a different basis, but using the same formula.

(h) Multi-campuses or colleges should not be confined to the prescribed geographical area of the university and may therefore be established anywhere in the country, subject to ministerial approval.

36.12 In conclusion the Commission wishes to point out that the development of the systems of multi-campuses and colleges should always be planned with due regard to the country's needs so far as other education and training at the tertiary level are concerned.

The p
campaign s
universiti
Commission
ideals fal
above.

Under
will have
Commission
A.C.U. has
be discuss
able to ju

s who
of new
the
imed at
y set out

decisions
r, the
proposed
(as will
ill be
ingly.

Minister calls for more hotels at lower levels

(232)

E. Post 24/5/82

By GRANT AUBIN

IMPORTANT amendments to the Liquor Act may be introduced next year as a result of an investigation into the liquor industry by the Competitions Board, the Deputy Minister of Finance, Mr D W Steyn, predicted today

Opening the congress of the Federated Hotel Associations of South Africa (Fedhasa) at the Hotel Elizabeth, he said the report of the board would soon be handed to the Minister of Commerce, Tourism and Industry, Dr Dawie de Villiers

Mr Steyn also said foreign exchange earnings from overseas tourists were the highest last year and that 1981 also produced the second highest tally of overseas tourists.

Because of the country's variety of attractions and climate South Afr[illegible] bound to attract a growing number of foreign tourists as travel demand continued to grow.

"More people with discretionary spending power, not willing to forego travel and holidays, will turn from saturated tourist spots around the globe to new tourist destinations in the relatively unexplored regions of the Southern Hemisphere," he said

New four-star and five-star hotels were going up all the time, he said However, times were difficult economically and building costs were astronomical.

The answer to the problem could be more one-star, two-star and three-star hotels

"The tourism section of my department receives complaints nearly every day from tourists about poor service and facilities in hotels — and that includes all hotels in the one-star to five-star category," said Mr Steyn

Most complaints were about one-star and two-star hotels These hotels were doing great damage to the tourist industry

He said hotel board inspectors were most important and should be used by the industry to a far greater extent

Mr Martin Shaw has been elected president of the South African Institute of Chartered Accountants

Food giants facing fierce battle for Monis & Fattis

CAPE TIMES 27/5/82 ~~186~~ 232

By JOHN GILMORE

JOHANNESBURG. — A fierce and highly expensive takeover battle could soon break out between South Africa's two biggest food producing groups, Tiger Oats and Premier Group, for ultimate control of the last remaining quoted independent basic food manufacturer, Monis & Fattis.

Tiger Oats is believed to be on the verge of making a R28m counter bid for Monis and Fattis, the flour milling and pasta group which is already in receipt of an 820c a share offer from the Premier Group

Speculation on the stock exchange yesterday and comments from industry sources close to Tiger suggest that Tiger is about to make a R10 a share offer for the 28m shares in Monis and Fattis in a last desparing bid to acquire this strategic stake in the industry

On the JSE, Monis and Fattis shares moved up to 830c bid yesterday afternoon to go above the level of the Premier bid for the first time, and one leading broker told me that a private client had suddenly removed a large selling order during the afternoon

Buyer's would have to be prepared to pay 900c for the shares though brokers said there were none on offer

Mr Rudi Frankel, chairman of Tiger Oats, gave only a "no comment" and referred me to Mr John Moni, chairman of M & F, who, however, was in a meeting and was not available to talk to the press

Similarly, Tiger's merchant bankers, UAL, preferred to make no comment

Mr P Wrighton, deputy managing director of Premier Group, said that Premier had bought effective control of M & F for a price and if there was to be another offer, "let us see what the bid is"

When asked what he thought of a possible figure of 1 400c a share as the worth of M & F's assets he replied "We would not stay in business long if we bought on the strength of assets — in this climate you have to go for earnings"

The current situation is that Premier has attempted to block any Tiger bid by offering to acquire at 820c 51% of the M & F shares held by the family-owned Monis Brothers to be followed by a direct offer for 51% of M & F minorities

Monis Brothers controls 80% of the M & F equity and buying this stake would give Premier 40,8% control

The major shareholders of Monis Brothers have offered to make up the difference to 51% Then Premier intends to bid for the 49% minorities

A spoke in the wheel, however, could be the reported option for Tiger Oats to acquire a 25% stake in Monis Brothers at a price of 700c a share from dissident minority shareholder Benito Moni

Monis Brothers is expected to hold a general meeting in the next day or so to approve the sale of more shares to Premier to get around this difficulty

Tiger, therefore, has to act fast if it is to have a grain of hope of winning the war And a source in the industry assures me that M & F "is vital strategically to Tiger though it is not so important to Premier, whose bid was basically a blocking move"

M & F has bakeries in Cape Town and the Reef and a flour mill in the Cape which Tiger could close down to effect efficiencies The source also said that M & F's underlying assets "were worth quite a lot of money and being the last in the industry could command a high price"

Moreover, "with Barlows now behind Tiger, price is not the only consideration for a strategic stake in this basic industry"

He thought that five years down the line with inflation continuing at its present rate, even a high price would be the right price

"Tiger should have gone in for the kill right at the start", he said

Tiger challenges Premier

Battle looms for Monis

RDH
27/5/82
232
188

By JOHN GILMORE

A FIERCE and highly expensive takeover battle could soon break out between South Africa's two biggest food groups — Tiger Oats and Premier Group — for ultimate control of the last remaining quoted independent basic food manufacturer Monis & Fattis.

Tiger Oats is believed to be on the verge of making a R28-million counter-bid for Monis & Fattis, the flour milling and pasta group which is already in receipt of an 820c a share offer from the Premier Group

Speculation on the Johannesburg Stock Exchange yesterday and comments from industry sources close to Tiger suggest that Tiger is about to make a R10 a share offer for the 2 800 000 shares in Monis in a last despairing bid to acquire this strategic stake in the industry

On the JSE, Monis shares moved up to 830c bid yesterday afternoon to go above the level of the Premier bid for the first time

A broker told me that a private client had suddenly removed a large selling order in the afternoon

Buyers will have to be prepared to pay 900c for the shares although brokers said none was on offer

Mr Rudi Frankel, chairman of Tiger Oats, gave only a "no comment" and referred me to Mr John Moni, chairman of Monis But he was at a meeting and was not available to talk

Tiger's merchant bankers UAL preferred to make no comment

Mr P Wrighton, deputy managing director of Premier Group, said Premier had bought effective control of M&F and if there was to be another offer, "let us see what the bid is".

Asked what he thought of a figure of 1 400c a share as the worth of M&F's assets he replied "We would not stay in business long if we bought on the strength of assets In this climate you have to go for earnings".

The current situation is that Premier has tried to block any Tiger bid by offering to acquire at 820c the 51% of the Monis shares held by the family-owned Monis Brothers to be followed by a direct offer for 51% of Monis minorities

Monis Brothers controls 80% of the M&F equity and buying this stake would give Premier 40,8% control

The major shareholders of Monis Brothers have offered to make up the difference to 51% Then Premier intends to bid for the 49% minorities

A spoke in the wheel, however, could be the reported option for Tiger Oats to acquire a 25% stake in Monis Brothers at a price of 700c a share from dissident minority shareholder Mr Benito Moni

Monis Brothers is expected to hold a general meeting in the next day or so to approve the sale of more shares to Premier to get around this difficulty

Tiger, therefore, has to act fast if it is to have a grain of hope of winning the war

A source in the industry assures me that M&F "is vital strategically to Tiger although it is not so important to Premier, whose bid was basically a blocking move"

Monis has bakeries in Cape Town and on the Reef and a flour mill in the Cape which Tiger could close to effect efficiencies

The source said that M&F's underlying assets "are worth quite a lot of money and being the last in the industry could command a high price"

Moreover, "with Barlows now behind Tiger, price is not the only consideration for a strategic stake in this basic industry".

He thought that five years down the line with inflation continuing at its present rate, even a high price would be the right price "Tiger should have gone in for the kill right at the start," he said

232

RDM 28/5/82

Tiger grabs Monis

R31m bid blocks Premier

By JOHN GILMORE

TIGER Oats, as was exclusively forecast in yesterday's Business Mail, has made a block-out bid for Monis & Fattis.

Tiger is prepared to pay 1 120c a M&F share, valuing the flour milling and pasta group at more than R31-million compared with the recent bid from Premier group of 820c worth R23-million.

At yesterday's annual meeting in Johannesburg — which a company official asked me to leave, not being a shareholder — the chairman, Mr John Moni, told those present of the latest offer from Tiger

He said in a prepared statement· "Last Tuesday evening, May 25, one of the directors of Tiger Oats & National Milling called at my house and handed me a letter from Tiger Oats dated that day, and adressed to me wherein Tiger Oats offered to purchase not less than 51% of the issued ordinary share capital of Monis and Fattis at a price of R1 120c per share, which price is about R3 per share higher than the price offered by Premier Group

"The other terms of the Tiger Oats offer were similar to those stated by Premier Group in its offer, except that Premier Group's intention to merge Monis & Fattis with Jabula Foods would not apply".

The offer by Tiger Oats is open for acceptance until noon on Tuesday, by which time Tiger must receive a resolution passed by the shareholders of Moni Brothers approving the proposed sale by Moni Brothers to Tiger Oats in terms of section 228 of the Companies Act 1973

It is impossible to comply with this requirement as Moni Brothers must convene a meeting of its shareholders by giving no fewer than 14 days' notice to shareholders — in terms of the articles of association of Moni Brothers and the provisions of the Companies Act

Mr Moni said "You will note from the announcement that shareholders holding in excess of 51% of Moni Brothers ordinary share capital have undertaken to the Premier Group to approve the proposed transaction with the Premier Group

"The legal implications with the advent of the offer from Tiger Oats must be carefully considered by the shareholders of Moni Brothers, and this position cannot be resolved by noon next Tuesday, June 1

"A meeting of shareholders of Moni Brothers will be convened shortly, at which all the facts will be placed before shareholders and the result of that meeting will be conveyed to all the shareholders of Monis & Fattis".

COMMENT: Alhough Tiger, with Barlows in the background, is initially bidding for only 51% of M&F I was given to believe after the meeting that a similar offer of 1 120c would be made to all shareholders

This is even higher than the price being bandied about yesterday, but is still below the estimated net asset value of more than 1 400c a share and is in keeping with the comment given to me yesterday that in five years' time with inflation even a high price is the right price

Mr Benito Moni, who had earlier given Tiger a morally-binding option to acquire 25% of M&F, told me after the meeting that there had been "lively discussion" over the merits of the Tiger offer, but he had pointed out the present bid was R8-million higher than Premier's.

There still appears to be a pro-Premier faction on the M&F board and it is possible that the deferment of a decision to accept the Tiger offer by the M&F directors is to allow time for further discussions

Mr John Moni agreed that R31-million "is a lot of money".

---

r Leather Workers
f Textile Workers
llied Workers Union (SAAWU)
peworkers Union
peworkers Union (Cape)
s, Dressmaking & Furriers Industrial Union
r and Allied Workers Union
Industrial Union
Union (Transvaal)
er and Allied Trades Industrial Union
kers Industrial Union

ducts, including Furniture

of Furniture & Allied Workers of S.A.
Allied Workers Union
llied Workers Union (SAAWU)

Paper & Paper Products, Printing & Publishing

Amalgamated Engineering Union of South Africa
Media Workers Association of South Africa
Paper, Wood & Allied Workers Union
S.A. Boilermakers, Iron & Steelworkers, Shipbuilders & Welders
S.A. Electrical Workers Association
S.A. Society of Journalists
S.A. Typographical Union
South African Allied Workers Union (SAAWU)

Monis battle hots up

232

RDM 29/5/82

Premier sticks to control claim

By JOHN GILMORE

EVENTS took a sharp turn in the R31-million contested takeover bid for Monis & Fattis with the return to South Africa yesterday of Mr Tony Bloom, chairman of Premier Group.

Mr Bloom denied in an interview that Tiger Oats had blocked his R23-million bid for M&F and said he had documentary evidence to support his case

Mr Bloom told me "I have a signed deal with the controlling shareholders of Monis Brothers and the chairman, Mr John Moni, has warranted the sale of a sufficient number of shares to ensure Premier has 51% control

"Mr Moni acts on behalf of the family and his warrants bind the members of the family These are legal facts which I have checked with our merchant bank, the JSE, our attorneys and two counsel

"I would rather be holding these cards," said Mr Bloom who produced the agreements signed by himself and Mr J Moni

But the dissident director of Monis Brothers, Mr Benito Moni, gave me a different story

Mr Moni, in replying to statement yesterday by Mr Peter Wrighton, deputy managing director of Premier, told me categorically "the shareholders of Monis Brothers have not sold control of the company There are gaps in the document and Mr Wrighton obviously is not fully aware of all the legal issues involved"

Mr Wrighton was quoted as saying "I would like to point out that the so-called loose option which Tiger has for 25% is sub judice being subject to a court action In any event, it is only a minority interest and therefore of no consequence as far as control is concerned"

Mr Moni replied that "Mr Wrighton's statement is full of inaccuracies and the option for Tiger to take up 25% of the Monis Brothers shares is not a loose option and is consequential".

" I think it is in the public interest that the matter be aired and that the shareholders in the public company should get the best deal at the highest price," said Mr Moni

Mr Bloom returned from the United States yesterday where he had arranged "some exciting licensing deals" for the proposed Jabula Foods-Monis & Fattis tie-up which he thought had great potential

He believedf that M&F's net assets were worth only about 500c a share compared with the Tiger offer of 1 120c and that Tiger would probably have to spend R8-million to complete a flour mill near Pretoria This would take the cost to R40-million, at which level Mr Bloom considered it would pay to rebuild M&F's assets from scratch

ALthough he was convinced he had done a deal with Monis Brothers, Mr Bloom agreed that "there is a price for everything", although he did not want to give any impression he would be a willing seller

COMMENT: The plot thickens Both Mr Bloom and Mr Benito Moni believe they are legally right, so the attorneys are going to have a field day next week.

So far, neither Tiger nor controllers Barlow Rand is saying a word But it is unlikely that such a shrewd and experienced campaigner as Mr Rudi Frankel, chairman of Tiger, would make such a generous bid against seemingly impossible odds without believing he was reasonably sure of success and without the support of Barlows.

Mr Bloom's admission that there is a price for everything could mean that he might be winkled out by a higher offer from Tiger, just as Mr Donald Gordon took the bait that SA Breweries quickly offered to get control of Edcon.

The battle lines are clearly drawn.

232

R04

198

29/5/82

EEC bid to block Morris-Rothmans

By NEIL BEHRMANN

LONDON. — The European Economic Community has objected to Philip Morris recent $350-million investment in Rothmans International.

The EEC is questioning the investment on anti-monopoly grounds It began its investigations a year ago when Philip Morris, the world's second-largest tobacco company, bought over a fifth of the shares in Rothmans from the Rembrandt group

Besides the direct stake in Rothmans, the United States company obtained vital trademarks and convertible bonds from affiliate companies in the Rembrandt group

West Germany's anti-monopolies office barred the West German subsidiary of Philip Morris from buying a 50% interest in Martin Brinkman, the German subsidiary of Rothmans Martin Brinkman is the third-largest supplier of cigarettes in West Germany followed by Philip. Morris

The Germans fear that a combination of both companies would monopolise the cigarette trade

Philip Morris believes that its holding in Rothmans meets the competition requirements of the EEC The company's best-known brands are Marlboro and Merit. Rothmans sells Peter Stuyvesant, Rothmans, Dunhill and others.

Philip Morris bought its stake in Rothmans when Dr Anton Rupert, chairman of the controlling shareholder, Rembrandt Group, rejected a bid from another US tobacco company, RJ Reynolds Industries

The chairman of Reynolds, Mr Paul Sticht was furious and effectively accused Dr Rupert of bad faith He suggested that a Philip Morris-Rembrandt partnership might break the laws of the EEC and West Germany

Mr Sticht said Reynolds had considered agreeing to a deal with Dr Rupert, similar to that which was arranged with Philip Morris, but had been advised it could be unlawful

Dr Rupert countered that discussions collapsed because Reynolds was unwilling to put its brands into a partnership deal

Analysts estimated that Rembrandt Group would have about R700-million available for investment from the sale of part of its stake in Rothmans Rembrandt Group sold half its 44% interest in the company and about half the holdings of Rothmans convertible bonds held by a European affiliate of Rembrandt

Yea	tal	
19		
19		
19		
19		
19	3 900	+
19	3 900	x
19	6 700	x
19	7 000	x
19	..	
19	..	
19	8 400	

Fosatu Ann
Report Nov.
1980/81

Telephone: (031) 69215

Sibabi

Area of Operation: Transvaal, Natal, Eastern Cape

Founded: 1973

Registration: See note on FOSATU registration, p.11

Recognition:
1) Tensile Rubber
2) Precision Tools
3) Automatic Plating
4) Hendrick Trailors
5) Hendler
6) Kraft Engineering
7) William Bros.
8) Scottish Cables
9) McKennon Chairs
10) Alusaf
11) Vosa
12) Craft Engineering
13) Selchain
14) Stone Street & Hansen
15) Barlows

Membership: 1981 = 24 300

Other

Diamond Cutters Union of South Africa
Jewellers and Goldsmiths Union
Optical Workers Union
S.A. Association of Dental Mechanicians
S.A. Diamond Workers Union

ELECTRICITY, GAS AND WATER

Cape Town Gas Workers Union
Escom (Cape Western Undertaking) Salaried Staff Association
Escom Salaried Staff Association
Escom Workers Association
General Workers Union
Johannesburg Municipal Water Work Mechanics Union

CONSTRUCTION

Amalgamated Society of Woodworkers
Amalgamated Engineering Union of South Africa
Amalgamated Union of Building Trade Workers
Black Allied Workers Union
Blankebouwerkersvakbond
Building, Construction and Allied Workers Union
Building Workers Union
Electrical and Allied Trades Union of South Africa
Electrical and Allied Workers Union of South Africa
Engineering and Allied Workers Union
Engineering Industrial Workers Union of South Africa
General Workers Union
Metal and Allied Workers Union
National Union of Engineering, Industrial and Allied Workers
Port Elizabeth Operative, Plumbers Employees Association
S.A. Operative Masons'
S.A. Woodworkers
Steel, Engineering a ion
S.A. Electrical Worke

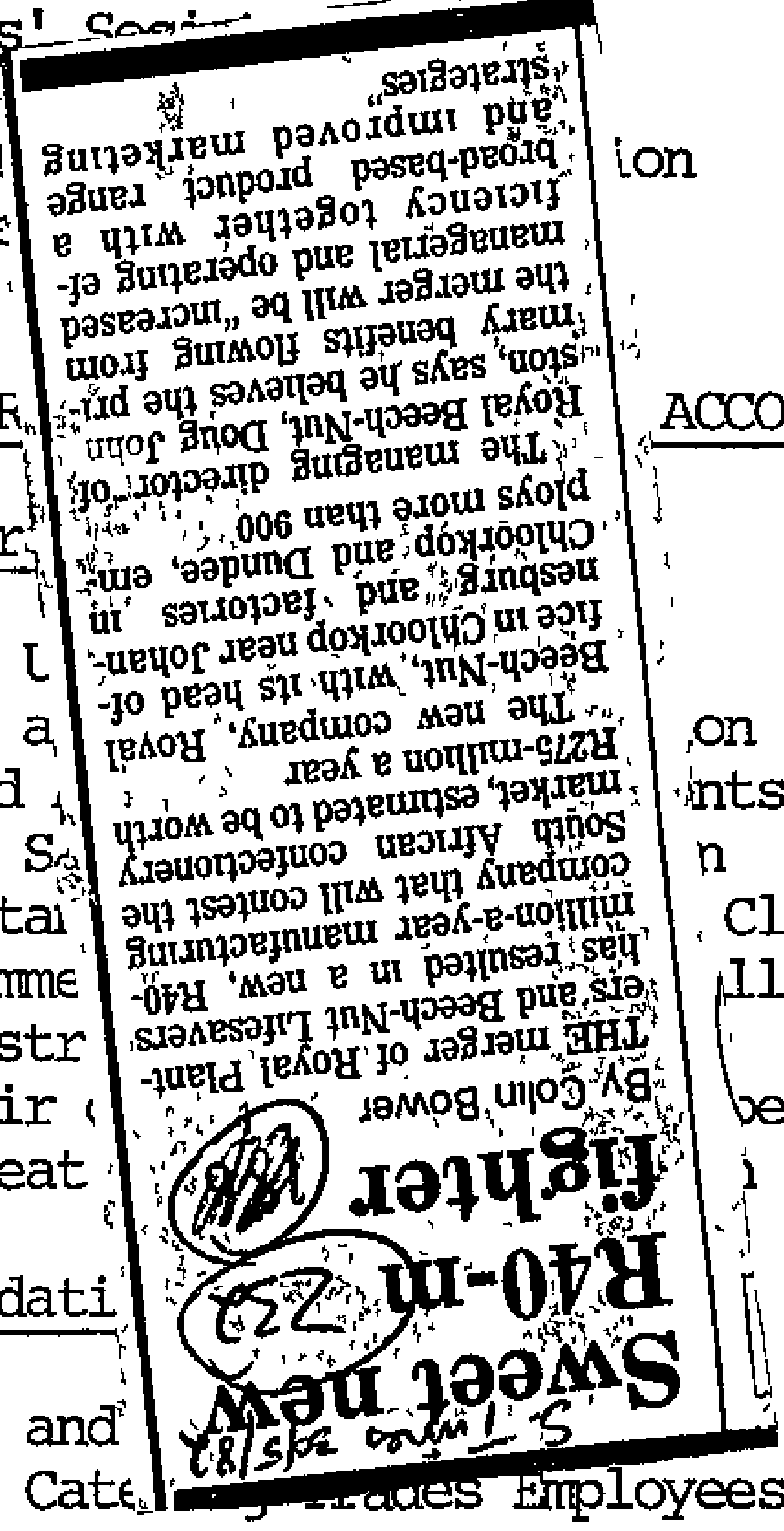
WHOLESALE & RETAIL TR ACCOMMODATION SERVICES

Wholesale & Retail Tr

Black Allied Workers U
Commercial, Catering a on
Concession Stores and nts Union
Domestic Workers and S n
Kimberley Shop Assista Clerks Association
National Union of Comme llied Workers
National Union of Distr
Pretoriase Vakbond vir bedryf
Transvaal Retail Meat

Catering and Accommodati

Commercial, Catering and
East London Liquor & Cate Trades Employees Union



S. Times 28/5/82

Sweet new R40-m fighter

232

By Colin Bower

THE merger of Royal Planters and Beech-Nut Lifesavers has resulted in a new, R40-million-a-year manufacturing company that will contest the South African confectionery market, estimated to be worth R275-million a year

The new company, Royal Beech-Nut, with its head office in Chloorkop near Johannesburg and factories in Chloorkop and Dundee, employs more than 900

The managing director of Royal Beech-Nut, Doug Johnston, says he believes the primary benefits flowing from the merger will be "increased managerial and operating efficiency together with a broad-based product range and improved marketing strategies"

RAIL

ates

IN rates softe
50c for 50
in the trans
grain trade, la
vessels bar
rates stea
Afromar

for cargoes to Ja
to $22,50 for 30 000-

rates in the Atla
been affected by
and with ea
being restri
have slid
55000-tonners na
about $17
Roads to J

strike in Rotterdam
felt particularly in t
as shortages a
experienced by son
This has resulted in
e orders for spot ca
mainly in the Atlant

Far East has also e
overtonnaging
the Japanese carry
stockpiles in basi
owners are no
have their vessels u
of the world

charter rates have
weaker with no
demand from any
There were reports of
fixture for period em

erty Fu

y Trust
imited

ent to CBD

November 1981 in term
between Retco Limite
M In terms of an an
M dated August 1981
took to develop a parkade
by Plein Eloff an
agreement provides tha
owning that property o
for inclusion in the CBD
value of the parkade property
in excess of the sum of R
M is obliged to pay if it were
sion in CBD Fund

of CBD Fund, The South Afr
then largest shareholder)
of individuals Co

BUSINESS

New move in bitter battle for Monis

ROH 232 1/6/82

By JOHN GILMORE

FURTHER developments in an increasing bitter struggle for control of Monis & Fattis can be expected this week following informed comments yesterday to the effect that Mr John Moni, chairman of Monis Brothers, cannot bind the minorities or the other MB shareholders to the R21-million bid from Premier Group.

These comments from a source close to Tiger Oats, which has put in a R31-million offer for Monis & Fattis, follow Friday's statement by Mr Benito Moni, the dissident director of MB, who told Business Mail "The shareholders of Monis Brothers have not sold control of the company"

According to my latest source, "Mr John Moni cannot bind the minorities and cannot bind the other MB shareholders — he may think he is legally bound, but he is not and as chairman he must disclose any alternative offer. In the opinion of senior legal people the Premier agreement is not binding upon Mr John Moni, Monis Brothers, or M&F shareholders".

He commented that Premier's first deal had to be reconstructed "because of various pre-emptive rights Mr Benito Moni had on the sale of shares"

He claimed that Premier then had to go for the underlying assets of MB, being 80% of the listed company, "but this still cannot be done without explicit approval of all MB shareholders"

He also claimed that the Moni family could not sell their pre-emptions without consulting all other members, and the agreement did not stand without the consent of all

"Mr John Moni would be exceeding his authority if he signed an agreement with Premier on behalf of all shareholders," he said

"Tiger has made an unconditional offer whereby Mr John Moni is obliged to get approval from all shareholders in MB as well as in M&F and he must also acquaint the Johannesburg Stock Exchange of the offer Then the JSE should ask M&F's directors about any alternative offer before it approves the Premier bid," said the source

Although the Tiger bid formally closes today, I am told that if an extension is requested on reasonable grounds it will be granted

"An extension would not be entertained if it were not seen to be justified While in theory notice of 14 days must be given to all shareholders of any agreement, in practice this can be reduced in an emergency, and a premium of 300c a share must be regarded as an emergency," he said

Mr Tony Bloom, chairman of Premier Group, could not be reached for comment yesterday

He has denied that Tiger has blocked his company's R23-million bid and has documentary evidence to support his case.

He told Business Mail on Friday "I have a signed deal with the controlling shareholders of Monis Brothers, and the chairman, Mr John Moni, has warranted the sale of a sufficient number of shares to ensure Premier has 51% control Mr Moni acts on behalf of the family and his warrants bind the members of the family These are legal facts"

Client sues JSE brokers

By JOHN GILMORE

LEGAL action is to be taken against stockbrokers Saunders & Taylor by a client of the firm who claims he is owed R20 000

The client — Mr G R Midgley of Kensington, Johannesburg — says he is also referring his complaint to the Commercial Branch of the police

Mr Midgley alleges that in the absence of any compensation so far from either the Johannesburg Stock Exchange guarantee fund or from Saunders & Taylor in spite of a firm commitment

A spokesman for the stock exchange said it could not legally make payments from the guarantee fund as long as Saunders & Taylor claimed it was solvent He said "The firm is still trying to arrange bridging finance"

However if any creditor were to sequestrate the firm, the JSE would pay all claims immediately

He was not able to tell me the extent of Saunders & Taylors liabilities and referred me to the investigating accountants, E J Trollip & Co The partner in charge of the investigation was, however, available for comment

He alleges that he is still owed, and has been promised by Mr Peter George, repayment for shares bought through the firm to the value of about R20 000

His attorneys, Bell, Dewar & Hall, have briefed counsel and await opinion on the merits of his claim

Mr Midgley says the Commercial Branch at John Vorster Square is making preliminary investigations

As long ago as last June Mr Richard Lurie, president of the JSE, said that clients were fully protected by the guarantee fund which was established to protect inves

On November 9, Mr George wrote to Mr Midgley agreeing about his financial position and saying that "we therefore show a net debit in your favour of R19 903,9 which amount together wit interest at 16% per annu we will remit to you on o before December 31 If it is a all possible we shall endea vour to pay you out earlier Once again, I apologise fo the inconvenience our defaul has caused you"

Mr Midgley says he has re ceived no further writte communication from M George, and in spite of re peated telephone calls to M Robert Newton, secretary the JSE, no offer of help c compensation from the stoc exchange

Mr Midgley s attorne wrote to Mr George on Ap

Tongaat-Huletts merger details announced

Mercury 2/6/82

232

Finance Reporter

THE TONGAAT-Hulett group will start life with total assets over R1 000m, generating sales of R1 200m a year, pre-tax profits of R140m and attributable profits of R78m.

These figures emerge from formal documents published today for the merger of Tongaat and Huletts on the basis of 117 Tongaat-Huletts shares for each 100 Tongaat

Tongaat-Hulett (to be listed on the JSE and London Stock Exchanges as Tongaat from June 30) had a net asset value of 1 087 cents a share at the beginning of its financial year in April

The registration date for the final dividends for both companies has been advanced to June 25 (instead of July 16)

Had the enlarged group been in existence last year, it would have earned 138 cents a share and paid dividends totalling 69 cents a share

Shareholders of Tongaat and of Huletts will be asked to approve the merger at meetings on June 24

Listing

If shareholders approve, the listing of Tongaat will be suspended on the JSE on June 25

Subject to court approval on June 29, the shares of Tongaat-Hulett group will be listed on the JSE and LSE from June 30

Mr Chris Saunders, who becomes chairman of the merged company, tells shareholders that earnings of the new group are strongly influenced by the results of the enlarged sugar division, which last year produced 30 percent of joint sales and 35 percent of profits.

'Subject to this controlled industry receiving its full costs and margins, it is expected that this level of earnings per share will be maintained in the first year of the new group's existence If this is the case, total dividends of 69 cents a share will be paid'

The current downturn in the economy means that the major benefits of the merger will not be apparent this year, 'but the full potential of the benefits to both Huletts and Tongaat shareholders will be revealed over the next two to three years,' Mr Saunders says

Figures in the documents show that over the five financial years from April 1977 to March 1982, earnings per Huletts share grew at a compound rate averaging 25 percent, while Tongaat's growth rate (including attributable earnings of Huletts and associated companies) rose by 35 percent on average

Huletts dividends per share grew over the same period at an average of 25 percent, and Tongaat's at 33 percent.

Earnings

Mr Saunders says 'It is expected there will be an increase in terms of earnings and dividends in future years for both sets of shareholders as the operations of both companies complement each other in many ways, and additional benefits will be achieve through the utilisation of the enhanced resources available

'The merged group will have a far wider spread of activities, many of which should enjoy a higher rate of growth than the sugar industry, which has been the main contributor to Huletts' net income in the past.

'The merger will accelerate the expansion of Tongaat's non-sugar activities through the deployment of Huletts' available financial resources, for which investment opportunities have been actively sought in recent years

'Huletts' shareholders should be less affected in future by the unpredictable nature of the sugar industry, which is subject to the vagaries of the weather and a volatile export market.

Progress

'Considerable progress has already been made in re-organising the management structures within the two companies to rationalise those activities which overlap

'I believe the amalgamation of the two groups to form the Tongaat-Hulett group will create a group with far more dynamic and with far greater potential than the two separate parts

'It is the intention that the new group will focus its attention on the three pillars of society - food, clothing and shelter

'The new group will be the largest raw and refined sugar manufacturer in South Africa and will have a substantial share in the aluminium, building materials, textile, foods and feeds industries, as well as lesser interests in general and electrical engineering, electronics and transport

'Dividend policy will depend on the cash flow within the new group, which in turn will depend on economic conditions prevailing from time to time'

The Cape Times, Thursday, June 3, 1982

The Anglo empire in good hands

From HOWARD PREECE

JOHANNESBURG. — The retirement of Mr Harry Oppenheimer at the end of this year as chairman of Anglo American Corporation will bring down the curtain on a remarkable era of South African business.

But it will surely signify an intermission rather than the end of the story

Everything suggests that in time Mr Nicholas Oppenheimer, 36, will follow in the chairman's path of his father and of his grandfather, Sir Ernest Oppenheimer, who founded Anglo 65 years ago

From the end of this year however, the chairmanship of Anglo American — the flagship of the South African economy's private sector will pass into the hands of Mr Gavin Relly, the 56-year-old present joint deputy chairman

Few men seem better equipped for that daunting role than Mr Relly

He will start with the immense advantage of knowing that he was hand-picked for the job by Mr Harry Oppenheimer

Mr Relly, in fact, is a man who stands very tall in his own right, nationally and internationally, as a business leader

As his two deputy chairmen he will have Mr Nicholas Oppenheimer and Mr Julian Ogilvie Thompson, 48, son of a former Chief Justice

All three are the privileged products of private schools and Oxford University All three enjoy the unprivileged reputation of a boundless capacity for work and a remarkable devotion to the Anglo American group, which has just reported gross profits of R715-million for the 1981-82 financial year

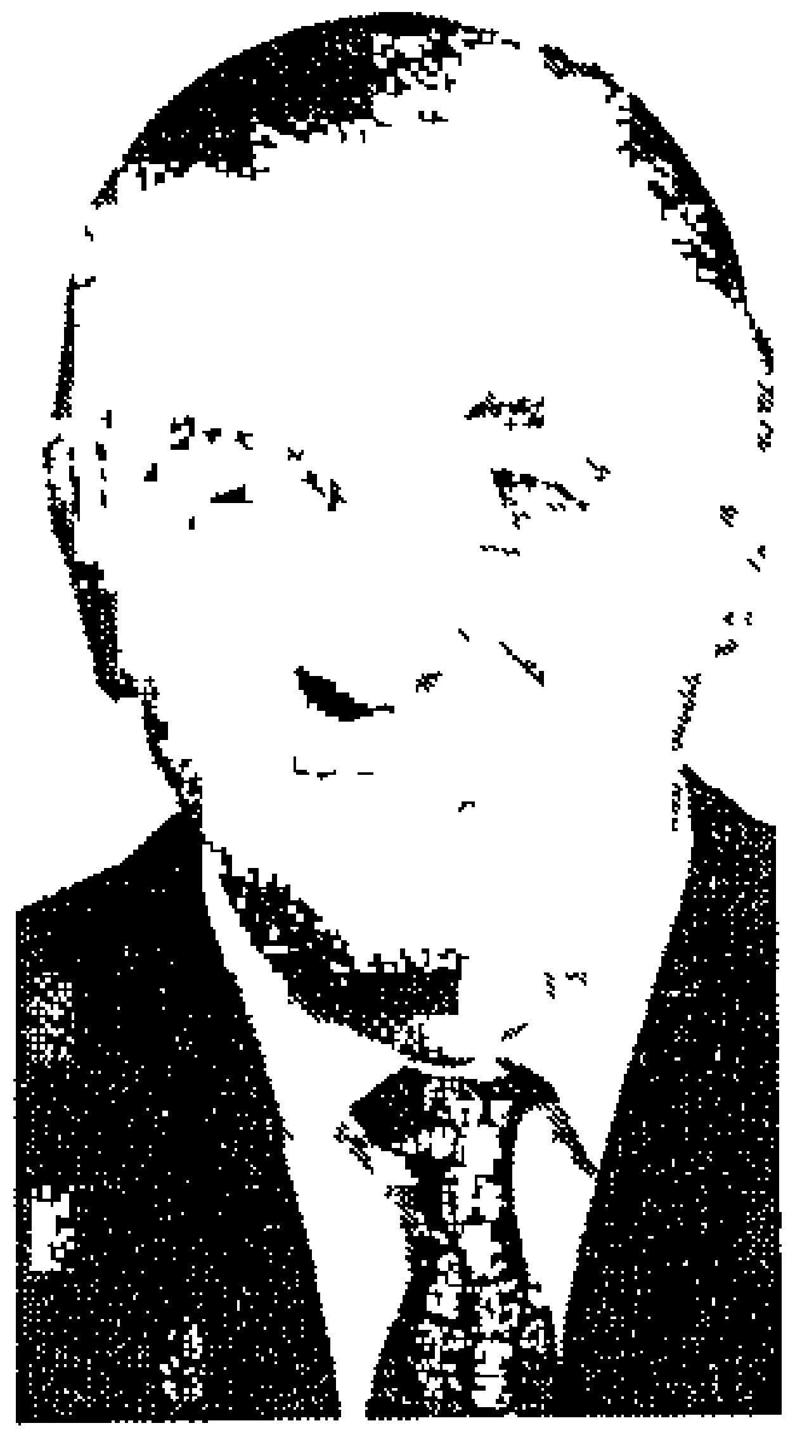
Only time can tell whether Mr Relly and his colleagues have the indefinable qualities, and the luck, needed to sustain the astonishing saga of Anglo

Gavin Walter Hamilton Relly was born in Cape Town in 1926 and educated at Diocesan College and — after war service in Italy — Trinity College Oxford, where he took an honours degree in politics, philosophy and economics

He joined Anglo American in 1949 and early in his career had spells as private secretary to Mr Harry Oppenheimer and Sir Ernest Oppenheimer

Mr Relly was involved in the opening up of the Free State goldfields and later in the starting up of Highveld Steel and Vanadium Corporation

He became a director of Anglo American in 1965 and a member of the group's policy-making executive committee in 1966



Mr G W H Relly

Among Mr Relly's tightrope experiences was heading Anglo's copper interests in Zambia when President Kaunda was bent on wholesale nationalization

After spending time with Anglo's interests in the United States and Canada he returned to South Africa in 1973 and four years ago became heir apparent to Mr Oppenheimer when he was made chairman of the corporation's executive committee

His wider involvement in society has been evidenced by his work for the South Africa Foundation

It has been suggested that Anglo American's often outspoken criticisms of South African social and racial policies may be more subdued under Mr Relly — he is, after all, not in quite the same position as Mr Harry Oppenheimer,

Certainly, Mr Relly's approach seems on the surface quiet

But that is perhaps more of a matter of style than conviction At times he has spoken out with uncompromising intensity

Last year, for instance, he told a South Africa Club meeting in London "The advance of black people in business and industry will have to be at a total expense of the tattered remmants of apartheid"

That aspect of Gavin Relly is unlikely to be altered though it might be tempered, by the responsibilities of the chairmanship of Anglo American

Julian Ogilvie Thompson is the very model of the patrician professional

Educated, like Mr Relly, at Diocesan College and Oxford (where he also took an honours degree in politics, philosophy and economics) he was married in England in 1957 to Miss Tessa Brand, whose father later became Viscount Hampden

But Mr Ogilvie Thompson has long enjoyed if that is the word, the reputation of an almost compulsive worker

He became personal assistant to Mr Harry Oppenheimer in 1958 and after a variety of other experience within the group became an executive director of Anglo in 1969

In recent years he has been chairman of Anglo American Gold Corporation and effective chief executive of De Beers

Politically Mr Ogilvie Thompson seems the low profile liberal, as indeed he seems to shun any personal publicity in business

Nicholas Oppenheimer, a graduate of Harrow and Oxford, has perhaps the hardest task of all — to prove that he is more than Mr Harry Oppenheimer's son

A growing view within and without Anglo suggests that he is a long way down that road already

There can certainly be no doubt that Mr Nicholas Oppenheimer's strong convictions on black advancement and his views on Anglo's marketing strategies are his own

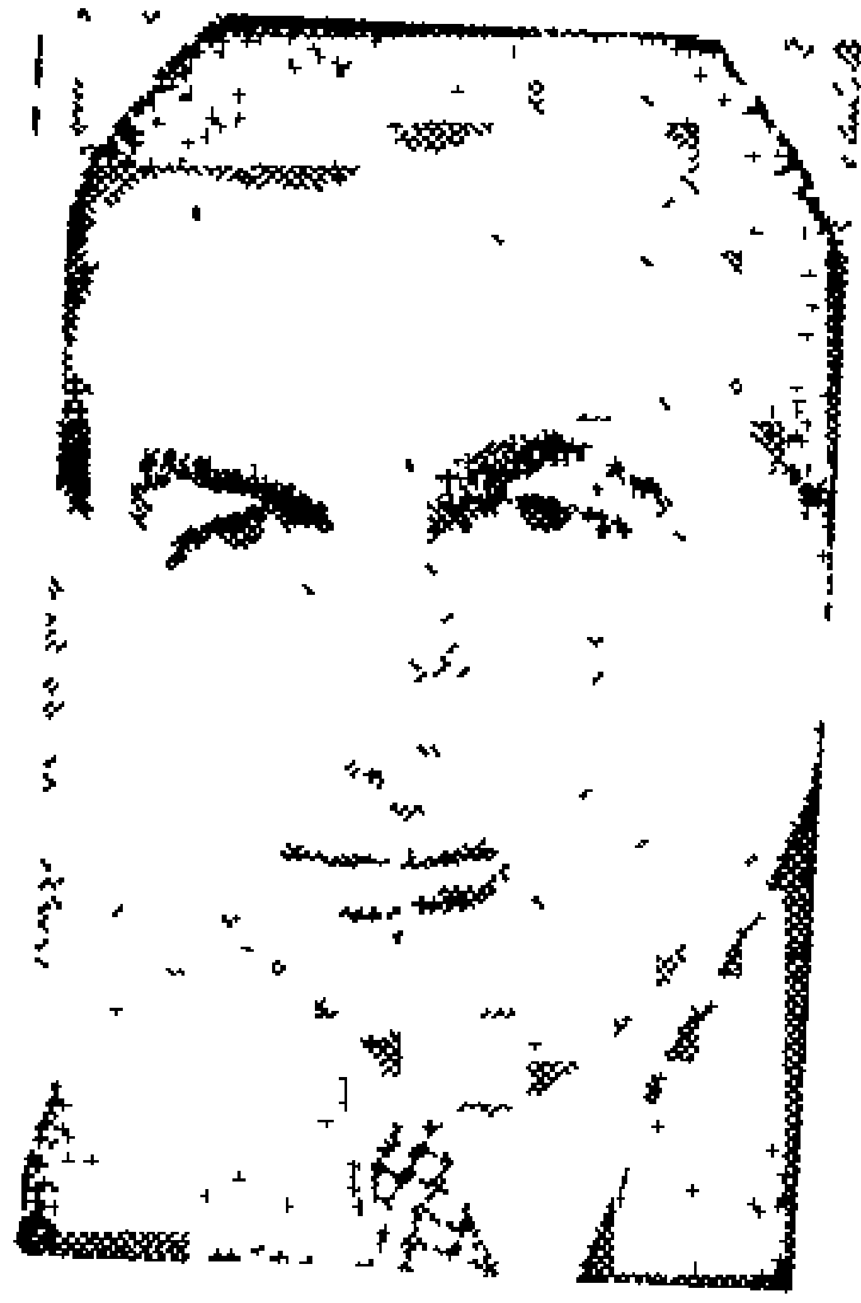
Few men have inherited a business empire and better advanced it than Mr Harry Oppenheimer

He can now move into partial retirement in 1983 (he will continue his connection with De Beers) and look foward to a time when his son will be a third generation Oppenheimer chairman of Anglo American

Anglo's Relly 'a humanitarian'

ARGUS 3/6/82

232



Mr Gavin Relly

Argus Correspondent

JOHANNESBURG. — Mr Gavin Relly, who is to become the new man at the helm of the vast Anglo American Corporation, is regarded as an urbane diplomat as much as a mining and industrial magnate.

He is a humanitarian who holds firm and usually vigorously expressed views but his broad outlook keeps him free of rigid formula or doctrine.

He has lately been articulating corporate social responsibility and the wider issues facing South Africa on local and overseas platforms.

He told a recent London conference that those involved in South Africa undergo emotions of rage, triumphs, despair and sheer excitement over quite short periods of time.

DULL LIVES

"One might argue, therefore, that being involved in South Africa will lead to a short but spicy life," he said

"But who is to say that this is less desirable than long and dull lives endured in other parts."

Mr Relly's life has certainly not been dull or undemanding.

Born in Cape Town in 1926 and educated at Diocesan College and at Trinity College, Oxford, he joined Anglo American in 1949 and was private secretary to Mr Harry Oppenheimer and Sir Ernest Oppenheimer.

Later he gained experience in all the important aspects of the business of the corporation

He was leader of the team whose work in the early sixties paved the way for the entry of the group into local steel and vanadium production.

He identified himself completely with the project and as colleagues said, "he travelled the world, living and talking steel and vanadium"

Crucial in shaping his outlook was his later direction of the group's large copper interests in Zambia during the years of political and social change there after independence

RESPONSIBILITY

Some observers believe that his work in the '60s was part of a preparation for his increasing involvement in the wider international aspects of group business and in handling the complications of differing national considerations.

Elected to the board of Anglo in April 1965, he was appointed a deputy chairman in May 1977 and succeeded Mr Oppenheimer as chairman of the executive committee of the Anglo Board in November 1978

Mr Relly is not only much concerned about the people who work with him but sees social responsibility as meaning that a corporation "voluntarily expends its resources to do something not required by law and without immediate economic benefits"

232

The Cape Times, Thursday, June 3, 1982

The Anglo empire in good hands

From HOWARD PREECE

JOHANNESBURG. — The retirement of Mr Harry Oppenheimer at the end of this year as chairman of Anglo American Corporation will bring down the curtain on a remarkable era of South African business.

But it will surely signify an intermission rather than the end of the story

Everything suggests that in time Mr Nicholas Oppenheimer, 36, will follow in the chairman's path of his father and of his grandfather, Sir Ernest Oppenheimer, who founded Anglo 65 years ago

From the end of this year however, the chairmanship of Anglo American — the flagship of the South African economy's private sector will pass into the hands of Mr Gavin Relly, the 56-year-old present joint deputy chairman

Few men seem better equipped for that daunting role than Mr Relly

He will start with the immense advantage of knowing that he was hand-picked for the job by Mr Harry Oppenheimer

Mr Relly, in fact, is a man who stands very tall in his own right, nationally and internationally, as a business leader

As his two deputy chairmen he will have Mr Nicholas Oppenheimer and Mr Julian Ogilvie Thompson, 48, son of a former Chief Justice

All three are the privileged products of private schools and Oxford University All three enjoy the unprivileged reputation of a boundless capacity for work and a remarkable devotion to the Anglo American group, which has just reported gross profits of R715-million for the 1981-82 financial year

Only time can tell whether Mr Relly and his colleagues have the indefinable qualities, and the luck, needed to sustain the astonishing saga of Anglo

Gavin Walter Hamilton Relly was born in Cape Town in 1926 and educated at Diocesan College and — after war service in Italy — Trinity College Oxford, where he took an honours degree in politics, philosophy and economics

He joined Anglo American in 1949 and early in his career had spells as private secretary to Mr Harry Oppenheimer and Sir Ernest Oppenheimer

Mr Relly was involved in the opening up of the Free State goldfields and later in the starting up of Highveld Steel and Vanadium Corporation

He became a director of Anglo American in 1965 and a member of the group's policy-making executive committee in 1966

Mr G W H Relly

Among Mr Relly's tightrope experiences was heading Anglo's copper interests in Zambia when President Kaunda was bent on wholesale nationalization

After spending time with Anglo's interests in the United States and Canada he returned to South Africa in 1973 and four years ago became heir apparent to Mr Oppenheimer when he was made chairman of the corporation's executive committee

His wider involvement in society has been evidenced by his work for the South Africa Foundation

It has been suggested that Anglo American's often outspoken criticisms of South African social and racial policies may be more subdued under Mr Relly — he is, after all, not in quite the same position as Mr Harry Oppenheimer,

Certainly, Mr Relly's approach seems on the surface quiet

But that is perhaps more of a matter of style than conviction At times he has spoken out with uncompromising intensity

Last year, for instance he told a South Africa Club meeting in London "The advance of black people in business and industry will have to be at a total expense of the tattered remmants of apartheid"

That aspect of Gavin Relly is unlikely to be altered, though it might be tempered, by the responsibilities of the chairmanship of Anglo American

Julian Ogilvie Thompson is the very model of the patrician professional

Educated, like Mr Relly, at Diocesan College and Oxford (where he also took an honburs degree in politics, philosophy and economics) he was married in England in 1957 to Miss Tessa Brand, whose father later became Viscount Hampden

But Mr Ogilvie Thompson has long enjoyed, if that is the word, the reputation of an almost compulsive worker

He became personal assistant to Mr Harry Oppenheimer in 1958 and after a variety of other experience within the group became an executive director of Anglo in 1969

In recent years he has been chairman of Anglo American Gold Corporation and effective chief executive of De Beers

Politically Mr Ogilvie Thompson seems the low profile liberal, as indeed he seems to shun any personal publicity in business

Nicholas Oppenheimer, a graduate of Harrow and Oxford, has perhaps the hardest task of all — to prove that he is more than Mr Harry Oppenheimer's son

A growing view within and without Anglo suggests that he is a long way down that road already

There can certainly be no doubt that Mr Nicholas Oppenheimer's strong convictions on black advancement and his views on Anglo's marketing strategies are his own.

Few men have inherited a business empire and better advanced it than Mr Harry Oppenheimer.

He can now move into partial retirement in 1983 (he will continue his connection with De Beers) and look foward to a time when his son will be a third generation Oppenheimer chairman of Anglo American

D. Dispatch 4/6/82

232

EL takeover of Ciskei Paints

BY TOM LOUW

Business Editor

EAST LONDON — The long-established local paint firm, Bellgrove and Snell, has bought a majority shareholding in Ciskei Paints as from May 26, 1982 The chairman, Mr M F Whitehead, comments that this acquisition is proof of the company's confidence in the potential growth of the area


MR R CULLINGWORTH responsible for the new subsidiary

Bellgrove and Snell are the oldest paint manufacturdrs in South Africa (they were established in 1892) They will give Ciskei Paints the benefit of long experience and expertise in paint manufacture, particularly in the field of some specialised coatings which have proved to be very popular in recent years

A wide range of products is manufactured by Bellgrove and Snell at present, and the new board says it intends to bring the operation in Dimbaza into line with the East London factory, by extending production facilities, improving quality and widening the range of products manufactured

The intention is that once production is on a sound footing, the sales force will be increased to service customers, both old and new, in Ciskei and surrounding areas

It is a material, and helpful, point that the Government of Ciskei makes it a matter of policy that Ciskeian products must be given preference

The new board of Ciskei Paints will consist of Mr R Cullingworth, who will be responsible for the subsidiary, and Mr Whitehead Both are also directors of Bellgrove and Snell, East London

Five-way merger in R175-m offensive

232

S. Times 6/6/82

By Ireen Spicer

A CONSORTIUM of five major hauliers is set to launch an major offensive on the country's R175-million furniture-removal industry

Vanpack International of Johannesburg, Daly International of Pretoria, Freightpak of Durban, Beaumont and Rice of Grahamstown and Cape Town's King's Transport have pooled resources to form Intertrans Moves

The reason for the merger, says chairman Don Tager, is a demand for an owner-run national concern in the face of monopolistic tendencies in the industry

"Although the consortium was formally set up a year ago, we have held back our launch on the national market while establishing our administrative systems," says Mr Tager

The new group will be able to give customers the benefits of personal service and at the same time pass on the advantages of bulk buying

"The merger allows the five companies to rationalise vehicles — prices of which have trebled in the past six years — and fleet utilisation, and will offer a stronger selling point when bidding for corporate accounts," says Mr Tager

He says the furniture removal market may level off slightly in the coming months but will certainly not drop

"If we look at present housing needs, which to some extent will be met by the year 2000, the market must expand There is also the continual import of skilled labour which has to be catered for Furniture removals will certainly not stagnate "

Intertrans, which offers both local and international furniture and commercial goods removals as well as storage, airfreighting, shipping, clearing and forwarding, packing for railage and heavy haulage on the Reef only, will be run by a board of five

Jointly, the companies have a present turnover of R6,5-million, but Mr Tager predicts that this will rise to R10-million within the first 18 months of Intertrans's operation

---

with

1974 other

Regis

Founda

Area c

Offici

Addres

38

...ND GOLDSMITHS UNION

Fosatu Annual Report 1980/81

Year	Membership Asian and Coloured	White	Total	
1970				
1971				
1972				
1973	98	320	418	x
1974	28	294	322	x
1975	26	305	331	x
1976	21	201	222	x
1977	30	347	377	x
1978			..	
1979			445	$
1980			460	

16

es
r Inside
5 plus tax 1c

Cape Times 7/6/82

232

Court blocks Fattis sale bid

JOHANNESBURG — Eleventh hour court action brought by Premier Group last night has temporarily blocked the registration of the transfer of Monis & Fattis shares to Tiger Oats after it became known yesterday that Mr John Moni had decided to accept Tiger's offer for Monis & Fattis

Earlier yesterday it appeared as though Tiger had won the battle with Premier for control of Monis & Fattis

This had been confirmed by both Mr Rudi Frankel, chairman of Tiger, and by Mr John Moni who represents about 75% of Monis Brothers' share capital

Mr Moni had originally negotiated with Premier to sell Monis & Fattis to the group for about R9-million less than the later Tiger offer

But after an 8pm urgent application to Mr Justice Margo brought yesterday by Premier, an undertaking was furnished by Mr John Moni and Tiger Oats and recorded by the Judge in terms of which Premier was furnished with an understanding by Mr John Moni and Tiger Oats that the cheque given by Tiger to Monis, and the relevant share certificates and transfer forms, would be delivered to the Supreme Court pending further court hearings

This means Tiger cannot register the transfer of the shares until the matter has been heard in court.

Tiger's bid ,was worth some R31-million

Competition Board: inquiry into liquor trade

*4 Mr D J N MALCOMESS asked the Minister of Industries, Commerce and Tourism

(232) Hansard Q Col. 1009.

(1) Whether the Competition Board is conducting an inquiry into the liquor industry; if so, when is the inquiry expected to be completed;

(2) whether the report of such inquiry will be laid upon the Table; if not, why not; if so, when?

†The DEPUTY MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

(1) Yes, the inquiry has already been completed.

(2) Yes, today.

232

2 The Cape Times, Thursday, June 10, 1982 ★

Move to break wine monopoly

Political Staff

THE Competitions Board has recommended termination of restrictive practices which resulted in a massive upheaval in the wine industry when Cape Wine was formed in 1979

Lashing out at monopolies in the manufacture and marketing of alcoholic beverages the board said that while South African Breweries' 100 percent holding in beer manufacture was a restriction on competition, little could be done to re-establish the slight degree of competition which existed before SAB took over Intercontinental Breweries in 1979

The government has accepted one recommendation, as an interim measure, abolishing the existing bar on ownership or control of more than five retail liquor outlets

The relaxation will not apply to those with interests in the wholesale trade until the government has considered the other recommendations

Double standards

One member of the board, Mr A J Marais, refused to support their final recommendations, saying that the question would be asked why double standards were being applied through different approaches to the wine and beer industries

In a minority report Mr Marais said that while no action was recommended to break the monopoly in the beer industry where SAB had a 100 percent holding Cape Wine s 85 percent holding in the wine industry had led the board to assume that the company would abuse its power

The board's recommendations to the government are apparently aimed at breaking the stranglehold achieved in the 1979 takeovers in the liquor industry SAB had to give up its interests in Stellenbosch Farmers Winery (SFW) and Cape Wine was formed with SFW and Rembrandt as affiliated partners

The board recommends that the restrictive practices resulting from the birth of Cape Wine should be terminated within a reasonable period

It also recommends that the merger between the Oudemeester group and SFW as affiliates of the holding company, Cape Wine and Distillers Ltd, should be terminated

In his minority recommendations Mr Marais said the government should accept that two monopolistic situations existed — in the beer and wine industries

● The board's call for a more realistic and simplified system of liquor licensing was welcomed last night by the KWV wine farmers' co-operative

In a statement KWV said it was strongly opposed, however, to extension of grocers' licences to other alcoholic beverages such as beer

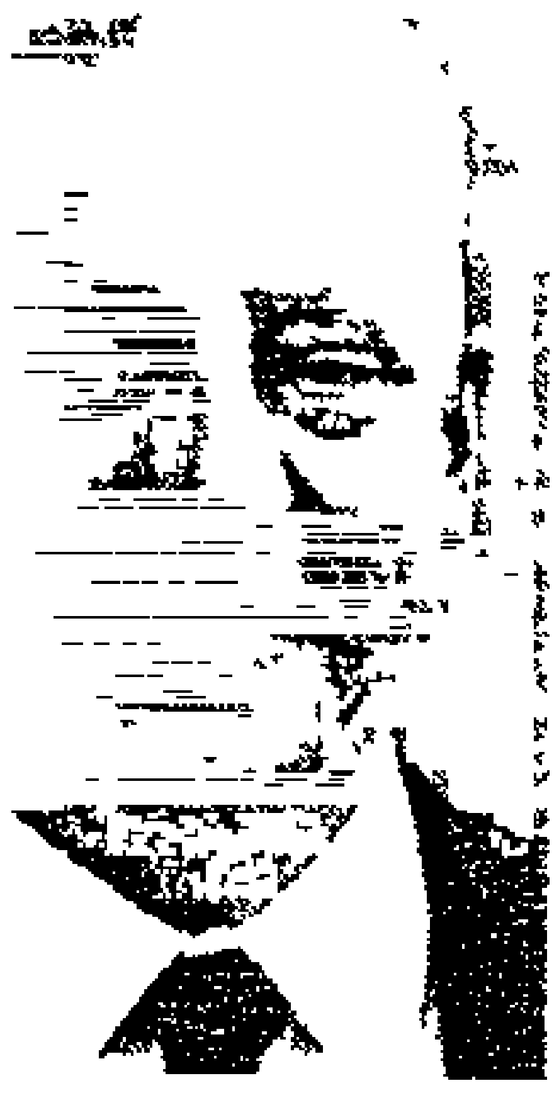
"The justification for the distribution of wine through grocers lies mainly in the strong connection between wine and food which no other alcoholic beverage can claim " the statement said

The co-operative also supported the board's confirmation of the Cabinet decision of 1979 that there should be an "absolute separation" between the wholesale and retail trade

However, it pointed out that to separate these two sectors without placing some form of restraint on the number of outlets in the hands of one party could be self defeating as a new power concentration at retail level could give rise to the "same and more severe malpractices" which the board would wish to eliminate

The recommendation that Cape Wine be dissolved was rejected as "extreme"

KWV noted that in the case of SAB the board "obviously accepts a 100 percent monopoly, but in the case of the wine and spirit industry a 75 percent market share would appear to be sufficient to recommend dissolvement"



ɔhn Moni, val-
f shares dou-
bled

ıit trusts

Buyer	Sellers	Yield
336,87	315,34	8 21
198,3t	187,99	8 17
384,58	359,81	7,90
335 13	317,08	8 42
154 62	146,39	8 15
315 51	299 03	9,00
93 76	88,85	8 64
145,36	138,21	10,80
91 93	87 40	11 00
328,82	311,38	7 60
209 78	200,21	8,36
84 01	82,08	13,87

Premier gets R5,4m for two weeks work — and

Tiger pays R32m for Monis & Fattis

CAPE Times
11/6/82

232

By JOHN GILMORE

JOHANNESBURG — After two hours of often-heated horse-trading yesterday in the corridors of the Supreme Court, Johannesburg, Tiger Oats won control of Monis and Fattis at an extra cost of R1m. Premier Milling walked off with a cool R5 4m cheque, and M & F shareholders will receive a price of 990c a share compared with Tiger s earlier offer of 1 120c

This was the basic conclusion of the controversial R31m bid by Tiger Oats for Monis Brothers controlling company of Monis and Fattis, the last remaining independent flour milling group quoted on the JSE

The fine legal principle of whether either side had a legally binding contract with Monis Brothers was eventually pushed aside by financial considerations and if Mr Rudi Frankel chairman of Tiger was pleased to pay R32m to win the assets he coveted, Mr Bloom chairman of Premier was delighted to earn R5,4m for two weeks work

The Monis family and minority shareholders, though receiving 120c a share less than Tiger s previous offer have the consolation of seeing their shares 170c higher than the initial Premier offer of 820c

A statement given after the agreements were signed said that "in order to avoid a prolonged legal battle the three parties, Tiger, the Monis family and Premier reached an agreement as a result of which Tiger has aquired from the Monis family their shares in Monis Brothers which will result in a price of 990c per Monis and Fattis share'

" An offer will now be made by Tiger to acquire the shares of minority shareholders at a similar price of 990c"

"A capital payment of R5,4m was immediately made to Premier as consideration for abandoning all claims and rights to which it alleged it was entitled

As a result of the new financial arrangements the total consideration payable by Tiger will now total R32m compared with its earlier bid of R31m

Mr Bloom commented afterwards that "as far as Premier is concerned I believe we have satisfied honour and we can now get on with running our business"

Mr Frankel pointed out that ' no-one really knew if he had a deal and seeing that this could lead to a two or three-year legal battle we decided to avoid litigation and acquire the company we know fits in with Tiger's operation In one particular area where we are smaller than Premier, Monis and Fattis represented the last chance quick expansion "

He added that "the 1 120c offer was not guaranteed Had the Tiger deal gone through without being challenged then the offer to minorities would have been 1 120c However, to avoid legal problems and delays agreement was reached at a price of 990c, which is appreciably better than 820c"

COMMENT It is ironic to consider that the deal eventually reached was done outside the courtroom as a result of negotiations between the principals and their attorneys which presumably could have been carried out over lunch or at home, without the expensive presence of four senior counsel and seven junior counsel

However, had the parties used the courtroom, the cost could have run into millions

Premier would appear to be the clear winner in walking off with a cash cheque and without assets that are not really essential to its operations

Tiger needed those assets and as a result coughed up an extra R1m to secure them

The Moni family cannot really complain at a price of 990c a share which is about double what it was before the bid battle

But minority shareholders who had no say in the fascinating goings-on at the Supreme Court might just wonder whether the offer of 1 100c a share from Tiger is legally binding !

Apex 90c

JOHANNESBURG — Apex Mines, Gold Fields of South Africa's coal producer has raised its interim dividend by 28,6% to 90c from 70c, reflecting the surge in distributable earnings in the first quarter

Apex s earnings after capital expenditure rose to 170c in the March quarter from 97c in the December 1981 quarter with improved profits from the mine's No 2 and No 4 seams

GFSA's tin producers Rooiberg and Union Tin maintained their interims at 30c and 5c respectively while unlisted Zinc Corporation has raised its interim to 25c from 20c and Glenover Phosphate reduced its half-time payment to 25c from 35c

Producer liquor outlets urged

Chief Reporter

MR JAN PICKARD, chairman of Union Wine, said yesterday that it was important that producers should be able to have their own outlets in the liquor market

"It is difficult for the new producer to get on to the market," he said and for this reason small producers should be allowed to have a limited number of outlets'

Disagreed

While agreeing with most of the recommendations of the Competition Board, the aim of which is to end restrictive practices in the liquor industry, Mr Pickard said he differed on this particular issue

The proposals of the Competition Board are contained in its 78-page report tabled in Parliament this week

Mr Pickard said if the proposals were to be acted on they must be acted on in total as a package'

If wholesalers were to be deprived of bottlestores then KWV must give up its stake in Cape Wine, which controlled the two major wine manufacturers, Stellenbosch Farmers Winery and Oude Meester

He agreed with the Competition Board that Cape Wine s control over SFW and Oude Meester be ended and that the merger be broken between these two groups which at present constituted an undesirably dominant force in the liquor industry

● The KWV in a statement yesterday welcomed the recommendation of the Competition Board that there should be a more realistic and simplified system of liquor licensing

The recommendation it said agreed in broad terms with the standpoint that KWV had advanced over many years KWV was, however, strongly opposed to the extension of grocers licences to other alcoholic beverages such as beer

'Justification'

"The justification for the distribution of wine through grocers lies mainly in the strong connection between wine and food, which no other alcoholic beverage can claim KWV believes that it is in the public interest that this principle be upheld

"The Competition Board's confirmation of the cabinet decision of 1979 that there should be an absolute separation between the wholesale and retail trade accords with the principles that KWV and others have put forward for many years KWV therefore supports this recommendation

'Self-defeating'

'However, to separate these two sectors without placing some form of restraint on the number of outlets in the hands of one party could be self-defeating A new power concentration at retail level could give rise to the same and more severe malpractices which the board would wish to eliminate by separating the wholesale and retail trades

"The recommendation that Cape Wine and Distillers could be dissolved in spite of the fact that it came into being after being approved by the cabinet is extreme and is rejected

"It is very clear that as stated in the minority report, double standards were applied here In the case of the SA Breweries the board obviously accepts a 100 percent monopoly, but in the case of the wine and spirit industry a 75 percent market share would appear to be sufficient to recommend dissolvement

Ⓐ ◆◆◆◆ From page 1

calling on the Syrian troops to leave They appealed to the Syrian commander in Beirut to get out of the city before the Israelis moved in to take on the Palestinians in their final stronghold

'Not your war'

In effect the leaflets said This is not your war We are after the Palestinian forces in the city which have led to a breakdown of security and which cause terrorism"

By last night there was no indication whether the Syrians would respond to this plea

Reports from Beirut last night said there could be only one Israeli objective — to wipe out the PLO in the city, its heartland and headquarters

Reports said residents in the city had reacted to the pamphlets with near-panic The situation there had been growing tenser throughout the day and, one report said, by nightfall the latest Israeli moves had frightened some residents to the point of hysteria

The pamphlets gave the Syrians "hours" to get out, but they did not say whether this was two or 10

Reports from Beirut last night emphasized evidence that this time Israel intended to kill or capture the PLO commanders All the best-known leaders — including Yasser Arafat — were said to be in Beirut

Few ways out

With Israeli troops in control of southern Lebanon, shells from Israeli artillery making the main Damascus road hazardous and Israeli patrol boats offshore, there were few ways out for the Palestinians

Palestinian commandos and gunmen from the various militias fired on the attacking Israeli aircraft without success, eyewitnesses said

The Israeli authorities have admitted 45 of their forces killed and six missing since the fighting started on Sunday, and more than 300 wounded

The PLO said there have been as many as 10 000 casualties in the fighting

Press
up ov

JOHANNESBURG
Press leaders yeste
declared that they
proceeding with th
tablishment of a v
tary media council
would operate inde
dently of any injuct
control by the State
Members of the N
paper Press Union
the Conference of
tors, founders of a
council, said after a
ing yesterday to co
the Registration of N
papers Amendment
now before Parlia
that they were stro
opposed to the prin
of statutory power
assumed by the go
ment to cancel reg
tion of newspapers
"We are making u
representations to
Minister of Internal
fairs (Mr J C Heu
they said in their
ment

• Unwanted duti

The bill before Pa
ment sought to vest
media council
powers and duties
it did not want, and th
by impaired its volun
basis and indepen
status, the statement
"To this we raise
strongest possible
tion
"We have not asked

Press t
throug

THE speed with wh
Amendment Bill wa
ment made any deta
hibited debate an
legislation, the Weste
Human Rights, said
Lawyers for Hum
about 100 attorneys
Western Cape, said if
bill would recieve the
bly by the time Parli
The bill, which pr
and restriction of the
towards the middle
"The issues raised
future of the press a
trend in government
"The speed with wh
through Parliament
analysis of the bill in
comment on the prop
"The bill itself appe
report of the Steyn
Mass Media A study
by LHR questioned t
tion in this field

Top film

[illegible] SECTION

Minorities collect 990c a share

Monis for Tiger, R5,4m for Premier

232 18?? ROM 11/6/82

Tiger grabs Monis

R31m bid blocks Premier

By JOHN GILMORE

Business Mall headline on May 28

By JOHN GILMORE

AFTER two hours of often-heated horse-trading yesterday in the corridors of the Supreme Court, Johannesburg, Tiger Oats won control of Monis & Fattis at an extra cost of R1-million.

Premier Milling walked off with a R5 400 000 cheque, and Monis & Fattis shareholders will receive 990c a share compared with Tiger's earlier offer of 1 120c.

This was the basic conclusion of the controversial R31-million bid by Tiger Oats for Monis Brothers, controlling company of Monis & Fattis the last remaining independent flour milling group quoted on the Johannesburg Stock Exchange

The fine legal principle of whether either side had a legally binding contract with Monis Brothers was eventually pushed aside by financial considerations

If Mr Rudi Frankel, the chairman of Tiger, was pleased to pay R32-million to win the assets he coveted, Mr Tony Bloom, chairman of Premier, was delighted to earn R5 400 000 for two weeks' work

The Monis family and minority shareholders, although receiving 120c a share less than Tiger's previous offer, have the consolation of seeing their shares 170c higher than the initial Premier offer of 820c

A statement given after the agreements were signed said that "in order to avoid a prolonged legal battle, the three parties, Tiger, the Monis family and Premier reached an agreement as a result of which Tiger has acquired from the Monis family their shares in Monis Brothers which will result in a price of 990c per Monis & Fattis share"

"An offer will now be made by Tiger to acquire the shares of minority shareholders at a similar price of 990c

"A capital payment of R5 400 000 was immediately made to Premier as consideration for abandoning all claims and rights to which it alleged it was entitled"

As a result of the new financial arrangements the total consideration payable by Tiger will total R32-million compared with its earlier bid of R31-million

Mr Bloom commented afterwards that "as far as Premier is concerned I believe we have satisfied honour and we can now get on with running our business"

Mr Frankel said that "nobody really knew if he had a deal and seeing that this could lead to a two- or three-year legal battle we decided to avoid litigation and acquire the company we know fits in with Tiger's operation In one particular area where we are smaller than Premier, Monis & Fattis represented the last chance quick expansion"

He said that "the 1 120c offer was hot guaranteed Had the Tiger deal gone through without being challenged then the offer to minorities would have been 1 120c However, to avoid legal problems and delays, agreement was reached at a price of 990c, which is appreciably better than 820c"

COMMENT· It is ironic to consider that the deal eventually reached was done outside the courtroom as a result of negotiations between the principals and their attorneys which presumably could have been carried out over lunch or at home, without the expensive presence of four senior counsel and seven junior counsel

However, had the parties used the courtroom, the cost could have run into millions of rands

Premier would appear to be the clear winner in walking off with a cash cheque and without assets that are not really essential to its operations.

Tiger needed those assets and as a result coughed up an extra R1-million to secure them

The Moni family cannot really complain at a price of 990c a share which is about double what it was before the bid battle.

But minority shareholders who had no say either in the Monis Brothers two decisions or the fascinating goings-on at the Supreme Court might wonder whether the offer of 1 100c a share from Tiger is legally binding

---

NOTE CAREFULLY

1. The answers only on the right hand pages will be marked. The left hand pages may be used for rough work, but no credit will be given for such work
2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
4. Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

EDSON

Everyone won in the battle for Monis and Fattis

232 [illegible]

RDM 11/6/82

By JOHN GILMORE

THE R31-million battle for control of Monis and Fattis reached a climax yesterday in an out-of-court settlement at Johannesburg which gave first prize to Tiger Oats and an astonishing R5 397 000 consolation prize to rivals Premier Group

Agreement was reached after two hours of behind-the-scenes arguments when veteran campaigner Mr Rudi Frankel, the chairman of Tiger, shook hands with Mr Tony Bloom, the youthful chairman of Premier, saying "Peace is better than war"

He handed Mr Bloom a cheque for R5 397 000, in return for which Mr Bloom abandoned all rights and claims against Monis Brothers

Mr Bloom said "That's not bad for two and a half week's work" — and for one glorious moment allowed me to hold the cheque

Mr John Moni, chairman of Monis and Fattis, after a lifetime in the flour and pasta business, is bowing out gracefully having seen the value of his company's shares double to 990c since rumours of a takeover bid began to circulate some weeks ago

Mr Frankel admitted "no-one knew whether he had a definite deal" and to avoid protracted litigation he decided to reach an out-of-court settlement

The background to yesterday's agreement is that Premier offered, and John Moni accepted and signed an agreement for a bid of 820c for the shares of Monis Brothers; the private family business which controls Monis and Fattis

Subsequently, Tiger offered 1 120c a share for all Monis and Fattis shares and eventually Mr Moni accepted this offer too, in the belief that his earlier acceptance was not binding

Mr Bloom's reaction, in a dramatic last-minute move last Sunday evening, was to make an urgent application to the Supreme Court to prevent the sale of M&F going through

Until yesterday the stage had been set for an expensive and drawn out legal battle. But the funny thing was, everyone made money, and Mr Frankel went home content with irreplaceable assets

● See Page 11

me the order to do that'

One of the soldiers then commanded all the people to leave the church and gave an order to other soldiers to shoot anybody who ran away or refused to leave the church

The men were then separated and assembled at the main entrance of the church

"They were then taken by the soldiers one by one in order to be interrogated and beaten Some of the women started to cry when thew saw the men were really badly beaten The soldiers then ordered the men to move further behind the walls of the church building

'Badly hurt'

They were also beaten and kicked with boots All these thing were done before our very eyes All lasted for about an hour Some of the people were so badly hurt that they were unable to continue with the worship service after this' the memorandum says

On the same day, he says, two unregistered army lorries full of soldiers arrived at the Onayena parish, 15km from Elombe

A car full of passengers was on its way to the graveyard for a funeral when the passengers were ordered to get out and were beaten up Two of them were "half dead" and had to be hospitalized

Mr Peter Kalangula, chairman of the executive committee of the Ovambo Representative Autority, could not be reached for comment yesterday

---

Bond prize for Fish Hoek

PRETORIA — This week's R10 000 Bonus Bond bonanza prize has been won by the holder of certificate 0009935372, bought at the Fish Hoek Post Office, the Treasury announced in Pretoria yesterday — Sapa

---

R400 000 boat dispute settled

Staff Reporter

A DISPUTE over a R400 000 yacht, which arose from an alleged breach of contract between two companies, was settled in the Supreme Court late on Thursday

The yacht, an 18,9 m luxury Deerfoot 62, was built by Cenmarine Pty Ltd of Athlone for export by International Yachts Pty Ltd

An order was made in Mr Justice Friedman's chambers on Thursday by which International Yachts was required to pay Cenmarine R26 000 and to provide further security of R52 000

Cenmarine was ordered to release the yacht to International Yachts

In an affidavit, Mr S Dashew, director of International Yachts, claimed that on September 29 last year a company called CIW (Pty) Ltd had agreed to equip the yacht before February 28 this year

CIW's obligations were taken over by Cenmarine in December last year

Antigua week

According to Mr Dashew, Cenmarine was aware of the stipulated completion date and agreed to it He claimed they were also aware the yacht was required for resale

He said the completion date was stipulated because the yacht was to have taken part in the Antigua annual yacht week in April this year

To take part, the yacht would have had to complete its sea trials by March Sailing time from Cape Town to Antigua was about five weeks

Because the completion of the yacht was delayed, the yacht would not be able to sail to Antigua in time for the yacht week Mr Dashew said

His company's customer, Constellation Marine Ltd, had informed him that International Yachts would be held responsible for any damages suffered through the late delivery of the yacht, he said

'Not stated'

Mr F Palthe, managing director of Cenmarine, claimed in an opposing affidavit that February 28 had not been agreed on as a completion date He alleged that it had also not been stated that the yacht was to take part in the Antigua Yacht week

Mr Palthe said Constellation Marine Ltd, the customer for the yacht, was controlled — directly or indirectly — by Mr Dashew

Mr Dashew intended selling the yacht for 360 000 dollars — far below its true market value, he claimed The selling price had been settled at 550 000 dollars in their original agreement, he said

Mr Justice Friedman presided Mr I Farlam, SC, assisted by Mr M Jacobs, instructed by Asherson and Asherson, appeared for the applicant Mr W Burger, SC, assisted by Mr C W Rosenthal, intructed by Sonnenberg, Hoffman and Galombik, appeared for the respondents

---

Deposit mistake: Man fit to appear

Staff Reporter

A 41-YEAR-OLD Kuils River businessman who left the country on March 25 this year with R396 000 after the money had been deposited accidentally into his business bank account, was fit to appear at a summary hearing on a charge of theft in the Supreme Court on August 19, a Cape Town magistrate ruled yesterday

Mr Dirk van Rooyen, of Stepping Stones Road, Durbanville, was referred to Valkenberg Mental Hospital for 30 days' observation on May 12 after an appearance in a Magistrate's Court, where he stated that he was not sure and could not recall details of an alleged disappearance of R1,2-million

The district surgeon had said Mr Van Rooyen was not capable of giving a rational account of his financial dealings and said he went overseas to obtain funds to repay the money he had allegedly embezzled

A senior psychiatrist at Valkenberg Hospital, Dr T Zabouw, yesterday submitted a report stating that Mr Van Rooyen's memory was intact Dr Zabouw said Mr Van Rooyen showed "adequate insight" into his predicament and was not affected by mental

---

Board blasts cola battle

Cape Times 12/6/82

232

Political Staff

HOUSE OF ASSEMBLY — The bitter fight between Coca-Cola and Pepsi-Cola in the South African softdrink market has lead to the Competitions Board finding that restrictive practices existed in their operations in Cape Town and Soweto

The board whose investigation of alleged restrictive practices in the softdrinks industry was tabled in Parliament yesterday, said the activities of Pepsi in Cape Town and Coca-Cola in Soweto could not be said to be in the public interest

While one member dissented, the board said Pepsi's pricing policies in Cape Town between 1978 and 1981 had been a restrictive practice

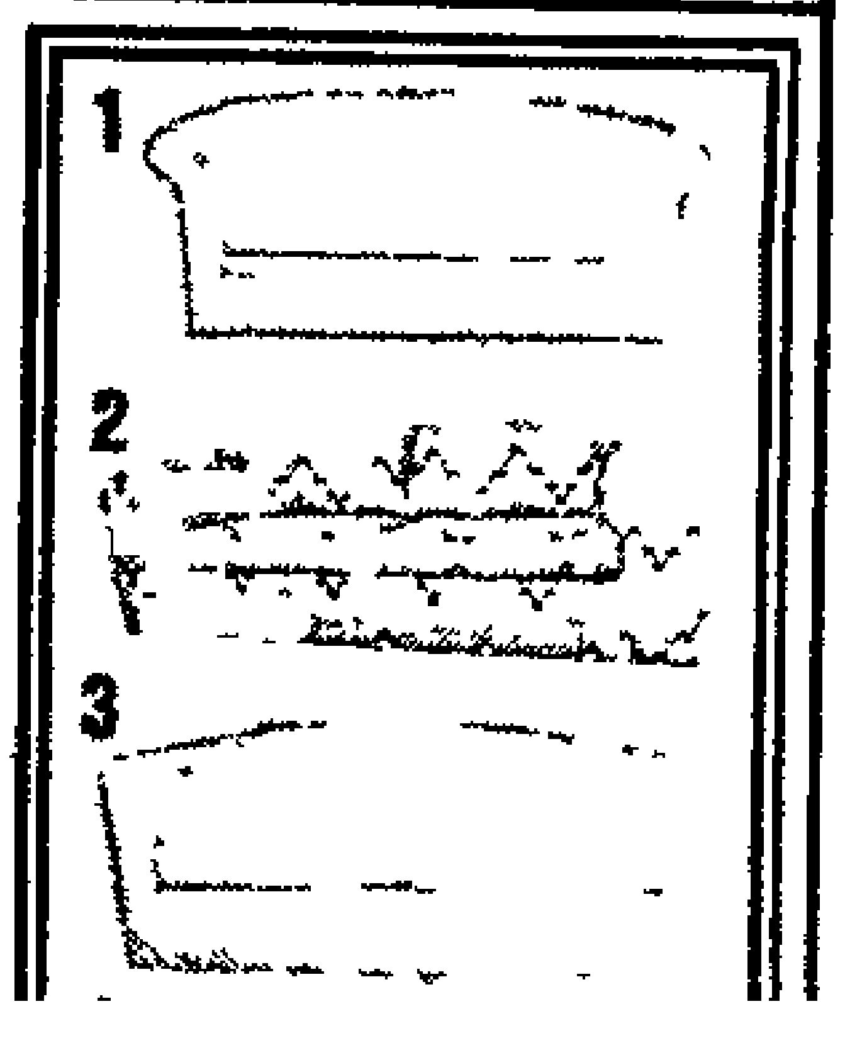
Bottles

"By repeatedly introducing new bottle sizes at the price of the smaller packages in use, it caused a dislocation of that market, endangering output and threatening the continued existence not only of less efficient small firms but also of viable medium-sized ones"

Its fight all along had been with Coca-Cola, but in Cape Town it had overreacted

One unjustified restrictive practice by Coca-Cola in Kliptown and Soweto was conclusion of tying agreements with one or more of a limited number of distributors The other was removing crates and bottles of a competitor, Sparletta-Suncrush, and substituting its own

Pepsi had now increased its prices to levels less disruptive of competition in Cape Town and the board did not consider that action by the minister was necessary at this stage



(~~186~~) (230) S. Times 13/6/82

Premier's 'killing' in Tiger, Monis wedding

By Stephen Orpen

NOW, hear this! In the dizzy to-do surrounding the Tiger Oats-Premier "battle" for Monis & Fattis, the relatively huge R5,4-million cheque paid to Premier for its withdrawal from the fray is (wait for it!) just about equal to M & F's *total pretax profits in the past five years!*

Not bad for a couple of weeks' cosy negotiations

Tiger may have got Monis But Premier has walked off with a small fortune And just for the relatively minor inconvenience of holding the other parties, so to speak, to their word

Of the R5,4-million, about R3,4-million came from the Moni family and R2-million from Tiger.

From almost any analytical viewpoint, Tiger has captured Monis at a very high price in view of M & F's profit record

In these tough times, Barlows, Tiger's holding company, trades on about 3,5 times earnings — and earnings are, of course, after tax

Consider

- **In the financial year ended January 1982, M & F's attributable profits were R1,62 million Tiger, as it has bought the entire family holding, will have to bid for 100% of the minorities Its effective price is therefore R34-million — or 21 times earnings**
- **A strategic reason for the deal was to acquire a bakery licence in Pretoria The cost of the land for this bakery is**

● To Page 3

([illegible]) (232) S. Times 13/6/82

Premier killing

● From Page 1

about R1-million and the buildings and plant another R5-million.

Nor will Premier give up its market share without a battle. Thus, Tiger has to expend another R6-million in a company which has not been a good performer and will have to fight for its market.

● M & F has about 1,3-million SA Breweries shares as one of its principal assets.

Premier's bid took into account the sale of these shares at R6 when the bid was first made. Then Premier thought it might land up with 60% of M & F's capital.

The net cost after sale of the SAB shares would have been R6,5-million. At R4 for an SAB share, this cost would have risen to about R9-million net compared with Tiger's net of just under R29-million if it sells the SAB holding.

Premier thought its offer was very generous with SAB at R6; at R4 it was not so certain.

● A fair return on capital employed in today's conditions is about 20%. In his last chairman's statement, Tiger's Rudi Frankel complained about the 15% allowed in the wheat and maize industries — on historical values of plant. How, then, can one justify the kind of return likely from M & F even allowing for rationlisation?

● R5,4-million — the cash paid to Premier — could be invested at interest to earn more than R1-million a year. M & F, even with untaxed dividends from its SAB holding of nearly R400 000, managed just R1,62-million.

● Last time Tiger and Premier clashed bitterly, it was over Stein Brothers. Tiger won; Premier made a huge capital profit and the egg business promptly went into a steep decline.

2219

232

2416

Anglo again THE major foreign force in America

S. Times 13/6/82

ANGLO American, *already the largest foreign investor in the US in 1980, was again in top spot in 1981*, according to a further report just released by the American Committee on Africa

To clinch this financial position, Anglo shouldered Royal Dutch Shell from first place into second British Petroleum followed in third place

The report asks the questions "What will the effect of South African investment in the United States have on US policy toward South Africa?

"Will it pave the way for growing US acceptance of South Africa, helping strengthen the already powerful lobby favouring closer relations with this economic powerhouse?"

By John Spira and Stephen Orpen

A total of 143 separate Anglo investments in North America are identified — 106 of which are in the US (in 32 states) and 37 in Canada (in seven provinces)

Of the total North American investments, five are in agriculture, 10 in the chemical industry, 16 in energy, eight in marketing, one in investment banking, five in mineral processing, 24 in manufactured steel products, nine in construction and 23 in industries unconnected with Anglo's traditional spheres of business activity

In addition, eight more are trading companies and 10 are holding companies

The report has been unable to identify the economic activities of 25 Anglo investments

It comments "Anglo's choice of investing in North America is no accident North America offers a stable area politically and economically, it is an area rich in mineral and energy resources

"The sector-wise and geographic diversification of its investments will cushion Anglo American from the fluctuations in prices in any one specific natural resource

"Anglo American will realise a high return on successful investments because it can export more of its profits than it could in countries with exchange controls or nationalisation plans"

Significantly, through its holding in Phibro (the world's largest publicly owned commodity trader) "it has access to the major resource that South Africa lacks — oil".

Phibro is acknowledged to

● To Page 3

S Times

Anglo's U.S. lead

13/6/82

● From Page 1

be the world's largest trader in oil on the spot market

In 1980, 50% of Phibro's total revenues of $23 700-million came from the sale of crude oil and oil products No other product or material contributed as much as 10% to the company's revenues in that year

Minorco is identified as having "the greatest wealth of any of Anglo American's overseas subsidiaries".

The report claims that "the choice of Bermuda as Minorco's headquarters becomes all the more important because it is a tax haven for businesses *and because of its perceived image as a neutral country or an English colony"*

"Anglo has placed itself in the position to become an important broker between the United States and South Africa "

The conclusion "Anglo's investments significantly strengthen US economic and political relations with South Africa and its undemocratic political system "

Collapse — now brothers turn up trumps in the US

WHEELING AND DEALING PAIR HIT THE MIAMI HEADLINES

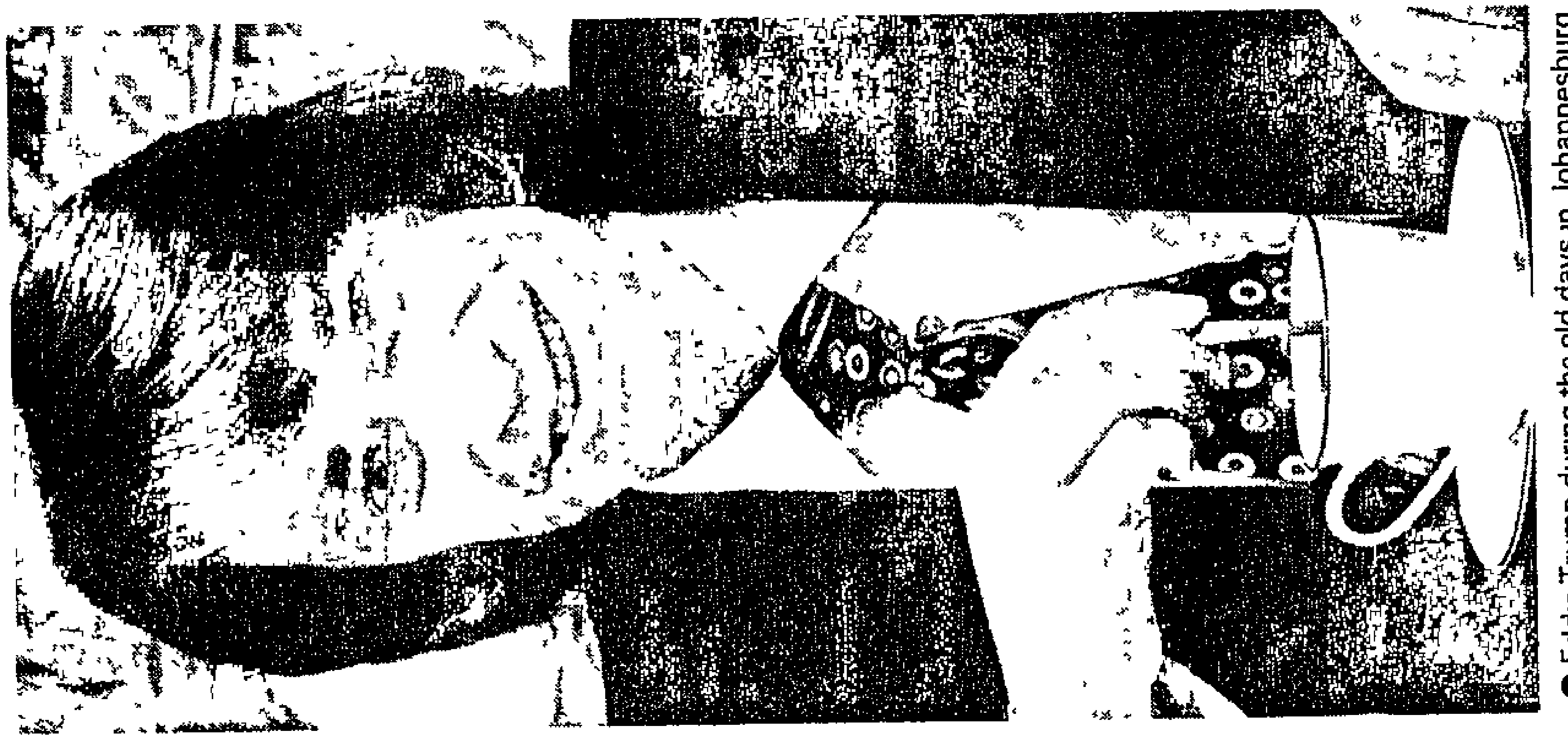
By TERRY MEYER
Property Editor

TWO South African brothers who left the country after the controversial collapse of their R120-million business empire are at the centre of huge deals in the United States worth about R700-million

Julius and Eddie Trump left in 1977 when their empire, the Trump Corporation collapsed after running into debt of about R40-million

After the collapse, at least 1 200 minority shareholders were stranded, and have been unable to realise dividends to this day

In their new United States home, the Trumps are in the headlines again following a series of controversial deals



● Eddie Trump during the old days in Johannesburg — but big business is still his cup of tea

They recently made a sensational bid to take control of the giant Marshall Field department store chain in Chicago — one of the biggest in the United States

The brothers bid $340-million, but failed in a bitter battle

Then they made a controversial bid to take over another huge chain — Wiebolds — in the southern States, also for millions of dollars Their bid is being disputed by other Wiebolds shareholders who have filed a shareholders' suit against them

But the Trumps, who have a 30% share in the company, are determined

They are simultaneously deeply involved in a deal worth more than $300-million for the development of a 1 000 unit luxury condominium (sectional title) development in Miami They have raised huge loans from American and Canadian banks

The Trumps have persuaded the massive Toronto Dominion Bank in Canada to invest in a $1 000-million scheme in Williams Island, Miami

The brothers have also linked with a huge American investment corporation, Muben, a company based in Newark, New Jersey, in their bid to enter the Miami real estate market

Although the land is considered prime waterfront property, local developers have been startled at the timing chosen by the Trumps to build

There are hundreds of unsold, vacant condominiums in the area and another 1 000 units are considered suicidal by the more conservative real estate men

The Trumps are obviously hoping for a dramatic recovery in the American economy in the two years before the scheme is completed

The luxury units start at $200 000 and will be built in three phases Marketing is already well under way

When the bothers left their South African company for the United States, its shares dropped dramatically from 130c to 30c

It was taken over by Mercabank, which is part of the Bankorp Group, to which the Trump Corporation owed millions of Rands

Mainly through acquisitions in the mid-Seventies, Eddie and Jules Trump wheeled and dealed their Trump Corporation, quoted on the Johannesburg Stock Exchange, into a R120-million investment-holding conglomerate with interests in clothing, real estate, motors, furniture, financial services and insurance broking

Sky-high debts were run up and, after a bewildering series of deals in 1976, its growth years suddenly ended

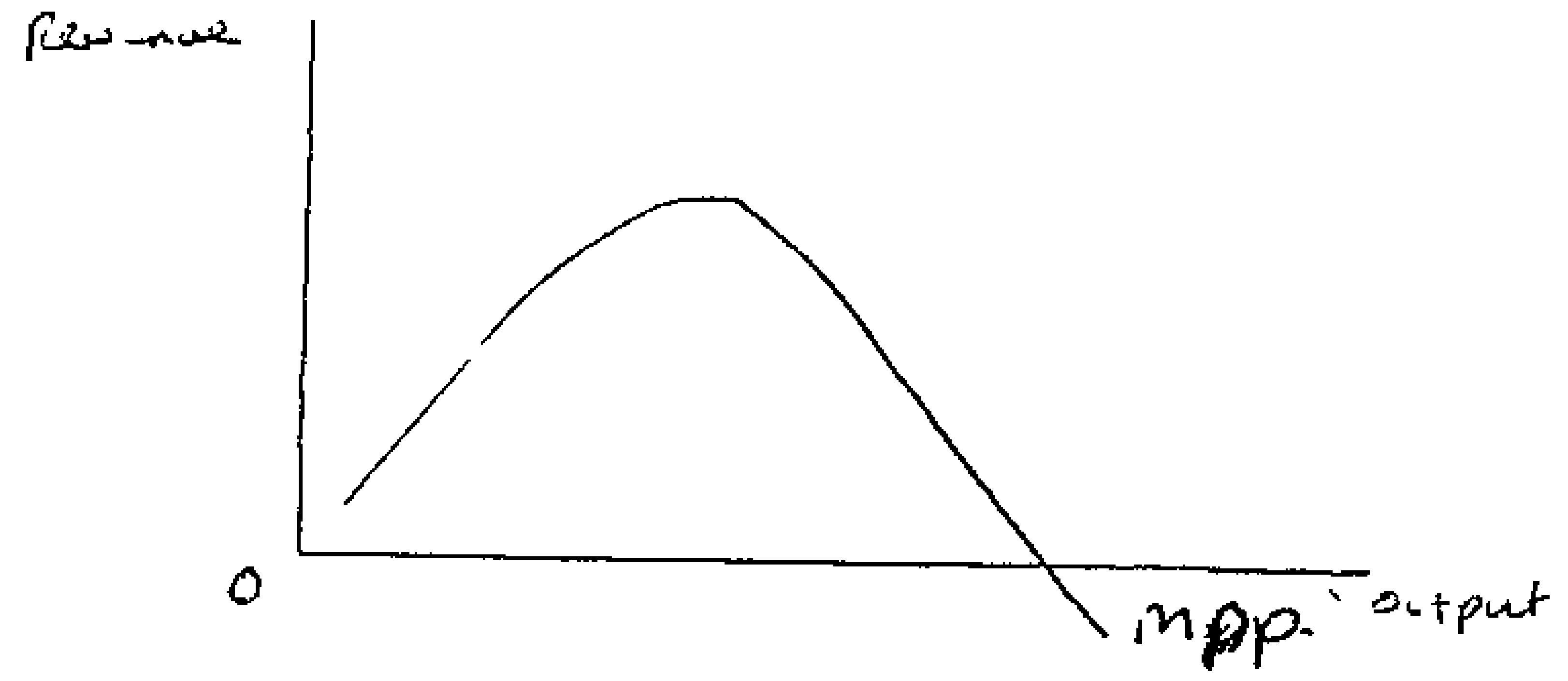
In 1977, when they quit South Africa, the Trumps said from New York that "We have had a business in the US for some years and this is taking up most of our time There are no specific plans to go back to South Africa"

The Trumps' fortune was

3b

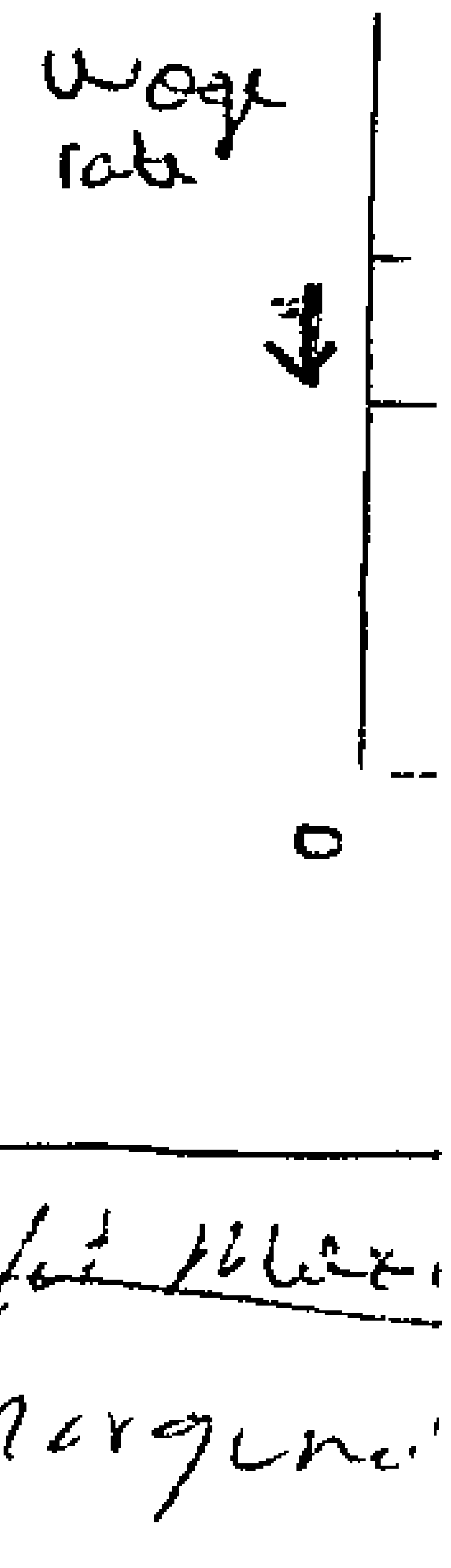
The Marginal Physical product (MPP) is a bell-shaped curve (fig I) ∴ of the Law of Eventually Diminishing Marginal Returns, where as more of a variable ~~cost~~ factor of production (Labour) is added to a fixed factor of production, total productivity increases initially at an increasing rate, (MPP increases) then increase at a decreasing rate, (MPP decreases) levels off (MPP zero) & eventually decreases in absolute terms (MRP is negative).

fig (I)



The Marginal Revenue Product (MRP) is related to the MPP in that MRP = MPP X Price

The MRP is a ~~downward~~ descending function of wages because as ~~[illegible]~~ an employer increases his labour force by one extra labourer, he must pay each labourer a wage lower than before the extra labourer was hired. (fig II)



taken out of the country with Reserve Bank approval on the grounds of pumping money into the ailing Bond Industries empire they purchased in the States

After the Trumps left, the South African corporation underwent a drastic restructuring and changed its name to Trumcor

In the proposals to restructure the company, the new directors (most of whom represented a merchant bank with money locked in the business) said that "in order to survive" drastic steps had to be taken

Millions of rands were written off the company's property investments by its new owners, who then comprised mainly Mercabank officials, and who took over control through the Bankorp group — of which Trust Bank is a member

At the time, the directors said they felt the property would never reach the value the Trumps had placed on it.

Not long after their arrival in the United States, Julius Trump was involved in a R30-million lawsuit brought against him by Massachusetts-based Growth Industries Inc The company filed a claim in the Massachusetts Superior Court in Boston against Trump, his United States companies, Bond Industries, Bond Stores and a retail clothing outlet, Slak Shak

The claim was brought by Bond Industries chairman Calvin Margolis, and company president Steven Berger

They claimed Trump had reneged on a promise to lend $2-million to Growth, a company aimed at new business

The complaint involved the sale of Slack Shack first to Bond and subsequently to a third company

Now the brothers hope to come up trumps in Miami

● Trumcor is considering a merger with an unnamed company, according to a Mercabank Press announcement this week.

~~Utility profit Max.~~
cost = marginal
Marginal cost =
~~Revenue~~ cost = 1
product is an

~~to which Marginal~~
of wage theory
and Marginal
marginal value
as borrower c.

(232) S. Times 13/6/82

Premier's 'killing' in Tiger, Monis wedding

By Stephen Orpen

NOW, hear this' In the dizzy to-do surrounding the Tiger Oats-Premier "battle" for Monis & Fattis, the relatively huge R5,4-million cheque paid to Premier for its withdrawal from the fray is (wait for it') just about equal to M & F's *total pretax profits in the past five years'*

Not bad for a couple of weeks' cosy negotiations

Tiger may have got Monis But Premier has walked off with a small fortune And just for the relatively minor inconvenience of holding the other parties, so to speak, to their word

Of the R5,4-million, about R3,4-million came from the Moni family and R2-million from Tiger

From almost any analytical viewpoint, Tiger has captured Monis at a very high price in view of M & F's profit record

In these tough times, Barlows, Tiger's holding company, trades on about 3,5 times earnings — and earnings are, of course, after tax

Consider

● In the financial year ended January 1982, M & F's attributable profits were R1,62-million Tiger, as it has bought the entire family holding, will have to bid for 100% of the minorities Its effective price is therefore R34-million — or 21 times earnings

● A strategic reason for the deal was to acquire a bakery licence in Pretoria The cost of the land for this bakery is

● To Page 3

(232) (3) RDM 14/6/82

Kunene-Ovenstone venture

By ALEX PETERSEN

CAPE TOWN — The Kaap Kunene and Ovenstone groups have rationalised their fishing operations at Walvis Bay under an agreement whereby the catches of both are processed at the Kaap Kunene factory

Kaap Kunene's directors say in the annual report that the joint venture has an efficient fishmeal, fishoil plant and cannery which can handle the catch of both partners The fishing fleets remain under separate control

The benefits from the rationalisation as well as the allocation of a separate pilchard quota for canning for Walvis Bay factories gives reason for a more optimistic outlook for 1982, the directors say

The group's investment in fishing in Chile has suffered a setback, and provision has been made for R1-million losses which may be suffered On the home front inshore fishing pushed up its contribution to the group's taxed income from 34% to 51%, and in both the Walvis Bav and St Helena factories high oil yields were achieved from fishmeal processing

Income from investments dropped its share of the larger total from 42% to 37%, but cash resources made "a substantial contribution and will make a greater contribution during 1982"

The group has sold its farms in the western areas of South West Africa concentrating its cattle operations in the Gobabis area Satisfactory income is expected from fruit-farming in the Western Cape

* * *

THE WITHDRAWAL of a Chilean partner from a joint venture in pelagic fishing has delayed commissioning of a fishmeal plant in Chile, says Mr Rudi Frankel, chairman of United Oceana Holdings in the annual report

United Fishing Enterprises — 30% held by Oceana subsidiary Seaswa — has a 50% share in the Chilean venture The Chilean partner's 50% holding has been bought in equal shares by Oceana subsidiary Sea Products (SWA) and one of its co-shareholders in United Fishing

The plant has been completed and the fishing fleet is engaged in trial runs

"At this stage," says Mr Frankel "it is not possible to assess the viability of the undertaking"

Mercury 14/6/82

237

Tyre companies combine interests

Finance Reporter

TWO major tyre companies in Natal are set to merge their interests from July 1

While final details have not been disclosed, reliable sources said yesterday that Natyre, which deals with tyres, exhausts and shock-absorbers from its Jacobs head office, is combining interests with Pinetown-based Natal Bandag Tyres

The new organisation would become a strong force in the competitive business of tyre sales and retreading

Apart from its head office and factory in Jacobs, Natyre has branches in the city, Jacobs, Rossburgh and Pinetown Natal Bandag, which deals with hot/cold retreading, has depots in Durban, Pinetown, Jacobs and the Point.

Talks on the possibility of a merger have been held for about a year, but sources were not prepared to say how much cash was involved.

~~182~~ ~~30~~ 232 ~~265~~

Cape Wine monopoly may be hard to break

CAPE TIMES 15/6/82

Industrial Reporter

DISSOLUTION of the multi-million rand Cape Wine monopoly, as recommended by the Competitions Board, is likely to prove an extremely complicated and perhaps impossible task.

Industry sources yesterday noted that implementation of the board's findings released last week amounted to a virtual repudiation of moves considered by the wine industry to be vitally important to its survival

In essence, Cape Wine was born out of a "fight-fire-with-fire" approach aimed at ending the beer war between South African Breweries and Dr Anton Rupert's Intercontinental Breweries

The new deal in the industry which established Cape Wine in November 1979 saw Dr Rupert dispose of Intercontinental to SAB in return for a merging of the latter's substantial SFW wine interests with Dr Rupert's Oude Meester in a new company managed by his Rembrandt group and the KWV

Another aspect of the deal, which required cabinet approval, was a requirement that the liquor giants divest themselves of their bottle store holdings over a period of 12 years

So far this has come to naught and now the Competitions Board has called for the period to be reduced to five years It also appears to be tackling the problem from the other end with the accepted recommendation that restrictions on bottle store ownership by interests outside the industry be terminated

Hardly anyone in the industry is perturbed by this aspect

There is no real anxiety on the call to break up Cape Wine either, but this could be due to the general feeling that the government will find it as difficult to act against the wine combine as the board believed it would be to hit the beer monopoly, particularly since the very existence of the one is considered as being due to the other

Buthelezi to fight land deal

ARGUS 14/6/82

Argus Correspondent

ULUNDI. — The Zulu Cabinet is to fly to Ingwavuma to inform the people there of the South African Government's decision to excise it from South Africa, Chief Gatsha Buthelezi told the Legislative Assembly here yesterday.

"I think this should be done as soon as possible," Chief Buthelezi said shortly before the Assembly went into caucus to discuss Dr Piet Koornhof's visit here this week

"If it can be arranged, we should go to Ingwavuma before the Department of Co-operation and Development takes over the administration of the area but in any case we have the moral obligation to go there to tell the people our decision is to fight this Government action."

LETTERS

Chiefs Mordecai Nyawo, M B Mathenjwa, Mximbe Thembe and Manganta Ngomezulu all of Ingwavuma, yesterday referred to letters people were alleged to have written to the South African Government asking for inclusion into Swaziland

All four chiefs strongly denied they had written such letters on behalf of their subjects or had asked their subjects to write on their behalf

"We know nothing about these letters and we do not know where they came from," the chiefs said

Chief Buthelezi said there was no way Kwazulu would encourage the people of Ingwavuma to submit to Swazi rule

"The caucus has to consider very seriously what the nature of Kwazulu's stand should be and this can be worked out only in caucus"

He was encouraged by the remarks made by Mr Vause Raw and Mr Frank Martin about the Government's decision to excise Ingwavuma.

"My real regret is that they have all seen the Minister of Co-operation and Development (Dr Koornhof) and have already agreed with him to supervise or administer the Umfolosi, Mkuze and Hluhluwe game reserves."

CONFIRMED

● Interviewed in Cape Town today by the Argus political staff by Mr Hen-

---

Swazi eyes on 'other areas'

Argus Africa News Service

MBABANE. — Swaziland does not view the incorporation of Kangwane and Ingwavuma as the end of its claims on South African territory, a top Government source has said

The Swazis expected to negotiate further with South Africa for the return of other areas of former "Swazi territory" the source said.

The "other areas" include Barberton and the lands adjacent to Kangwane, according to previous statements of top-ranking Swazis.

Swazis were delighted by the land transfer that South Africa had announced, the source said.

BUTHELEZI

He dismissed the warning by Kwazulu Chief Minister Gatsha Buthelezi that the move could lead to bloodshed between Zulu and Swazi

Gatsha can know little of the strong bond between the ordinary people of Swaziland and Zululand"

No Cabinet Minister reacted publicly to the transfer, but after the Cabinet meeting yesterday the influential MP, Dr George Msibi, issued a statement.

No other sovereign state in modern history has so peacefully and willingly surrended its territory, he said of South Africa

"World governments

'Keep calm,' Heunis tells wine industry

Argus 14/6/82

(232)

Political Correspondent

THE Minister of Internal Affairs Mr J C Heunis, has advised the wine industry and wine farmers to stay calm about the Competitions Board's recent recommendations on restrictive practices.

The report recommends, among other things, that the KWV should sell its 50 percent interest in Cape Wine and that the merging of the Oude Meester Group and Stellenbosch Farmers' Winery as affiliates of Cape Wine must be ended

Mr Heunis told the Paarl Farmers' Association last night that it should be remembered that reports were not decisions.

The Cabinet would not adopt any viewpoint before the interested parties had had an opportunity of explaining their points of view.

The association has sent a telegram to the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, protesting against the fact that the Competitions Board had recommended that Cape Wine should disband while allowing a beer monopoly to continue.

'Govt must state excise duty plan'

Argus Correspondent

PAARL — The State must give a clear indication of what the future pattern of excise duties on spirits will be, said Mr Willie Mostert of Weltevreden, Agter Paarl, in a Press statement after references to increasing duties in the annual report of the KWV.

Mr Mostert is chairman of the powerful South African Co-operative wine cellars association with 70 member co-operatives handling about 80 percent of the country's wine production. He is also chairman of the Paarl-based Boland Wine Co-operative with a membership of 100 leading Paarl Valley wine farmers.

PROTEST

Mr Mostert was commenting on the 23 percent increase in excise duties imposed in August last year which resulted in a mass protest meeting by one third of the KWV wine producers, and subsequent representations made to the Prime Minister, other Cabinet Ministers and heads of various Government departments

"At the time the delegation was promised that the whole question of increased duties would be reviewed in depth as soon as the country's economic climate was favourable," said Mr Mostert.

He was now, he said, bitterly disappointed that no reference was made in the last budget to the representations made by the wine farmers on the question of excise duties.

"The present heavy duty is causing a serious setback on brandy sales which have remained static since 1970," said Mr Mostert.

There was a world-wide drop in whisky sales but in South Africa whisky sales were increasing at the expense of brandy.

PROBLEM

The problem created for the wine industry by the high excise duties was a matter which could not be allowed to remain unsettled. It was a source of continuous concern to wine producers who were now demanding to know what was in store for the wine industry insofar as the future tendency and pattern of excise duties were concerned.

The whole question of excise duties had become a priority matter of South African wine producers as well as the directors of the KWV, said Mr Mostert.

CAPE TIMES 17/6/82 232

'Sense of loss' as family business is sold for R31-m

Own Correspondent

JOHANNEBURG — Monis and Fattis, the family firm which began as a tiny delicatessen at the turn of the century, is the last independent flour milling group to bow out of the food industry

It was bought out for R31 million by Tiger Oats last week.

In 1902, four brothers — Guiseppe, Pietro, Giacomo and Pietro Moni — came from Luca in Florence to South Africa

Giacomo opened a macaroni factory in Bree Street, Cape Town in 1921 Pietro had a delicatessen in Johannesburg and Roberto was involved in a winery called Monis Wineries Limited in Paarl Guiseppe died in a blasting accident The Johannesburg macaroni factory was started in Selby in 1927

Today, Pietro's son, John, is the retiring chairman of the business. John's three sons — Peter, John and Paul — are still actively involved in it and are prepared to continue to work for it, despite the sale

Business began to boom during World War II when thousands of Italian prisoners of war increased the demand for locally-produced pasta

It was consumed at such a rate that Monis didn't even dry it — pasta can be packed wet if it is going to be consumed within 24 hours It was packed into wooden crates and carted off almost daily to internment camps such as Koffiefontein

In 1953, the Monis joined forces with the Fattis family — with whom they'd had a working agreement since 1927 They floated a company called Monis and Fattis Industries Limited on the Johannesburg Stock Exchange

Ten years later they decided to get out of liquor and sold the Monis Wineries and Nederburg Estates This proved premature as the following year, the prohibition was lifted which gave a tremendous boost to the liquor industry

Fattis and Monis hit the headlines in 1979 when there was a strike at its Cape Town factory Community organizations launched a country-wide boycott of its products and, after several months, the company signed an agreement with the union representing the workers, the Food and Canning Workers' Union

"The strike brought home to us that, as a family business, we hadn't moved enough with the times," Mr Peter Moni, grandson of Pietro and son of the retiring chairman Mr John Moni said

"The national attention that was focused on our company was rather alarming for us' he said "I was released from all other duties and just handled that issue'

And the net effect was that it changed the entire structure of our organization — it modernized the old family approach towards running a company It forced us to deal with labour in a way that most other companies are still not doing today," he said

Mr Moni said the sale of the family firm left a "sense of loss'

"When I came into the business at the age of 21, I never dreamt we'd sell"

"We are the last family business to bow out of the food industry," he said

TWO of Afrikaner capitalism's warhorses are locked in battle over an issue which is developing into a fight for control of South Africa's second biggest mining house, with assets of over R2 000-million. JOHN MULCAHY reports on the men.

EDH

(See Page 11 for full details.)

The man from Gencor

232

SUBTLETY is not one of the failings of General Mining Union Corporation's chief executive

On the contrary, those who have fallen foul of Dr Wim De Villiers bear testimony to the man's direct and unambiguous approach

The 61-year-old Free Stater (born in Jacobsdal) took the helm of General Mining in 1970, when group assets were around R150-million

General Mining Union Corporation's net asset value is now estimated at R2 080-million, and the group is second in size only to Anglo American among South African mining houses

An electrical and mechanical engineering graduate from the University of Cape Town, Dr De Villiers' early mining experience was, in fact, with the bastion of English-speaking business, as manager of Rhokana Corporation, in what was then the Northern Rhodesian Copperbelt

After a spell at Anglo's head office, Dr De Villiers joined Sanlam, at the invitation of Dr Andreas Wassenaar, who chose him in 1970 as the man to develop the foundations of Afrikaner involvement in the mining industry

At that time General Mining had been in Afrikaans hands for about a decade, but the group had stagnated, and needed an injection of dynamic management

The grounds for expansion were carefully nurtured under the control of Dr De Villiers, and culminated in the fierce mid-Seventies battle for control of Union Corporation

Rembrandt's involvement with General Mining began in 1975, when the financial muscle of Dr Anton Rupert's organisation was called upon to clinch the Union Corp acquisition

Realising that gold and other precious metal reserves will not last forever, Dr De Villiers sees Gencor's future as an energy group, and his pet project is the planned fuel from coal project on the Springbok Flats

This was the beginning of a close association between Dr De Villiers and Rembrandt, a link that now threatens to end his reign at Gencor

DR WIM DE VILLIERS
Independent streak

For Rembrandt and Sanlam have diametrically opposed ideas on how the mining group should be run, with Sanlam insisting that the recent strengthening of its presence on the board of Gencor's holding company, Federale Mynbou, was to counter the threat from Rembrandt and Dr De Villiers

Rembrandt, on the other hand, objects to Sanlam's apparent intention to assume a more direct role in the day-to-day running of Gencor, and the whole issue has developed into a confrontation between Dr De Villiers and Dr Wassenaar

In essence, the confrontation represents the successful achievement of Dr De Villiers' earliest ideal To develop Afrikaner business in South Africa to the level where it competes on an equal footing with the English-speaking business interests

That two essentially Afrikaans groups are now battling for control of a third is proof that Afrikaner business has arrived, as the need for a combined effort has passed

Independence runs strongly through Dr De Villiers' nature It led to his entry into engineering, in defiance of his father, who insisted that "the De Villiers have always been lawyers"

Any move towards more direct control of Gencor by its controlling shareholders is guaranteed to run up against this independent streak

Dr De Villiers has always held the belief that it is not possible to bring everything under control in one lifetime, and that one man can only build the foundations on which following generations can build

Having developed the firm foundation that is Gencor today, he clearly wants to have some control over the legacy that is to be left to future generations, and intends to fight tooth and nail to have his say

17/6/82

The man from Sanlam

232

"I JUST had to do what I have done," said the man who had shocked the Afrikaner Nationalist world to its very foundations

Dr Andreas Wassenaar, chairman of Sanlam, committed Nationalist and respected elder statesman of Afrikanerdom, in 1977 broke a cardinal rule

He delivered a scathing attack on the Government's economic policies in a book entitled "Assault on Private Enterprise the Freeway to Communism"

The cardinal, unwritten rule of Afrikanerdom was never to criticise the Government in public, and the Government of the day, under Prime Minister John Vorster, predictably rejected Dr Wassenaar's attack, but not before it had attracted widespread support from businessmen, trade union leaders and Opposition politicians

But what possessed a man, then 69 years old, to risk his standing in the community, the love and respect of his contemporaries, and the very structure of Afrikaner business?

It was a simple commitment to free enterprise, fostered through a long career with Sanlam, during which time he saw the assets of the insurance group grow to well over R1 000-million from R4-million in 1935

Dr Wassenaar started his career as a clerk in public service in 1926, and while studying part-time for a B Comm degree joined the South African Air Force and qualified as a pilot

His first job was in the census and statistics department, which prompted a commentator to remark in 1977 that in 50 years Dr Wassenaar had advanced to counting the Government's sins from counting the country's citizens

He joined Sanlam in 1935, rising through the ranks to general manager in 1958, and in 1961 was appointed a director of the group

Dr Wassenaar in 1965 became managing director of Sanlam, and held this position until 1967, when he was appointed chairman

Often controversial, he was committed to the uplifting of the Afrikaner, and occasionally cruel in his criticism of shortcomings

DR ANDREAS WASSENAAR
moved to go onto the attack

In 1968 he caused a stir when he warned that Afrikaners were losing the battle for bilingualism, which he said would inhibit their progress in learned professions or in business

But his concern at the running of the country's affairs was burgeoning by 1971, and Dr Wassenaar lent his support to the Franzsen Commission's recommendation that control over banks be more indirect

The following year he made a strong appeal to the Government to take the country's businessmen into its confidence

Sanlam, started in a small way to marshall the Afrikaners' then meagre resources and develop them into a worthwhile foundation for the growth of a nation, prospered under Dr Wassenaar, as he combined the need for saving with the need for entrepreneurial flair, and the group advanced as a big, but competitive, business organisation

But it is the massive step, taken at the peak of his career, for which Andreas Wassenaar will be remembered

Feeling that Government policies were pushing the country inexorably into a socialist malaise, he took the step courageously, and pulled no punches

Among others, he named Iscor, Sasol, Escom, the SABC, Armscor, Foskor, Alusaf and the Industrial Development Corporation as spearheading the nationalisation of industry in South Africa

Now in the twilight of his career, Dr Wassenaar is locked in battle with a protégé, with the prize the R5 900-million a year Gencor group, and showing all the tenacity with which he attacked the Government five years ago

He sees the Rembrandt/De Villiers alliance as a threat to Sanlam, and after almost 50 years with the insurance colossus, he will protect its interests ruthlessly

Behind the business broedertwis

[redacted] [redacted] 199

JOHN GILMORE assesses the battle for power and position among Afrikaner capitalism's warlords.

IF CONFIRMATION were needed of the seriousness of the split in the Afrikaner business hierarchy it came yesterday with the remarkable Press advertising campaign undertaken by Sanlam to explain and confirm its position as the controlling shareholder in Federale Mynbou, and thereby of Gencor

Sanlam's action by no means resolves the issues, but it does bring the conflict right out into the open and represents a throwing down of the gauntlet to Dr Anton Rupert's Rembrandt Group which has 30% of the shares in Federale

Late yesterday, Rembrandt responded in a Press statement by saying it was considering legal action to protect minority interests in Federale Mynbou

Referring to Sanlam's statement, signed by its managing director, Dr Fred Du Plessis, Rembrandt said it was "amazed that Dr Du Plessis should blame it for his problems"

Basically, there are two separate elements to the dispute though they have tended to become linked and their distinctions blurred as the struggle has intensified

The first is the financial power battle waged over the past year or so between Dr Andreas Wassenaar, chairman of the R4 000-million Sanlam insurance group, and Dr Wim de Villiers, executive chairman of Gencor and managing director of the R2 800-million Federale Mynbou mining group which is 50% controlled by Sanlam

The second is the determination of the Rembrandt Group to exercise firmer control over Federale by virtue of the 30% minority stake it acquired during and after the fierce takeover battle for control of Union Corporation, when it threw its financial muscle behind Sanlam

Where the two issues have become confused is in the fact that Rembrandt has tended to be recognised as a strong supporter of Dr De Villiers in his attempts to keep day-to-day control of the mining house in his own hands to the exclusion of Sanlam

Dr Fred du Plessis, managing director of Sanlam admits in the advertisement published yesterday that "a difference of opinion did occur between the chairman of Sanlam and the executive chairman of Gencor during 1980/81 but this was resolved more than a year ago"

But he says this difference of opinion has no relevance to the current dispute

If this is so, then Dr De Villiers has possibly decided to present a united Afrikaner front with Dr Wassenaar, nor is he claiming any ambition to become chairman of Sanlam after the resignation of Dr Wassenaar next February

Dr De Villiers was deputy chairman of Sanlam until last year when he resigned, reportedly for health reasons, and is anyway a mining and not an investment man

His successor, Dr Etienne Rousseau, soon gave way to Dr Du Plessis Since then there has seemed little doubt that Dr Du Plessis is the front runner in the race for one of the most powerful financial seats in the country

It is perhaps significant that Sanlam's statement is signed by the managing director and not the chairman as might have been expected

The larger issue, that of Rembrandt's ambitions, will not be solved as cosily or as quickly Dr Rupert does not like taking a back seat to anyone, particularly when he has so much money at stake

And with just over R13-million of Federale's 43 800 000 issued ordinary shares under his control, Dr Rupert has an investment worth around R182-million with the shares currently standing at 1 400c Having bought a 5% stake from Volkskas last year it is possible Dr Rupert has a pre-emptive right on the other 5% the bank owns, which would bring his investment to 35% of Federale

Moreover, with a mountain of cash piling up overseas after the $350-million sale of 44% of Rothman's Tobacco just over a year ago, it is thought Dr Rupert is considering repatriating the money to South Africa in order to pursue his ambition of building a giant energy/mining group This, at one time at least, was the similar ambition of Dr De Villiers in the realisation that Gencor's gold, coal and uranium reserves would not last forever

While the row over who controls and who runs Federale Mynbou has obviously been simmering for over a year now, it only came into the open last month on a most unlikely battleground the annual general meeting of Federale, and on a seemingly innocuous topic — a Sanlam proposal to increase the number of directors from 12 to 15

The two Rembrandt directors, later supported by the Volkskas representative, immediately took exception, saying they did not believe it was necessary or desirable that the number of directors be increased. Having broken into the open, the differences between the two main protagonists became more pronounced and increasingly bitter

In essence, and behind all the legal complexities and technicalities, it seems that Sanlam wants a greater say in the running of its largest single investment and is determined that Rembrandt shall not become a partner in any controlling sense Rembrandt, for its part, has great designs to build an energy/mining empire and Gencor must seem a natural massively based vehicle

Dr Du Plessis says that during 1980 Rembrandt, for the first time made reference to a "partnership", "entailing that Sanlam no longer controlled Federale and that control would be exercised by the partners on a basis of a consensus'

Sanlam rejected this view, and Dr du Plessis still maintains that "any attack on the controlling position of Sanlam will be vigorously resisted

Rembrandt pointed out yesterday that its action in blocking Sanlam's move to alter the Articles of Association had resulted in Gencor's management remaining undisturbed

Furthermore it considered a second important matter was Dr Du Plessis announcement that Sanlam intends to change its long-standing policy on controlled subsidiaries by intensifying its control by means of drastic alterations to the Articles of Association

"These dramatic new powers could, for instance, give Dr Du Plessis the power of immediate dismissal of the directors of subsidiaries For this reason we are defending our existing rights and those of minority shareholders"

So the affair is by no means over and it could be a long, expensive war But one thing is for sure the solid image of the Afrikaner business world has been shattered

---

The gen who did want blo

BRUCE STEPHENSON

NO, MAJOR-General Jeremy Moor does not take his bible into battle Instead he takes Shakespeare, but not the bard's complete works though Just the sonnets

"I couldn't fit the complete works into my gear, but the sonnets do well," he explains "They give you ease of mind, you know"

And that about sums up this professional who resisted the calls for blood as his troops stood poised, for an eternity it seemed, on the hills around Port Stanley in the Falklands General Moore wanted an Argentinian surrender — not the blood of its teenage army

"Surrender and let's end the killing now," is the emphatic message he radioed his Argentinian counterpart, Major-General Mario Menendez, on Sunday night

Some 24 hours later, General Moore was able to inform Mrs Thatcher in Downing Street

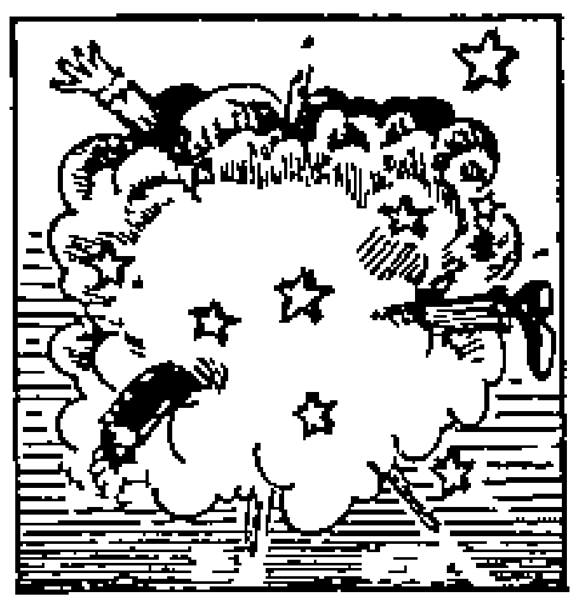
"In Port Stanley at 9pm Falklands' time tonight June 14 Major-General Menendez surrendered to me all Argentine armed forces in East and West Falklands, together with their

slipped past that SAS un ardous terr and Stanley emplaceme Mt Kent, w the town

~~180~~ ~~232~~ FM 25/6/82 232

SANLAM/REMBRANDT

Coming of age



If any proof was needed that Afrikanerdom has attained a vigorous self-confidence it has been provided by the events of the past few weeks The fact that two of the major pillars of the Afrikaner business establishment are prepared to air, in public, their differences about the direction and management of a third is proof that less need of tribal unity is perceived In other words, Afrikanerdom now believes itself strong enough to dispense with some of the security of unity

The trigger for this display of confidence was the battle between Sanlam and Rembrandt over the management of mining house Gencor and, more specifically whether or not its chairman, Dr Wim de Villiers, should retain his job

But its real roots lie in the fact that the Afrikaner business community is now large enough — and strong enough — to be split openly into clearly defined fiefdoms And the separate business groupings are sufficiently large that they can concentrate exclusively on their own commercial interests and forget the old call of Afrikaner unity

In any case, commercial development based on tribal exclusivity presents far too many restrictions It was all very well for Sanlam, following its foundation during World War 1, to play on the emotions of the Afrikaner community to gain support in its formative years This was, after all, the intention and it formed an integral part of the strategy to project Afrikaners into the business life of the country The same motives to an extent underlay the formation, for example, of Volkskas in the Thirties The pattern was obvious, only by sticking together was it possible to mobilise the capital necessary to establish corporations and financial institutions with the strength to entrench Afrikaners in the country's business sector

A similar approach these days, however, would mean operating off too narrow a base, particularly if perceived Afrikaner exclusivity alienated the English-speaking sector of the community

This has been clear to Rembrandt for many years It started off in a small enough way as the Voorbrand Tobacco Corporation during the early Forties and received a great deal of early necessary support from Afrikaners But once it had established itself as a presence in the SA tobacco industry, it realised that expansion worldwide was necessary if it was effectively to compete with the British and American tobacco majors on the SA turf

Gencor's De Villiers ... the unhappy man in the middle

This necessity may well have coloured the strategic thinking of Rembrandt and its founder, Dr Anton Rupert But the wider world is somewhat different from the close-knit society of Afrikaner SA Performance out there depends on effective competition and acceptable business relationships and cannot rely on appeals to sectional interests From this Rupert developed his ideas on "partnership" The theory is fine — Rembrandt enters into agreements in the market place as a partner of other companies But in the end, strategic stakes of less than 50% are more than sufficient to ensure that the reins of control lie firmly in the hands of corporate headquarters in Stellenbosch This is particularly so if it is accompanied by a low corporate profile with fairly limited information being vouchsafed to outsiders

Sanlam, whose roots go back further, rests its concept of control on ownership of 50% or more of its subsidiaries Apart from anything else, this strictly legal definition of control puts the insurance giant in an unassailable position Nothing is left to hazard

Which is all very well, but when the two managerial strategies collide something, somewhere, has to give The problems arose in 1974 when General Mining, the indirect subsidiary of Sanlam through Federale Mynbou, was locked in battle with GFSA for control of Union Corporation The then independent Union Corporation was essential to General Mining if it was to rise above the ruck of small mining houses all operating in the shadow of Anglo But to acquire control of Union Corporation and thus provide a quantum addition to General Mining's size, cash was needed overseas — and fast Sanlam could not provide it, though it is generally the last-resort provider to its subsidiaries But there was Rembrandt with overseas cash, or the capacity to raise cash quickly And it had the advantage of being in the Afrikaner fold

But when you start asking favours of a group with a different management philosophy and one which has spread its wings into a much wider business environment you tend to rack up obligations They may not be immediately apparent but they exist even if only in the other's mind and the obligations may, sooner or later, have to be met And favours cannot be counted upon absolutely, as Sanlam found when it called on Volkskas to rescue the faltering Trust Bank a few years ago

The outcome of the successful Union Corp bid was that Rembrandt acquired 25% of Fedmyn and Volkskas 10% Later, Rembrandt took over half of Volkskas stake, to lift its own interest to 30% Taking Rembrandt's views on control into account, it is not surprising that it felt aggrieved problem that he correctly identified early in his career as being central to monetary theory. the demand for a collection of highly substitutable "monetary" assets. (See, for example, Brainard and Tobin, 1968) At some point, we will need to be told exactly how these asset demands are to be linked to the characteristics of the earnings streams to which these assets are a claim My guess is that rational expectations may come up at this point, but this is only a guess and we will have to wait and see

IV

As I warned at the outset of this review, I have made no effort to allocate my attention to various topics in this review in proportion to the allocation in Tobin's lectures Tobin has a remarkable gift for making difficult matters seem easy, a gift from which everyone working in monetary economics has reaped large benefits My review has glided over those parts of these lectures in which this gift has seemed to me to be put to good use, and has focused on those parts which seemed to me to substitute the simplification of caricature for the simplification offered by genuine clarity I hope my own evident role in this debate will make it easier for the reader to undertake necessary corrections.

* * *

The archeologist Heinrich Schliemann, the discoverer of Troy, became convinced, we are told, that a particular skull unearthed in a later excavation was the head of Agamemnon. To the frustration of this creative and productive scientist, his associates confronted him with one devastating argument after another to the effect that this could not possibly be the case Exhausted, Schliemann took up the skull and thrust it in the faces of his unconstructive critics. "Alright then, if he is not Agamemnon, who is he?"

If we cannot trust economists guided by Keynesian doctrine to direct the fortunes of our economy, whom can we trust? This is the question with which Tobin deals in his lectures, and his answer mixes a masterful display of the use of conventional macroeconomic analysis with a caricature of the alternative offered by the "new classicals " It is an answer that struck me as false, but not because I am convinced that the "new classicals" have succeeded in identifying their "skull" with the precision claimed by the Keynesian economists of the 1960s. Its falseness lies rather in its refusal to face the serious arguments asserting that the guidance offered by Keynesian models is so unreliable and speculative as to render it unusable in practical discussions of economic policy.

The central question of macroeconomic policy today is not that of which set of experts should be entrusted with the responsibility to manage our economy It is rather that of determining a workable set of limits on the scope of governmental influence over economic activity and of devising institutional arrangements which can make these limits stick The capitalist democracies have paid dearly for their neglect of this question over the past decade If we continue to evade it, as I read Tobin advocating we do, we are in for a good deal worse.

REFERENCES

BARRO, ROBERT "Are Government Bonds Wealth?" *J Polit Econ*, Nov /Dec 1974, 82, pp 1095–1117.

BRAINARD, WILLIAM C AND TOBIN, JAMES. "Pit- in Financial Model Building," *Amer Econ Re Papers and Proceedings*, May 1968, *58*(2), pp 122

FRIEDMAN, MILTON "The Role of Monetary Polic *Amer Econ Rev*, 1968, *58*(1), pp 1–17

FRIEDMAN, MILTON AND SCHWARTZ, ANNA J *monetary history of the United States, 1867–1* Princeton Princeton University Press for the tional Bureau of Economic Research, 1963

KYDLAND, FINN E AND PRESCOTT, EDWARD

---

when it became clear that Sanlam was determined to maintain absolute control over Fedmyn and thus the fully-merged General Mining and Union Corporation, Gencor And Rembrandt's only opportunity to flex its muscles came when Sanlam, in its determination to oust Gencor chairman De Villiers, found it necessary to alter Fedmyn's articles of association The details and reasons are, by now, well known

Forget any appeals to solidarity or Afrikaner unity — business considerations are now a great deal more important than anything else

On the face of it, Sanlam has might on its side It has been thwarted at board level by Rembrandt in its plans for Fedmyn and Gencor So now it is to carry the fight to the shareholders Clearly, as it owns 50,8% of Fedmyn, Sanlam can vote overwhelmingly in favour of any changes it wants to make to the mining companies articles The ace up Rembrandt's sleeve is the threat of legal action This washing of corporate linen in public is something Sanlam's management may prefer to avoid

For the present, it means some sort of stand-off Rembrandt says it is considering legal action, while Sanlam threatens to push its plans through on a shareholders' vote It is difficult to imagine this type of scenario developing among what can loosely be described as the English-speaking business community But it does not have the background of sectoral exclusivity as part of its corporate psyche The leaders of the Afrikaner business houses have a sense of Afrikaner unity deeply ingrained in their consciences, hence the strains apparent in the fight over Gencor

The outcome should prove to be a watershed in the business life of SA What is intriguing is the prospect that Rembrandt, denied its accustomed role in the affairs of "partners,' might now want out

SUNDAY TI

232

S. Tribune

27/6/82

A LONG AND HAPPY LIFE FORECAST FOR SUGAR MARRIAGE

By MIKE PEIRSON

THE efficiency with which Tongaat and Huletts have always conducted their affairs was highlighted again at their "wedding" this week.

"Best man" Chris Saunders speaking at the merger reception at the Tongaat HQ confidently predicted a long and prosperous life for the "happy couple' despite extra-marital difficulties caused by the drop in the world sugar price.

In this regard the honeymoon is probably over before it begins, but said Saunders: "These matters are of considerable short--term concern, but we should retain our perspective and realise that sugar has always been, and will continue to be, a cyclical crop."

He added that it was difficult to see how the export price of sugar could recover in the near term to a level which equated with the average cost of production in the SA industry.

The concensus of opinion among world sugar brokers (with the spot price below £100), was that more than one major disaster in the sugar producing world was required to restore the balance between supply and demand.

The local industry faced a serious financial situation despite the R45-million which had been contributed to the price stabilisation fund during the last season.

This would have to be drawn out again in the current season to supplement proceeds.

"It should be recalled," he said, "that the industry contributed approximately R195-million towards subsidising the local market price in prior years and, unpalatable as it may be, the industry has the right to demand some support from the South African consumer to tide it over the difficult period which lies ahead.

"I believe that as long as the industry remains a controlled industry, it should receive its full costs and returns, and it is incumbent upon the authorities to find ways and means of correcting the present situation."

He added that the new group could not escape the effects of the current adverse economic climate, high rate of inflation and the high cost of money. The combination of these influences would undoubtedly result in the current financial year being difficult.

Thursday's meetings were the last individual annual meetings of the groups and the merger sessions went off without a hitch.

Assuming the Supreme Court sanctions the "marriage" the new R1 200-million group to be known as the Tongaat-Hulett Group will come into being during the coming week.

The best wedding present it could have would be for the Government to agree to an increase in the local price of sugar.

See Also Page 5

ength is always dad '

Picture RAYMOND PRESTON

n wage freeze

the limit in anticipation of a freeze' Mr hwarz said

He said if the curren recession were al to deepen unemployment would in ease the risk of unrest and instability

The head of the Economic Research Bu of the University of Stellenbosch, Pro or J L Sadie said the alternative to a ernment wage and price restraints policy British Prime Minister, Mrs Margaret tcher s policy of tight monetary disci and attempting to cure inflation by ng recessionary conditions

economists say the Government s policy has failed to slow down in ainly because of insufficient control money supply

n double tragedy

the scene Maitland police 32 of lled the other ald 25 of

A police spokesman said a vehicle crashed in Maitland at about 6 40am Mr Hatting and Mr Groenewald took the victims to hospital When they returned they were involved in a second accident - Sapa

'Temple an asset'

Mail Reporter

THE controversial Mormon temple planned for Parktown Ridge will be a beautiful building and an asset to Johannesburg according to the architect Mr John Halford

Local residents headed by the Parktown Association recently lost an appeal to the Johannesburg City Council to stop the erection of the six-steeple temple at 7 Jubilee Road, Parktown

The temple, which will cost millions of rands will take about a year to build said Mr Halford

It would not be much larger than the house presently on the site

"All the parking will be on site in an underground basement which will be covered with grass,' said Mr Halford

'stance' in Botswana

presenting papers and nel discussions include Gordimer Richard rote and James Matthers David Goldblatt film-makers Keyan hael Raeburn

le from all over South ding representatives of organisations Fuba and as Ravan Press and rts and drama faculties of several universities — are expected to attend

The symposium, the first of its kind in Southern Africa, will include discussions on South African dance, film, theatre, poetry, music, photography, writing the novel and fine art.

Discussion will take place during the day In the evenings, South African music and dance will be performed and feature and documentary films will be shown

METRO MAIL

Special race preview

THE Rand Daily Mail racing correspondent, Peter Duffield will give his Northlands High School Old Boys Club colleagues a special Durban July preview tomorrow With only five days to go before the big race in Durban the Johannesburg branch of the Durban-based NHSOBC has invited old boy Duffield to "tell all' over drinks at the Pirates Club in Greenside starting at 5 30pm Old boys can contact Philip Simpson at 834-8224 for further information

A cattle-judging course

A COURSE in the judging of Hereford cattle will be held at the Sydenham experimental farm at the University of the Orange Free State on July 19 and 20 Lectures and demonstrations will be given by Mr Hendrik van der Walt and Mr Jim Mapham, both senior judges of the Friesland Breeders' Association A written examin will be held and those who are successful will qualify for the junior judges exam The course is open to all

Basketware on display

ALL day today there is a basketware exhibition in the Square Court at the Carlton Centre

Hints for vegetarians

THE Vegetarian Society of SA will meet at 7 45 this evening on the first floor, Happiness House, in Rissik Street, off Wolmarans Street Dr Z Zampetakis will be speaking on "Health Hints for the Vegetarian "

Cranes fly at university

AT 8pm the Wits University Film Society will

Holiday creche planned

BUSY Springs mothers with toddlers can take a breather during the holiday season The Springs Child Welfare Society is planning a creche during the holiday season, which begins next week It will be open all day from Monday to Friday

Mini-fete for animals

A MINI-FETE to raise funds for animals at the Anti-Cruelty League's kennels in Pretoria will be held on Saturday (July 3) at 99 River Street, Sunnyside Anyone who would like to donate a cake or anything suitable for a fete should phone Mrs Dell Ferero at (011) 447155

University is bucked up

THE University of the Orange Free State's Game Farm on the banks of the Hendrik Verwoerd Dam — recently donated to the University's Department of Grazing Science by the Cape Provincial Administration — is to receive 400 Springbok and a number of Zebra and Blesbok as part of the gift

Cytology meeting opens

THE biennial congress of the SA Society for Clinical Cytology will be held in the President Hotel, Johannesburg, from today to June 30 Dr W A van Niekerk will deliver the opening address He is chairman of the Committee for Community Relations of the President's Council, President-elect of the International Academy for Cytology and Chairman of the SA Society for Clinical Cytology

---

The authorities have treated water supplies with chlorine Dr Tibbit advised residents to boil their drinking water — Sapa

RDM 28/6/82

Electricians' power is cut

(231) (~~22 etc~~)

PRETORIA — A notice has been published in the Government Gazette prohibiting the Electrical Contractors' Association (SA) from restricting its members from tendering for non-nominated sub-contracts

The notice, published by the Minister of Industries, Commerce and Tourism Dr Dawid de Villiers followed an investigation by the Competition Board, which found that the association's restrictive practice, in the public interest, was unjustified — Sapa

The Pope's peace plea

VATICAN CITY — Pope John Paul II said yesterday Israel's siege of Beirut is causing "terrifying' death and destruction and issued an emotional appeal for a "just" recognition of Palestinian rights

The Pope's appeal came during his weekly blessing to about 35 000 people gathered in St Peter's Square "The news and images that arrive from the martyred city of Beirut are terrifying," the Pope said — UPI

Agostino Casaroli told Mr Cerullo the Pope would personally study the workers' demands and reply to them in a document

The letter was referred to in a statement released by the association on Saturday

The letter also said the right of the association to represent its members was henceforth recognised

Leaders of the association, which was formed last year and has about 1 600 members, have been pressing Vatican officials to recognise the association's right to represent the workers in negotiations with Vatican administrators

At the beginning of June the association called for the first strikes in Vatican history Workers were asked to stay off the job for the first two hours of every shift on June 14

The strikes called to press demands for a new contract and for union recognition were later called off because of the Pope s trips to Britain, Argentina and Switzerland this month

Association members said Archbishop Paul Marcinkus, president of the Pontifical Commission for the State of Vatican City and other Vatican administrators had been trying to keep the association powerless

The employees have asked for wage and benefits increases, pension plan modifications, a uniform 36-hour work week, and an end to the Vatican policy that bars hiring of employees children

On May 3 about 1 000 association members held a silent protest march inside the Vatican to show their solidarity with their elected representatives

It was the first labour protest in Vatican history UPI

Men only rule off

Mail Correspondent

TEL AVIV — Faced with an avalanche of protest from 30 furious women journalists, Israel this weekend dropped a "men only" rule for correspondents wanting to cross the northern border with Lebanon

Female reporters were suddenly banned from touring the combat zone on Friday morning No reason was given but it was intimated that general Rafael Eitan, Chief of Staff, was anxious to ensure none was hurt in any fighting

The move came at a time of increasing strain in the International Press Corps covering the invasion from the Israeli side

Television camera teams have been arrested for touring the occupied areas of Lebanon without military escorts

Last week, I witnessed an embarrassing row beteween an American woman reporter and her escort The soldier accused the girl, a Jewess from New York, of trying to portray the troops as "monsters"

Then came the ban on

---

s apparatus

As it happened, the programme including a freeze has stirred a hor It is being condemned in the Communist Soci

"What s the difference 'austerity" ' jeered a Workers Confederation

'We are swamped w

'The land I loved'

STANLEY - During Falklands war islan were looted of prized possions like sentimental and valour medals from Second World War, but they miss most is tha they loved — who ar isolated from mo worries

"I cannot explain the attraction of the lands, and what it means the Falkland people, Mary Elphinstone, a ph cian who visited the isla on a holiday and decided move there permanently

"It can never be the sa again now that we are on map

"The people here are unsophisticated subsistenc crofters They made a scious decision that the and unspoiled lands are wha they wanted '

In the capital of Stanley hospital nurses bemoane that the influx of tourists to mention a huge permane garrison of 2 000-4 000 Brit soldiers plus their wi would change the face of islands

"The Falklands are and remote and that the way we want it to be ' said a nurse at a hospital 'But it has changed already because now the world knows where we are and there will be more visitors and settlers," she said

Mr Harry Bonner, the Falklands engineer and surveyor, suffered the death of his wife in the British war with the Argentines, but still managed to be optimistic about the future of the islands

"We had no kind words for the Argentines responsible for this," said Mr Bonner "But out of it has emerged one good thing '

"There is so much money promised to the islands that now one of our dreams will come true

"Now we can go ahead with a R17 200 00 development programme for Port Staney, with roads sewage and housing ' — UPI

Move agai

Mail Correspondent

DUBLIN — The Irish opposition party is to press for legislation to outlaw telephone tapping following the disclosure that the Prime Minister Mr Charles had a

R3,3m offer for two diamond listings

RDM 29/6/82

232

246

By **STEVE ELLIS**

AN undisclosed party is offering R3 381 500 for Diamond Mining & Utility (Dias Min) and Industrial Diamonds of SA (Ind Dias)

The offer is 125c a share for Dias Min's shares (R1 941 500), and 180c for Ind Dias (R1 440 000)

It represents a healthy premium over the 70c last sale prices of both stocks when they were suspended from the Johannesburg Stock Exchange yesterday morning, pending finality on details of the bid

Shareholders owning 923 894 (or 59,5%) Dias Min shares and 472 400 Ind Dias shares (59,1%) have accepted the offer, which will be extended to minorities

Senbank, which is acting for the buyer, says that "in terms of the agreement, Dias Min will dispose of all its assets other than cash" Similarly Ind Dias will dispose all its assets other than cash

After the sales, both companies will be cash shells

Dias Min will have cash assets of R1 500 000 (101c a share) and Ind Dias R1 000 000 (133c)

The two companies have close links with Dias Min holding 25,6% of Ind Dias which in turn holds 12,5% of Dias Min

The largest shareholder in Dias Min is Offshore Diamonds (SWA) which holds a 37,4% stake The directors of Dias Min and Ind Dias are believed to be involved in the management of Offshore

Dias Min has shares in three unlisted companies

- Diamond Dredging & Mining (95 000 shares representing 45,3%)
- Lorelei Copper Mines (200 000 shares, or 33,3%)
- Tidal Diamonds SWA (preference shares)

In Dias Min's annual report to June 1981, the directors said "A dispute has arisen between your company and Tidal Diamonds regarding the respective rights of your company and Tidal Diamonds to certain mining claims

"Tidal Diamonds have instituted an action against your company and, on the advice of senior counsel, your company is defending the action"

Dias Min also holds sea grant M46/3/100 for all minerals other than oil, gas, and other prescribed material

The grant covers an area from three miles offshore from Hottentots Bay to the continental shelf, to a point northwards between Conception Bay and Sandwich Harbour

The company now has little to do with diamond mining, and concentrates more on zinc — through a Diamond Dredging subsidiary, Moly Copper Mining & Exploration

Ind Dias holds a 48,1% stake (or 100 800 shares) in Diamond Dredging, and a 33,0% stake (197 900) in Lorelei

The boards of Ind Dias and Dias Min are nearly identical Mr G D E Kahan is the chairman of both, and Mr D Lidchi, Mr C Kahan, Mr G F P Bohrer and Mr E Lidchi sit on both boards

The only differences are that Mr I H Leitch sits with the Dias Min directors, and Mr L H Isaacs with Ind Dias

Effective control through Tolux

232

1/7/82 RDM

[illegible]

Stanbic gets stake in Unisec

By JOHN GILMORE

STANDARD Bank Investment Corporation has spent R17 300 000 on buying 67,5% of investment trust group Tolux SA — and in one swoop has become the largest single shareholder in the Unisec group.

In doing so it has stepped into the fierce imbroglio between Unisec and Sage which last year were locked in a no-holds barred takeover battle

Tolux has a 33% interest in Hesperus Holdings which brings Stanbic's stake up to 52%, and in turn Hesperus has a strategic 41% interest in Unisec that could determine the cash-rich group's fate

Among its other assets, Unisec is sitting on a pile of cash that probably exceeds R50-million after spending possibly R20-million recently on the acquisition of Stuttafords Van Lines

In a short statement yesterday that concealed the dramatic implications of the acquisition, Standard Merchant Bank "was authorised to announce that Stanbic has been offered, and has purchased, for a total cash consideration of R17 316 478 85% the shareholding of certain non-resident shareholders in Tolux Accordingly, Stanbic has acquired 1 228 119 shares representing 67,5% of Tolux's issued share capital"

Having acquired control of Tolux, Stanbic will give the remaining shareholders the opportunity of selling 85% of their holdings to Stanbic at R14,10 a share

Tolux was untraded on the Johannesburg Stock Exchange yesterday, but the going price was 470c However, the market appears to have got wind of the deal as Unisec shares shot up 80c to 400c

The directors of Stanbic said that "they believe the acquisition of a controlling interest in Tolux is in the long-term interest of the bank, and subject to the necessary approvals it is intended to retain the listings of Tolux shares on the stock exchanges in Johannesburg, London and Luxembourg"

Only three months ago Stanbic bought 19% of Hesperus in what was described as a long-term investment But it must now be seen as a vital strategic move to become a dominant partner in Unisec in spite of its assertion that the acquisition of shares in Tolux was not being contemplated

Stanbic's move yesterday coincided with Unisec's annual meeting at which teh battle resumed when representatives of Sage put some searching questions to the board, particularly over the cancellation of shares in subsidiary companies that Sage maintained could alter the control situation

Because of Sage's substantial shareholding in Unisec, believed to be 20% of the equity, "we are of the opinion that we should be granted representation on the board of directors". However, the Unisec directors rejected the request and replied that they "are not prepared to support the appointment of a representative of Sage Holdings to the board"

Sage asked how much was paid for Stuttaford's Van Lines and Unisec replied the amount was material in relation to the group as a whole and it was acquired on terms

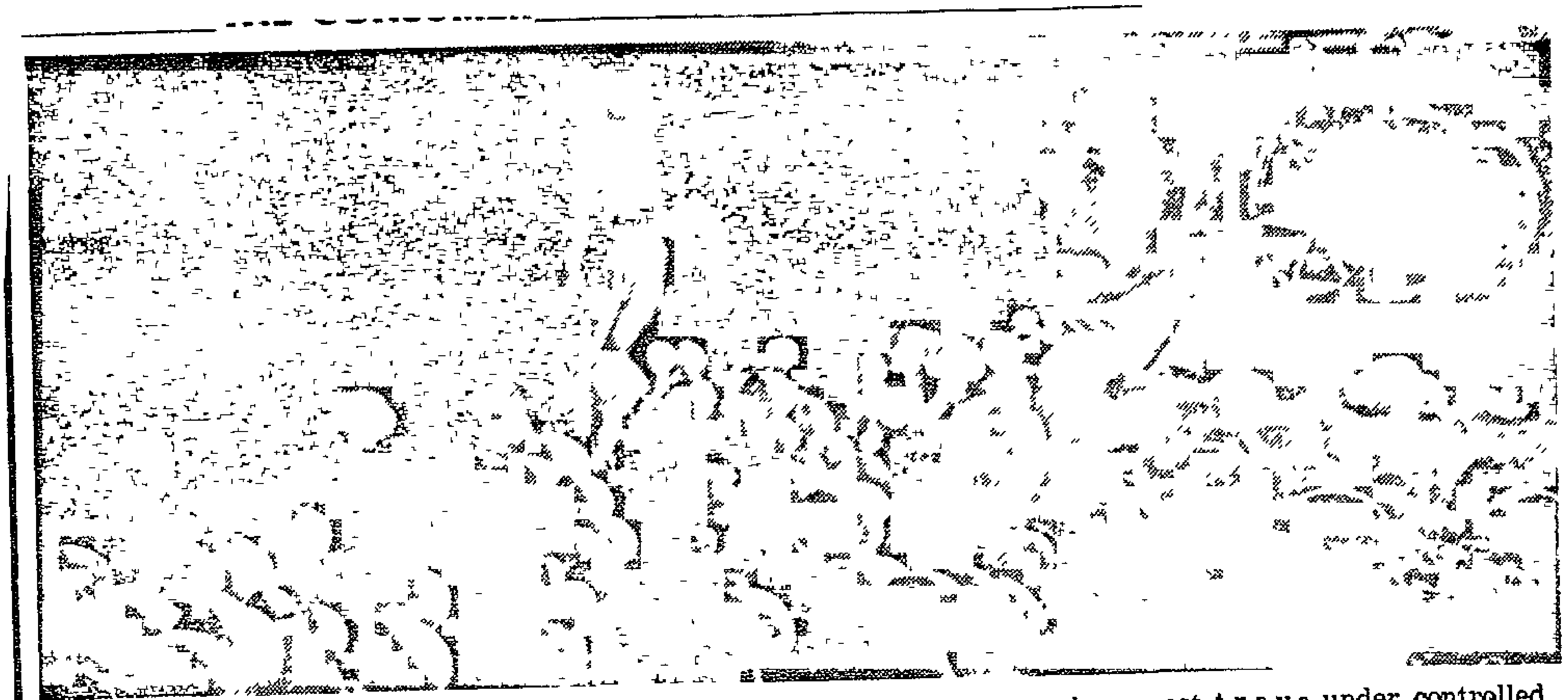
Sage's request for a breakdown of Unisec's investments and loans of R11 195 000 was met fully and included executive share purchases of R1 241 987, housing loans to a director and staff of R532 020 and loans made by a finance company to Billhawk Investments & Newstock (Pty) totalling R5 153 360.

Sage said that borrowings and overdrafts at December 31, 1981, increased substantially and asked, because of the large cash resources, would it not be desirable to reduce substantially the borrowings of the operating companies

Unisec's reply was that the yearend amounts were book figures and not necessarily overdrafts

"The increase in overdrafts is mainly due to the new subsidiaries It is the directors' policy that operating companies continue to use bank overdrafts in part and from the holding company for the balance"

COMMENT: Stanbic has bought the key to control of Unisec and the statement that Tolux is in its long-term interest must be taken with a pinch of salt The options, of course, are fascinating and no doubt will unfurl before long. But it seems that Sage will now have to deal with Stanbic, either to sell its stake or to purchase Stanbic's



Mushrooms ... delicious fungi Mushrooms are grown in specially prepared compost trays under controlled temperature and humidity.

(237) (2) ~~Vegetables~~ Star 1/7/82

Putting a spotlight on a mushrooming industry

By Colleen Ryan, Consumer Reporter

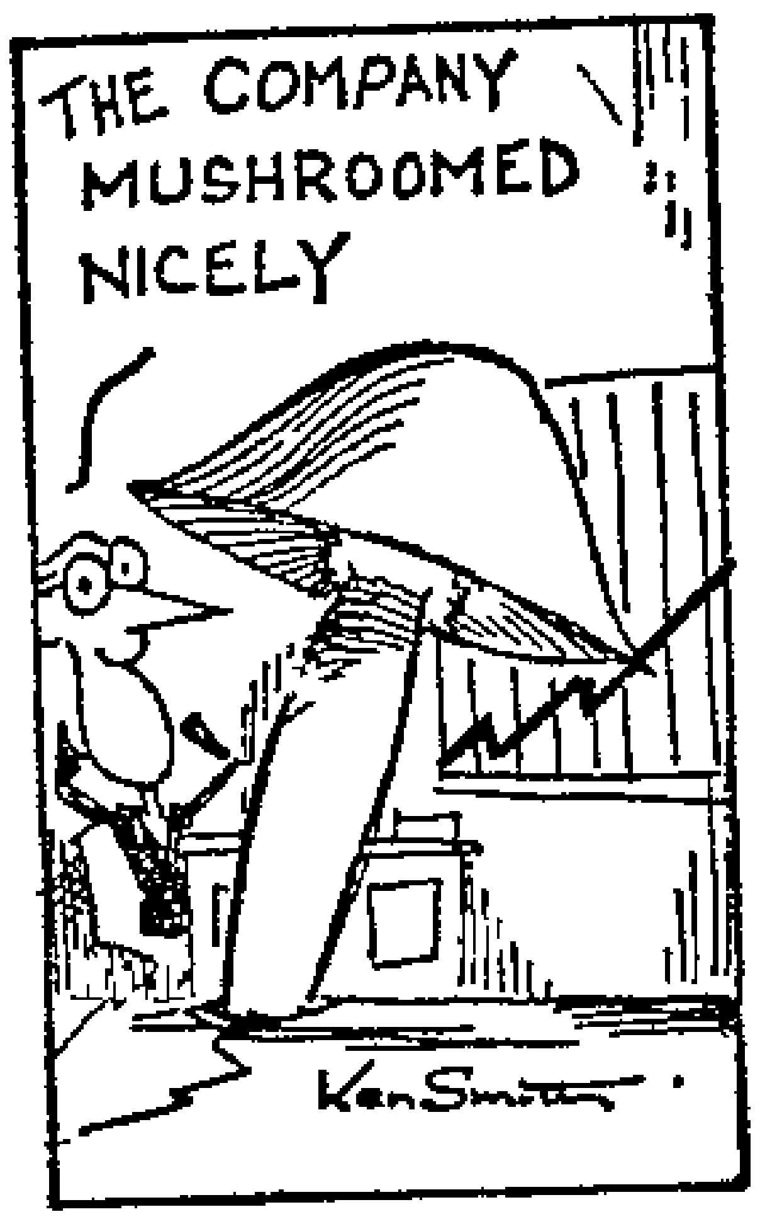
Mushrooms are popular with South African diners and as the demand has increased, so have the prices

Yesterday The Star reported on the trends in this growing industry. It showed that one company now dominates the Transvaal market.

It may come as a surprise to some consumers that mushrooms are not grown from seeds, or nourished by the rain and the sun.

That delicious mushroom dish began as a culture in an overseas laboratory. The mushroom cultures are flown to South Africa where they develop for six weeks in temperature-controlled laboratories.

The fully grown mushroom spawn is then sold to farmers. Only one company is in the spawn-producing business and they distribute all over South Africa, Zimbabwe and even in Mauritius.



Before the spawn can be planted, a specially prepared compost is prepared, pasteurised and steamed The spawn then grow for two weeks in humid temperature-controlled rooms.

A casing layer of soil is then spread over the compost trays and they are placed in rigidly temperature - controlled rooms

Two to three weeks later mushrooms start growing from the compost They can be picked periodically for three to six weeks After this time, picking becomes unprofitable and so a new cycle begins.

Mushrooms make a useful dish for slimmers, says The Star's cooking expert, Angela Day There are only nine kilojoules in an average mushroom Mushroom soup is always a family favourite.

CREAMY MUSH

Examiners' Initials		

nn (1)
of the

ritten
cept-
ly for
, for

sheet
ial to

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

R1 500-m giants in huge takeover

S. Times 1/4/82

232

SOUTH Africa's two largest private-sector, independent steel trading and exporting groups, with a combined (all-products) turnover recently near R1 500-million, have "reached agreement in principle" to a wedding with far-reaching domestic and international implications.

The directors of both groups told Business Times exclusively this week that the marriage will also involve Iscor and is expected to lead to "the combining of the steel-export activities" of the private-sector parties.

By STEPHEN ORPEN

In a deal worth "deep into eight figures", Macsteel Holdings is poised to acquire control of Leo Raphaely and Sons

The Macsteel group enjoys sales thought to be near R500-million and assets confirmed at "well over R100-million"

Turnover of all the companies and divisions in the Leo Raphaely group, including Raphaely International Holdings, was comfortably above R1 000-million before the recent contraction in world steel markets

Macsteel will now be responsible for a much enlarged steel trading and exporting empire, for which still more expansion is expected to be announced soon

Leo Raphaely has for some years enjoyed the lion's share of steel exports from South Africa via the private sector, primarily to the East.

Macsteel, on the other hand, has been expanding at a prodigious pace, concentrating especially on South American markets, and will now become by far the largest exporter of mild steels.

Iscor has served as the supplier of the basic steel for a number of the overseas markets

Exports into the depressed world steel market are currently running at about 1,6-million tons, of which a relatively small 120 000 tons has been going to the US, according to Iscor's divisional GM for steel marketing, Nols Olivier

A director of Macsteel, Jack Gerber, comments' "There are various options for packaging the deal I cannot reveal these, as each carries implications that still have to be weighed.

"However, I can say that our export sales will be boosted dramatically

"Also, considering that we are making good profits despite the recession overseas, and that we are going ahead with multi-million expansion plans decided before the latest developments, prospects should be pleasing when the world steel market recovers"

Mr Gerber will not disclose Macsteel's profits. But these are known to exceed R10-million a year — and a mooted further takeover could take them higher

I asked Rudolf Raphaely, the remarkable septuagenerian entrepreneur who carried the family business (launched in 1913) into the big league, why he and his board had decided to go in with Macsteel.

"As you know, they have been talking to us for at least two years. They have strengths which complement ours

● To Page 3

Steel giants in takeover

S- Times

232

1/4/82

● From Page 1

"Also, you will be hearing of further developments which will clarify our reasons for getting together We want to move in certain new directions

"Raphaely International Holdings, falling under Leo Raphaely and Sons, will continue its export trade and investment activities under the existing management"

Raphaely's overseas operations are known to turn over several hundred million rands — with the London office an important foreign base.

Macsteel's inspirational chairman, Eric Samson, says he is delighted with the deal.

Raphaely's main steel activity is linked to its joint venture with Iscor for that corporation's sales to the Far East.

It also sells on behalf of Tosa, Southern Cross, Brollo Africa and most other major SA integrated steel mills as well as Zisco in Zimbabwe

Macsteel has been selling not only to the west coast of South America The group's international activities have also involved North America, Britain, Africa and the Middle East.

Under the contemplated agreement, Rudi Raphaely will be president of Leo Raphaely and Sons, Eric Samson will be executive chairman and Jack Gerber deputy chairman

Henry Kahn will remain a director and Allan Levin will become managing director for the company's steel-export operations

Haulage firms keep mum on growing transport furore

6/7/82

Industrial Week

232

By Hugh Poulter

PRIVATE haulage firms are keeping tight-lipped about the recent article in Industrial Week alleging malpractice within the SA Transport Services (SATS)

Smaller companies say they are afraid of victimisation while the larger companies many of which are members of the Private Carriers Association, refuse to comment saying the association is their official mouthpiece

Jack Webster, executive director of the Private Hauliers Association says "We (the private haulage companies) are doing the same to the SATS as they are doing to us"

"The difference is the railways can't be prosecuted as one government department won't prosecute another department while the private companies face prosecution and court action, ' says Webster

Webster says the association is "playing a cautious game" with the SATS in order to avoid a direct confrontation

Caution

"We are starting negotiations with the authorities about this problem but we are being cautious as we don't want to cause a split between the SATS and the private operator "

"This country is running into a very serious situation as more and more hauliers are being tempted to join the band of illegal operators due to a lack of law enforcement " says Webster

'The permit holder who has made an effort to become legal, can lose his permit if he is caught operating illegally, but the non permit holder has nothing to lose apart from a fine," he says

A private haulage operator, who asked not to be named tells Industrial Week "Most of the haulage firms in Johannesburg do operate illegally from time to time "

Chances

"There is nothing we can do, if we apply for a permit we wait until doomsday and by that time we've lost the contract so we take chances

"The association can afford to take the SATS to court and they should do this as they did in Holland and won the case But I think the corruption has reached such an extent that even a magistrate couldn't handle it "

Abnormal

Another operator who also asked not to be named says the permit system is in chaos right now If permits cannot be obtained to move a container from A to B another way around the problem is to stack the container on top of another container and carry them as an abnormal load

Star (232)

8/7/84

East Dagga's two Egoli buys

East Daggafontein will buy two of Egoli's subsidiaries, the companies have announced in a joint statement in Johannesburg

The board of directors of East Daggafontein Mines annouunces that the company has, subject to members' confirmation and other conditions, entered into agreement with Egoli Consolidated Mines in terms of which the company will acquire the entire issued share capitals of two of Egoli's subsidiaries, Egoli Mining Company and Johannesburg Exploration and Mining Corporation, as well as all of Egoli's claims against those companies

As consideration therefore East Daggafontein will pay Egoli R1 200 000 in cash and issue to Egoli 1 000 000 new ordinary shares after the proposed increase of capital

The sole assets of these two companies are a surface-rights permit and certain dump permits in respect of gold-bearing slimes dams on the farms Modderfontein 76 IR and Daggafontein 125 IR

East Daggafontein has also, subject to members' confirmation, entered into agreement with Southern Prospecting

In terms of this agreement the company will, after the proposed increase in share capital, issued 300 000 new shares to Southern Prospecting in exchange for the transfer of 336 015 shares in Bonanza Gold Mine representing 15 percent of Bonanza's issued share capital and cession of southern prospecting's credit loan account of R31 500 with Bonanza — Sapa

Backing from US banks

SA Brews gets $100m credit

10/7/81

By STEVE ELLIS

A CONSORTIUM of American banks has provided SA Breweries with a seven-year $100-million Eurocredit facility — one of the largest offshore loans to be arranged by an industrial company in SA.

Six American banks are involved in the deal, along with one undisclosed SA bank

The terms of the loan facility provide for a split interest rate 0,75% above the London Interbank offered rates (Libor) for the first three years, and 0,875% above Libor for the remaining four years, according to agent bankers Manufacturers Hanover Trust

Manufacturers Hanover said the facility was being arranged on a club basis — that is the credit would not be generally syndicated

The financial director of SAB, Mr Selwyn Macfarlane, said that it was the first time the group had raised money overseas since 1976 when it borrowed $30-million

No money had been transferred to SA yet, he said The facility had been arranged to underpin the group's financing in the next seven years, not to invest in any specific project

"It has never been our policy of identifying borrowing with spending It will supplement overall funding, not a single investment"

SAB had a policy of arranging finance for use as required

Mr Macfarlane said "Obviously the proposed brewery (in the Pretoria-Witwatersrand-Vereeniging area) will attract some of the finance, just as other developments will"

In the short term, the group might not use any of the $100-million, but there was little chance any would be left after seven years

SAB would continue to use SA credit facilities through out the period, but if interest rates made SA funding too expensive, the group would use Eurocredit

Mr Macfarlane knew of no restrictions on SA companies seeking offshore finance other than gaining approval from the Reserve Bank

Most companies did not spend the time necessary to build good relations with foreign financial houses and therefore had difficulty arranging loans when they needed them

SAB executives toured Europe, Britain and America in November 1980 and June 1981 to meet bankers

"The Reserve Bank is extremely pleased if SA companies avail themselves of facilities from overseas financial institutions They are keen to encourage it," he said "The bank certainly does not inhibit it as long as the money is used well"

Generally, only the large private companies sought finance offshore — companies which could afford to service it

Mr Macfarlane said the facility did not threaten to push SAB's debt equity ratio above its self-imposed limit of 0,60 1 At March 31, it stood at 0,53 1

In spite of the projected slow growth in SA's economy, shareholders funds would continue to show solid growth The proportion of retained earnings would increase after the group's decision to gradually increase dividend cover from 2,0 to 2,5 times

It would provide it with further leverage to borrow

He said SA Brews had not yet considered whether further overseas credit facilities might be arranged after the $100-million was used — "that's a lot of money to spend"

"We don't believe that to jump in and out of the national money markets the best way to build term relationships"

SA Brews wanted to low profile on the loan avoid any possible rassment to the Amer banks

"Lending money to SA not particularly favoured some American shar ers"

Hence the non-dis of the banks involved

COMMENT SAB's success securing offshore credit testimony to its inter standing as a "safe bet". SA standards, it is geared but still has the cial muscle to under some huge developments.

The interest rates on the facility are about lower than those on SA ey and although it to gauge how favourable comparison will be in to seven years' time, there little doubt that the cost servicing the Eurocredit cility will remain cheape

AECI secured a sized overseas loan October

The success of other into the foreign money kets will ultimately on the reputation of the panies concerned and willingness of offshore to deal with SA

Darling & Hodgson pass Armadah to Murray & Roberts

RDM 14/7/82

232

[illegible]

By STEVE ELLIS

TOTAL control of the troublesome Armadah Shipyards venture has passed to Murray & Roberts — and it did not pay one cent for the 50% it did not already own.

Its partner in the joint venture Darling & Hodgson has had enough of the heavy losses incurred by the Durban oil-rig maker and has paid Murray & Roberts to take over the entire operation

The price has not been disclosed but the whole sorry tale may have cost D & H as much as R10-million — about half of which was written off in last year's accounts

The executive chairman of M & R, Mr Bill Bramwell, confirmed yesterday that what was believed to be a M & R purchase was in fact a D & H pay-off "We didn't part with (any money), they parted"

A spokesman for D & H said that the final price to be paid would depend on a number of "variables" (such as "certain claims" against Armadah) and would not be known until at least the end of this year

He added "It is a fairly complex formula"

In its first full year of operation last year, Armadah lost at least R10-million and has continued to trade in the red this year

The 1981 loss trimmed D & H's taxed profit growth from 85% to 47% in the year to December but the effect on M & R was never quantified

Commenting on the effect of Armadah's loss on his company's profits in the December half-year, Mr Bramwell said that although start-up costs had been provided for, in the end they exceeded budget.

But the troubles that bedevilled the shipyard continued and as recently as April 27 Mr Bramwell was hinting that the company may have to be closed

He said in the company's house journal that the market for oil-rigs in 1982 had been less active and more competitive than in either of the previous two years

"If Armadah is to continue, it will have to do so at a much lower level of activity"

Earlier in the month, the chairman of D & H, Mr John Hodgson, had said that, although another loss was expected this year it would be well down on the 1981 figure

He expected the company to operate profitably next year "If not, we will have to think about phasing the venture out"

However, it appears as if D & H is not prepared to wait that long

Mr Bramwell now says that the market has picked up a bit although he is not prepared to give a profit (or loss) projection for this year

Armadah began operations in earnest early last year and by June, it had secured contracts worth about R70-million to supply four rigs to Baker Marine, of Texas for use in the Gulf of Mexico

At the time, Mr Hodgson, said he thought that production would increase by up to 50% within two years But with the drop in oil prices and the resultant fall in exploratory work, demand for rigs fell away

Armadah has had to rationalise activities and now has a much-reduced capacity to that it had when it 12 months ago.

Mr Bramwell accepts that M & R's risk has doubled with the acceptance of total control but optimistically states that "we are poised to make Armadah a profit-earner"

11/7/82 (232)

SA firm swallowed

By Vera Beljakova

S. Times

SMITH International, whose turnover amounted to R1 000-million in 1981, has acquired a 100% ownership of Smith Boart (Spartan) for an undisclosed sum, says Dr John Wilson, president of Smith Mining Equipment Companies

Until now a joint venture of Smith International and Boart International, Smith Boart is a leading supplier of rotary rock-drilling tools and equipment to the mining and quarrying industries

The company will now be known as Sii Mining Equipment Companies, and becomes a unit of the Sii Mining Equipment Companies division, based in Houston, Texas.

Smith International is best known for its mining activities and for servicing the oil and gas well-drilling markets

232

Star 14/7/82

Major outlet for Hulett's aluminium

Hulett Aluminium has acquired a 60 percent interest in Richards and Barlow, South Africa's third biggest manufacturer of aluminium architectural products

Apart from the appointment of two additional board members to represent Hulett Aluminium, no changes in the management structure or marketing activities of Richards and Barlow are envisaged

"They have had an enviable record of growth in recent years and are well placed to continue to be a major force in the industry," said a Hulett spokesman

Mr N E Duncan, deputy group managing director of the newly formed Tongaat-Hulett Group, succeeds Mr C J Saunders as chairman of Hulett Aluminium

After 15 years with the Alcan group in Canada, Mr Duncan joined Hulett Aluminium in 1965. In 1974 he was appointed managing director and from 1980, until the recent Tongaat-Hulett merger, he was deputy group managing director of Huletts Corporation

Hulett Aluminium is South Africa's biggest aluminium semi-fabricators and manufacture a wide range of aluminium foil, extrusion, cable and wire and paste products

Payout to Moni 'part of settlement'

Argus 16/7/82

232

Argus Correspondent

JOHANNESBURG. — A R361 000 payout to Mr Benito Moni, former director of Monis and Fattis, was part of the overall settlement when Tiger Oats snatched control of the company from the Premier Group, a UAL spokesman said today.

UAL were the merchant bankers who handled the deal.

The spokesman said the payment was made to Mr Moni for relinquishing certain rights under the agreement between Monis and Fattis, Tiger Oats and the Premier Group.

The agreement was made an order of court.

Mr Moni was to be chairman of the group and arrangements have been made for him to be retained as a consultant for three years.

25 PERCENT

Mr Benito Moni had about 25 percent of Monis shares while control of Monis Brothers rested in the hands of Mr John Moni.

The payment to Mr Benito Moni will not come solely from Tiger Oats. Mr John Moni will subsidise part of this payment, which means he will receive less than 990c a share.

The UAL representative said that if the payment to Mr Benito Moni was unusual the R3,4-million payment to the Premier Group was even more unusual.

820c A SHARE

Premier originally offered 990c a share and claimed Monis had agreed to accept this offer. However, a dispute arose after Tiger put in an offer of 1 120c a share.

The settlement between the three parties resulted in a final offer of 990c a share from Tiger for control of Monis.

The settlement was reached to avoid prolonged litigation.

Tiger is now trying to gain clearance from the Receiver of Revenue to allow shareholders to be given the opportunity of a capital payment and no dividend.

Alternatively they will be offered a capital repayment and the dividend.

'Clash of the Afrikaner business titans looms

S. Express
18/7/82

232

SANLAM, the Cape-based Afrikaner insurance giant, is clearing the decks for all-out war on its banking counterpart Volkskas, the powerhouse of Afrikaner business in the north

SANLAM AND VOLKSKAS BATTLE FOR CONTROL OF THE NORTH

By MARTIN WELZ

The vehicle for the assault will be Trust Bank, which Sanlam is now working to rehabilitate

This is the extraordinary sequel to the feud between multi-billion rand Afrikaner giants, Sanlam and Rembrandt, that broke into the headlines last month

The recent decision by the Afrikaanse Handelsinstituut to shift its bank account from Volkskas to Trustbank is already sending out the signals, but there is more to come

The battle, which was heralded by a number of minor skirmishes in recent years, is likely to cover the entire business front, from banking and insurance to the Press and mining It has strong overtones of a political feud, and is spiced with a corporate determination to exact vengeance

It could, observers believe, be the ultimate battle between North and South for dominance of the Afrikaner business and political scene

The battle, which is expected to continue for several years, runs deep in the Afrikaner establishment

What emerged last month as an ostensibly petty feud about the number of directors to be appointed to the board of Fedmyn, the Afrikaner-controlled mining holding company, was a final call to battle between the three Afrikaner business titans that, behind the scenes, have been in a state of cold war for the past 10 years

According to Sanlam sources, it follows the discovery by Sanlam of what its directors believed was a plan by Rembrandt to use its huge cash reserves to grab control of the biggest Afrikaner mining company, General Mining Corporation, from Sanlam

And, Sanlam believes, Volkskas was a partner in the scheme

Sanlam's subsidiary Federale Mynbou controls Gencor with more than 50% of its shares Rembrandt and Volkskas are minority shareholders, with Rembrandt holding 30% of the

Volkskas director were prepared to support Rembrandt

In effect, Rembrandt had control of Fedmyn If the Fedmyn board was called upon to approve a deal giving Rembrandt control of General Mining, Sanlam could not stop them

This is what prompted the, until now, unexplained move by Sanlam to have the board of Federale Mynbou enlarged by three directors

The extraordinary tale of boardroom intrigue echoes the break with the Afrikaner's political committment to unity at all costs

While the battle centres on financial interests, it has presented opportunities for alliances aimed, many believe, at political advantage and the settling of old scores between North and South

"Sentiment once played a role in Afrikaner business Not any more," a director of one of the companies observed

While the feud between Sanlam and Rembrandt might have remained one of competing business ambitions, it is Rembrandt's alli-

pears to believe

The tale begins in 1954 when the then two Afrikaner giants, Sanlam and Volkskas, each agreed to finance the launch of a third. Rembrandt There had long been an understanding between the two that Volkskas would be the Afrikaner banking house, and Sanlam the insurer

The insurer and the banker each agreed to lend R500 000 to Rembrandt to enable it to buy the controlling share in London-based Rothmans International The 'understanding' was that Rembrandt would do its banking with Volkskas and its insurance with Sanlam

The first major crack in the 'friendly alliance' came in 1977 when Sanlam appealed to Volkskas to launch a rescue operation on Trust Bank, a banking scandal which many admit could seriously have embarrassed the Cape Nationalist establishment if the Cape-based bank had been allowed to crash and all the details had been revealed

Volkskas refused and Sanlam was reluctantly obliged to launch into banking to save the situation — at the

Volkskas, in turn, went into competition with Sanlam when it acquired Legal and General as its own insurance arm — with Rembrandt as one of its shareholders and clients

The understanding between the giants was at an end

About the same time Perskor, financed by Volkskas, and Nasionale Pers, financed by Sanlam, launched into a costly Press battle in the Transvaal The battle between Nasionale Pers's Beeld and Perskor's Die Transvaler ended in financial victory for Beeld and a series of charges against Perskor for allegedly fiddling circulation figures

This financial blow for Perskor came only shortly after it was deprived of its lucrative monopoly of major Government printing contracts when the Transvaal Nat leader Dr Connie Mulder, fell from power in the Info scandal

Last year Perskor boss and Treurnicht supporter Dr Marius Jooste held a closed two-day farewell party for outgoing Volkskas chairman Dr Jan Hurter on the isolated Perskor holiday farm Plaas Marius in the Zoutpansberg

business titans looms

S-Express
18/7/82

198
282

SANLAM AND VOLKSKAS BATTLE FOR CONTROL OF THE NORTH

SANLAM, the Cape-based Afrikaner insurance giant, is clearing the decks for all-out war on its banking counterpart Volkskas, the powerhouse of Afrikaner business in the north.

The vehicle for the assault will be Trust Bank, which Sanlam is now working to rehabilitate

This is the extraordinary sequel to the feud between multi-billion rand Afrikaner giants, Sanlam and Rembrandt, that broke into the headlines last month

The recent decision by the Afrikaanse Handelsinstituut to shift its bank account from Volkskas to Trustbank is already sending out the signals, but there is more to come

The battle, which was heralded by a number of minor skirmishes in recent years, is likely to cover the entire business front, from banking and insurance to the Press and mining It has strong overtones of a political feud, and is spiced with a corporate determination to exact vengeance

By MARTIN WELZ

It could, observers believe, be the ultimate battle between North and South for dominance of the Afrikaner business and political scene

The battle, which is expected to continue for several years, runs deep in the Afrikaner establishment

What emerged last month as an ostensibly petty feud about the number of directors to be appointed to the board of Fedmyn, the Afrikaner-controlled mining holding company, was a final call to battle between the three Afrikaner business titans that, behind the scenes, have been in a state of cold war for the past 10 years

According to Sanlam sources, it follows the discovery by Sanlam of what its directors believed was a plan by Rembrandt to use its huge cash reserves to grab control of the biggest Afrikaner mining company, General Mining Corporation, from Sanlam.

And, Sanlam believes, Volkskas was a partner in the scheme

Sanlam's subsidiary Federale Mynbou controls Gencor with more than 50% of its shares Rembrandt and Volkskas are minority shareholders, with Rembrandt holding 30% of the shares and Volkskas 5%

Rembrandt appointed two directors on the Fedmyn board and Volkskas one director, Sanlam has the remaining eight to secure its control.

Or so it thought But when it got wind of a bid by Rembrandt to buy control of General Mining, it discovered that three of the Sanlam appointed directors and the Volkskas director were prepared to support Rembrandt

In effect, Rembrandt had control of Fedmyn If the Fedmyn board was called upon to approve a deal giving Rembrandt control of General Mining, Sanlam could not stop them

This is what prompted the, until now, unexplained move by Sanlam to have the board of Federale Mynbou enlarged by three directors

The extraordinary tale of boardroom intrigue echoes the break with the Afrikaner's political committment to unity at all costs

While the battle centres on financial interests, it has presented opportunities for alliances aimed, many believe, at political advantage and the settling of old scores between North and South

"Sentiment once played a role in Afrikaner business Not any more," a director of one of the companies observed

While the feud between Sanlam and Rembrandt might have remained one of competing business ambitions, it is Rembrandt's alliance with Volkskas that has sent the political undercurrents between North and South into full flood

Has mighty Volkskas, the Afrikaner business leader of the North, stung by the North's fall from political power and its related loss of financial advantage been tempted into the alliance by the prospect of revenge?

That is what Sanlam appears to believe

The tale begins in 1954 when the then two Afrikaner giants, Sanlam and Volkskas, each agreed to finance the launch of a third: Rembrandt There had long been an understanding between the two that Volkskas would be the Afrikaner banking house, and Sanlam the insurer.

The insurer and the banker each agreed to lend R500 000 to Rembrandt to enable it to buy the controlling share in London-based Rothmans International The 'understanding' was that Rembrandt would do its banking with Volkskas and its insurance with Sanlam

The first major crack in the 'friendly alliance' came in 1977 when Sanlam appealed to Volkskas to launch a rescue operation on Trust Bank, a banking scandal which many admit could seriously have embarrassed the Cape Nationalist establishment if the Cape-based bank had been allowed to crash and all the details had been revealed

Volkskas refused and Sanlam was reluctantly obliged to launch into banking to save the situation — at the same time creating the opportunity for direct competition with Volkskas — an opportunity banking sources believe will now be exploited to the full in the coming battle

For a start, it is openly rumoured in Sanlam ranks, Fedmyn and Genkor banking accounts could be moved from Volkskas to Trust Bank depriving Volkskas of two of its largest accounts

Volkskas, in turn, went into competition with Sanlam when it acquired Legal and General as its own insurance arm — with Rembrandt as one of its shareholders and clients

The understanding between the giants was at an end.

About the same time Perskor, financed by Volkskas, and Nasionale Pers, financed by Sanlam, launched into a costly Press battle in the Transvaal The battle between Nasionale Pers's Beeld and Perskor's Die Transvaler ended in financial victory for Beeld and a series of charges against Perskor for allegedly fiddling circulation figures

This financial blow for Perskor came only shortly after it was deprived of its lucrative monopoly of major Government printing contracts when the Transvaal Nat leader Dr Connie Mulder, fell from power in the Info scandal

Last year Perskor boss and Treurnicht supporter Dr Marius Jooste held a closed two-day farewell party for outgoing Volkskas chairman Dr Jan Hurter on the isolated Perskor holiday farm Plaas Marius in the Zoutpansberg

It is widely believed that Dr Jooste used the opportunity to sound out the Volkskas board on whether they would approve if Perskor newspapers supported a Treurnicht breakaway Volkskas, moved by financial prudence, remained uncommitted

Sanlam's board is now preparing an all-out onslaught on Volkskas's banking market.

Union Steel takeover

19/7/82

S Times

Business Times Reporter

UNION Steel has acquired Avon Wire from Macdem for an undisclosed figure

As part of the deal, the copper-alloy manufacturing division of Avon, which includes brass wire, will be sold separately to the Macdem subsidiary, McKechnie Bros

Avon is a manufacturer of copper, aluminium and stainless-steel wires

The copper alloy manufacturing plant will be relocated at McKechnie's Wadeville factory by September and the changeover will be carefully staged to prevent a disruption of supplies

S. Post. 19/7/82

237

Aluminium firm deal

DURBAN — Hulett Aluminium have acquired a 60% interest in Richards and Barlow (Pty) Ltd, the Republic's third largest manufacturer of aluminium architectural products and one of the fastest growing companies in this field

Cape-based Richards and Barlow also have plants in Durban and on the Reef and produce a comprehensive range of aluminium windows, sliding and patio doors, louvres and shower screens in addition to shopfronts, facades, curtain and window walls — all of which they will supply and fix

Pork industr[illegible] [illegible]ined for a big guns take-over

3 ROH

232 ~~186~~

By MAURITZ MOOLMAN 20/7/82

THE pork industry is now the best example of a monopoly in the making

Producers fear they will be forced out of the industry because big companies have started producing pork on a large scale

At the same time South Africa is experiencing a glut from which it is not expected to recover soon It has caused the price of pork to drop to levels way below production costs (However pork has remained relatively expensive because of profit-taking by retailers)

But how did this come about?

One of the first requirements for a monopoly is that the market should be controlled or controllable Secondly conditions must exist — or be created — for the bankruptcy of small producers Thirdly there must be companies with the financial resources and ability to fill the vacuum left by the small producer

All three conditions exist in the industry

Marketing and processing of pork is controlled by four companies They are

- Vleissentraal The company is the largest supplier of meat in the country and has strong ties with the Meat Board
- Estcourt Bacon, a large co-operative
- Kanhym Karroo which owns approximately 10 000 sows It is now erecting a R12-million abattoir to slaughter its pigs
- Rand Cold Storage with approximately 2 500 sows

Some companies have in the past few years assisted and encouraged pig farmers to increase production while at the same time buying or starting their their own feed lots

Farmers who made use of their assistance were given contracts at a good price but the contracts expired when company-owned feed lots started to produce

Small producers are now increasingly being turned away by these companies because South Africa has a surplus of more than a million pigs They have to sell at prices which could force them out of business

The Meat Board recently decided to introduce a "production allowance" system for pig producers in an attempt to contain over-production

A farmer will be able to sell a certified number of pigs but if he chooses to sell more than his quota and causes a price imbalance in the process, he will have to pay for the losses

The monopolists are waiting on the sidelines while small producers go out of business Producers are unable to repay the debts incurred by expanding in the past year while their production capacity and profits are limited by production allowances

The Diamond Co

232

Star

20/7/82

Harry Oppenheimer's South African mining empire has been expanding its stake in North America's resources

From the Washington Post

WASHINGTON — The South African diamond and minerals empire controlled by Harry F Oppenheimer is rapidly becoming a major investor in mining, energy and commodities companies in Canada and the United States

Through a subsidiary called Minorco, a holding company based in Bermuda, the South African firms headed by Oppenheimer have invested hundreds of millions of dollars in North American coal, uranium, gold, copper and other important minerals, and have developed the capital to finance further acquisitions

Documents filed with the US Securities and Exchange Commission (SEC) show that dozens of mining and minerals companies throughout Canada and the US are wholly or partially controlled by the South African interests

STRATEGY

Though no total figure for the value of their holdings is available, a study by a New York researcher says the South African group has been one of the biggest foreign investors in the US over the past two years

The investments reflect a long-range corporate strategy that Oppenheimer developed in the 1970s and spoke about publicly at the time

Oppenheimer sought to expand his companies' stake outside South Africa for economic and political reasons To execute that plan, he transferred assets now worth more than R2 000 million to the Bermuda subsidiary to circumvent his country's restrictions on the export of funds

The policy of investing in North America "is no accident," corporate research specialist Ruth Kaplan says in a report published by The Africa Fund

STABLE AREA

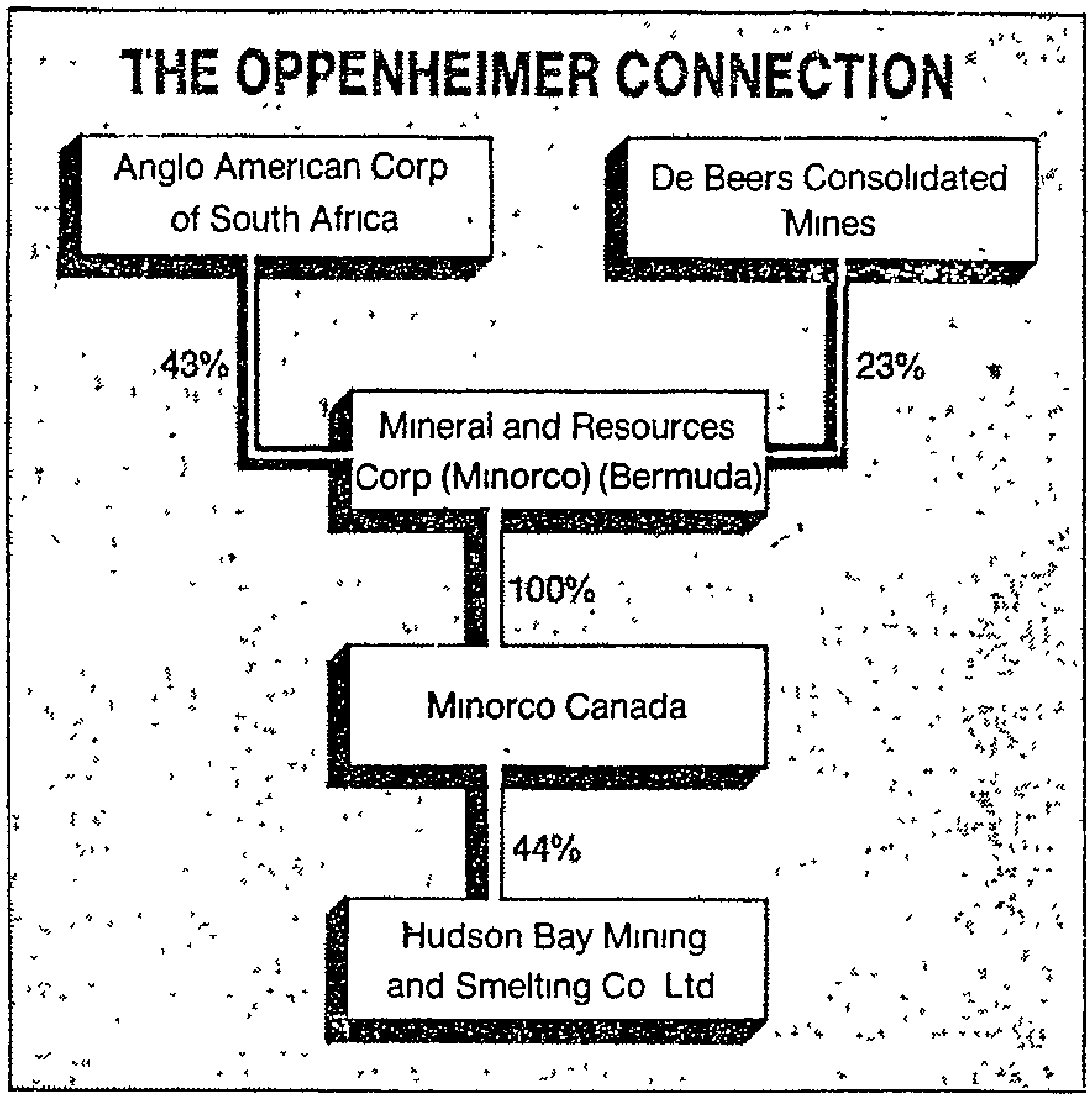
"It offers a stable area politically and economically, it is an area rich in mineral and energy resources and (the company) will realise a high return on successful investment

"In addition," she said in a telephone interview, "it allows them to position themselves outside South Africa in the event of trouble there"

In addition to investments by Minorco, Kaplan says "a total of 144 separate investments in North America by Oppenheimer-controlled companies have been identified — 108 of these investments are in the US, 36 are in Canada"

Business relationships between US firms and South Africa have been controversial for many years because, critics say, they contribute to the economic power of the white minority regime in South

THE OPPENHEIMER CONNECTION



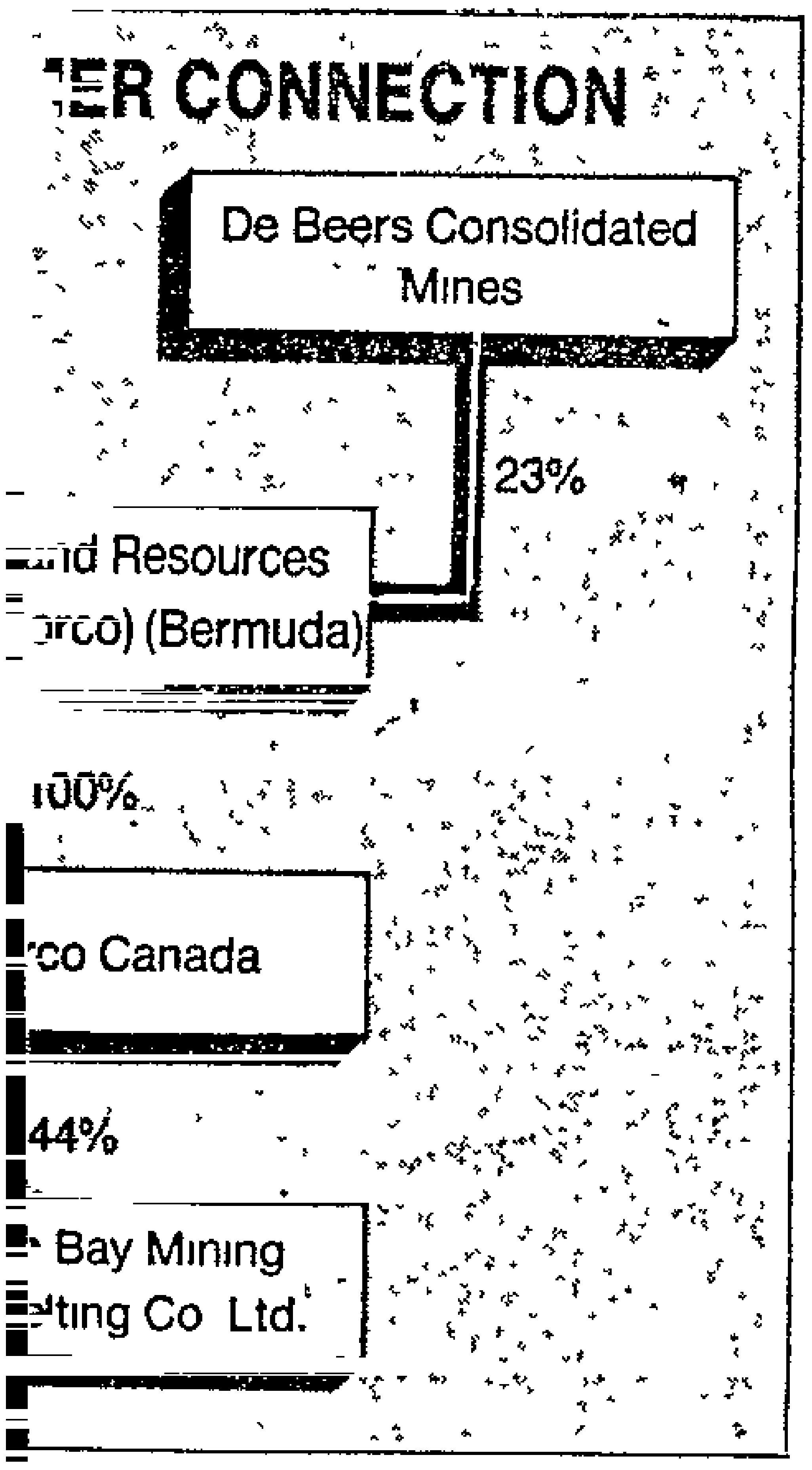
Connection

~~237~~ ~~236~~ 232

Star

20/7/82

ieimer's mining en expanding a's resources



Africa and support its apartheid racial policy. Most attention from church groups, institutional investors and stockholders, however, has focused on investments in South Africa by US corporations.

MONOPOLY

Oppenheimer, one of the world's richest men, has a longstanding reputation as a liberal, in the South African context, using his personal wealth and power to oppose apartheid and improve living conditions for his country's blacks

Nevertheless, Timothy Smith, director of the Interfaith Center, says Oppenheimer is still a "profiteer" whose fortune was built on the backs of low-paid black miners

Oppenheimer is chairman of the Anglo American Corp and of its affiliate, De Beers Consolidated Mines Ltd, each of which owns a substantial interest in the other

According to Kaplan, whose findings are confirmed by SEC records and by investment experts in the US Commerce Department "Anglo American is the biggest single economic factor in South Africa the Western world's largest producer of gold, diamonds and platinum"

And De Beers "operates a monopoly in the diamond trade, marketing 80 percent of the world's diamonds, including the Soviet Union's"

Oppenheimer is chairman of Minorco, an acronym for Minerals and Resources Corp Also on the board of directors, besides Wriston, are Robert Clare, a partner in the New York law firm of Shearman & Sterling, which represents Citibank, Felix Rohatyn, head of the investment banking firm Lazard Freres; and Cedric Ritchie, chairman of the Bank of Nova Scotia

Minorco, wholly owned by the Anglo De Beers interests, and their subsidiaries, is the largest single stockholder in Phibro Corp, a giant New York commodities trading company

According to SEC records, Minorco owns 18,5 million shares of Phibro stock, or 27,2 percent of all outstanding shares, a stake worth almost R500 million And Minorco's H Ronald Fraser sits on Phibro's board of directors

SOLE OWNER

Phibro, the world's largest publicly owned commodities trading company, had worldwide sales of more than R31 000 million last year, a fourfold increase over its sales five years earlier

It is also the sole owner of the New York investment house of Salomon Brothers, which it acquired last year for R900 million

Harry Oppenheimer "transferred assets worth more than R2 000 million to Bermuda"

That acquisition, Kaplan notes, offers Minorco "potential new sources of capital and different ways to get at it," because of Salomon Brothers' expertise at corporate fund-raising and merger management

Phibro, became a separate company last year when it was spun off from the former Engelhard Minerals and Chemicals Corp, now known as Engelhard Corp

NETWORK

Minorco is the largest stockholder in Engelhard, with 7,4 million shares, or 27 5 percent Engelhard in turn owns a network of petroleum and minerals subsidiaries, and controls a major segment of the market for kaolin, a clay-like substance used in making porcelain

Another branch of the complex Anglo American family tree runs through Consolidated Gold Fields Ltd of Britain De Beers secretly acquired 29 percent of Consolidated's stock in 1980 then transferred its holdings to Minorco in exchange for Minorco stock

Consolidated Gold is the largest single stockholder in Newmont Mining Company, one of the largest US copper producers Consolidated owns about 22 percent of Newmont's shares and has an option to increase its stake to 26 percent

Newmont in turn controls an extensive network of oil, uranium, zinc and cement companies, including sole ownership of Atlantic Cement Company, Newmont Oil and Carlin Gold Mining Company.

HUDSON BAY

Newmont also owns 27,5 percent of Peabody Coal Company, the biggest US coal company, which indirectly gives Anglo American one of its largest stakes in US energy resources

Another skein of the Anglo American web runs through Canada, where Anglo American Corporation of Canada, a wholly owned subsidiary of Minorco, owns 44 percent of the stock of Hudson Bay Mining and Smelting Company

H Ronald Fraser, the same Minorco executive who sits on the Phibro board, is a former chairman of Hudson Bay

HudBay controls the Terra group of fertiliser and chemical companies and a group of seed, fertiliser and agricultural warehouse companies in the US midwest farm states, according to Kaplan's report

PATTERN

Amcan and HudBay also controlled Francana Oil and Gas Ltd until last week when the assets of the Canadian-based energy developer were sold Calgary-based Sceptre Resources Ltd bought Francana's Canadian assets while HudBay and Minorco Canada Ltd purchased the non Canadian assets

The Anglo American group's pattern has been to leave the operating management of its acquired or controlled companies in place keeping an eye on its investment through its network of interlocking directorates

"Anglo's control of its subsidiaries and affiliated companies is not organised in a hierarchical structure but rather as an associated group of companies with interlocking connections." Kaplan's report says "In effect Anglo gets maximum control with minimum investment."

Rembrandt cash soars R500m as Rupert gears for takeover

Cape Times 21/7/82

~~38~~ ~~209~~ 232

By PAUL DOLD, Financial Editor

DR ANTON RUPERT'S Rembrandt group has substantially increased its financial muscle in the past year, boosting cash reserves by more than R500m, and is geared for acquisitions.

Dr Anton Rupert

Apart from today's profits of the four quoted companies which show that in spite of the world recession Rembrandt has done extremely well with its diversified base of mining, tobacco, wine and other interests — shareholders' funds rose by R507m, or R26,12 a share

The sharp rise was due to a R155m foreign exchange windfall plus the R162m injection from the sale of an associate to Philip Morris Included in the R507m is a R207m increase in net income

While shareholders will have to wait for the annual report due in a few weeks for more details of how the group fared, today's figures will be more than sufficient to add a lustre to the shares And there is the added attraction that Rembrandt will benefit from the eventual upswing of overseas economies

It appears that the group has assembled considerable funds within South Africa and that Dr Rupert may be intent on a significant local acquisition

Speculation is likely to grow ahead of the annual meeting but it is a fair guess that Rembrandt could be interested in expanding its mining interests which have provided an excellent return since the group diversified from the tobacco — wine base

Capital employed soared from R961m to R1 507m and in the current year should reach the R2 000m level

The profits show an impressive 22 percent gain for Remgro itself, with attributable income rising from R169 678 000 to R206 996 000 — the equivalent earnings per share of 392,2c (326,5c)

The dividends, as usual, are well covered for a total of 48c (37c) — an interim of 23c and a final of 25c

Rembrandt Controlling had attributable income of R105 645 000 as against R86 592 000 Earnings per share were 290,2 (241,6c) The dividend totalled 35,1c (27c)

Technical and Industrial net income was R35 867 000 as against R29 403 000 with eps of 268,8c (233,7c) The dividend totalled 30,2c (23,3c)

Technical Investment Corporation net income was R42 804 000 (R35 079 000) with earnings per share of 254,4c (211,7c) Dividends totalled 30,2c (23,3c)

Banking change in Lesotho

MASERU — From August 2 the Lesotho Monetary Authority is to be known as the Central Bank of Lesotho under the same authority of the Commissioner for Financial Institutions in Lesotho

The Central Bank will withdraw the present Lesotho currency and put into circulation new notes of the denominations of R2 R5, R10, R20 and R50 as from that date — Sapa

---

Monis & Fattis suspended

Own Correspondent

JOHANNESBURG — The shares of Monis & Fattis, currently waiting to be taken over by Tiger Oats, were suspended yesterday on the Johannesburg Stock Exchange at the request of the company

The company's financial advisers, merchant bankers UAL, think they have found the answer to the dividend taxation problem but with one or two legal details yet to be filled in felt it desirable to supend the shares until shareholders know their exact position

UAL has been trying to put together a proposal which meets everyone's requirements and now seems to have got clearance from the Receiver of Revenue Once the legal points have been cleared it hopes to go back to the Receiver for final clearance

Anyone selling M & F shares now they have gone exdividend might lose the opportunity of receiving a capital sum of 990c which is tax free

---

Ready
G
super
Mr A

Cons
stops
sales

Own

JOHAN
solidate
antimon
er in the
has stop
product
ures

A note
quarter
that pub
ures is c
tal to
market
therefor
terests

In Jun
that pro
stricted
has just

The
an
R1 379

Sales
trates,
charge
down
quarter

Gold
higher
in a
R1 659

Capi
amour

SECTION B
QUESTION 6

High level SA-U.S. video link-up

232

~~280~~ ~~191~~

S. Times
25/7/87

By Vera Beljakova

CERTAIN major American television shows will get their first international release in South Africa as part of new measures to combat video piracy in this country

South African viewers will soon get hundreds of new television shows ahead of the rest of the world as a result of an agreement reached between the US's giant Telepictures Corporation and South Africa's SA Video & Film Distributors

The South African company will initially pay six figures for the rights to a wide variety of top American shows

Flooding South Africa immediately and willingly with the "official" video films is seen as the answer to South Africa's acquiring the same films in a pirated version through the back door

This illegal copying and distributing of film — euphemistically known as "parallel" importing — has long lost its legal parents a lot of revenue, and has survived so far partly because of South Africa's lax copyright laws

Hence SA Video will now register all titles and copyright of Telepictures shows available for international syndication, and will be the only company authorised to submit them for local censorship

In a show of strength, Telepictures chairman Michael Solomon and SA Video chairman Ron Fletcher are forwarding the names of known Telepictures pirates to the the Federal Bureau of Investigation for action to be taken against them under US law — meaning that potential pirates and such like will face arrest on venturing into the US

This threat follows the seizure in South Africa of 73 pirated copies of Telepictures' "World War III" — a film for which SA Video paid Telepictures R20 000 for local rights,

But before the film was even censored, a large number of poor-quality pirate copies was illegally dumped in the country

Now the FBI is being brought in

ERY CANDIDATE MUST enter in lumn (1) the number of each question swered (in the order in which it has en answered), leave columns (2) and blank

	Internal	External
(1)	(2)	(3)
3	65	
ami- ers' itials		

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used
4 Do not write in the left hand margin

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

Contractors vow to fight De Villiers

232

Star 26/7/92

By Stan Kennedy

Should the Minister of Industries, Commerce and Tourism declare that the conduct of the Electrical Contractors' Association of SA is restrictive, the association will appeal against the decision

This statement follows a report by the Competition Board on so-called restrictive trading practices within the ECA

RECOMMENDATION

Mr James Baker, ECA director, says the report is merely a recommendation to the Minister, Dr Dawie de Villiers, and does not prohibit or place restrictions on the activities of the ECA

In the light of the Competition Board's report, the ECA is preparing a memorandum on subjects to be discussed with the Minister

Mr Baker says "Despite the important role played by the electrical contractors in the country's economy, little if any recognition is given to the conditions of the industry as a whole.

"It is in the interests of the economy and the general public that the ECA is preparing the memorandum"

The Competitio Board's investiagtion revolved around the nomination system of tendering prescribed by the ECA to its members

TENDER ROW

Reports that the Government has prohibited this practice are strongly denied by Mr Baker.

"Throughout its history the ECA has endeavoured to maintain, at all times, principles that are in the best interest of the public in general For this reason it is totally committed to the principle of direct contacts with clients and/or the nominated form of subcontract

"These are the only methods that enable the client to take part with the assistance of advisers in the selection of contractors best suited to his needs.

"This ensures fair and equal competition in a free enterprise system based on equitable rules of market trading.

"Price hawking and similar injudicious practices are eliminated," says Mr Baker.

He says that the ECA is convinced that the nomination system of tendering by sub-contractors maintains competition, ensures equal and fair tendering facilities and eliminates price hawking.

NOMINATIONS

Nomination is a system of tendering where the client, through his professional adviser, invites competitive tenders from specialist sub-contractors for an identified section of a project He then appoints the successful tenderer to the main contract or as a nominated sub-contractor

---

ERY CANDIDATE MUST enter in
imn (1) the number of each question
wered (in the order in which it has
n answered), leave columns (2) and
lank

	Internal	External
1)	(2)	(3)
b	7½	
b	8	
3?	—	
mi- s' ials		

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) the block on this cover the number of the que tion you are answering
2 Blue or black ink must be used for writt answers The use of a ball point pen is accep able Red or green ink may be used only f underlining, emphasis or for diagrams, for wh pencil may also be used
3 Names must be printed on each separate sh (e g graph paper) where sheets additional examination book (s) are used

's, pieces of paper or other mate-
ought into the examination room
tes are so instructed
not to communicate with other
vith any person except the invigi-

iswer book is to be torn out
ks must be handed to the commis-
n invigilator before leaving the

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

NEWS

232 Industrial Week 27/7/82

CI confirms Tvl take over

CI INDUSTRIES, Pinetown, has announced the take over of the Morewear/Busaf Transvaal bodybuilding operation together with its commercial vehicles and cargo vans divisions, based in Chamdor, Krugersdorp

Morewear/Busaf Transvaal, part of Dorbyl Automotives Products will cease body, trailer and tipper operations from August 1, 1982, with the exception of work in progress

The deal involves the transfer to CI of certain Busaf staff, tooling and engineering designs and drawings and an important after-market parts and service facility

Rob Heywood, MD of CI Industries — part of the Murray and Roberts Group — says that the amalgamation will take place straight away

New factory

Busaf Transvaal general manager, John Davies, has moved to CI as divisional general manager of the CI commercial vehicles plants at Chamdor, Johannesburg and Pinetown

In recent months the firm has spent almost R10 million on the purchase of the Chamdor factory and the construction of a new factory in Pinetown, together with new machinery and tooling

"Strategically, this strengthens our commercial vehicles arm and broadens our immediate scope of operations tremendously," says Heywood

"The take over means that CI will take over the sole rights to the Morwear underfloor tipping gear as well as the LHL axle, both of which have very nearly 100 % local-content

Production

We will immediately to into the production of end tipping semi-trailers and rigid tippers This will supplement the current work on rigidised aluminium cargo vans body systems and dry freight vans

"We are also entering the field of refrigerated units, says Heywood

He adds "Morewear has added to our strengths in the burgeoning refurbishing operations in our Cleveland factory

CI Industries is now the second largest truckbody tipper/trailer manufacturer in SA

Jabula buys Harveld for R1,7m

232

1004

28/7/82

By STEVE ELLIS

JABULA Foods, the subsidiary through which Premier Group unsuccessfully tried to acquire Moirs & Fattis, has enjoyed better fortune with its latest takeover bid

It has bought Durban-based company Harveld Products for about R1 700 000 — comprising an immediate cash payment of R700 000 and a deferred issue of 110 000 ordinary shares at 900c

The deal was effective from July 1

The final purchase price will not be settled until Harveld's financial accounts for the year to June are audited

However, the Jabula chairman, Mr Peter Wrighton, said that the final consideration would not differ materially from the R1 700 000 — the accounts only needed "the t's to be crossed and the i's to be dotted"

The share issue will not be made until March, 1984 but will subsequently rank equally Earnings are not expected to be affected in the short term

Jabula's net asset backing will rise from 513c to about 530c because of the takeover

Harveld, previously a member of the Legard group, markets natural foods, peanut butter and snack products

A statement by the company said "Although traditionally linked with the health foods market, Harveld last year achieved a major boost in turnover after changing its marketing strategy towards wholesome and natural foods rather than health foods"

Turnover in the past year totalled between R8-million and R9-million

Through the takeover, the Durban company is expected to increase its market share via another Premier subsiary, National Food Distributors, which has an extensive nationwide distribution network

Mr Wrighton said yesterday that his company had been looking for suitabe acquisitions for some time — "Jabula needs new products, marketing skills and (trading) areas to go into — this acquisition is part of that strategy"

The deal will have no effect on Harveld personnel "We have got great confidence in the existing management" Mr Volker Rademacher would remain the managing director and Mr Mike Collins, the deputy chairman

"(And) Mr J P G de Rauville, a Legard shareholder, and Mr Collins will join the Jabula board"

Mr Wrighton said that Jabula had effectively paid just R700 000 for control The balance would not be paid for two years — in which time he expected the fledgling private company to be generating substantially better profits

Jabula has traditionally concentrated on industrial markets, particularly mining, Government institutions and the rural black market

COMMENT The takeover may be seen as token compensation to Jabula for the loss of Moirs & Fattis to Tiger Oats last month — although Premier hardly had anything to complain about after pocketing R5-million-plus

The profit performance of Jabula has been far from spectacular in recent years and the acquisition of small profitable companies may be the answer. Certainly, with Jabula's shrinking sorghum beer sales, there is little organic potential to rely on

---

(CANDIDATE MUST enter in
ı (1) the number of each question
red (in the order in which it has
nswered), leave columns (2) and
ık

Internal	External
(2)	(3)
4	

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering

2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink m., be used only for underlining, emphasis or for diagrams, for which pencil may also be used

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

4 Do not write in the left hand margin

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

The Natal Mercury, Th

SHIPPING **Andy von Glehn**

Box monopoly claims to be investigated

232

Mercury 29/7/82

THE Competitions Board is to conduct an investigation into the establishment and licensing of cargo container depots in South Africa

The Minister of Industries, Commerce and Tourism, Dr Dawie De Villiers, announced this week that he had instructed the Competitions Board to look into the container depots and to advise him in terms of Section 6 of the Maintenance and Promotion of Competition Act, 1979

Dr De Villiers said his instruction to the Board followed a request by the Minister of Transport Affairs, Mr Hendrik Schoeman

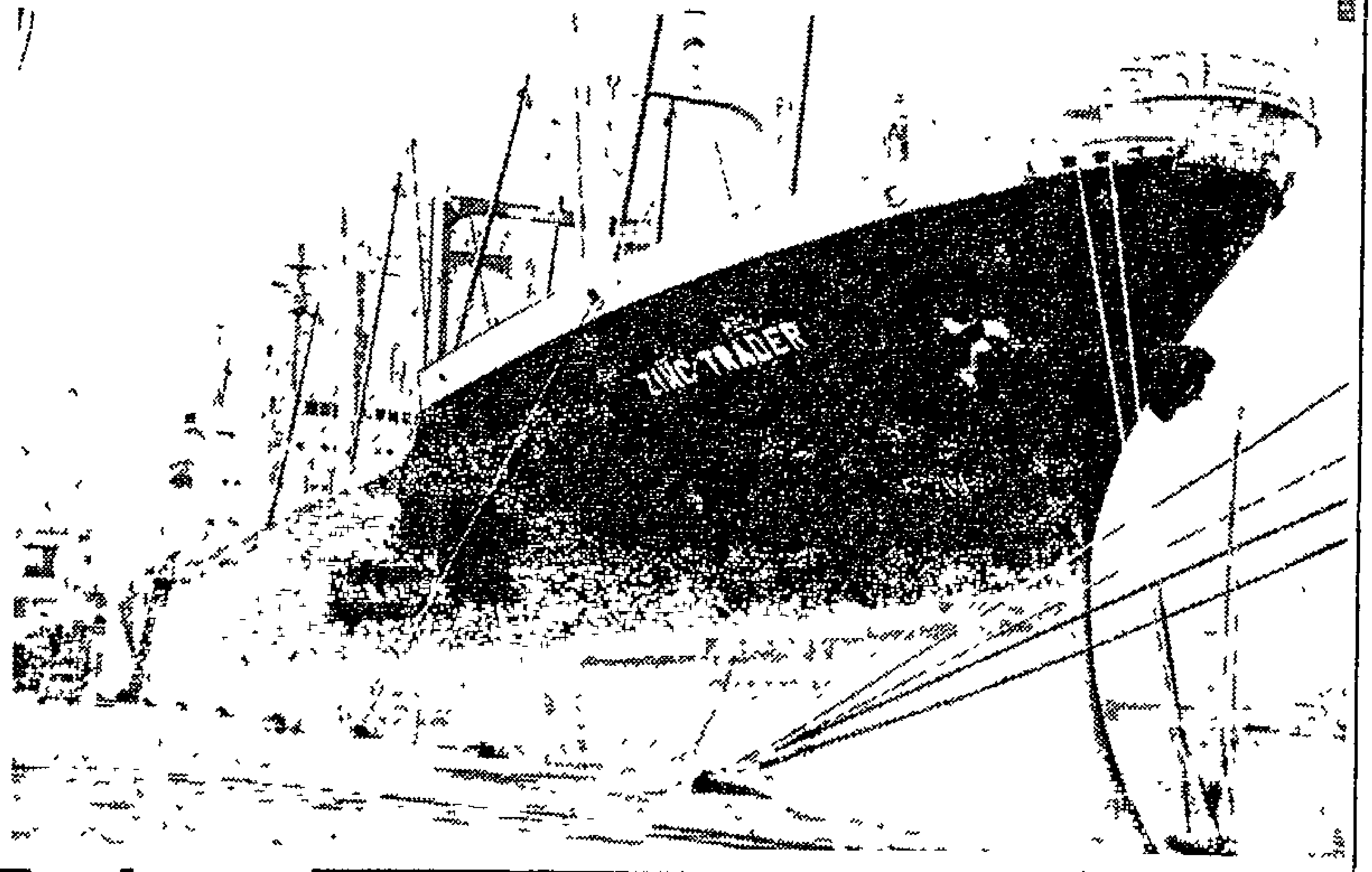
Mr Schoeman's request was made in response to recommendations made by an inter-departmental committee consisting of senior officials of the Departments of Transport, Finance and of Commerce, Industries and Tourism, as well as the South African Transport Services

The committee last year investigated allegations against South African Container Depots (Pty) (SACD), and subsequently recommended, among other things, that the Competition Board should investigate alleged disadvantages caused by SACD's monopoly

MANTA Line's latest acquisition, the Zinc Trader, is to become a regular trader between South and East Africa and the Eastern Mediterranean, the Red Sea and Arabian Gulf.

Formerly the Iwashiro Maru while owned by NYK of Japan, the general cargo carrier joins 15 other vessels in the fleet of the Greek line started a little of four years ago

Manta vessels, including the Franky, the Rice Trader, Palm Trader and other 'Traders' are frequent callers in Durban The line is represented by Global Maritime Agencies in South Africa.



Tanker troubles

THE problems of the three oil tankers which sought shelter off the South African coast during the last fortnight are being sorted out and one of them, the Victoria, is due to sail tomorrow

Two of the ships, the Portuguese supertanker Marofa, which leaked oil off the Natal coast, and the Liberian very large crude carrier Antonios G, which has a huge hole in her forepeak ballast tanks, are waiting for empty tankers to relieve them of their cargoes so that they can undergo repairs and closer inspections

The German-flag VLCC Victoria arrived under her own steam in False Bay with steering trouble but it is expected work on her will be completed today The vessel was on its way from the Persian Gulf to Europe

Mr Graham Palmer, managing director of Mitchell Cotts Maritime who are acting as agents for all three ships, said the Marofa reached Algoa Bay last Thursday

The supertanker had been temporarily repaired off Umhlanga Rocks with patches bolted over two cracks, but the patches were torn off a day after the Marofa had resumed her voyage

Divers on board had replaced the patches and there were no longer any leaks It had, however, become essential for the cargo to be transhipped and it was still likely the vessel would only be permanently repaired in Portugal

Once the Marofa was lightened, said Mr Palmer, the tugs involved in the dicey operation would be available to attend to the transhipment of oil from the Antonios G which will be brought into Cape Town for repairs

F

42%

BUSINESS 4 TR

Busaf to move in merger

232

Star 29/7/82

By Stan Kennedy

C I Industries, Pinetown, has announced the amalgamation of the Morewear / Busaf Transvaal body-building operation with its own commercial vehicles and cargo vans division at Chamdor, Krugersdorp

The deal involves the transfer to CI of certain Busaf staff, tooling and engineering designs and drawings, and the important after-market arts and service facility

Morewear/Busaf, part of Dorbyl Automotive Products will cease body, trailer and tipper operations in the Transvaal on August 1, with the exception of work in progress

In recent months, CI has spent about R10 million on the Chamdor factory and the building of a new factory in Pinetown, together with new machinery and tooling

"Strategically, this strengthens our commercial vehicles and broadens our immediate scope of operations tremendously," said Mr Rob Heywood CI's managing director

SOLE RIGHTS

"The acquisition means we will take over the sole rights of the Morewear underfloor tipping gear as well as the LHL axle, both of which have almost 100 percent local content"

C I will now move immediately into the production of end tipping semi-trailers and rigid tippers This is in addition to its current operations in the rigidised aluminium cargo vans body systems, dry freight vans, pantechnicons and flat-deck trailers

Busaf Transvaal general manager Mr John Davies has moved to C I as divisional general manager of the commercial vehicle plants in Krugersdorp, Johannesburg and Pinetown

C I is part of the Murray and Roberts group.

K

All ansv

Numb

Numb

Surnam

First N

Date

Degre
you a

Subj
(

Pap
(

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank

	Internal	External
(1)	(2)	(3)
1	11	
6	15	
9	10	
Examiners' Initials		

NOT

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering

2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

4 Do not write in the left hand margin

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

49% of Grandbaz bought

30/7/82 232 ROM

CAPE TOWN — Mr Lawrence Jaffe has taken a 49% in the unquoted Grand Bazaars pyramid company Grandsar Investment Holdings and Mr Jaffe has accepted an invitation to join the board.

He is a director of several companies including Hesperus Holdings, Unisec, Premier and Frencorp

Grandbazaars sales are running nearly 20% ahead of last year and the group is to expand its trading area by some 25% this year

At the start of yesterday's annual meeting Grandbaz chairman Mr Manual Sachar referred to persistent speculation of a change of control in Grand Baz following the sale of his cousin Max's shares in the company more than a year ago and said that the Sachar family had at all times held the controling interest in the group

"This is still the case today, In fact to place the issue beyond any doubt I have entrenched that control through a private pyramid company which owns slightly in excess of 51 percent of the total issued share capital of Grand Bazaars. My family and I control the said pyramid company"

But while Mr Sachar's statement has disclosed the entry of Mr Jaffe to the Grand Bazaars control situation the annual meeting itself revealed that a major block of shares totalling some 800 000 remain unaccounted for and could be in the hands of a mystery investor It is not known whether there is any link between this block of shares and Mr Jaffe.

Up until a few weeks ago the Herthco shareholding (believed to be the shares sold by the former co-chairman Mr Max Sachar more than a year ago) stood at some 705 000 This has now fallen to around 150 000 In Kilgety, in which the Manual Sachar holding was housed the stake has fallen from 958 000 down to some 130 000 Part of these shares — probably around 500 000 would have ben transferred to the new pyramid by Mr Sachar to establish control

Mr Arnold Galombik the well known Cape Town attorney and legal adviser to Grand Bazaars told the meeting that he was aware of the identity of the owner of the Herthco shares but was professionally bound and unable to disclose his identity

Battle for Gencor hots up

Rembrandt wins a round

(232) RDM 31/7/82

By JOHN MULCAHY

THE battle for Gencor is showing all the signs of a fight to the finish between business giants Sanlam and Rembrandt.

Thwarted at every stage so far in its effort to gain executive control of the R6 000-million a year mining group, Sanlam was blocked again yesterday.

Rembrandt's subsidiary, Partnership in Mining, which is the vehicle for the group's investment in Federale Mynbou, yesterday intended applying for an court interdict to stop next week's General Mining Union Corporation annual meeting

However, before the application was heard Sanlam's legal representatives found that some of the shareholder notices for the meeting had been posted a day late, and the meeting was thus invalid

Sanlam says it would have opposed the interdict application, believed to have been based on Sanlam's intention to alter Gencor's articles of association

However, on the face of it Rembrandt has won this round of the battle — it wanted to have next week's meeting cancelled and this is what happened

Lobbying for support at Gencor's meeting has been fierce, with Sanlam reported to have insurance salesmen courting minority shareholders for proxies

Rembrandt has remained aloof from these proceedings, preferring to present its trump cards in a court application

Both groups were silent on the issue yesterday, but sources say the battle has intensified, and Gencor's executive chairman, Dr Wim de Villiers, is again the focal point

In spite of assurances given by Sanlam's chairman-designate, Dr Fred du Plessis at a news conference last month that Dr De Villiers' position at the helm of Gencor was secure, sources said yesterday that moves to oust him had again been initiated

An announcement yesterday by Gencor and Federale Mynbou said "On request of Federale Mynbou (in which Sanlam has a 50,6% interest) a general meeting of General Mining Union Corporation was convened to take place on August 5 for the purpose of effecting certain amendments to Gencor's articles of association

"On July 28, Partnership in Mining gave notice of its intention to apply to court to interdict the holding of the meeting on the alleged grounds that the notice of the meeting was inaccurate and misleading

"During the course of the preparation of the defence of these proceedings it was discovered that although a number of the notices had been posted timeously, the balance had been handed in for posting by Gencor's agents one day late

"In consequence the notice convening the meeting was technically defective As soon as Mynbou and Gencor became aware of this technical defect it was decided that the meeting which had been convened could not proceed and Mynbou duly requested Gencor to give notice of this fact to its members as soon as possible

"But for this technical defect the interdict proceedings would have been contested

"Mynbou will as soon as reasonably possible request Gencor to convene another meeting of its members for the purpose of amending its Articles of Association A further announcement in this regard will be made in due course"

Underlying this announcement is a week of intrigue, with recriminations flying to and fro, and sharpening the polarisation of the two groups

Unsuccessful in its attempt to change Federale Mynbou's articles of association, Sanlam intended pursuing its objectives through Gencor

At the news conference last month Dr Du Plessis said that Sanlam would ask Gencor's shareholders to approve the amendments (to the articles) "because Sanlam is of the opinion that it would be in Gencor's interests"

Broadly, the amendments provide for the controlling shareholders to have a "hiring and firing" function over directors, without going to general meeting, as is now the case

Such a change in the articles would allow Sanlam to fire an executive director and insist on his simultaneous resignation from the board

Sanlam has over the past few weeks gone to great efforts in explaining its rationale to the investment community, with some success

Its logic is based on the belief that there should be more executive directors on the Gencor board, but that before embarking on such a strategy the group wants to have the backstop of being able to dismiss these directors

Rembrandt's view is that this is insulting to any potential executive director If he has advanced to the stage where he is under consideration for a board position the possibility of under-performance should be non-existent

The battle has led to Dr De Villiers, who has diametrically opposed views on the running of Gencor to Sanlam's directorship

One suggestion, which has gained increasing weight, is that Dr De Villiers believes that Gencor needs to strengthen its capital base

This would require a rights issue, and although Sanlam has the funds to finance its contribution, such an investment would increase its exposure to one sector, a trend usually abhorrent to an insurance company, which should strive for a totally balanced investment portfolio

At the same time a rights issue in Gencor — and its commitments on capital expenditure point to such a requirement — would probably be welcomed by Rembrandt, which at the end of March had cash assets of more than R500-million

Rembrandt has a policy of increasing its investment in natural resources, a euphemism for mining, and there can be no better vehicle than Gencor.

What allegedly started as a personality clash between Dr De Villiers and Sanlam's outgoing chairman, Dr Andreas Wassenaar, has evolved into a fundamental policy battle between the two leaders in Afrikaans business, and there is likely to be considerable blood-letting before the issue is closed

Bank merger talks

By Stephen Orpen

MERGER and rationalisation talks have been staged at top level by the captains of at least three of South Africa's major banking groups

This emerged late on Friday when Business Times again sought the views of banking chiefs

In particular, Barclays and Standard are known to have explored a wide variety of possibilities

Also, there have been thoughts — but not formal discussions — of a possible Standard or Barclays toenadering with Nedbank

However, the main obstacle to an outright merger of the largest banking groups is considered to be official opposition on the grounds of monopolistic conditions

According to Bob Aldworth, chief executive of the huge Barclays network "For this main reason, current discussions are centred more on joint operations in the field of automation and computers

"The idea is for a highly important new company to be formed to handle, as a start, all the institutions using Docutel ATMs

Currently talking this through are Barclays, Nedbank and Trust Bank, as well as "two leading building societies"

Where two or more banks have branches in a single area, "automatic" banking by customers could be done through centralised automatic tellers, under the umbrella of the new company

"We are agreed that the idea of actual bank marriages would make sense on a number of grounds

"But a way of avoiding the monopoly threat must first be formalised"

Big bank changes coming

232 S-Times 1/8/82

COMMENTS by top bankers this week indicate that South Africa's banking sector is ripe for "major structural changes"

This could involve the merger of two or more of the country's top banking groups

At a Press conference on Tuesday, Barclays Bank's Bob Aldworth hinted at changes in the banking sector

Others have pointed to the glaring lack of merger activity in the banking sector — in marked contrast to virtually every other sector of the South African economy

They have also stressed the pace at which banking has progressed, pointing out that those who have not modernised at the same rate as others have lost ground

By JOHN SPIRA

That significant structural alterations have taken place among the major banking groups is clear from the accompanying table, which measures market capitalisation (share market value on the Johannesburg Stock Exchange) today against the same 1978 yardstick

Clearly, Nedbank and Barclays enjoy pre-eminence in the banking sphere — a dominant position which they have cemented since 1978

But the most striking change is Standard's deterioration in market capitalisation over the past four years

And, since a merger of any of the banking groups would be based largely on market capitalisation, there is evidently no possibility that Standard could absorb either of the big two

That Standard itself could acquire control of either Volkskas or Bankorp is, of course, a possibility, although any merger activity which might eventuate would very likely involve Nedbank and Barclays

These two groups have attained their current position through innovation, and it is therefore probable that they will be the instigators in bringing about a measure of rationalisation to an overbanked South African market

Banking groups' market capitalisation (R-m)

	1978	Today	% change
Nedbank	452	530	+17
Barclays	354	500	+41
Standard	334	288	-14
Volkskas	116	198	+71
Bankorp	76	75	-1

The trend in market capitalisation is of significance, since investment funds are, over a period, generally channelled into those areas of the stock market which are likely to produce the greatest returns

Total market capitalisation of the JSE's banking sector is in the region of R1 600-million

A merger between two or more of the major banking groups would make a good deal of sense because

● Duplication of branches could be eliminated

It is well known that many banks have many unprofitable branches By closing these down, the banks would expand their profit margins and, perhaps, pass on part of the benefits to their customers

● The return on assets of South African banks — the only true measure of banking efficiency — is extremely low by world standards Rationalisation would help towards raising the return to higher levels

● Some 58% of Standard's equity is held overseas, while Barclays has a 60% foreign shareholding

For political and other reasons, the controlling shareholders in these groups might be prepared to part with their equity at the right price

● Certain banks have tended to specialise in specific areas of the banking spectrum and in definable population groups

A merger between two banks with diverse specialities would give the expanded unit wider coverage of the market

● Because the focus of any rationalisation moves would fall on the banking groups — and not, specifically, the commercial banks — synergy benefits would extend to activities such as general banking, merchant banking and insurance

Stevedore companies merging

CAPE TIMES 2/8/82

232

By PHILLIP VAN NIEKERK

THE SA Stevedores Service Company (Sassco) and Rennies Grindrod Cotts have merged, creating an effective monopoly in the South African stevedoring industry.

Mr Neville Organ, chief executive of Freight Services and chairman of the new company, SA Stevedores Limited, said the move was aimed at rationalizing the companies' interests in a "strategic but shrinking industry"

Freight Services, owners of Sassco and Rennies Grindrod Cotts will each own half of the new company

Mr Organ said retrenchments of workers — in line with rationalization in other areas — was inevitable, but it was too early to say how many would be laid off

Negotiated

All reduction of staff would be negotiated with the General Workers' Union (GWU) — which represents the vast majority of the industry's 4 000 to 5 000 workers and is recognized at the four major ports — Cape Town, Durban, Port Elizabeth and East London

While the merger would create a *de facto* monopoly, any competitor would be free to apply for a licence, although this was unlikely in the current difficult times, Mr Organ said "We merged because we were killing each other and one of us was on the verge of bankruptcy.

According to a joint statement by the merging companies, the stevedoring industry has been severely affected by a declining volume of breakbulk cargo caused by increasing containerization

"Over the past five years, the annual tonnage handled by stevedores at South African ports has dropped by 40 percent from 18-million tons to 11-million tons The current containerization of the Far East and North American routes is expected to decrease volumes even further, and to increase the excess capacity in the industry

"At the same time the industry has, over the past two-and-a-half years, improved working conditions and wages very considerably, invested heavily in sophisticated handling equipment and improved the training of its labour and supervisory staff

"The merger is in line with the worldwide trend towards consolidation in the stevedoring industry"

The general secretary of the GWU, Mr Dave Lewis, said the creation of a single giant stevedoring company in South Africa had "extremely important implications for the 5 000 workers in the industry"

He said the union was formally informed of the merger "at the very last minute" and added "we are not satisfied with the marked lack of consultation to date

"Our agreement with the employers specifies clearly that the mechanics of this merger will be negotiated with GWU committees at the four ports and we are pleased that the new company has committed itself to immediately honouring this commitment"

Argus 2/8/82

132

Court order on Cheslers

CHESLERS Super Stores furniture and appliance chain was placed in provisional liquidation following the granting of a Supreme Court order on Friday.

Granted by the Judge President, Mr Justice Munnik, the application was brought by SJC Furniture Stores (Pty) Ltd, which trades as Cheslers Super Stores. An associate company, Chesler Hi-Fi Stores, was not affected.

In an affidavit Mr Lewis Chesler, managing director of the company, said that, apart from rentals, Cheslers Super Stores owed R470 000, with another R80 000 owed to loan creditors He submitted that the company was unable to pay its debts

MORE JUST

The belief in the company was that it could no longer trade in the present economic climate and that it would be "more just and equitable" that the company be wound up

Liabilities totalling R2 370 000 were listed in the affidavit and included R95 000 owed to Ned Bank, R75 000 owed to Barclays Bank, trade creditors of R2 000 000 and secured creditors of R200 000

Assets totalling R1 900 000 were made up of stock R550 000, hire purchase debtors R500 000, open account debtors R200 000, fixed assets R50 000 and inter-company loans of R600 000

Mr Chesler said the company had traded successfully until December last year, with turnover improving from R100 000 to R500 000 following the opening of branches at Bellville and Wynberg. No cash flow problems were experienced

During 1982, however, although creditors began to apply shorter credit terms and overdraft limits were not extended, no company cheques had to be extended or stopped.

During July, however, one of the company's creditors, Katz International Corporation, expressed concern about the amount of indebtedness and, after discussions, insisted that substantial amounts of goods supplied to Cheslers be returned

TOTAL DEBT

Katz also indicated that if no satisfactory arrangements for repayment of the debt were made, it would institute action against Cheslers.

The indebtedness to Katz International Corporation exceeds R300 000 Other trade creditors include Barlows, South African Television, Philips and Wood World, a total debt of about R150 000

Total overheads at the three branches totalled R70 000 a month, and the average gross profit amounted to about R69 000 a month.

Mr Chesler said these figures indicated that the company was experiencing a small monthly loss of about R1 000, which reinforced the view that it was unable to pay its creditors

Mr G D van Schalkwyk, instructed by Mr J Volks of Friedlander Kleinman and Shandling appeared for SJC Furniture Stores

---

Sed C

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank

	Internal	External
(1)	(2)	(3)
5	7½	
6	1-	
9(a)	7.	
Examiners' Initials		

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

4 Do not write in the left hand margin

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

2/8/82 D. Dispatch

232

Stevedore firms merge

EAST LONDON — The shareholders of South Africa's two major stevedoring companies have agreed to rationalise their interests in this strategic but shrinking industry

The effect of the rationalisation will be to merge the South African Stevedores Service Company Limited (SASSCO) — owned by Freight Services — with Rennies Grindrod Cotts Stevedoring (Pty) Limited, itself the product of a recent merger, in a single company to be known as South African Stevedores Limited

The merger, the shareholders said in a joint statement, would introduce economies of scale, eliminate duplicate facilities, and ensure the maintenance of a high level of service to their customers

It would also enable the new company to fund escalating costs in this strategic industry

The shareholders pointed out that the merger was in line with the worldwide trend towards consolidation in the Stevedoring industry

Over the past five years the annual tonnage handled by stevedores at South African ports has dropped by 40 per cent, from 18 million tons to 11 million tons The current containerisation of the Far East and North American routes is expected to depress volumes further, and to increase the excess capacity in the industry

At the same time the industry has, over the past two and a half years, improved working conditions and wages considerably, invested heavily in sophisticated handling equipment and has improved the training of its labour and supervisory staff

Freight Services and Rennies Grindrod Cotts will each have a 50 per cent shareholding in the new company Its chairman will be Mr Neville Organ, chief executive of the Freight Services group, and the managing director will be Mr Derek Macy, currently managing director of Rennies Grindrod Cotts Stevedoring — DDC

GE merger takes pressure off tangled SA wire market

232

Star 4/8/82

South African General Electric of Benoni and Transwire Cables of Olifantsfontein which, between them, control a sizeable slice of the country's R25 million-a-year magnet wire market, have merged their wire operations.

The new company, Transage Wire, now the undisputed leader of the four concerns producing magnet wire for the motor, transformer and motor rewind industries, will operate from a new R8 million plant at Olifantsfontein.

"The new enlarged company will offer an improved service because of its broader range of wire and strip products," said Mr Jim Douglas, chairman and managing director of SA General Electric.

"The merger makes good business sense because of the overcrowded magnet wire market."

Mr Douglas stressed that SA General Electric (GE) was still very much in business in South Africa."

Proof of its continuing confidence, he said, was its recent acquisition from Dorbyl for about R2 million of its 40 percent interest in Reid and Mitchell, an armature winding and repair group.

The deal gave GE 100 percent ownership.

GE, with a nationwide workforce of about 1 000, has an annual turnover of about R100 million.

6 : 28% F

Stevedores merge in new service

(232) Star 5/8/82

South African Stevedores Services and Rennies Grindrod Cotts Stevedoring have rationalised their interests in a new company to be known as South African Stevedores

Freight Services, which owns African Stevedores, and Rennies Grindrod Cotts each have a 50 percent shareholding in the new company

The stevedoring industry has been affected severely by the decline in volume of breakbulk cargo caused by increasing containerisation

Over the past five years, the annual tonnage handled by stevedores at South African ports has dropped by 40 percent from 18 million tons to 11 million tons.

The current containerisation of the Far East and North American routes is expected to depress volumes further and to increase the excess capacity in the industry

The shareholders said in a joint statement that the merger would introduce economies of scale, eliminate duplicate facilities, and ensure the maintenance of a high level of service to customers It would also enable the new company to finance rising costs in "this strategic but shrinking industry"

Mr Neville Organ, chief executive of the Freight Services Group, is the chairman, and Mr Derek Macey, managing director of Rennies Grindrod Cotts, is managing director

The General Workers' Union said in a statement that the move had "important implications" for 5 000 stevedores in the industry.

SENSITIVE

"We are not claiming the right to veto the merger but in some ports it is a very sensitive issue. The employers should have consulted earlier with the union"

Mr Organ said: "We are mindful of our relations with the union and obviously we must talk to its representatives about all aspects of the merger"

A possible result of the merger is the retrenchment of stevedores, but the employers are expected to negotiate retrenchment procedures with the GWU.

CANDIDATE MUST enter in
1) the number of each question
d (in the order in which it has
swered), leave columns (2) and

Internal	External
(2)	(3)
8	
6	

initial

Date

Degree/Diploma/Certificate for which you are registered (e g B A , B Sc) B-Sc

Subject Economics 1A
(to be copied from the heading on the Examinat

Paper No
(to be copied from the heading on the Examination Paper)

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used
4 Do not write in the left hand margin

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

Sanlam calls a truce

(232)
1004
6/8/82

By HOWARD PREECE

SANLAM last night offered a purported olive branch to Rembrandt in the bitter dispute between the two Afrikaner business giants over the future of Gencor — but the underlying battle still looks solidly joined.

Dr Fred du Plessis, the managing director of Sanlam, said the insurance giant had "decided to postpone the amendment to the articles of association of Gencor"

He said· "This decision was made in an attempt to settle the dispute with Rembrandt."

But Dr Du Plessis added a less placatory rider· "If no satisfactory settlement can be reached we intend to continue with the amendment to the to the articles of association of Gencor."

There was no immediate reaction to Dr Du Plessis's statement from Dr Anton Rupert and his Rembrandt group

Given the astonishing public acrimony that has accompanied the row between Rembrandt and Sanlam that is perhaps not surprising

Dr Rupert's instinct may be to follow the classical maxim. "Beware of the Greeks when they come bearing gifts"

Sources suggest that Dr Rupert's immediate reaction will be to sit tight and see exactly what Dr Du Plessis has in mind

It is far from clear yet whether there is any form of settlement that could be reached that would be willingly acceptable to both Sanlam and Rembrandt

The key ostensible issue is Sanlam's wish that the Gencor board — which is controlled by its representatives — should be able to appoint and dismiss directors without recourse to general meetings of shareholders

Dr Rupert and his Rembrandt group, which holds a critical minority stake in Gencor, has taken an uncompromisingly hostile attidude to Sanlam's intention

Some sources insist that what is really at stake is the future of Dr Wim de Villiers, the chairman of Gencor

It is argued that Sanlam wants him out and Rembrandt wants him to stay — and that this in turn involves the whole control of Gencor

However, it must be said that both Sanlam and Rembrandt have publicly denied that this is the real story

In his statement last night Dr Du Plessis said "It is our intention to continue with the lawsuit against Federale Mynbou (controlling pyramid of Gencor) since it is essential to resolve any uncertainties with regard to legal validity regarding the enlargement of the board of directors of Mynbou

"This suit should not be considered as a continuation of the dispute between Sanlam and Rembrandt"

Gencor had called a special meeting this week at which Sanlam's amendment to the group's articles about directors would have been proposed

However, the meeting was postponed because of some technical infringements

Now Dr Du Plessis and Sanlam have formally put off the proposed meeting while, in theory, peace talks are held with Rembrandt

PAUL DOLD reports from Cape Town that a new Cape power base may be forged between Rembrandt and the Old Mutual in the wake of Dr Rupert's row with Sanlam

There is speculation that Rembrandt and the Old Mutual may seek closer cooperation

Sources indicate that the philosophies of both Mutual and Rembrandt are similar — both are low profile and highly conservative — and Dr Rupert's partnership concepts are not dissimilar from the Mutual's Both management styles are similar

There is intense competition in the insurance market between Sanlam and the Old Mutual Closer co-operation between Rembrandt and the Mutual would make sense for both groups

A search of the Rembrandt companies' share registers shows that Old Mutual has built up significant stakes in them — in many cases far exceeding those of Sanlam

Some of the holdings of both groups may be through nominee companies which could alter the final figures Mutual has a 1 076 930 share stake in TIB, one of the key Rembrandt controlling companies, against Sanlam's 740 000 shares TIB's total share capital is 13 200 000

In Tegkor, which has 16 644 120 shares, Sanlam has 900 000 and Mutual 1 058 200 In Rembrandt Controlling (36-million shares) Sanlam has 2 831 290 against Old Mutual's 2 191 253 In Rembrandt Group itself (52 200 000 shares) Sanlam has 1 112 880 and Old Mutal 2 674 700

Old Mutual has been steadily increasing its stake and it is now far higher than previously thought

232

Storm in a tankard

By CAS St LEGER

A FIERCE row is brewing over the Competition Board's recommendation that beer be sold in supermarkets.

Hoteliers and bottlestore owners are foaming at the mouth at the suggestion in the board's report, tabled recently in Parliament, which would result in the alcoholic beverage being as freely available and as convenient to purchase as orange juice

At the head of the ferment is Dr Wynand Pretorius, president of the Federated Hotel Association of Southern Africa (Fedhasa), which represents hoteliers and bottlestore owners throughout the country

Fedhasa and its 2 000 members were unanimous, said Dr Pretorius, in agreeing that supermarket sales of beer would not be in the interests of society But his arguments have been heavily disputed by the Housewives League and a supermarket spokesman

Who will suffer if beer is sold in supermarkets?

Dr Pretorius said beer sales from supermarkets would

- Lead to increased alcoholism among housewives and teenagers, and
- Result in a loss of sales to liquor outlets of up to 70 percent

Loss-leader

Supermarkets had adopted the policy of using wine as a loss-leader, he said, which had resulted in losses of wine sales to bottlestores as high as 70 percent Even higher losses could be expected on beer sales if supermarkets followed a similar loss-leader policy on cutting beer prices

Ten years ago, only one in 10 women was an alcoholic, today the figure was three in 10, said Dr Pretorius

It was a misconception and an irresponsible argument, he added, to speak of beer and wine as being "softer" beverages than a drink such as brandy A drinker consumed a tot of brandy, a glass of wine or a "pint" of beer The actual alcohol consumed was similar in each case

Beer, a potentially dangerous substance which could become addictive, must be marketed in an orderly, controlled fashion through liquor outlets

Stigma

"There is still a stigma," he said, "in the housewife walking into a bottlestore and buying liquor

"But now, when she is buying her groceries, she can slip a bottle of wine (or a six-pack of dumpies) into her supermarket trolley "

This situation was likely to lead to increased alcohol consumption among teenagers, too, according to Dr Pretorius

The 'alcoholic wives' or the liquor outlets?

Said Mrs Yvonne Forshaw, vice-president of the Housewives' League "I am amazed at the suggestion that three out of 10 of our members are alcoholics!"

Although the league had not yet discussed the report, Mrs Forshaw felt that the Competition Board should possibly have examined the problem closer to its source the breweries

As far as the housewife's presence in a bottlestore was concerned, she commented "Do you have to have a husband to drink?"

Hotels and bottlestores had already proved their failure to control the system, as youngsters did obtain alcohol. There was little danger in the supermarket situation, she said, as long as there was control on the checkout points.

"It's poppycock! They're like a lot of adolescents!" said Mr Vaughan Johnson, liquor buyer for a major supermarket chain in reaction to Fedhasa's standpoint.

Promoted

The Competition Board report confirmed recommendations made by the Milan Commission in 1960 that the consumption of low alcoholic beverages such as wine and beer should be promoted in preference to spirits, said Mr Johnson.

Wine licences had been granted to grocers in that year and supermarkets had been very successful in promoting the "moderate consumption of natural wine"

"I see no reason why the same should not apply to beer as it is also a light beverage consumed alongside food," said Mr Johnson

enter in
question
h it has
, (2) and

ernal

3)

First move today on Tiger-Sugar company

232 dummy 19/8/82

Financial Editor

TWO shareholder meetings will be held today to start the way for the creation of the Tiger-Sugar company which is expected to control assets and investments worth R568 million and pre-tax profits of R133 million a year.

the first meeting will be held in Johannesburg, where Barlows' shareholders will be asked to approve the share-swop transactions with Old Mutual

They will swop holdings of C G Smith, PP Cement, Reunert and Lenz and Transvaal Consolidated Lands for new Barlow shares

In another deal, C G Smith will issue new shares to Barlows who will issue more of their shares to Old Mutual for a 12,6 percent holding in Nampack.

The second meeting, in Durban, this afternoon will be that of C G Smith shareholders, who will be asked to approve the various legs of the transaction

Romatex

The result of the meetings is expected to be that C G Smith will hold 56,6 percent of Romatex (no change here), 74,8 percent of Nampack and about 70,1 percent of Tiger-Sugar

The Tiger-Sugar holding is subject to the acceptance level of existing Tiger shareholders

Tiger-Sugar will hold 70 percent of Tiger Oats, 100 percent of Smith Sugar and the group will hold 65,7 percent of Imperial Cold Storage

The Smith sugar interests to be placed into the new company include the six sugar mills producing 900 000 tons of sugar a year, estates which grow 1,3m tons of cane, S A Sugar Distributors, which is responsible for selling 80 percent of sugar on the domestic market, Smithchem, which makes various chemicals at Sezela, and Natal Cane By-Products, whose main product is ethyl alcohol

For technical reasons some of the farms at Sezela and milling assets will not be handed over until the end of C G Smith's financial year in September

Once the proposals are implemented Tiger Sugar will have 8,6m shares in issue which 'in due course will be listed on the Johannesburg Stock Exchange'

Capital

A pro-forma balance-sheet at February 28,1982 shows that out of R707m in capital employed, ordinary share capital provides R350m, long-term liabilities R127m and preference shares and minority interests R205m

Pre-tax profit would have been R133m and attributable income R58m

Shareholders in Tiger Oats and Imperial Cold Storage are being sent offer documents for their shares Tigers will be offered four Tiger-Sugars for each share held with an option to renounce up to half their Tiger-Sugars for Barlow shares

ICS shareholder's offer is to swop up to 50 percent of their shares for Barlow shares in the ratio of 42 Barlows for every 100 ICS shares exchanged

Both these offers depend on the results of today's two meetings

---

4		
Examiners' Initials		

paper)

paper)

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

4 Do not write in the left hand margin

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

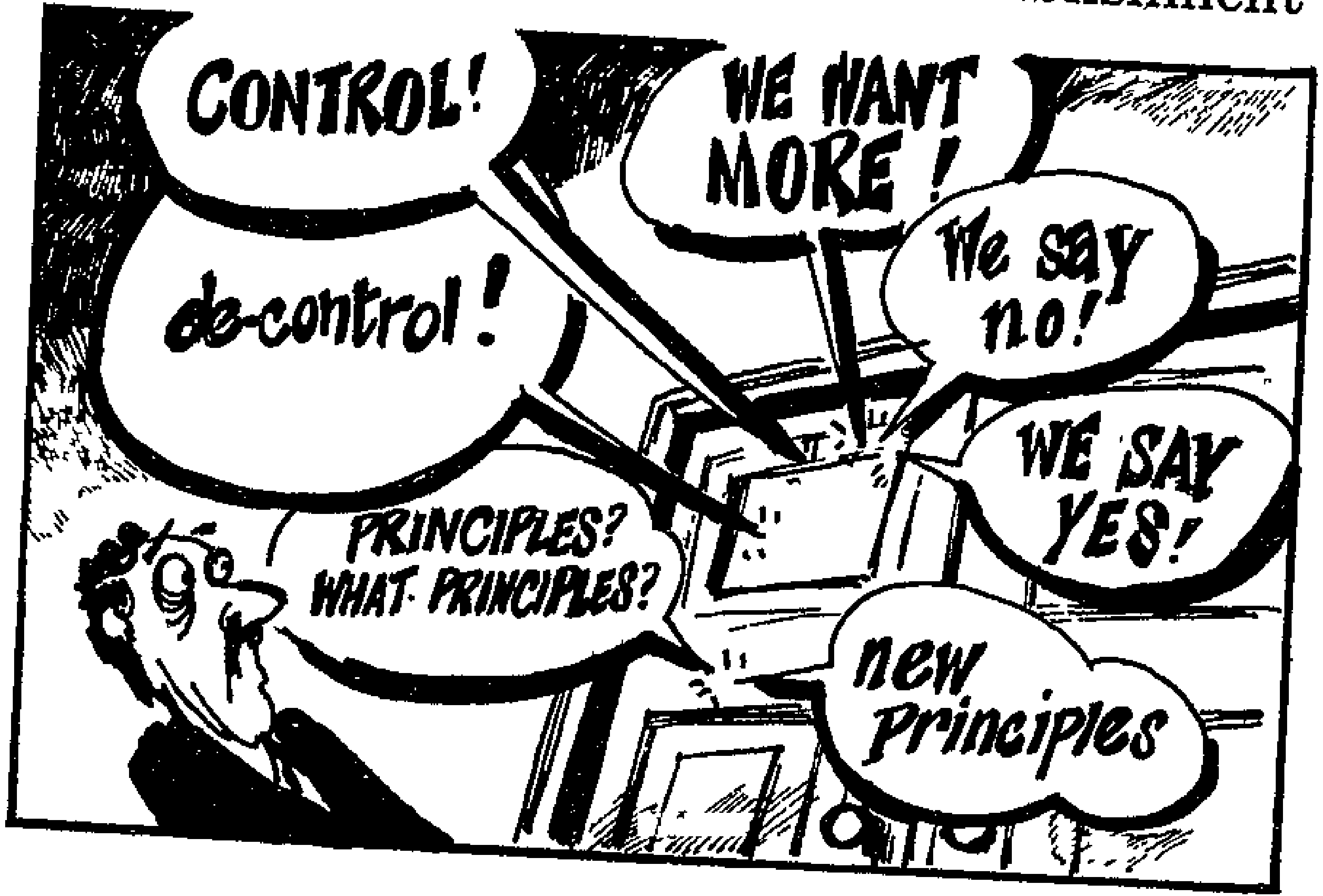
Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid-Afrika

PAGE ONE COMMENT

(Z52) S. Times 15/8/82

Battle of Titans: Tycoon-itis, control-pox, cash-cow giantism (and more!) as Sanlam, Rembrandt and other supermanagers raise crucial questions about the Hyper-institutional Establishment

"If Rembrandt's Anton Rupert persists in his struggle, and if he is successful, the way could be opened up for far-reaching changes in the ownership structure of SA business, both English and Afrikaans These would parallel the break-up of Afrikaner political unity and the growing fragmentation of political parties and interest groups . " — Comment in major analysis of the Sanlam-Rembrandt confrontation in a weekly SA financial magazine this week



THE scuffling in the battle by the R20 000-million Sanlam-Rembrandt groups for the upper hand in the management (if not capital) of multi-billion Fedmyn-Gencor may be read by some as unseemly

Surely, they may suggest, institutional heavyweights like Sanlam's Dr Fred du Plessis and Dr "Lens" Wassenaar, Rembrandt's Dr Anton Rupert, Gencor's Dr Wim de Villiers, Basil Landau and Naas Steenkamp should not stoop to a kind of common-room slanging match, interspersed by "street lobbying" for proxies, or whatever?

Such conventional wisdom is myopic

True, the affair has become messy as the ramifications. and conflicts have grown — in degree if not scale

But the matter has also raised far-reaching questions about the whole future structure, philosophies and procedures of the parties concerned and the financial sector at large

These questions are both invaluable and overdue

Following major changes in the relative importance and role of the different institutions, especially in their relationship with the country's coal-face productive resources, it needed a blow-up to clear the way for new policies and arrangements better tuned to the needs of the day — and the years ahead

Stephen Orpen

The question has been asked "Will the system which worked so well in the past do equally well in the future Dr Rupert believes it will not

"The issues will be different, less concerned with development than with competitiveness, the creation of employment opportunities and combating inflation "

In this situation, one wonders whether, under the existing system, in which central planning has grown mainly among private and not State sector institutions, these institutions can keep proper control (in fiercer competition with each other) as they strive to grow still larger in the traditional way

As Dr Rupert has said "The efforts of large undertakings to diversify are often unsuccessful because entrepreneurial talent is scarce, practical experience is often lacking to steer the venture from inception into the market, there is an absence of the philosophical climate one finds in the management of a small business (etc) "

Sanlam, it was said this week, sees things differently

The group has contributed for 60 years to SA development and has recently "tried to do no more than protect its own position in Fedmyn and Gencor, which together represent its largest single investment."

"It is concerned about the succession when Wim de Villiers leaves the helm at Gencor "

To me, this is to look at the trees, not the wood

The key point is that Sanlam is generating ever more staggering sums for investment (see life offices report this page) in a milieu in which it is increasingly difficult to find as many opportunities, of the right quality, as hitherto

It therefore wants to be confident it has a voice that

● To Page 3

Battle of the Titans (contd)

(Z32) S-Times 15/8/82

● From Page 1

bites — if need be — in its major investments to ensure, by its own lights, that it gets the best possible returns on its money

Paradoxically, Rembrandt, which has for so many years espoused "partnership", and has not favoured a high profile in trying to influence the managers of the companies in which it has put its funds, finds itself with R500-million to invest and, for various reasons, not enough scope to do it on the old partnership basis

So it, too, appears to growing more edgy, protective and even assertive about how its investments are shared and controlled.

Think, now, of Old Mutual, Anglo American Corp's larger satellites, Barlows, SA Breweries and the like Clearly, we are going to see more collisions all round

They said the ***Titanic*** was unsinkable. That may be true of today's corporate equivalents.

But rust will eat them unless they change. And, as they change, they will need to settle their conflicts in new ways — for which they are still groping

That is what the Rembrandt-Sanlam manoeuvres ***finally*** tell us . .

What the Gencor fight is all about

232

Star 18/8/82

By Derek Tommey

The business world has been enlivened recently by the sight of two Afrikaans financial giants quarrelling about the appointment of directors of Gencor, the country's second biggest mining house

At loggerheads are Sanlam, the huge insurance complex, and Rembrandt, the tobacco, liquor and investment group

The ostensible cause of the dispute is the desire of Sanlam — which owns 51 percent of Gencor — to be able to dismiss directors without calling a meeting of shareholders

But the dispute is really over whether Gencor will be controlled by Sanlam or by a partnership of Sanlam and Rembrandt, which has a 30 percent stake in Gencor.

It could be some time before this dispute is settled In the meantime it would be worth having a look at what they are fighting over

BIG CHANGE

Gencor came into being in 1979 as the result of the takeover by General Mining a few years ago of another mining group, Union Corporation This move resulted in the formation of a group controlling more than R4 000 million worth of assets and with shareholders' funds of more than R2 500 million

At the time of the merger General Mining was the major operating arm of Federale Mynbou, the mining company which was formed by Sanlam and in which Rembrandt and Volkskas have a major stake

General Mining brought to the union two important gold mines, Stilfontein and Buffelsfontein, and also West Rand Consolidated, which has recently indicated it may have to shut down.

It contributed a large stake in Trans-Natal, one of the country's major coal producers, and control of the asbestos producers Gefco and Msauli and Chrome Mines

Its commercial interests included substantial investments in Trek, the local petrol distributor, Hall Longmore, a major steel pipe manufacturer, Union Carriage and Wagon, which makes most of the railways' rolling stock, Dunswart Steel, Standard Brass, Sentrachem and Siemens

Union Corporation brought with it control of the gold mines Unisel, St Helena and Winkelhaak. It also contributed a substantial stake in Southvaal

Another of its major contributions to the union was Impala Platinum, one of the country's two main platinum producers It also provided investments in Palabora Copper, Tsumeb Corporation and Richards Bay Minerals

Its commercial investments included Sappi and its associate company Kohler, Darling and Hodgson, a major construction company, Kanhym, Haggie and African Coasters

In 1981 these investments produced taxed earnings for Gencor of R338,6 million, R55 million or almost 20 percent more than in 1980.

BREAKDOWN

The group's commercial and industrial investments produced R129,5 million or 38,3 percent of the total, gold and uranium R106,4 million (31,4 percent), financial R35,5 million (10,5 percent), platinum R30,4 million (9 percent), coal R23,5 million (6,9 percent) and metals and minerals R13,3 million (3,9 percent).

Together these earnings equalled 401c a share, out of which dividends totalling 175c a share were paid

Earlier this year Gencor expected earnings in 1982 to equal those of last year But in view of the lower gold price, the drop in demand for platinum and other minerals and the slowdown in the economy this seems a little doubtful now.

However, neither Sanlam nor Rembrandt are really fighting over control of this year's profits

What they are looking at is Gencor's bright future in the next 10 years or so.

WIDESPREAD

Any recovery in the world economy would obviously give Gencor a boost, thanks to its widespread interests in basic resources

However, it is likely that an economic upturn would also result in Gencor moving strongly into the energy field with the production of methanol from coal.

Gencor has a major coal field, estimated to cover more than 950 sq km in the northern Transvaal The coal is reported to have properties that make it more suitable as a base for chemicals than other South African coal

In particular, it appears that it could easily be turned into methanol.

FUEL ASSET

Given increased demand for liquid fuels and an upturn in the petrol price, it seems highly possible that Gencor could become a major supplier of fuel

The capital outlay required would be large, but both Sanlam and Rembrandt are looking for new investments In fact, it seems that one reason for the quarrel between the two is that they want to link much of their fortunes to Gencor

Everything considered, Gencor could be a most attractive investment

INSIDE MAIL

~~Boards~~

232

‘Free the mealie’ call grows louder

RDM 18/8/82

PAT SIDLEY reports on a study of the maize industry commissioned by the Association of Chambers of Commerce

HOT on the heels of the recent congress of the Maize Producers' Organisation (Nampo), another important report into the maize industry has recommended the freeing of the industry from its controls

The report by SA Farm Consultants was commissioned by the Association of Chambers of Commerce of South Africa (Assocom) It calls for various steps to be taken to help correct many of the anomalies in the South African maize industry

The consultants recommend

- ● The lifting of restrictions on the importation of maize
- ● The withdrawal of the regulatory powers of the Maize Board and dropping restrictions on the sale of maize
- ● The establishment of an independent body, with equal representation of producers and consumers, which could determine the floor price of maize
- ● An investigation by the Minister of Finance into maize subsidies for different income groups

Many of the ideas are controversial and Assocom prefaces the report by stating that its views do not necessarily reflect those of the association

The background to the "mealie row" essentially revolves around the fact that maize forms the staple diet of many of this country's poorer people It is at the same time, more expensive in South Africa than on the world market

Although a foreign exchange earner, maize is exported at a loss and is produced by a very powerful lobby of about 7 000 farmers

Over the past 25 years maize production has increased from less than 4-million tons a year to about 10-million tons which are planted on about 4 500 000ha, mainly in the Kroonstad area

Maize income represents about 25% of the total income of South African farming — although a severe drought in a year can reduce this percentage by 30%

Domestic consumption of maize has risen from 5-million tons in 1970 to 6-million tons today and is about equal to animal consumption This is an unusually high ratio

The world maize price is lower than the South African domestic price — maize sells here at R150 a ton and in the United States at about R125 a ton

But, the report says, imported maize would still cost 25% more than the domestic price after it had been landed in the country

Around 4-million tons of maize are exported annually The value in 1977/78 for exports was R370-million which rose in 1979/80 to R540-million If last year's record crop could have been moved out of the country, it would have been worth R900-million

The report says agricultural control systems in South Africa are similar to those in socialist countries It adds that State intervention in agriculture in this country should only be justified in such exceptional cases as droughts or floods, and for keeping strategic areas like the Northern Transvaal populated

"It is difficult to perceive any of these justifications for State intervention applying to the maize industry in general," says the report

At present State intervention in the maize industry has two effects

- ● It inflates the prices that farmers have to pay for many items used in the production of maize
- ● It sets a price for the consumer which is undoubtedly higher than the free market would have established

The report claims that if price control were to be lifted — which is unlikely — prices would rise only initially

Such a move would have to be accompanied by the elimination of import controls and protected prices for items such as fertilizer and chemicals

Maize at present has a subsidy and the report agrees that while subsidies may be necessary, it is unfair to subsidise those who can afford it

It unequivocally says that the State, and not the consumer or producer, must bear the cost of all subsidies

The report comes down heavily on protection

South African farming, it says has suffered severely as a result of protection over the past decade

Although some farming produce may suffer from a free market the maize producer should have nothing to fear from a free market

The report says about 62% of the costs of producing maize is accounted for by commodities which are subject, either wholly or to some extent, to price control The main items are fertilizer, chemicals, fuel and capital equipment

The report endorses such moves as the recent barter of foreign fertilizer for South African maize — a move which has been opposed by the fertilizer industry

"One ton of maize has apparently been exchanged for 1,04 tons of urea (fertilizer) valued at R355, which represents a very healthy price when compared to other export sales which are averaging no more than about R116 a ton," says the report

After all the costs have been taken into account there will still be a profit for the maize farmers and the fertiliser industry which, despite its pleas to the contrary, will not be losing money this year

The report says objections to the barter provided "an excellent example" of "too many controls coming home to roost"

"The correct procedure for the Government to take would be to free the fertilizer trade immediately from all forms of control — prices, import licensing, provision of subsidies, siting of plant and probably also the de-nationalisation of Phos-Kor a similar procedure could well be followed for farm chemicals, both plant and livestock," the report advocates

The report envisages no changes in the use of maize

Giving figures on major users of maize, the report argues that if the SA price of maize were to drop to the US price, this would reduce the cost of a chicken by about 2c to 3c a bird, saving about R1 500 000 a year to a producer of 1-million birds a week

A 10% drop in the maize price would reduce the price of eggs by 2c a dozen — but would not increase consumption at that price level

The only area where a significant price reduction would make a difference would be in the dairy industry where a 20% decrease in price, with all other inputs constant, would stimulate the consumption of milk and dairy products — which are worldwide in a decline

For beef production, where maize is used on feedlots, the report notes that the maize price has little effect on price decision-making, but feedlot owners could benefit from lower prices

As far as the consumption of maize by livestock is concerned it appears unlikely that reduction of maize prices to a so-called export parity price' would have any measurable effect on the total volume of maize consumed

It would benefit milk producers and milk consumers and could well provide a much needed boost for a depressed industry Consumption of other livestock products would not increase appreciably in the short term but lower prices to the consumer would be to the advantage to the country

Maize consumption peaked at about 3-million tons in 1980/81 but dropped by 6-7% in 1981 82

A small amount of maize is used in "industrial consumption" but about 2 600 000 to 2 800 000 tons is used for "animal consumption" This figure includes farmers' rations for their workers on the farms

About half the 2 800 000 is used by the Balanced Feed Industry for resale to livestock farmers

The remaining 1 400 000 tons "less the unknown quantity used for feeding labourers" is used for feeding livestock on the farms on which maize is grown

If the price of maize dropped, the feed industry would not use more maize as the amount of maize in the feed mix does not depend on its price

CAPE TIMES 21/8/82

.232

Monopolies were 'govt-sanctioned'

Staff Reporter

IN spite of its advocacy of the free market system, the government had sanctioned the formation of monopolistic organizations apparently not calculated to enhance economic welfare, it has been claimed

This was submitted by Mr D J J Botha, head of the University of the Witwatersrand's economics department, in evidence to the economic affairs committee of the President's Council yesterday

He said far-reaching steps were needed before it could be said that the economy operated on free market principles.

Measures to promote competition could be taken only by the government

"However, the government a few years ago, despite its advocacy of a free market system, sanctioned the formation of organizations of a monopolistic nature, a measure which was not apparently calculated to enhance the economic welfare of the economy as a whole."

Mr Botha said South Africa did not have a free enterprise system at present.

"Our system is rather that of a mixed private enterprise system characterized by substantial government intervention of both a positive and a negative kind, with prices in the private sector formed by leaders in industries, many of which show an inordinately high degree of concentration of economic power"

D. Dispatch

232

[illegible]3

Harbour firm lays off eight

25/8/82

EAST LONDON — Eight employees — one a woman with 16 years service — had been retrenched by S A Stevedores Limited a giant company formed by a merger of S A Stevedores Company and Rennies Grindrod Cotts the local manager of the company Mr A Aylott, said yesterday

Mr Aylott said the workers who had been retrenched were various grades of white employees

No retrenchments had been made among labourers but many were on an unpaid leave programme for a few weeks, he added

Most of the retrenched workers had been with the company for between one and three years

Mr Aylott said all would receive a month's notice, pro-rata bonuses and retrenchment payment based on a percentage of their earnings during their time with the company

All payment would be based on a wage agreement which included retrenchment procedures

Mr Aylott said the position of general workers would be reviewed within two to three weeks and if the present economic climate prevailed — and indications were that it would — more retrenchments would follow

Meanwhile Sapa reports that the merger of the companies was aimed at rationalising the shrinking stevedoring industry

At the time of the merger, the chief executive of Stevedoring Services and chairman of S A Stevedores Mr Neville Organ warned that there would be retrenchments among the industry's 5 000 workers — DDR

Managers axed after stevedoring merger

Mercury 232

25/8/81

Labour Reporter

ABOUT 100 management staff, mainly whites, have been retrenched in Durban following the recent merger of Stevedores Service Company and Rennies Grindrod Cotts to form one giant stevedoring company

The new company, Stevedores Ltd, was formed three weeks ago — a move aimed at rationalising the shrinking stevedoring industry.

A company spokesman said yesterday that about one-third of the companies' staff — about 200 people — and about 40 workers at the various ports were being retrenched

Laid off

About half of these were from Durban because it was the largest port, he said

He added that the staff had been told last week that they were being laid off and attempts were being to find other jobs for them within the group

It is understood most of those retrenched locally had been in mid-management and senior management positions

The spokesman said that after the merger the company had looked at the overhead structures and had realised it did not need two offices, two managers, two accountants and so on

The stevedores, on the other hand, had often been shared by both companies so there was little need for retrenchments among them, he said

A spokesman for the Durban branch of the General Workers' Union, which represents most of the stevedores in the four major ports, said a number of black foremen who were not members of the union had been laid off, but 'at this stage management hasn't informed us of any plans to retrench stevedores'

The company, he added, had undertaken to negotiate with the workers' committees if any retrenchments should occur

Gencor chairman ousted

26/8/82

232

RDM

Wim de V quits with broadside

By JOHN MULCAHY

THE distinguished career in the mining industry of Dr Wim de Villiers has ended in bitterness and he has retired prematurely as executive chairman of General Mining Union Corporation.

He will be succeeded by Mr Ted Pavitt, executive vice-chairman of Gencor, and former chairman of Union Corporation

After maintaining silence throughout the months of acrimony between Sanlam and Rembrandt over control of the huge mining house, Dr De Villiers yesterday delivered a farewell broadside at Sanlam and Dr Andreas Wassenaar, chairman of Sanlam, who is abroad

In the best traditions of saving the best for last, Dr De Villiers lashes out at what he describes as Sanlam's "continued harassment" and expresses concern at the insurance giant's intentions, which he claims have not been in the best interests of Gencor shareholders

In a statement issued to Sapa yesterday Dr De Villiers said that matters had taken a turn which obliged him to break his silence on the issue

Gencor said in a separate statement that Dr De Villiers would go on leave next month before retiring at the end of November

Dr De Villiers said that until about 2½ years ago he had enjoyed the full support of all his fellow directors on the boards of Sanlam and Federale Mynbou, "thus being able to direct and control Gencor affairs to the best of my ability"

A fundamental difference of opinion on a matter of principle then arose between Dr Wassenaar and himself

Dr Wassenaar had demanded that Gencor continue investing in a company, Unicom Digital Developments, in which Dr Wassenaar had a personal interest and of which his son, Dirk, was managing director

"Gencor management, after a thorough investigation, had come to the conclusion that further investment in the company could not be justified financially as being in the interests of Gencor I therefore refused to make further funds available "

According to Dr De Villiers, the response from Dr Wassenaar was "sustained personal hostility which culminated in my resignation as vice-chairman of Sanlam"

It was in protest against this behaviour that Dr Etienne Rousseau — Dr De Villiers' successor as Sanlam's vice-chairman — also resigned from this position, said Dr De Villiers

"This personal difference spiralled into corporate matters, leading to a series of public utterances on Sanlam's control position

"Although I accept the idea that a majority shareholder may seek to protect its control position in a company, I do have reservations as to the psosoped method to be adopted in this instance '

"Furthermore, I reject the concept that a chief executive officer should be required at all times to act on the instruction of a majority shareholder, even when in his judgement it would not be in the interests of all shareholders "

Dr De Villiers said the "totally unfounded" allegation that Rembrandt, in collaboration with certain Sanlam-appointed directors, had plotted to acquire control of Gencor, "which Dr (Fred) du Plessis has subsequently publicly acknowledged as being untrue", coupled with other recent events and continued harassment, had brought about an untenable situation which could not continue if Gencor's interests were to be considered

Persistent speculation, starting in December last year, cast doubts on Dr De Villiers' continued position at the helm of Gencor

Late last year Dr De Villiers was said to be on the verge of retiring because of ill health, and astonishingly, Sanlam took the opportunity to set the wheels in motion for the appointment of Dr De Villiers' successor, without his knowledge.

This development preceded by several months the clash between Sanlam and Rembrandt — at Federale Mynbou's annual meeting in April — when the broad policy differences between the two groups were exposed

Rembrandt's entry into the fray is believed to have followed the initial clash between Dr De Villiers and Dr Wassenaar, after which Sanlam made clear its intention to exercise more direct control over Federale Mynbou, and through it, Gencor

Since the early days of the personality clash Dr De Villiers' position is believed to have been challenged on several occasions, the most recent being in June when Dr Wassenaar is reported to have demanded Dr De Villiers' immediate resignation.


Mr Ted Pavitt
. career climax


Dr Wim de Villiers
. spurned

---

black buying power

"Over the last two months business has dropped off completely

The manager of a Port

unrest is going to last

"Those people who have a good credit record with the company shouldn't have

payment accounts the labour unrest started

Ted Pavitt — the man to have on one's side

By JOHN MULCAHY

FEW of Dr Wim de Villiers' powerful team of executives at General Mining Union Corporation will be pleased at the departure of the dynamo

But however lamentable Dr De Villiers' leaving may be, the appointment of executive vice-chairman Mr Ted Pavitt as his successor is certain to be met with enthusiasm

A professed individualist, Mr Pavitt once defined an ideal manager as "a man with a sense of urgency, a demand for excellence and a healthy discontent with the way things are Each of us must be alert to the dangers of playing it safe, and act courageously on what we believe is right "

By no stretch of the imagination can he be described as a "yes-man", and Dr De Villiers has said of him "Ted is the kind of man one would rather have on your side than working against you "

The battle for control of Union Corporation in the mid-Seventies was to a large degree orchestrated by Mr Pavitt, who opposed attempts by Gold Fields of South Africa to swallow the group

Realising a need for stronger backing for Union Corporation, which was vulnerable to takeover, Mr Pavitt had proposed a merger with Barlow Rand, but his efforts in this direction were overtaken by the struggle between General Mining and GFSA

Throughout the battle Mr Pavitt acted on what he felt was right and in the best interests of staff and shareholders

Union Corporation to him was not an impersonal conglomerate of gold and platinum mines and industrial operations but "a tightly knit bunch of damned good people

He was born in Vryburg in the Cape 64 years ago, and graduated in mining and metallurgy at the University of the Witwatersrand, after which he joined the SA Engineers, attached to the British Eighth Army, serving in the Western Desert and in Italy, emerging as a major with a Military Cross, awarded for a rescue operation which he has subsequently described as "foolhardy"

Having worked closely with Dr De Villiers since General Mining acquired control of Union Corporation, Mr Pavitt has first-hand knowledge of the pitfalls in the sometimes painful evolution of the merged group

At his age Mr Pavitt could not have expected to end his career as chairman of Gencor, but it is a fitting tribute to a man who has dedicated his working life to the mining industry

The major shareholders may find, however, that they are dealing with a personality at least as independent as Dr De Villiers, and as likely to reject interference

232

Stevedores company not a monopoly says Organ

S Tribune 5/9/82

Finance Reporter

SOUTH African Stevedores, the company formed by the recent amalgamation of South African Stevedoring Services Company and Rennie. Grinrod, Cotts Stevedoring is not a monopoly, nor does it plan an immediate price hike, says chairman Neville Organ.

"There are still some licensed stevedoring companies around and some licences around that aren't being used," he said "We are not seeking a privileged position

"There is also nothing to stop anyone from applying to Sats for a stevedoring licence, if they can prove that they can meet Sats' standards"

Replying to a fear expressed by some importers and exporters that the merger would lead to an immediate price hike, Organ said, "quite the contrary".

"With the putting together of the two companies, we will be able to contain costs better than we could when we operated independently."

"Price increases are normally negotiated at the end of the year. I cannot say now what they will be."

7/9/82

ECON

More juice for Appletiser

Financial Reporter

APPLETISER Pure Fruit Juices, a SA Breweries subsidiary, has acquired Johannesburg-based Fruitree for an undisclosed sum

Fruitree was a joint-partnership between Anglo American Farms and Tropica Products

According to an Appletiser statement, "it is intended that the Fruitree brandname be retained and that the existing companies continue to trade as at present"

It said that the takeover would create job opportunities rather than cause redundancies

The managing director of Fruitree, Mr Karl Kebert, said the combined operation would now have about 35% of the fruit juice market — previously, the two companies had about 17% each

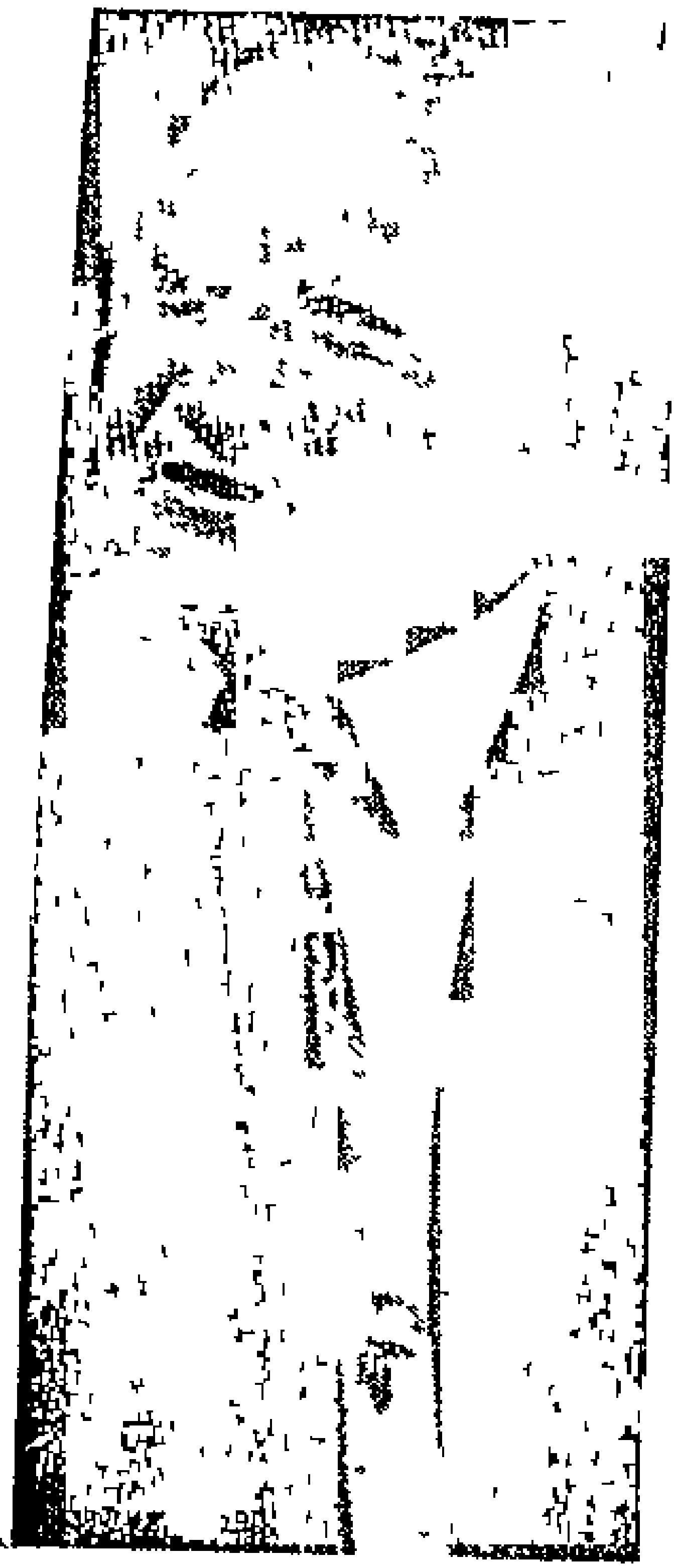
Also, it might lead to lower prices because Appletiser would be able to use Fruitree's local facilities, therefore cutting back on transport charges from the Cape

THURSDAY, SEPTEMBER 9, 1982

Liberty Life warns of growing power of Cape insurance giants

232

(Times 9/9/82



Mr Donald Gordon

By PAUL DOLD
Financial Editor

THE epicentre of financial power in South Africa could well move powerfully towards the Cape over the next seven years unless the Transvaal seriously took up the challenge to restore the balance of power, Liberty Life chairman, Mr Donald Gordon, warned yesterday

"Given the continuation of the present political and economic structure, and the basically free enterprise attitude of the authorities, I predict that the South African economy might well be dominated by no more than half a dozen corporations by 1990, of which possibly half could well be life insurers

"The concentration of financial power and the polarization of the economy will be even more pronounced than is the position today Already five life assurers are in the billion-rand plus group with Libery Life in the middle of the scrum "

Mr Gordon's speech before the opening of the R30m new Liberty corporate headquarters in Johannesburg yesterday is regarded in financial circles as a strong Transvaal attack on the power of the Cape's giant mutual life insurers the Old Mutual and Sanlam which have long dominated the industry

Liberty's assets yesterday passed the R2-billion mark for the first time, and Mr Gordon predicted that within seven years they could reach the R10-billion mark and exceed the present combined assets of the two major Cape competitors

"Of course, they, too, will be much larger and with their financial and political influence we are frankly unlikely to catch up, given that the existing structure in South Africa is unlikely to be essentially changed — which I strongly believe will be the case "

He also hinted that it is against this background that Liberty's overseas expansion must be seen

"Perhaps our age and size disadvantages can be balanced by our developing in the international field which has unlimited scope bearing in mind the big wide world out there and we have made our first tentative steps in that direction

"Because of our special entrepreneurial flair and the close relationships we have established and maintained with our international connections I sincerely believe we would have a major advantage in the larger world arena "

Officially opening Liberty's new headquarters last night, Dr Anton Rupert, chairman of the Small Business Development Corporation stressed the importance of the free enterprise system

"We should not only seek to preserve this system but should also do our utmost to extend its benefits to all our peoples

"The criticism that free enterprise distributes wealth unequally is an accusation often heard in our country

"The full benefits of private initiative can only be realized when all unncesessary restricting regulations have been lifted and every individual enjoys the fruits of the syustem — the right of private ownership and the freedom to do business in an equitable economic climate

"We must mirror in ourselves the opportunitities we have, the tasks we can accomplish and regard ourselves as one of the most fortunate white nations If we are in South Africa merely to uphold Western civilization for our own sakes only then we are on a road which will inevitably lead to our downfall

Paying tribute to Liberty's growth Rupert noted that in a quarter of a century the group had become somewhat of a legend and was now the third largest life assurer and the largest proprietary insurance company in South Africa

"Donald Gordon has virtually revolutionized the life insurance industry in our country and has also had a major impact on the development of the industry abroad

"When Liberty Life started, life insurance was characteristically a very stereotype and rather dozy business Through innovation and aggressive marketing the company successfully introduced a wide range of new products particularly in the field of equity and property-linked life assurance "

Vera Beljakova

232 ~~210~~

12/9/84

S. Times

Boart goes deeper

By Vera Beljakova

BOART International has now moved even more deeply into the European — particularly the German — coal and soft-rock mining markets since its new acquisition, West Germany's HWF Wallram plant, has proved a success

The new plant has grown to a point where it expects to show a turnover of more than R8-million this year from manufacturing hard-metal cutting tools When Boart bought this Burghaun-based plant for R2-million, it was the operating mining division of Wallram, which also owns factories in the Ruhr producing industrial wear parts and carbide

The new acquisition, now operating as Boart HWF and employing a staff of 150, produces 50 tons of tungsten carbide and 50 tons of TC powder a year

One of Boart's other West German companies, Offenbach-based Boart GmbH, markets the full range of hard-rock tools produced at Boart's Shannon plant But in the not-too-distant future this company could be consolidated with the Burghaun operation, which in addition to producing coal mining picks and borers also manufactures industrial wear parts, particularly spray-gun nozzles and — a new item on the list — rotary drill bits

Boart will also operate a repair shop and sales office in Essen to serve the European coal industry

(232)(783 E Post 14/9/82

PE adhesives firm taken over

TAC NATIONAL (Pty) Ltd, a wholly-owned subsidiary of National Starch and Chemical Corporation (US), have announced the acquisition of Adhesian Chemicals (Pty) Ltd, effective September 1, 1982

Port Elizabeth-based Adhesian Chemicals, previously owned by Federale Chemiese Beleggings, supply industrial adhesives to the automotive, shoe, building construction, packaging and woodworking industries

TAC National supplies industrial adhesives mainly to the packaging and woodworking industries and have manufacturing facilities in Benoni

The acquisition, which firmly establishes TAC National as one of the leading adhesive manufacturers in South Africa, brings the company a solvent-based adhesive capability via Adchem's Port Elizabeth manufacturing facility

(232) MS80

S Times 26/9/82

Giants merge in R150-m hydraulics industry

By Don Robertson

HUDACO Industries and the international Sperry Vickers Corporation have joined forces in South Africa to create a new company which, in future, will play a dominant role in the local hydraulics industry

The agreement, which will eventually involve sums running to eight figures, will result in Hudaco taking over the responsibility for marketing the Sperry Vickers range of hydraulic equipment through its existing distributor outlets outside Johannesburg

Sperry will, however, retain a substantial marketing base in South Africa through the retention of its Johannesburg infrastructure, through which the overall responsibility for the direction and development of the South African market will be channelled

To implement the agreement, which took two years to finalise, a new company — Power Systems International — has been formed, which appropriately abbreviates to PSI

It will fall under Hudaco's fluid power division

Sperry currently has the major share of the market in the hydraulic components field, including pumps, motors and valves, while Hudaco dominates the hose and fittings market through its Stratoflex range of products

Sperry also has the largest systems and design division in South Africa

The joint operation will, therefore, create a major company in the hydraulics industry and it is planned to capture a 20% share of what is at present a very fragmented market

Hudaco's investment in stock will be about R5-million, and it is planned to establish a multi-million facility in January for the manufacture of hydraulic systems

The hydraulic industry in South Africa is currently worth more than R150-million and is expected to grow by between 15% and 20% annually

It is shared by about 20 operators, none of whom have more than 10% of the market

Sperry views South Africa, together with Spain, as the fastest growing market in the world, largely because of the drive for a bigger local content

Dr Bruce McInnes, managing director of Hudaco, indicated that it was the intention in the future to manufacture locally pumps, motors and valves to fit the range of Atlantis Diesel engines

These components are imported at present

T enter in
ch question
hich it has
mns (2) and

External
(3)

NOTE CAREFULLY

1 Enter at the top of each page and in
of the block on this cover the num
question you are answering

2 Blue or black ink must be used
answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

4 Do not write in the left hand margin

per or other mate-
examination room
ructed

unicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa TRIO RAND/S P C T PSL/UPD 100 000 1978 PD UCT AM7a Vervaardig in Suid Afrika

Rennies R250-m merger talks

232

S. Times 26/9/82

A MAMMOTH new R250-million-a-year South African travel organisation is on the cards

It will emerge if current intensive talks between two of the country's top three travel agents result in an agreement on an amalgamation

This giant would arise from the merger of Rennies Travel, part of Rennies Shipping, with the South African operation of Thomas Cook – the country's third largest but by far the fastest-growing travel agent with 15 offices nationwide

By Vera Beljakova

Internationally Cooks is also the world's oldest and biggest travel operator

The marriage could have a series of wide ranging international political and economical implications

Influencing the talks are factors such as the desirability of Thomas Cook wedding a local partner with Rennies winning an overseas one

Cook's United Nations account for the New York and Geneva headquarters are certainly enough to make Rennies drool

Though merger talks have been on for several months, the parties cannot agree on who should hold the controlling interest

The merger agreement is expected to be ratified soon perhaps early next month when Rennies' chairman, Charles Fiddian Green, returns from the United States

Cook's whizz-kid MD Carl Planting is keeping mum but Rennies Shipping division's chairman and chief executive, Buddy Hawton, acknowledges the merger talks

The travel agent industry is certainly volatile Only last year, similar talks took place between Cook's and Musgrove & Watson but were abandoned when M&W bought out American Express's South African business a merger which eventually shows a loss of market share for international air sales

Earlier still, Cooks went courting Indo Jet, but again the tying of the knot eluded the parties

Industry insiders say that Cook's London head office got cold feet and opted out Could this happen again?

Rennies is undoubtedly the largest South African travel organisation, with a turnover aspiring towards the R50-million mark

Its international air sales for the first half of 1982 were R16,2-million, showing a 33% increase on the R12,1-million for the same period of 1981

International air sales traditionally represent some 75% of agents' total turnover

By the same token, Thomas Cook's international air sales netted R12,3-million for the January-to-June period, compared with R8 7-million demonstrating a record growth of 42% and outstripping the growth rates of both Rennies (33%) and SAR Travel Bureau (34%)

VIP's phenomenal growth of 85% must be discarded, however, since it was achieved through a series of acquisitions

Cook's amazing R150-million turnover forecast for 1982 — and possibly R200-million, if its growth rate is maintained — can be based on its extensive foreign exchange dealings (sale of foreign currencies, travel cheques and wholesaling foreign notes) all very high volume business but showing tiny returns

Should the two giants unite, they will immediately gain a 13% market share of international air sales, as Rennies already holds 7,2% to Cook's 5,5% of that market, followed by M&W, with its 7%, and AATB with 4%

The marriage makes sense Cooks is mainly in the leisure market (65% of its sales), while Rennies has cornered the corporate business (95%)

While Cooks is strong on High Street offices (supporting personal shoppers, casual trade and counselling), Rennies takes to off-street premises, trading through telephone orders from big business

Thomas Cook is strong in the foreign exchange market, while Rennies is dominant on domestic travel and duplication of head office functions would be eliminated

SA banks to rescue International Harvester

By Don Robertson

INTERNATIONAL Harvester will continue to operate in South Africa "in one form or another" and will play an important role in assisting with the recovery of the group worldwide

This message comes from Mr Art Simmons, vice-president in charge of subsidiary and joint ventures of IH, who has been on a brief visit to South Africa accompanied by Mr Louis J Hellerman, director of international treasury operations

And to back up this claim, Mr Simmons has revealed that a group of South African banks with a long association with the company have pledged "very substantial resources" to enable the company to continue operations locally

Both have taken a long, hard look at the local operation following the continuing financial problems being experienced by the American parent and have confirmed that there is no possibility of the company withdrawing from the local market, although consideration is being given to the nature of the company's presence in South Africa

At present, the R100-million a year operation is wholly owned by the US parent

Conditions at home, however, are not that rosy

The dramatic growth of the group's operations in 1979 led to a substantial increase in borrowings which the company was unable to repay when the economy turned down in 1980 and 1981, affecting all three of its major divisions — trucks, agricultural equipment and construction equipment — at the same time

As a result, it had to renegotiate these loans in December 1981

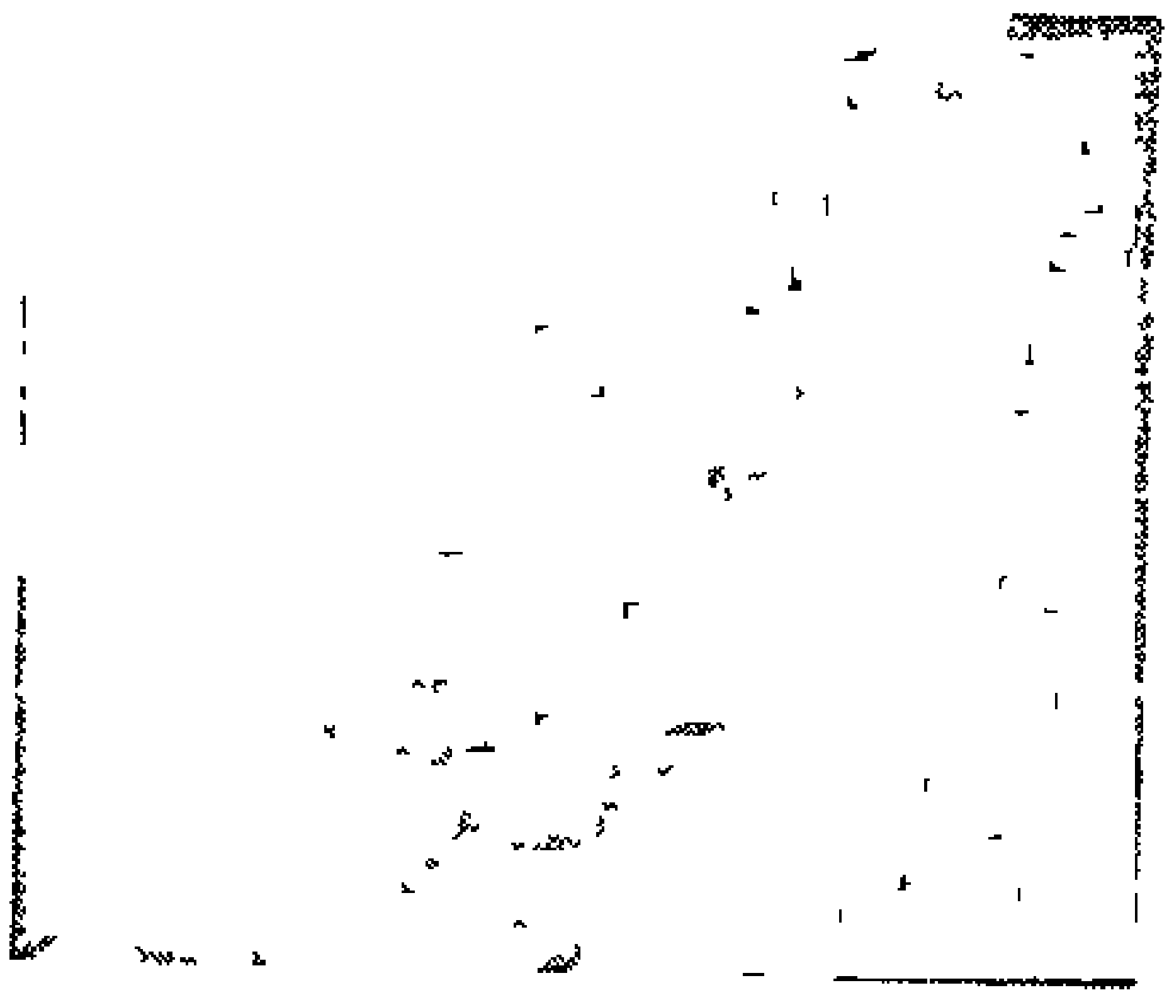
But because there has been no improvement in sales since then, the company finds itself still in an embarrassing position and is currently negotiating a roll-over of these loans with the 200 banks involved

The amount involved is more than $4 000-million, but a favourable response from the banks is expected next month with the company's dealership network and suppliers joining in on the rescue

The figures speak for themselves Sales fell from more then $7 000-million in 1981 to an estimated $5 000-million in the financial year to October 1982

The loss last year was almost $400-million and is estimated as high as $1 000-million this year

Locally, managing director Jim Walker will be looking at trimming inventories and costs and — in the light of a general downturn in the sale of tractors and trucks — might have to consider some sort of reduction in staff



The new Disa telephone Standard instrument for the next 10 years

Cricket called out

By Kerry Clarke

THE days of the ubiquitous "cricket" telephone are numbered and a design award-winning telephone is set to take its place.

The locally designed, push-button telephone — known as the Disa, which has been awarded a Design Institute/Shell industrial design award — will be the standard subscriber instrument in domestic and business applications for the next decade

The Disa telephone, evolved over four years, was a project jointly undertaken by the Post Office, Telephone Manufacturers of South Africa (TMSA) and Roger Williams Associates, a local industrial design consultant

TMSA is looking to produce some 500 000 Disa telephones a year, as replacements for the cricket telephone

The company expects that within the next two to three years the Disa will be the only telephone which it will manufacture, although it will continue to produce spares for the old model telephones

The Disa is the beginning of a comprehensive range of modern telephone equipment, which will include such features as loudspeaking telephones, loud receiving telephones, headset facilities and repetitive call facilities

AS CAPITALIST SWALLOWS CAPITALIST

One morning we could wake up and find that free enterprise has vanished

FLEUR DE VILLIERS

HOW much is enough? Or, to put it another way, are South African corporations growing too big for their own and the country's boots?

South Africa has long and erroneously claimed membership of the club of capitalist nations — a claim which regularly induces fits of incredulous laughter in American visitors who look askance at our state-controlled railways, airways and airwaves, at Escom, Iscor and all the other semi-state institutions which dot the corporate landscape, and wonder where we could have acquired so quaint a notion

But such capitalism as exists in South Africa is today under threat from another quarter — the capitalists themselves. And it took one of the biggest of the country's big businessmen to point it out

The South African economy, said Liberty Life chairman Mr Donald Gordon in a throwaway line recently, could soon be controlled by six companies

In doing so he put his finger on capitalism's classic dilemma, which Marxists confidently predict will be its undoing it is based on the sole philosophy of free competition, but competition is destroyed by its own success

A glance at Who Owns Whom, a directory of cross holdings in South African companies, confirms Mr Gordon's verdict. So too does the fact that scarcely a week passes, as the recession shrinks the profits and increases the risks of the country's entrepreneurs, without some small or middling fish disappearing into the ever-open maw of one or other corporate behemoth

That aspect of the phenomenon is of concern to the man in the street who sees price competition — his protection as a consumer — being whittled away by ever-growing monopolies and cartels

But if the consumer feels a constant nagging doubt about the way things are going, so too does big business And its concern is based on other, no less powerful, considerations

THE first is that the six giants of Gordon's prophecy undoubtedly include the two major mutual insurance companies. A factor which cast a new light on that Boere Dallas — the Sanlam-Rembrandt battle over Gencor

Without shareholders who can call them to book, freed from the laws on financial disclosure which govern listed companies and yet compelled to protect their policy holders' money with sound investments, they have gained over the years control of banks, gold mines, industrial conglomerates and even food chains

They represent the tidal wave of institutional money — from pension funds and insurance companies — which is steadily washing away all before it on the Johannesburg Stock Exchange

Two examples from Who Owns Whom illustrate the point If Sanlam and Old Mutual would feature high on Mr Gordon's list, so too, surely, would those two industrial giants, Barlow Rand and South African Breweries, which individually control just about everything that moves, buys, sells and works in South Africa — or everything that Anglo American does not

SA Breweries, with its approximately 300 subsidiary and associate companies, has a near monopoly in the liquor trade, from producers to retailers, and its other interests range from Southern Sun Hotels to the OK Bazaars, from furniture to footwear

And who controls the SAB? Once one eliminates Standard Bank nominees which represent JCI, which in turn leads one back to the Anglo American stable, the other eight major shareholders are South Africa's seven leading insurance companies and a pension fund

Much the same applies to Barlow Rand, whose interests range from mining and engineering to property, packaging and paint Again its list of major shareholders — apart from the ubiquitous Standard Bank nominees — is dominated by Old Mutual, with a 23 percent holding, and six other insurance companies and pension funds

And the same goes for every blue chip share on the Johannesburg Stock Exchange

At June this year, for example, the institutional cash flow represented 10 percent of the entire market capitalisation on the JSE

Some institutional money is happy to take a back seat in the boardrooms of the companies in which it is invested Some, as illustrated by the Sanlam-Rembrandt tangle, seeks to exercise unabashed control — even to the summary hiring and firing of directors of subsidiary companies

But clearly, whichever way their chairmen play their game of monopoly, the institutional funds are the glue which keeps the incestuous family of South African business together — and growing closer all the time

So close in fact that the concentration of economic power in a few all-powerful hands has become a double-edged sword

With institutions unable — and unwilling — to devote a higher percentage of their funds to high risk ventures, the money is bottled up in blue chip investments and not used to initiate or encourage new projects which would broaden South Africa's industrial base

And because every major investment opportunity is already controlled by either multi-nationals, the mining houses, the financial institutions or the State, fresh funds cannot find pastures new for their rands

It's a tight-knit family which doesn't invite strangers to dinner

That is one aspect of the incestuous South African economic scene

Another, which top businessmen admit induces even in them a "vague feeling of discomfort", is the fact that by comparison with the United States and even Britain, South Africa's anti-monopoly laws are notoriously limp-wristed — and made even more effete by the fact that this country's crippled public service just doesn't have the staff to administer them

The legislation was tightened up a few years ago when the Competition Board was given the power not merely to investigate complaints, but to initiate its investigations

But it can't fulfill this part of brief because it doesn't have staff to do so And, as one commentator remarked wryly, a Government faced with a critical lac of manpower obviously does believe that the monopoly watchdog is a major priority

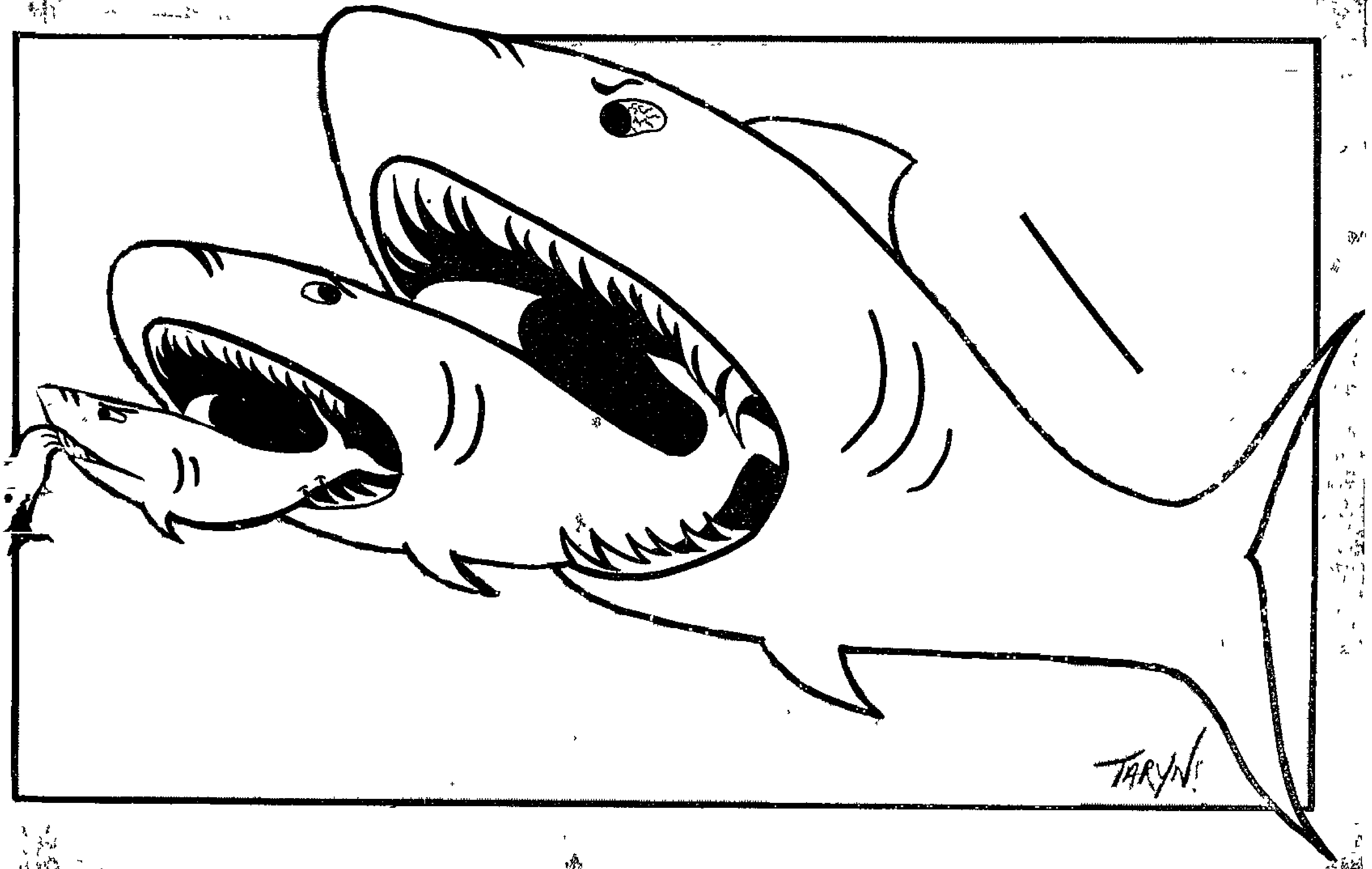
The result has been the gobbling up of companies by the corporations and a degree of vertical integration in major g which, under American anti- legislation, would put their directors behind bars

IN the food industry, for exa the same group can control everything in the food chain from production to fertiliser to flour bakeries And yet this industry four major competing groups is of the more competitive in the country

And Mr Tony Bloom, chief executive of the Premier Group companies, can say with feeling that the "concentration of economic power in South Africa is very worrying"

Part of the problem, an economist suggests, is that earnings per share have replaced simple profits as the new measure of success of the South African businessman And the easiest and least risky way to boost them is not to start new companies, but to seek out others which are not using their assets productively

"They are," he says, "like so many women trying to out-bake each other for the church bazaar A closed community has invented its own internal yardstick."



while we slept

But is this lack of competition necessarily bad?

Dr Johan van Zyl, executive director of the Federated Chamber of Industries doesn't think so

It all depends, says he, on the style of management Most of the mammoth South African groups, such as Protea Holdings and Barlow Rand, follow a philosophy of decentralisation and independent profit centres

"In cases like this' it matters very little whether the companies are united in a group or not One hand does not wash the other"

And, he warns, it could be dangerous for South Africa to follow the example of America's super-strict anti-trust legislation which requires an enormous bureaucratic machine and soaring legal costs to keep the monopoly watchdog happy and fed

Saner by far to follow the more pragmatic British example which determines first whether a particular monopoly is detrimental to the public good before it is outlawed "How a monopoly is used, not simply whether it exists, should be the acid test"

He also suggests that — as in America where the Berle and Mears study revealed an enormous concentration of economic power in the 1930s, only to see the trend slacken in succeeding decades — South Africa may be going through a transition phase

PERHAPS But the fact that the concentration of economic power in fewer and fewer hands in South Africa is causing disquiet, not only to the man in the street, but in corporate boardrooms, suggests that it might not be too soon to look for remedies.

The first and most obvious is a tougher watchdog with a lot more muscle to guard against those monopolies which erode the public's pay packet even as they increase a company's earnings per share

The second would be legislation similar to that introduced in Canada which limits insurance companies to holdings of no more than 20 percent in other enterprises

Another — which could help to broaden South Africa's industrial base and perhaps funnel desperately needed cash into rural development — would be for the Government to revise the rules and allow financial institutions to set aside a higher percentage of risk capital for high risk ventures

And, finally, what an incestuous economy needs, probably more than anything else, is to open a window on the world, relax exchange controls and allow the bottled up tidal wave of institutional funds to flow out into other exchanges and other areas of investment

The example has already been set by Liberty Life, whose assets from its birth 25 years ago have increased to R2-billion and which could grow to R10-billion in the next 10 years It has sought and gained Pretoria's approval to test its financial expertise in the wide world beyond South Africa's borders

Other South African companies could follow suit and — in an effort to relieve internal pressure — should also be allowed to invest on foreign exchanges

THIS is not a recipe which will be followed while South Africa is in the grip of a recession, but, as an economist remarked, "somehow our balance of payments position is never good enough to relax exchange control. One day we will have to be prepared to accept the risks involved in being part of the international community"

Some day, somehow, somewhere, something's got to give If not, a country whose government has suddenly embraced private enterprise with all the fervour of a convert and climbed into bed with capitalism, could wake up with South Africa Inc and find that the free market had vanished while it slept

Commerce chamber calls for boycott

UP

27/9/12 (232) Sowetan

Traders declare war

SOWETO shopkeepers are to intensify their campaign against the so-called "front" companies, their first target being a milling group presently financing a black-run business in the township

By LEN MASEKO

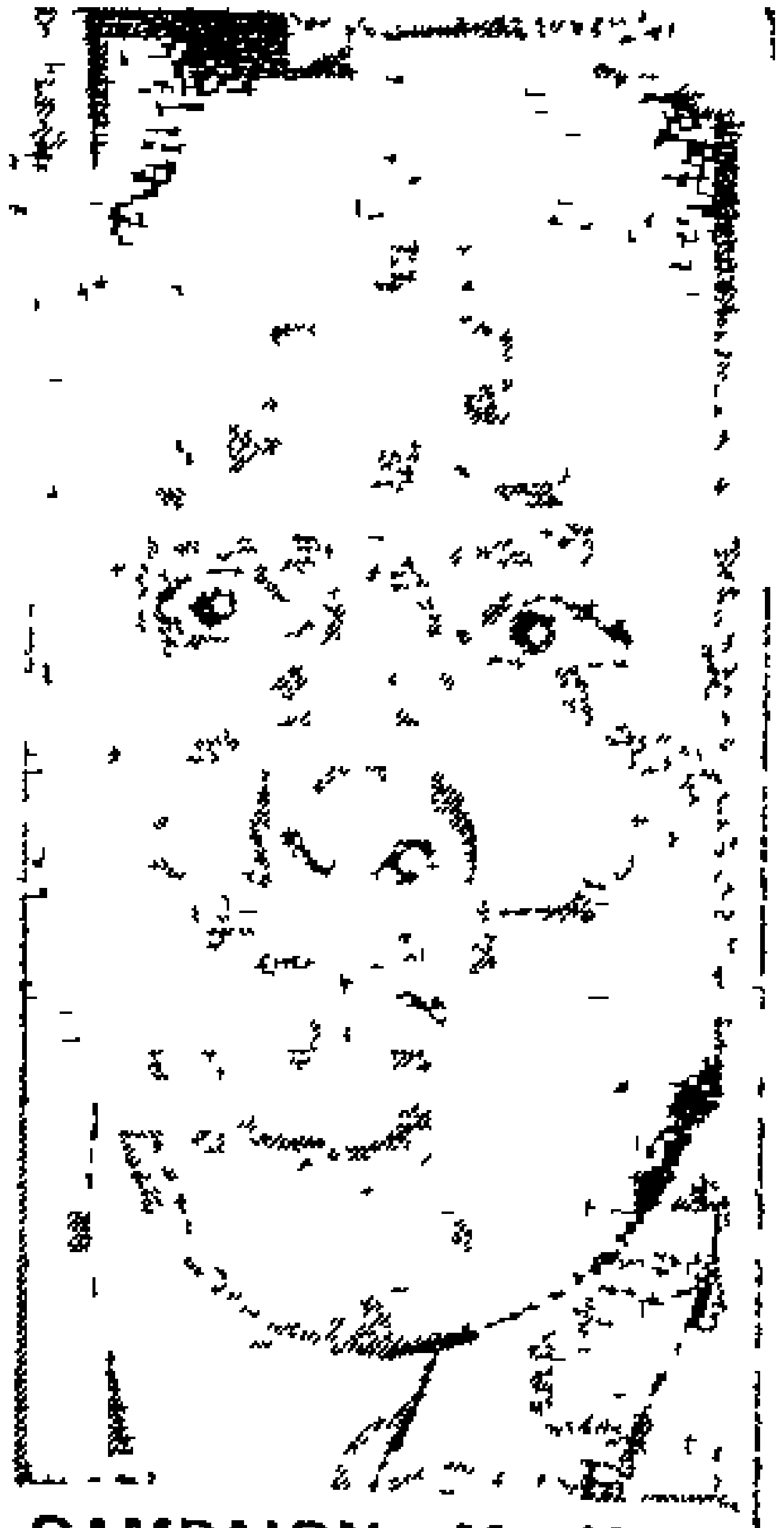
The Soweto Chamber of Commerce and Industry president, Mr Veli Kraai said yesterday "Shopkeepers will ensure that no further orders come in from the company after present stocks on our shelves have all been sold Most shopkeepers have thrown their weight behind this campaign "

The SCCI resolved last weekend to prevent all shopkeepers in the townships from making further orders of the company's products The company is financing a giant supermarket in Jabulani

He said the organisation would in future 'screen' businessmen seeking financial help from white companies Only after consultation with the businessmen's organisation would blacks be allowed to run white-financed concerns in the townships, he added

Mr Kraai urged black businessmen to "come together" so that they could form companies This, he said, would ensure that all businesses in the townships would be black-owned

Among the targets of the businessmen's organisation is the off-course tote in Dube which the body has pledged to "fight out of Soweto"



CAMPAIGN Mr Veli Kraai, SCCI president

Protecting minority rights in the great takeover game

D Dispatch 28/9/82

232

BY TOM LOUW
Business Editor

EAST LONDON — The mergers and takeovers which have so changed the face of business in South Africa in recent years are still going on

As always the position of minority shareholders is a key consideration It is reported, for example, that the Magnum group, which recently acquired 50 per cent of the shareholding in the Javcor cash shell is extending an offer to the Javcor minorities

In another deal, National Bolts in the Anglovaal group is negotiating to acquire the entire issued share capital of five companies which are distributors of its products

The arguments over the Kirsh interests takeover of Greatermans really started over minority rights and are not done yet

It will be recalled that Coki Corporation, the Kirsh holding company which figured in the deal, having obtained a controlling interest (in the course of which there was some acrimony over the profit and loss situation) was given permission by the Johannesburg Stock Exchange committee to extend its offer of purchase only to the minority holders of voting ordinary shares, non-voting shareholders were excluded

A non-voting shareholder sought a court review of the ruling and succeeded in getting it upset, so that all minority shareholders become elegible for the offer

There the matter rests, pending appeal which could take anything up to two years, and it would be improper to comment on it

The broad principles at stake are nevertheless interesting

Mr Mervyn King, executive director of Kirsh Industries and chairman of Coki Corporation, spoke on this theme at a meeting of the L&GV Finance Writers' Club in Johannesburg and he recalled that the cry has gone up for the establishment of a statutory body to control the affairs of the Stock Exchange, as in the United States, or a panel as in the United Kingdom

The key consideration behind this pressure is the minority rights issue

Mr King pointed out that the regulations of the Johannesburg Stock Exchange are designed around two important principles, the philosophy of disclosure, which creates an obligation to furnish information, and the principle of equal opporttunity for all shareholders save in special circumstances

The thinking in the case of minorities is that people may hold shares in a listed company and be reasonably happy with its management, policy and objectives But minority holders have no guarantee that if management changes on a takeover offer there will still be the same standards, policy and objectives which they have believed to apply to the company The view is that they should therefore be entitled to benefit from the takeover offer and that any attempt to ride roughshod over their interests must be resisted

Nobody quarrels with that view The small man is entitled to protection and it is no answer to say that if you don't want to get hurt you shouldn't play with the big boys

The point at issue is how those interests are to be safe-guarded

Mr King explained that in regard to the London Stock Exchange, a takeover panel was created about 13 years ago, after a public outcry over a number of bids in the mid-Sixties,

The secretary is appointed by the Governor of the Bank of England and about half the executive staff of eight are drawn from the Bank of England Others are a merchant banker, a stockbroker, a solicitor and a chartered accountant

The five main objectives of the panel, as listed by Mr King amount to much the same as the principles enshrined in the rules of the Johannesburg Stock Exchange, with special emphasis on equality of treatment for all shareholders and adequate disclosure in takeover bids or mergers

The London takeover panel and the JSE committee have much the same powers in dealing with mergers and takeovers

In the United States, statutory control is even more strongly established Control over about a dozen stock exchanges, of which New York is the biggest, is exercised by the Securities and Exchange Commission (SEC) which was created by an Act of Congress in 1934

The function of the SEC is to endeavour to provide investors with information concerning securities, and to prevent deceit and fraudulent acts in the sale of securities

Mr King commented "My thesis is that there should be no change in the present system in South Africa My reaction is to turn my face against any statutory interference"

He quotes the Van Wyk de Vries Commission as suggesting that a SEC in South Africa would lead to bureaucratic control over companies He points out further that there is already wide-ranging statutory control over companies

As for suggestions that a SEC would help in the detection and prevention of offences, Mr King remarks that the SEC in the US has not had this result and it cannot be guaranteed that it would be achieved in South Africa In fact, he says, the SEC is criticised for not completing investigations and not stopping insider trading

All that is needed, as he sees it, is that the Johannesburg Stock Exchange committee should be strong and willing to use the powers it holds already

In fact, he points out, out of some 400 takeovers and mergers on the JSE over the past 10 years, only six did not involve a similar offer to minorities, and of those Geartermans was one, four were changes of control through market transactions, and in the sixth case an offer could not be extended to minority shareholders because of certain exchange control regulations in Britain at the time

The record, as Mr King suggests, shows that the JSE departs from the principle of equal opportunity only under rare and very special circumstances Moreover it is his view that in the developing economic structure of South Africa, with due regard to the emerging black business element, flexibility is essential if the growth of the economy is not to be stultified by the rigidity of statutory control

Mr King pointed to the bureaucracy that would surely proliferate and added the parting shot "Heaven help us if a SEC in Johannesburg should become like the Maize Board"

Freight Services buys SA Containers

RDM 9/9/82

232

Freight Services has acquired SA Containers, a Safmarine subsidiary, for R12-million.

It deal is effective retrospectively from July 1.

Payment will be settled by the issue of an undisclosed number of Freight Services shares

Saftainer, will continue as the inland containers operator of Safmarine

Safmarine and Freight Services announced that the consolidation of the operations of Saftainer within the Freight Services operation will improve efficiency

The transaction will have a material effect on Safmarine's net asset value a share at July 1, or its earnings a share.

Huge new SA vehicle maker

232

S.Times

10/10/82

By Colin Haynes
and Stephen Orpen

IN A complex corporate reshuffle, what by certain yardsticks could be South Africa's largest big-truck manufacturer has been formed, with a production capacity of more than 5 000 units annually

In the vanguard of the new giant's drive into the heavyweight end of the market is a range of Samag trucks derived from military vehicles produced for Armscor

The battle for business in South Africa's ailing truck market mushroomed this weekend as the huge Messina group launched a new range of commercial vehicles which until now have been hiding under military colours

Under the Magnis Truck Corporation standard, Messina has brought together the production and marketing of South African model derivatives from leading European and Japanese manufacturers

The European models come from the "Club of Four" association of Magirus-Deutz, DAF, Volvo and Saviem

It is from the designs of these manufacturers that Messina subsidiary Truckmakers has developed Samil and Sakom military vehicles under an exclusive Armscor contract since 1976

It is the commercial versions of these trucks — called Samags — which now come on the market, alongside the Nissan Diesel truck and bus range, which is also in the Messina stable

So Magnis Truck Corporation and Truckmakers are now blended into a new and powerful force in South African trucking, with integrated production and sales making them the biggest single factor in the business

There are 17 Samag models from Magnis spanning the 12-26-ton range; the small-

● To Page 3

(232) ~~(192) (259) (67)~~

~~(65) ([illegible]) (70)~~

Huge new truck manufacturer

S. Times 10/10/82

● From Page 1

er ones showing their European ancestry more clearly than the heavyweights

With Magnis aiming to capture 10% of the 10 000kg-and-above market with the Samags, and Nissan Diesel already holding 16%, the Magnis conglomerate will become a major factor in its sector of the market

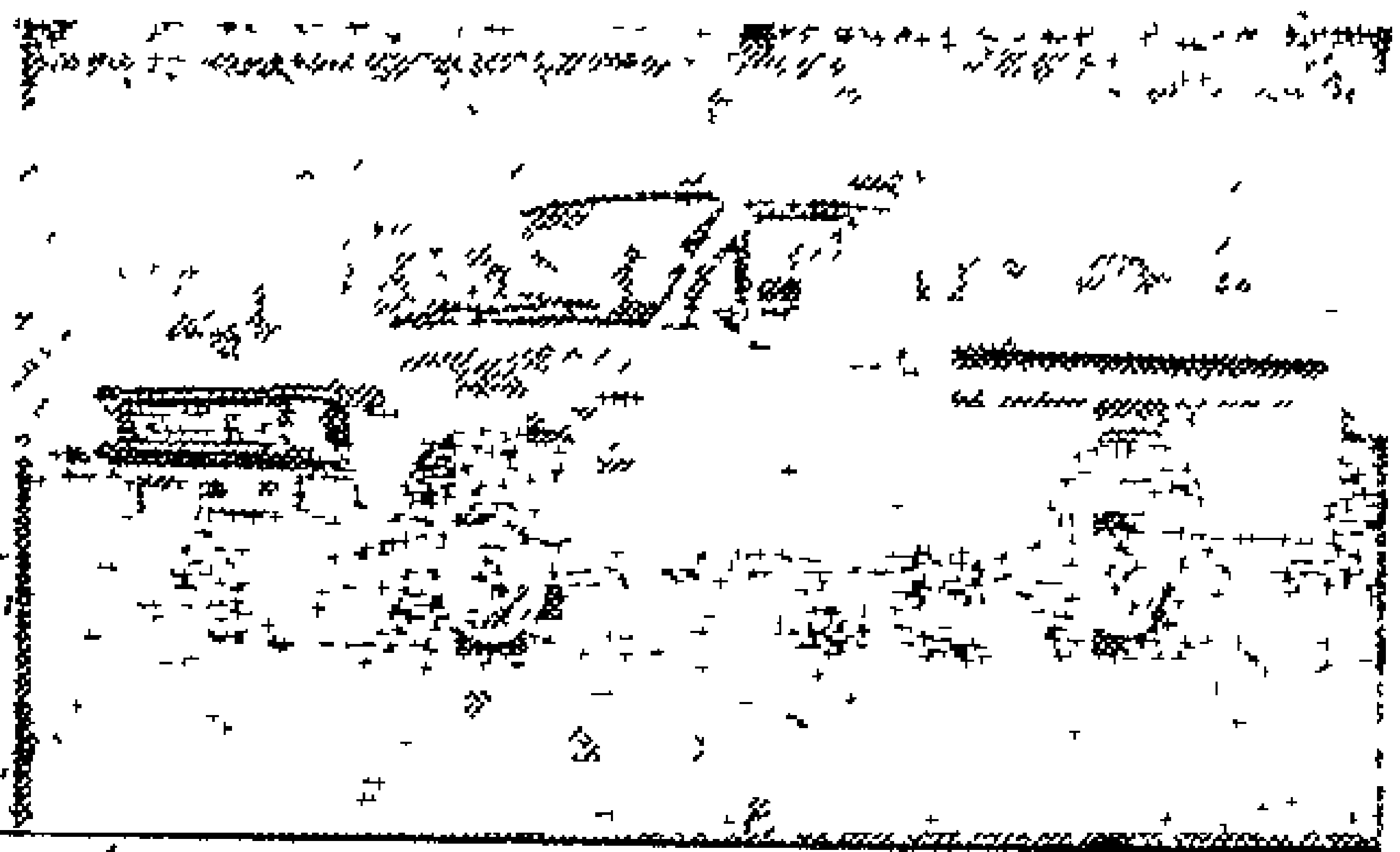
An expected outcome of the Messina move is that it will enable the Datsun operation to concentrate on trying to regain the share of the passenger-car market it has lost recently to arch-rival Toyota in particular

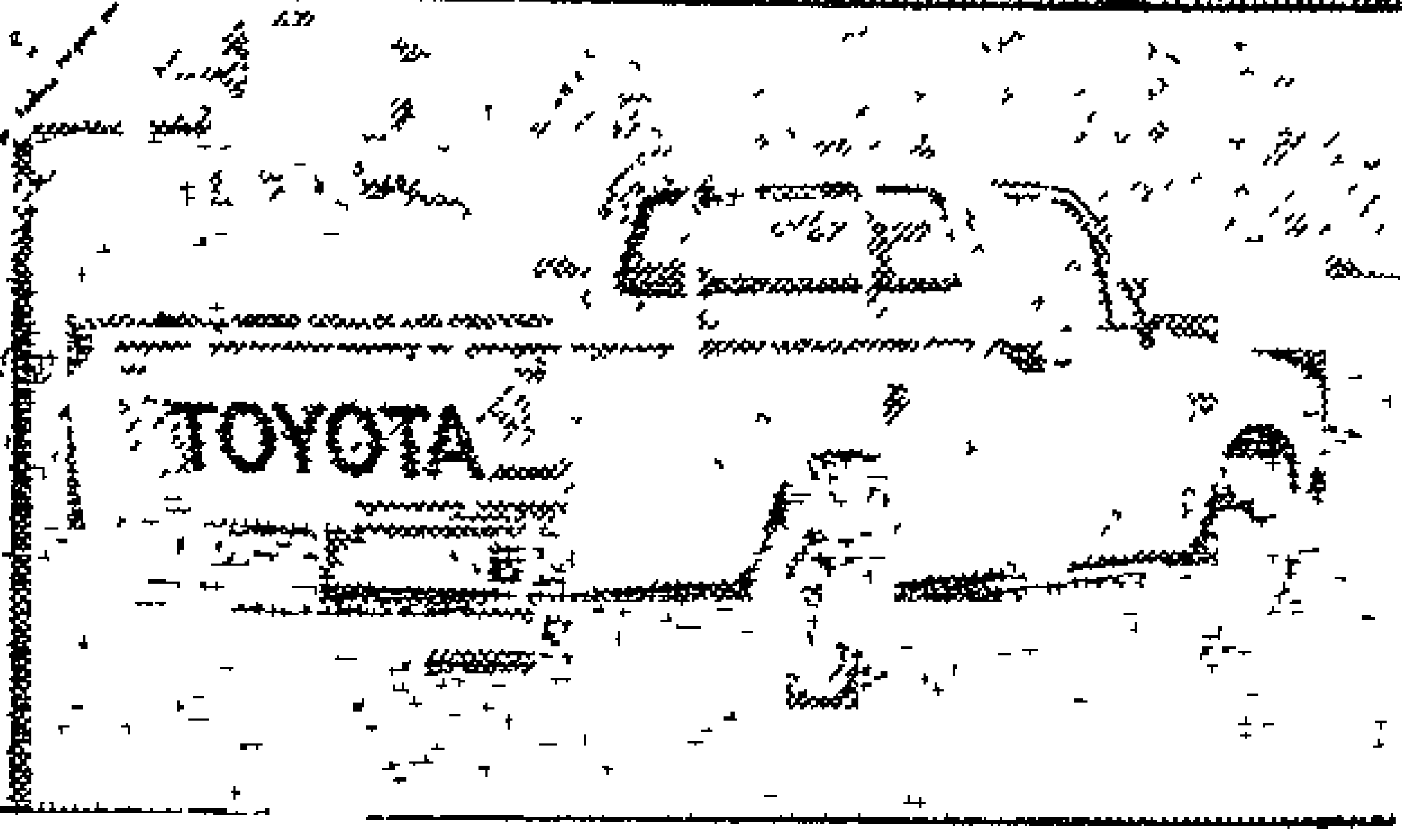
Sigma has also carried out a corporate restructuring to separate truck and car operations, and it is widely known in the industry that Toyota has important truck developments on the way after its move into leadership of the car market.

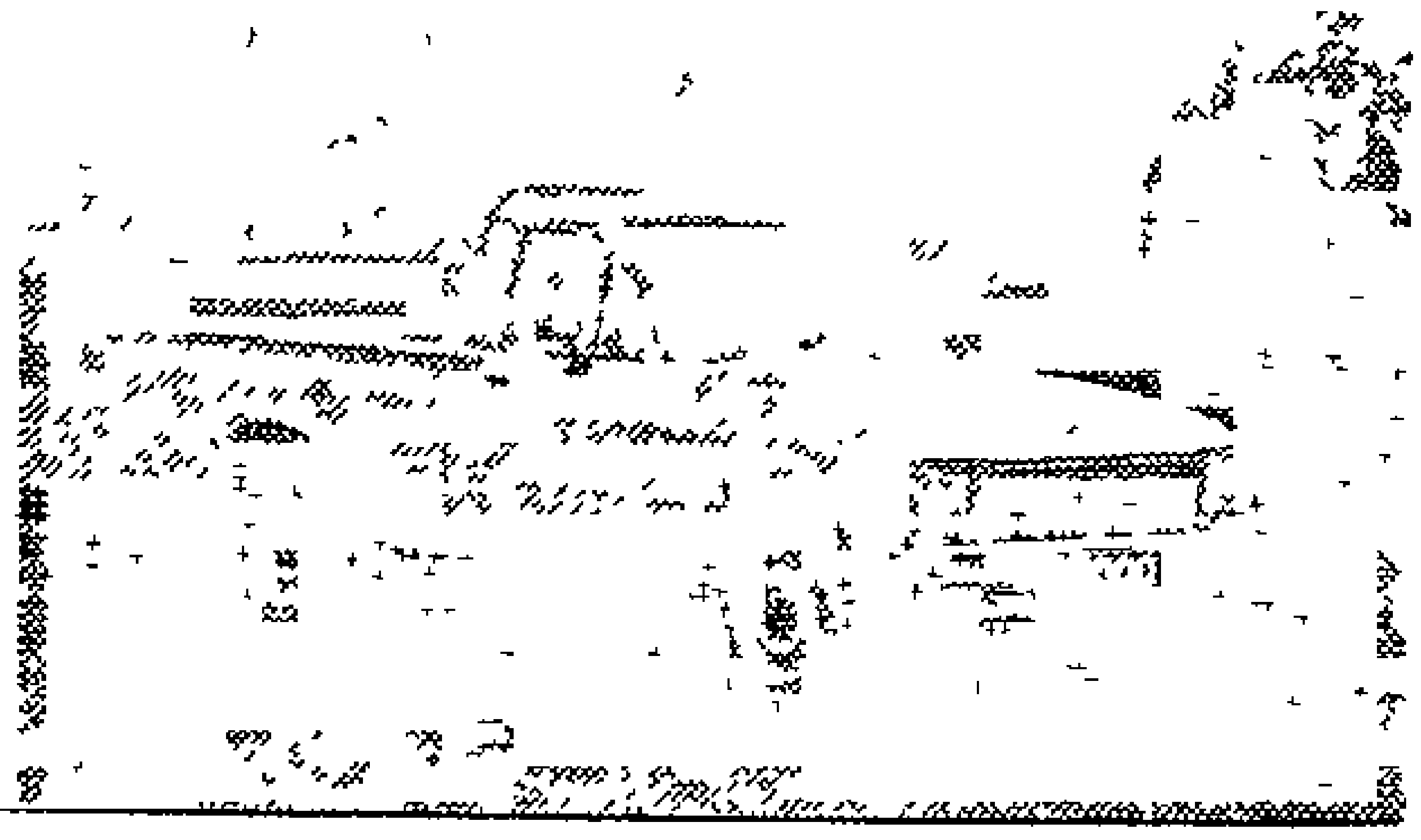
So the current top three companies in the South African vehicle-manufacturing business will be the centre of a fascinating battle for supremacy in the coming months

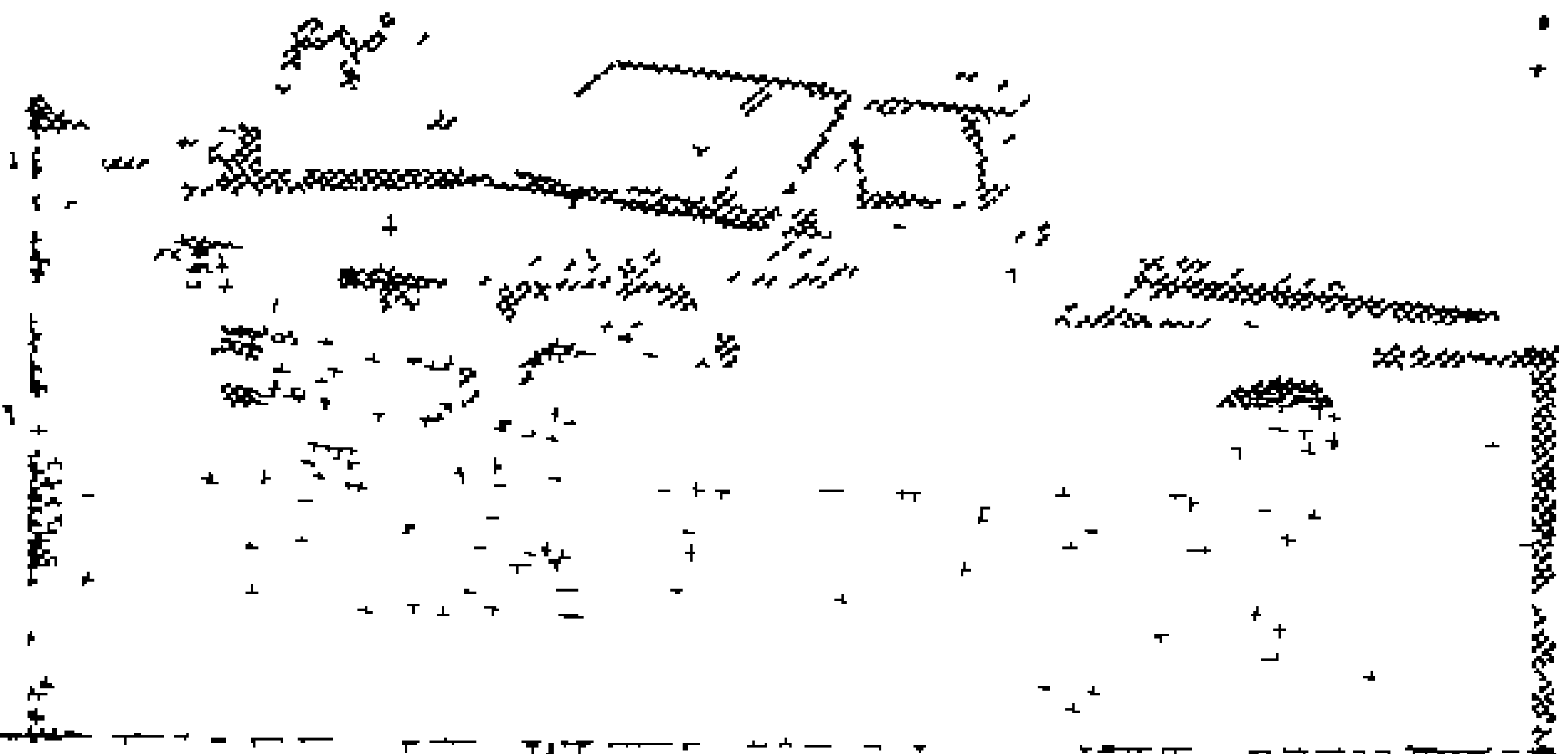
Toyota's position as No 1 with nearly 25% of the total vehicle market looks safe, but the Messina and Sigma groups could both be close contenders for second spot

All three are local companies predominantly relying on Japanese products and which have opened up a clear lead from the European and American multinational motor manufacturers operating in South Africa









BUSINESS 3

TRANSPORT

Stes 14/10/82

232

Thomas Cook, Rennies merge

By Stan Kennedy

Rennies and Thomas Cook are to merge their travel operations in South Africa on November 1

After approval from the SA Reserve Bank and Iata, a new company will be formed, trading as Thomas Cook Rennies Travel

The shareholding in the new company will be held equally by Rennies and Thomas Cook

Mr Buddy Hawton, chairman and chief executive of Rennies, will become chairman of the new company

STRONG LINKS

He says "The merger will bring benefits to the customer, shareholders and employees through an expanded national network, combined with strong international representation through Thomas Cook's 1 200 offices

"Customers will benefit in having a single entity handling their domestic and international travel, foreign exchange and travellers' cheque requirements Shareholders will benefit through rationalisation and a wider network of outlets"

The new company will generate more than R250 million in turnover a year, and will employ about 500 people at 32 local outlets

Air link from Far East to SA

A freight service from the Far East to South

Star 15/7/1982

232

Liberty stake in Guardian raised to 43%

By Mervyn Harris

Liberty Holdings has increased its stake in Guardian National Insurance from 18,4 percent to about 43,4 percent after acquiring 2,5 million shares in Guardian National

This has been announced by the boards of directors of Liberty, Guardian National and Guardian Royal Exchange Assurance PLC of the United Kingdom.

The acquisition, with effect from July 1982, is subject to the completion of all necessary formalities.

NZ HOLDING

The shares acquired represented 25 percent of Guardian National's issued share capital, and was formerly held by the New Zealand South British Insurance Company

The acquisition was in line with the South African Government policy of ensuring a higher level of local participation in the short-term insurance industry, it was said yesterday

The increased shareholding in Guardian National accorded with the Liberty Life group's policy of enlarging its interests in the South African short-term insurance industry, which it regarded as complementary to its activities in the life assurance and investment fields, and represented an increasing association with GRE, which had been closely associated with the Liberty Life group since 1964

GRE would retain 5 100 000 shares in Guardian National, representing a 51 percent controlling interest. The listing of Guardian National on the Johannesburg Stock Exchange would continue

CHAIRMAN

The announcement said Mr. Donald Gordon, chairman of Liberty Holdings, would continue as chairman of Guardian National In addition to Mr M. Rapp, managing director of Liberty Holdings, who was also a director of Guardian National, a further two directors would be appointed as directors of Guardian National to represent the enlarged interests of Liberty Holdings.

Guardian National's total assets at December 31, 1981, amounted

Liberty stake in Guardian raised

RDM 15/10 18

232

Financial Editor

MR DONALD Gordon's Liberty Holdings has increased its stake in Guardian National Insurance from 18,4% to 43,4% at an approximate cost of R6-million — and the New Zealand South British Insurance group (NZSBI) has effectively disinvested from South Africa

Liberty's increased holding has been achieved by acquiring an extra 25% stake in Guardian National from the controlling company, Guardian Royal Exchange Assurance of Britain

Guardian Royal will still hold 51% of Guardian National, which says it is "one of the largest short-term insurance offices operating in South Africa and its activities embrace fire, general, accident, marine, motor and life assurance"

Guardian National was formed in 1980 by what was described at the time as a merger between Guardian Assurance and Union National South British Insurance, Unsbic, which was controlled by NZSBI

The deal looked, however, far more like a takeover of Unsbic by Guardian and it seemed that the New Zealand parent of Unsbic was anxious to reduce its links with South Africa

Earlier this year, it now transpires, the New Zealand group sold its 25% holding in Guardian National to Guardian Royal Exchange

In practice, however, that seems to have been a warehousing operation while it was determined on what terms that holding would be passed on to Liberty

Had it have wished, Guardian Royal could have retained the majority of the 25% holding in Guardian National given up by NZSBI

Liberty said yesterday that it had acquired an extra 2 500 000 shares in Guardian National

The R6-million cost was paid in sterling through the financial rand market

I belive Liberty effectively picked up the tab for the financial rand discount

Liberty said "The increased shareholding in Guardian National accords with the Liberty Life Group's policy of enlarging its interests in the South African short-term insuranc industry which it regards as complementary to its activities in the life assurance and investment fields"

The next question, of course, is whether Guardian Royal might in time decide to reduce its South African exposure and let control of Guardian National pass to Liberty

That must be an eventual possibility

S.Times 17/10/82

AA Mutual big merger

(232)

By Kerry Clarke

AA MUTUAL Life has boosted assets to R52-million as the result of a merger with New Zealand Life

Since the takeover of AA Mutual by Kirsh Industries last year, new impetus has been given to the life operation with the appointment of five top marketing and management men to its management team

Since these appointments, AA Mutual Life's field force has been trebled, and plans have been implemented to improve service to all intermediaries, with further developments planned

"Plans and projections we have done on future growth and development make us confident that recognition by the Life Office Association as a large life office will be within our reach in under 10 years," says new deputy general manager Brian Benfield

The merger of AA Mutual Life and New Zealand Life is already under way

Management has merged and systems will be fully integrated by May 1 1983, which is the official date for approval of the merger by the authorities

"AA Mutual Life and New Zealand Life were both born of short-term parents, neither company being managed for maximum growth, surplus considerations having been paramount in the past

"All this has now changed and, with the combined assets we have a sound financial base for rapid future growth," says Mr Benfield

Johnnies increase stake in SAB at cost of R40m

Cape Times 21/10/82

232

By JOHN MULCAHY

JOHANNESBURG. — Johannesburg Consolidated Investments bought another 7 191 551 shares in SA Breweries in the year June 30 at a cost of [illegible] 900 000.

The reason for acquiring the additional shares was to avoid dilution of JCI's interest in SA Breweries after the latter's acquisition of Edgars, which was effected by an offer of shares and cash

Johnnies' directors cite the SA Breweries purchase as a major factor in reversing the group's cash position from a positive balance of R35 600 000 at the beginning of July last year to a deficit of R3 100 000 by June 30 this year

Although Johnnies cash resources have been exhausted, the group arranged credit facilities of R75-million from South African banks during the year, of which R7 300 00 had been used by the end of June

Lennings

The balance sheet shows a sharp increase in long-term liabilities at the end of June, to R62-million from R14-million a year earlier, and this is attributed mainly to Lennings, the engineering subsidiary

Johnnies' financial director Mr D H "Steve Stevenson yesterday described Lennings gearing ratio as "unacceptable" The directors add that Lennings faces a difficult year which "will present a very real challenge to the management"

Lennings difficulties over the past year were compounded by two significant acquisitions, the Besaans-Du Plessis group and Apex Industries (Pty) Johnnies lent Lennings R10 600 000 to finance the acquisitions

Mr Stevenson said Lennings was generating enough income to service its debt now, and the company had contributed a small sum to group earnings in the second half of the year

The analysis of income shows a distinct change from the year to June 1981, with gold's contribution plunging to R10 700 000 from R20 600 000 and diamond income dropping to R11 700 000 from R16 600 000

Coal to rescue

Coal came to the eventual rescue, however, lifting its contribution by R10-million to R16 900 000 and challenging platinum for the group's biggest mining contribution,

Johnnies has been granted a provisional export allocation of 1 500 000 tons of coal in terms of Phase IV of Richards Bay development

The allocation will be exploited together with Total Exploration (TESA) in terms of an option given to that company as part of an existing joint venture agreement

It seems likely that another mine will be developed to cope with the new export allocation, but the development will fall under the ambit of Tavistock, and will possibly take the form of expansion at an existing operation

The directors say discussions are taking place with a third party which has coal export allocations, "with a view to expanding further the planned operations at Phoenix colliery"

Options for coal rights over large areas in the Transvaal, Natal and Free State have been acquired "as a result of an increased exploration endeavour" and although the directors say some interesting discoveries have been made they say it is too early to assess whether profitable projects will result from them

Exploration

Increased drilling activity, as well as increased costs of acquiring options and of feasibility studies lifted Johnnies' exploration and research expenditure to R17 600 000 in the year to June from R13 700 000 last year

The directors say expenditure on coal exploration increased during the year and the level of precious and base metal exploration was maintained

"In view of the growing surplus in world uranium supplies and the fact that this situation is expected to persist in the foreseeable future, active exploration for uranium in the Karoo ceased towards the end of 1981."

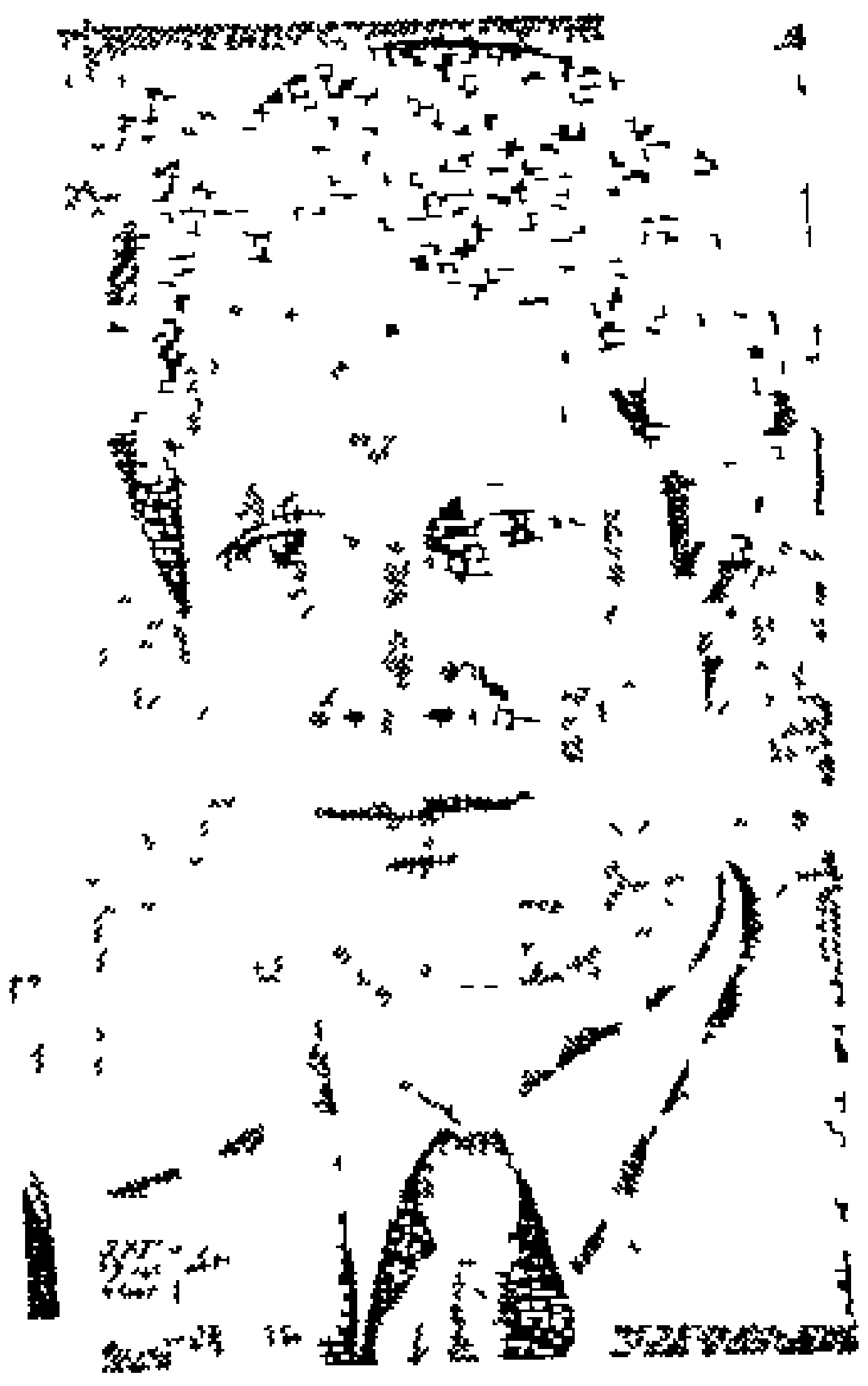
Mining

In a general comment on the economy Johnnies' directors say developments over the past year have been discouraging for the mining sector for a number of reasons

Lower world commodity prices have affected operating profits adversely and directly, as has the general increase in the cost structure of SA caused by inflation

"Although the decline of 23% in the rand's exchange value from $1,1380 to $0,8759 between June 30 1981 and June 30, 1982 undoubtedly helped to soften the impact of the world recession on the mining sector, the benefit of the decline could at best be temporary"

The directors add that in the long term a reduction of the inflation rate is most important for preserving the mining sector's competitiveness, 'and it is imperative that greater attention be given to the problem both by the authorities and the private sector



Mr J L Battersby has been appointed chief executive, technical, Atlantis Diesel Engines

232

ca's 'other government'

**ıjor mining groups
n a year on community
ı being the
Breier reports.**

educational
h the fund
ort for the
non-racial
is St Bar-
-, a private
hool in Jo-

last year
R3,5 mil-
R1,6 mil-
rom the
Fund, the
coloured,
and Indian
ets out to
from less
ckgrounds

the best possible education.

The fund has met the building costs of two agricultural high schools for blacks in Ciskei and Lebowa. It has also financed new science buildings at the University of Swaziland at a cost of R500 000, as well as financing research projects at various other universities.

The Chairman's Fund also helps finance the United States-South Africa Leadership Exchange Programme (Ussalep) which aims to promote international dialogue and understanding.

It also supports the other end of the spectrum by aiding community projects for coloured people on the Cape Flats.

Optima describes these people as the victims of the "legislated destruction" of District Six which was wiped out by the Group Areas Act.

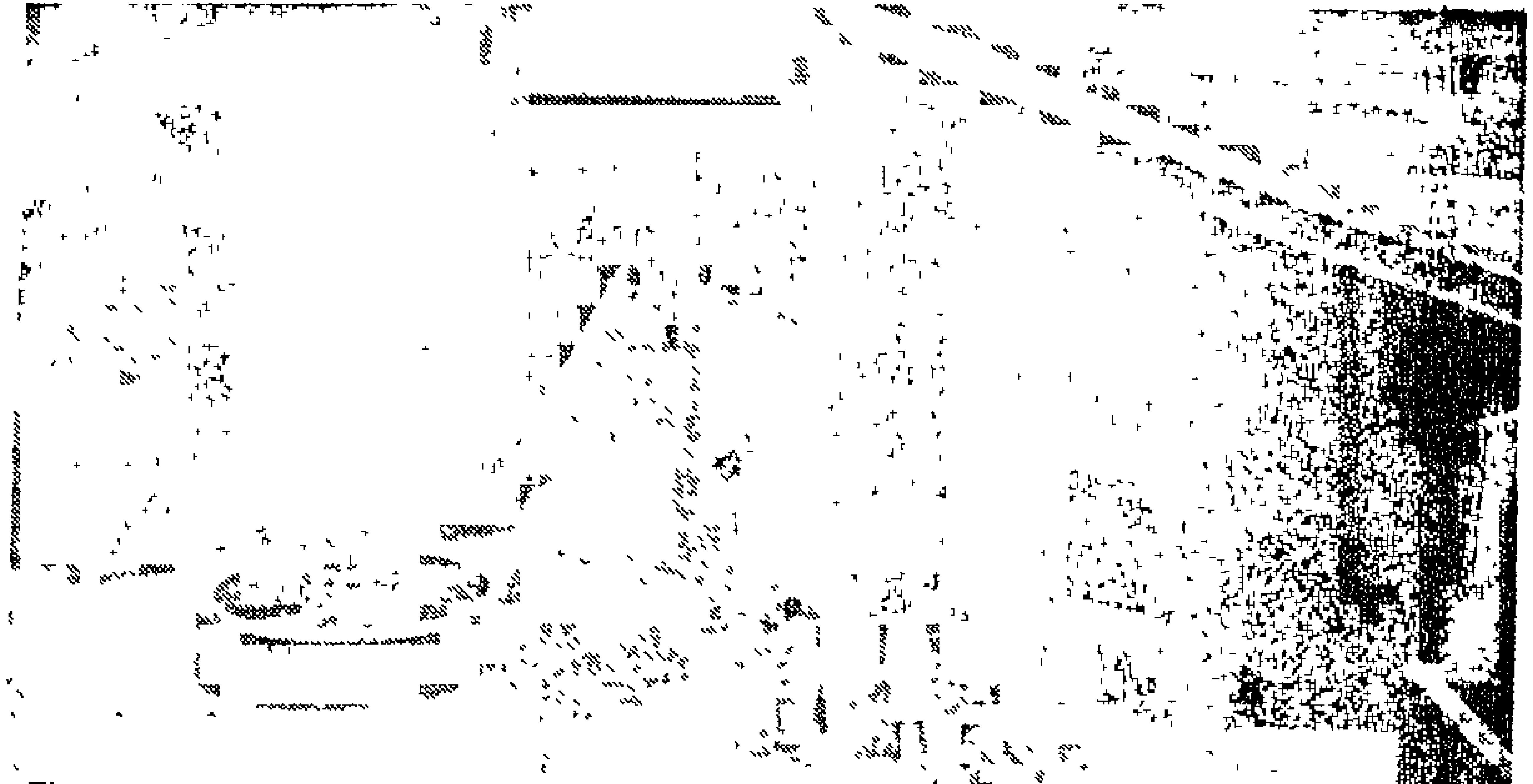
The Act also banished coloured people from Cape Town's middle-class southern suburbs to the windswept flats.

The fund helps the Western Cape Foundation for Community Work which the poet Adam Small helped create.

It aids the Foundation for Social Development in the Cape Flats township of Bishop Lavis and the Build a Better Society group, as well as a variety of South African charities.

The fund's chairman, Mr Michael O'Dowd, believes in a flexible handling of all these projects.

"You don't always get what you set out to achieve in the form initially proposed. But if what you want is sensible, and you are flexible, you can almost always come up with a worthwhile result," he said.



The campus of the R7 million Manosuthu Technikon in kwaZulu, largely financed by the Chairman's Fund.

South Africa's

Some people believe South Africa has two governments — one run from the Union Buildings in Pretoria and the other from 44 Main Street, Johannesburg, the headquarters of Anglo American and De Beers.

A fund set up by two major mining groups spends up to R15 million a year on community projects, black education being the main beneficiary. David Breier reports.

Both governments have education, research, cultural, social development and charity programmes

The one in Main Street spends up to R15 million a year of company profits on its scheme, known as the Anglo American and De Beers Chairman's Fund

And the government of Main Street believes it can exercise more flair and imagination in the way it spends money on community projects than can the bureaucratic and ideologically hidebound government in Pretoria

In fact, if Main Street did not spend millions on its Chairman's Fund, much of this money would be siphoned to Pretoria bureaucrats by way of taxation.

The Chairman's Fund Committee believes that rather than pay more tax to the central government it should exercise its own resources of money and imagination, especially on education projects

A supplement to the prestige Anglo publication Optima makes it quite clear that Main Street has less than a high regard for the Government with its multiplicity of education departments

In a speech at an international management symposium in St Gallen, Switzerland, this year, Anglo American's chairman-designate, Mr Gavin Relly, said the importance of corporate giving stemmed from a recognition of the inevitable limitations on State activity

The social services of the State carried the hallmarks and shortcomings of bureaucracy, rigidity, slowness, uniformity and insensitivity, he said

"Above all, the state system is unlikely to inspire, let alone act upon the imaginative

without profits it could not pay good wages and offer satisfying opportunities to its employees

And unlike the Government, which tightens its belt during recession when community projects are most needed, the Chairman's Fund uses money left over from good years to tide the fund over the bad years

The Optima supplement concludes there is a growing realisation that the health of South Africa's society is too dangerously delicate to be left entirely in the "indelicate, however well-intentioned, ministrations of its Government"

The fund traces its origins to the late 19th century when Cecil John Rhodes was carving his own empire

Rhodes, the founder of De Beers, began contributions to causes that offered no direct benefit for the company but were seen as socially valuable

Soon after its creation in 1917, Anglo American founded its own fund for this purpose

Relly . . . "The State does not inspire."

But these funds merely reacted to requests for money without playing an active role.

The two funds were merged in 1973 when Main Street realised the South African Government was gradually easing its former tight grip on the reins of social development

The fund is financed by a levy related to the

tural and social development and charity.

The fund's committee considers that shortcomings in black education strains South Africa's social fabric more than any other factor it retards economic growth, aggravates unemployment and makes fertile ground for social and political unrest

Of the estimated 6,2 million illiterate adults in South Africa and its homelands, some 5,8 million are black

The fund supports many literacy projects and provides buildings and teaching aids for all levels of education

Major educational projects include

- R13 million for the Isidingo Technical College due to open in Daveyton near Benoni next year
- The Mangosuthu Technikon in Umlazi, kwaZulu, on the outskirts of Durban The fund provided R6,7 million towards the R7 million complex which was opened last year
- Building 16 new classrooms and three new workshops for the Jabulani Technical High School in Soweto, South Africa's first urban technical high school for blacks These additions cost R500 000
- The Soweto Teachers' Training College which cost R2,4 million and finally enabled black secondary school teachers to be trained on the Witwatersrand instead of in the homelands
- A project in Bophuthatswana aimed at taking to matriculation standard those teachers who teach at secondary schools although only qualified to teach at primary school level.
- Bursaries for black, Indian and coloured graduate teachers to attend a one-year course at Rhodes University
- The Schools English Language Research Project run by the Centre for Continuing

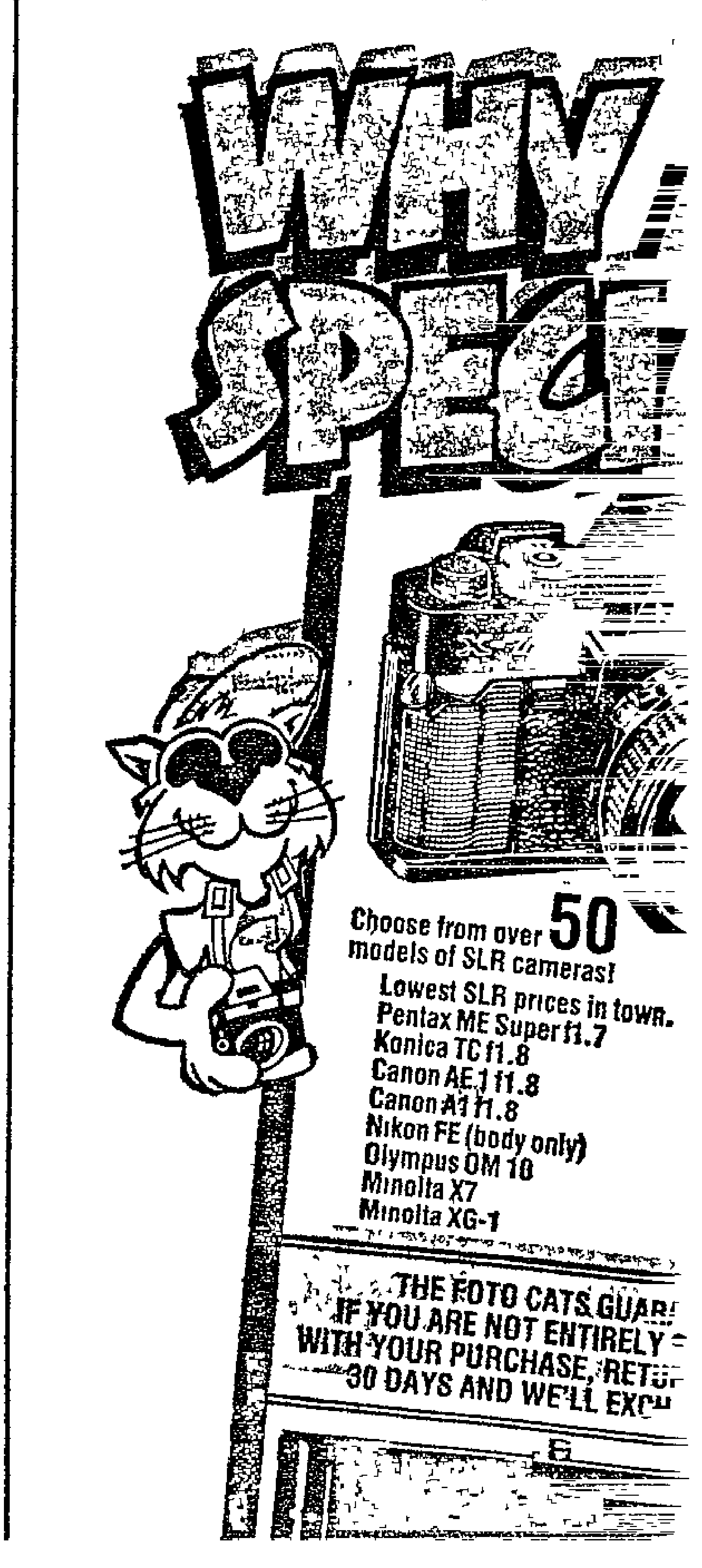
tion project

One educational project which the fund sees as support for the ideal of a non-racial South Africa, is St Barnabas College, a private secondary school in Johannesburg

Completed last year at a cost of R3,5 million of which R1,6 million came from the Chairman's Fund, the school has coloured, white, black and Indian pupils and sets out to give pupils from less affluent backgrounds the best possible education

The fund has met the building costs of two agricultural high schools for blacks in Ciskei and Lebowa. It has also financed new science buildings at the University of Swaziland at a cost of R500 000, as well as financing research projects at various other universities

The Chairman's Fund also helps finance the United States-South Africa



American's chairman-designate, Mr Gavin Relly, said the importance of corporate giving stemmed from a recognition of the inevitable limitations on State activity.

The social services of the State carried the hallmarks and shortcomings of bureaucracy, rigidity, slowness, uniformity and insensitivity, he said

"Above all, the state system is unlikely to inspire, let alone act upon, the imaginative, 'way-out' means of tackling a social problem that a private organisation could conceive of and carry through," he added

But Mr Relly left no doubt that company profits came first, for American founded its own fund for this purpose

But these funds merely reacted to requests for money without playing an active role.

The two funds were merged in 1973 when Main Street realised the South African Government was gradually easing its former tight grip on the reins of social development

The fund is financed by a levy related to the profits of both Main Street groups Last year this amounted to R17 million for the fund, not all of which is spent in one year.

More money goes into education than into any other field, including research, culphuthatswana aimed at taking to matriculation standard those teachers who teach at secondary schools although only qualified to teach at primary school level.

● Bursaries for black, Indian and coloured graduate teachers to attend a one-year course at Rhodes University.

● The Schools English Language Research Project run by the Centre for Continuing Education at the University of the Witwatersrand This aims to improve the ability of Soweto teachers to teach the school curriculum through the medium of English.

● A science educa-

Uncertain mood in Poland

Star 28/10/82

The more you discover about this nation the more confused you become, says Amit Roy of the Daily Mail, London.

WARSAW — The cartoon is savage. It shows a bushy-eyed Brezhnev leading a dog with the face of General Jaruzelski, the Polish leader. "Get them, get them," says the Soviet leader, as he lets loose his faithful hound on a crowd clutching Solidarity banners.

People of all ages gather to study the cartoon, placed by the side of a floral cross in front of a church in the centre of Warsaw

A young couple suddenly appear and lay a long poster across the floral cross· "The war declared on the Polish nation by a group of soldiers has already lasted 10 months From November 10 the passive resistance ends"

Some people in the crowd offer lit candles before portraits of Lech Walesa, the interned Solidarity leader

What is distinctly odd is that all this is occurring in daylight, almost opposite a large police station

If the authorities so wished, all these Solidarity sympathisers could be rounded up in one swoop But Poland is not like that It is truly extraordinary. The more you discover about Poland the more confused you become

Of course, there are the usual facts which are trotted out to explain why Poland is a paradox.

The Catholic Church has immense influence in a nation where at least threequarters of the 36 million population are said to be believers.

Threequarters of farming is in private hands although, because of lack of investment over many years, it is scarcely a showcase for private enterprise

But the paradox of Poland is to be found in the personality of the Pole individualistic, hardly ever afraid to speak his mind, and passionately seeking a freedom he would be hard put to define

As winter sets in and the country moves towards the first anniversary of martial law, on December 13, the mood is uncertain

Solidarity has been banned, and the underground leadership has called a strike for November 10, further stoppages in early December and a full-scale general strike early next year.

A visitor is utterly bewildered by what he finds in what is, after all, a communist country

For example, it is difficult to move about the lobby of the top hotels in the evening without being accosted by young prostitutes

But ask a Pole and he smiles indulgently "Another example of private enterprise"

The taxi drivers are forever offering to take you to night clubs or change your dollars at a favourable rate

After 10 months of martial law, many of the restrictions have been removed.

The casual visitor, like myself, can be easily impressed with the superficial appearance of normality

But a Third World diplomat just transferred from Moscow to Warsaw said· "It took me eight months to get my first anti-establishment joke out of a Soviet official Here, in my first meeting with a foreign ministry official, he told me five good jokes against the government"

Humour, particularly the ability to laugh at oneself, has perhaps allowed the Poles to sublimate some of their recent suffering

You sense that ordinary Poles long for something they cannot quite explain You sense it in the mournful voices of men and women of all ages singing hymns by the floral cross not far from my hotel They know they are trapped by both history and geography

I shall always remember the words of the priest in Krakow "We are alone."

Stes 29/06/82

(232)

Mining giants tussle over board changes

Two giant mining houses were involved in a legal tussle in the Rand Supreme Court yesterday over the appointment of three additional Sanlam-nominated directors to the board of Federale Mynbou.

The dispute is between Partnership in Mining Limited and Federale Mynbou and the three Sanlam-nominated directors, Mr P J Riekert, Mr P L la Grange and Mr P Steyn

Partnership in Mining holds about 30 percent of the shares in Federale Mynbou, Sanlam about 50 percent and Volkskas five percent The remaining sharesholders have not been identified

The paid up share capital of Partnership in Mining in Federale Mynbou is about R68 million.

Partnership in Mining had applied for an order nullifying a resolution increasing the number of directors on Federale Mynbou from 12 to 15, and for an order invalidating the appointment of Sanlam's additional directors.

At the centre of the dispute is the interpretation of a clause in the Articles of Association as to whether the board of directors of Federale Mynbou could increase or decrease the number of directors

Mr I Maisels, QC, for Partnership in Mining, submitted that an ordinary resolution passed at an annual general meeting on May 6 this year to increase the number of directors was irregular

He said that despite objections by Partnership in Mining and Volkskas, the resolution was accepted.

The objection was that the resolution had constituted an amendment to the articles, and that this could be done only by a special resolution

Mr R S Welsh, SC, for Federale Mynbou and the three new directors, replied that the articles did not require a special resolution

Only an ordinary resolution was required

Mr Justice Coetzee reserved judgment

● Federale Mynbou is dominated by the Sanlam Group and Partnership in Mining is controlled by the Rembrandt Group.

21 d.

Anglo-De Beers drama under fire in London

Cape Times 29/10/82 (232)

By NEIL BEHRMANN

LONDON. — The Financial Times Lex column yesterday commented scathingly on Anglo American's closed door announcement of its purchase of 10-million De Beers shares

"As South African companies, neither De Beers nor Anglo is strictly bound by the disclosure procedures which govern their British counterparts

"But the revelation of price-sensitive information which left the shares 36 pence lower at 287 pence on Wednesday, to a small group of shareholders by the company's stockbroker, is hardly in the spirit of the stock exchange listing agreement

"The announcement was admittedly made after hours in London but no formal statement was issued through the stock exchange until Wednesday afternoon and, in the case of a stock traded in several markets, niceties of timing became less material

"The London Stock Exchange quotations committee will presumably wish to take the matter up informally with those concerned It should find the relevant telephone numbers in a file marked "Dawn raid — Consolidated Gold Fields"

Rules of the London Council for the Securities Industry state

"Following an acquisition of shares, or rights over shares, a person shall notify that acquisition and his total holding to the company and to the company announcements office of the quotations of the (London) stock exchange not later than 12 noon on the dealing day following the date of acquisition if his holding of shares, or rights over shares, already relate to 15 percent or more of the voting rights, and as a result of the acquisition increases to, or beyond, any whole percentage figure above 15 percent of the voting rights of the company"

Since Anglo already had direct an indirect control of 31 percent, Mr Ogilvie Thompson's disclosure to institutional clients of Rowe & Pitman was, as the Financial Times states, "hardly in the spirit" of the London Stock Exchange listing agreement

London broking sources say that the buying took place through R & R Layton in London, Ernst & Co in New York and Davis Borkum Hare in Johannesburg

The sources say however, that Anglo American is in the last stages of completing the deal and by this week will have bought about 11-million shares

One broker also said that the market had itself to blame because it was bidding the price up on sometimes "ridiculous rumours"

But they contend that Johannesburg should tighten its own regulations to enforce open declarations of market-sensitive information

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by E V Honeyman

---

Y CANDIDATE MUST enter in
n (1) the number of each question
red (in the order in which it has
nswered); leave columns (2) and
nk.

Internal	External
(2)	(3)
13	
19	
18-	

All a

Nu

Nu

Surn

First I

Date

Degree/Diploma/Certificate for which you are registered (e g B.A, B Sc) B Bus S

Subject ECONOMICS I A

(to be copied from the heading on the Examination

Paper No. SECTION ~~III~~ I

(to be copied from the heading on the Examinatio

NOTE CAREFULLY

1. The answers only on the right hand pages will b marked The left hand pages may be used f rough work, but no credit will be given for su work
2. Enter at the top of each page and in column (1) the block on this cover the number of the questio you are answering.
3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
4. Names must be printed on each separate sheet (e g. graph paper) where sheets additional to examination book(s) are used.

s, pieces of paper or other material
into the examination room unless
o instructed.

not to communicate with other
ith any person except the invigilator.

iswer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

EDSON 15255

Sanlam wins court case

RDM 4/11/82

232

By JOHN MULCAHY

SANLAM has won the formal round of the "Boere clash of the Titans" by securing a Supreme Court order in its favour.

In the Rand Supreme Court yesterday Mr Justice Gert Coetzee refused with costs an application by Rembrandt's Partnership in Mining against Federale Mynbou, Mr P J Riekert, Mr P L le Grange and Mr P Steyn.

The Rembrandt subsidiary had asked the court to declare invalid the appointment of three new directors to the Fedmyn board as it contended they could not be appointed by ordinary resolution

At Fedmyn's annual meeting on April 6, Sanlam — which with a shade over 50% is the controlling shareholder in Fedmyn — proposed that the number of directors be increased to 15 from 12 by way of an ordinary resolution, which requires acceptance by a simple majority of shareholders

Rembrandt's representatives at the meeting, supported by Volkskas, rejected the move, saying that a special resolution, needing a majority of 75%, was needed to change the composition of Fedmyn's board

There followed an extraordinary saga of recriminations and personality clashes, culminating on August 25 with the resignation of General Mining Union Corporation's executive chairman Dr Wim de Villiers

The court ruled that the number of directors could be increased by an ordinary resolution, which was valid according to the Companies Act

Rembrandt's chairman, Dr Anton Rupert, said last night "In view of the fact that Dr Wim de Villiers has left the Federale Mynbou group and our action was aimed at retaining his valuable management expertise, my board will probably decide not to proceed with the action"

Approached for comment on the judgment, Sanlam's managing director, Dr Fred du Plessis, said he hoped for a resolution of the conflict between Sanlam and Rembrandt over the Fedmyn issue

"One does no know why they (Rembrandt) acted in that way in the first place. The whole thing has been mixed up with personalities and all kinds of problems that had nothing to do with the control situation"

Dr Du Plessis again stressed that Sanlam's only motive in the exercise of the past months was to protect its control of Gencor

Although Sanlam has more than 50% of Fedmyn it does not directly control Gencor, and there exists the possibility of control being hijacked by the combined action of a number of other Gencor shareholders

Sanlam saw the possibility of control being snatched from its grasp, and rightly or wrongly saw in Dr De Villiers the personification of this threat, which led to the concerted effort to edge him out

It is probably only much later that someone will be prepared to open up and tell the whole story, and there are clearly merits on both sides, but some of the actions taken — and Dr De Villiers' villification is the most significant one — would not stand up to close ethical scrutiny

Dr Du Plessis said yesterday he did not see the court case as a fight against Rembrandt, but as clarification that Sanlam's decision had been the correct one

Questioned on the theory that Dr De Villiers had proposed a rights issue for Gencor, which could have been easily supported by Rembrandt, but which could have had the effect of diluting Sanlam's control, Dr Du Plessis said there was nothing sinister in protecting a control position

He did not deny that a rights issue had been suggested, but emphasised that Sappi's belated rights issue details — due to be announced next week — were not directly related

The timing of the Sappi announcement was "entirely coincidental" and was not related to the judgement handed down yesterday, Dr Du Plessis said

Sappi is raising R150-million to partly finance its huge Ngodwana project, and details have been awaited for about six months They are now expected early next week, and Gencor will have to find somewhere in excess of R80-million to follow its rights, which previously led to speculation that Dr De Villiers had insisted on a rights issue in Gencor itself

In discussions with a number of Sanlam senior management people yesterday the impression was gained that the rights issue theory was a reality, and that while in principle a move to raise funds could not be disputed, Sanlam had been forced into a defensive position

"Control is control is control," said one Sanlam manager, who questioned whether it was unethical for any organisation to protect its own interests

It could be logically argued, he said, that in protecting its own interests in Gencor, Sanlam was also looking after the interests of the other Fedmyn shareholders, a major one of which was Rembrandt with a holding of 30%

It is debatable whether this is the end of the saga, and although Rembrandt has been left with egg on its corporate cheek there is certainly no guarantee that Dr Rupert is going to let the matter rest

The level of antipathy over the past months suggests otherwise, and it is difficult to be persuaded that everything has now been settled commitments

Trans Hex gets Dawn Diamonds

232

Star 9/11/82

By PAUL DOLD

CAPE TOWN — Theron Holdings subsidiary, Dawn Diamonds, has sold its west coast prospecting venture to Rembrandt's Trans Hex for R1 851 111.

Dawn has mined the concession on behalf of Trans Hex subsidiary Terra Marina and Rembrandt will now exploit its own offshore concession

Trans Hex says the deal will not have a material effect on net asset value and based on Dawn's expected income for the past financial year should boost earnings slightly

Trans Hex warns that because of the erratic nature of the operations, the weather and prospecting expenses it does not expect significant income to flow from the operations in the short term

The sale is the upshot of a weeks' negotiations between Quantum Acceptances Mr Geoff Grylls and Rembrandt

Quantum acted as merchant bankers for the Better Sales consortium which made an offer of compromise to Dawn Diamonds creditors and shareholders after parent, Theron Holdings was placed in provisional liquidation

The consortium intends reversing Dawn into Theron and offering Theron sharehodlers a stake in the new company

After court sanction of the Better Sales consortium offer for Dawn, Terra Marina threatened to cancel Dawn's mining agreement Rather than fight a long and costly legal battle the provisional liquidators arranged for both sides to join in talks and the consortium reached agreement with Rembrandt

Thus first prize — the diamond mining rights — has eluded the consortium, but Dawn which pioneered west-coast mining seems poised to again enter diamond exploration The company has applied for 11 of the 42 new concessions recently offered by the Department of Mines and the outcome should be known in a few weeks Because of its experience on the west coast, Dawn is regarded as being a front runner for the concessions

Better Sales has retained Dawn's head office structure including the geological team on the west coast and has concluded negotiations to lease two large prospecting vessels which will be used in arrangement with existing concession holders

The agreement with Trans Hex also allows Dawn use of the survey equipment and sorting and security facilities Thus Dawn will have the infrastructure to continue prospecting

After consulting major creditors and certain shareholders the sale of the contracting rights to the Terra Marina concession has the blessing of the provisional liquidators, Mr Lieb van Jaarsveld of Kaap Vaal and Mr Willie Hancke of Sanek

Their decision was no doubt easy, given the unpalatable alternative of both Dawn and Theron being liquidated in which case neither creditors nor shareholders would have received much of a dividend

Details of the sale of Dawn assets by Better Sales to Theron in exchange of shares will be announced soon In terms of the original proposals Dawn was to be resold to Theron for R1 600 000 Better Sales receiving 800 000 shares

232

26/11/87

Nat Bolts take-over

NATIONAL Bolts, manufacturer of industrial fasteners, has taken over Hi-Tensile Bolt Supply Company (Pty), JDI (Pty), Natal Bolt (Pty), Hi-Tensile Industrial Supplies (Secunda) (Pty) and Sprong Arnison (Pty) All these companies are distributors of National Bolts products. The acquisitions will have no effect on National Bolts profits, dividends or net asset value — Sapa

Agreement on Magnum takeover

Star 12/11/82

232

Financial Staff

Agreement in principle has been reached for the Magnum Group to move its increased 91,2 percent holding in Northern Free State Motors (NFS) to the listed company Magnum — the former cash shell I L Back

In July, a consortium of which the Magnum Group was a member, bought control of NFS. Now the listed Magnum has acquired 1,96 million NFS shares from the other consortium members at 200c a share — the price offered to minority shareholders.

NFS in turn is acquiring four Johannesburg city centre properties — SA Eire House, Surrey House, Triangle House and Provincial House

Simultaneously with this acquisition, a consortium of Mr Bill Archbold, chairman and managing director of NFS, Mr Robin Beek, an NFS director, and the Summerley family trust is acquiring the motor, agricultural and allied trading interests of NFS at approximately net asset value, says Union Acceptances

After this, NFS will have assets comprising properties and cash

Shareholders have been advised to exercise caution in their dealings in Magnum and NFS shares Full details of the deals will be published as soon as possible

Grand Bazaars to open four Transvaal stores

Cape Times 25/4/82

232

By PAUL DOLD
Financial Editor

GRAND BAZAARS is heading for a major expansion which will more than double trading area in the next two years with the likelihood of yet another doubling by 1985, as this Cape-based chain becomes truly national

The group is budgetting to double trading area by the end of next year to 95 000m² and is on target for achieving sales of R100m in the year ended February 1983

Disclosing details of the group's forward expansion programme, the new managing director, Mr Jackie Sachar, said that the prime growth target was the Transvaal

Grand Bazaars' first Transvaal store opens at Rosettenville, Johannesburg, on Tuesday This will be followed by a store at a new Vanderbijlpark shopping centre next year and two more Johannesburg stores Negotiations are already far advanced on the latter two sites

The 6 000m² Rosettenville store with butchery, bakery, fish sections, as well as Grand's new expanded delicatessen and fruit and veg, will also have large clothing, textile, appliance and hardware departments

Grand's ultramarkets are about 5 000m² with a minimum 3 000m² selling area and a typical store attracts 20 000 customers a week and has more than 30 000 items

"The ultramarket is Grand's answer to the European hypermarket It is about half the size of a hyper but large enough to have an extensive range of merchandise but not too large to make shopping tiring

"There are a number of reasons behind the move to ultramarkets The substantial increase in the number of customers now shopping in our stores has made it essential to provide larger trading areas The larger units are far more economical with their higher volume, leading in turn to lower prices

"Our policy is to locate stores close to residential areas and transport This easy accessibility minimizes travelling time and costs"

Mr Sachar, who was appointed both managing director and vice-chairman, this week says Grand is substantially accelerating its store programme

"The change in pace can be seen from the tempo of openings Before we opened Diep River, Cape Town, last month the group had not launched a new store for some two years Now we have some four openings scheduled for next year

All the new stores are ultramarkets and Grand sees some 20 to 30 new store opportunities over the next five years

Mr Sachar,34, who is a graduate of New York University (MBA), has been part of the Grand Bazaars team for the past six years, and his appointment signifies a new infusion of young management at top level

As part of his training, he worked for the 500-store United States chain — Grand Union — and is a specialist in computerized retailing and particularly scanning

He is openly a consumer advocate believing the consumer has to be given a fair deal and acutely aware of the social responsibility of business

"Our buyers have firm instructions to discard any line which may be suspect, particularly when it is considered for our Grandware range of housebrands In addition, the group is pround of its guranteed refund or exchange of goods if customers are not satisifed"

Although Grand is relatively small compared with the other retail giants, and competition is increasing, Mr Sachar says Grand is gaining market share

The group target market is the lucrative middle segment, but in times of recession it normally captures a fair slice of A and B group spending

Ready to move into the Transvaal market . . . Grand Bazaars' managing director, Mr Jackie Sachar, in the new bakery of the revamped Elsie's River, Cape Town, store The revamping has just been completed at a cost of R1m.

Picture by Clarence Muller

Kruger rands

JSE Closing

	Buyers	Sellers	Sales
1 oz	539	—	540
1/2 oz	278	280	280
1/4 oz	14800	15000	15000
1/10 oz	—	6200	6200

● **JSE overall:** 730,6 (232) ● **Dow Jones:** 1 000,3

Star 25/11/82

Cullinan becomes partner of Iscor

By Alec Hogg, Assistant Financial Editor

The reason for the recent strength in the share price of Cullinan Holdings has become apparent.

The group has reached an agreement with Iscor by which the State steel corporation and Cullinan enter a partnership.

Iscor acquires the listed group's refractories business in terms of the agreement

The partnership comes into effect from the beginning of July next year, and profits will be equally shared.

Cullinan will contribute net refractory assets at their book value of R50 million, and loans estimated at R19 million to the partnership

Iscor will inject a portion of its refractories market together with a cash sum sufficient to bring the partners' holdings up to an equal stake.

According to an announcement this morning, the partnership will carry on the business of manufacturing and supplying refractories to the local and export markets

The announcement says benefits will be drawn from Cullinan's long-standing experience in the manufacture of refractories, while Iscor will contribute its "considerable expertise" in the application of the product.

The agreement will reduce Cullinan's dependence on the troubled refractories industry, strengthen its balance sheet structure and improve the quality of its long-term earnings, the statement adds

COMMENT: The behaviour of Cullinan's share price over the past week when it rose from 335c to 500c shows that where there is smoke, there's fire.

Although analysts were wrong in suggesting that Cullinan was being taken over by Grinaker, strong buying over the past few days has been justified by the joint announcement.

Cullinan has, in effect, sold off half of its total assets which contributed only 30 percent of operating profit in the year to end-June, in a partnership where the best possible price could be realised.

The announcement, however, leads to some questions. First, the reasons for the recent price movement, accompanied by wide rumour of takeover.

Insider trading is, of course, an offence punishable by law. Presumably the JSE Committee will look into the matter.

Further, the decision by Iscor to form a partnership with a private sector body is unusual Is this a further intrusion by the public sector into private enterprise or does it presage a move in the opposite direction?

Barclays arms to merge

(232) Star 25/11/82

The Star Bureau

LONDON — The Barclays Group plans to merge Barclays Bank International and Barclays Bank, the United Kingdom parent company, to create a single bank using its resources more efficiently and co-ordinating existing operations

Since Barclays Bank took over Barclays Bank DCO in 1971, the group has operated as two separate banks. BBI serves the international market while Barclays Bank deals with Britain.

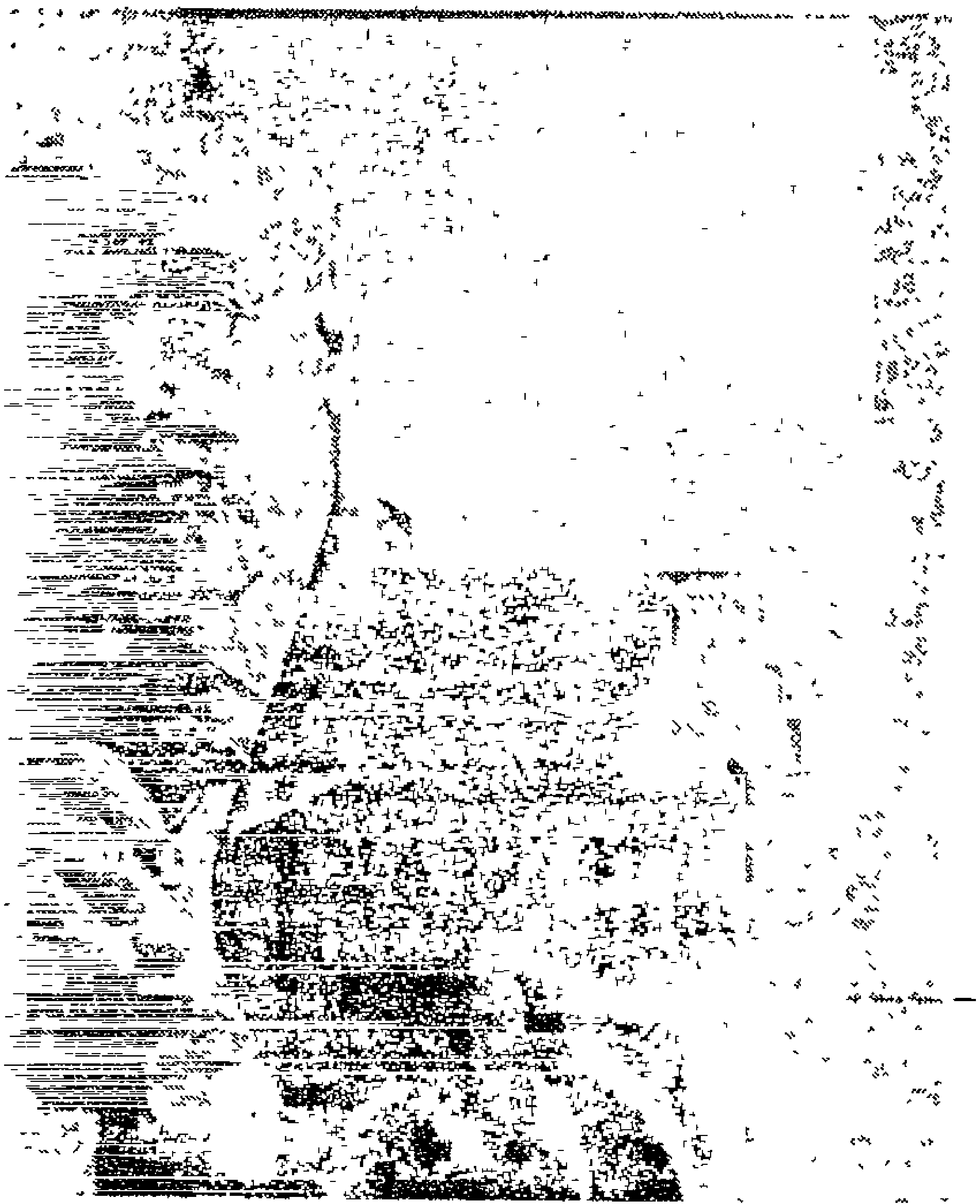
This has, however, led to considerable duplication of functions

Mr Frank Dolling, a vice-chairman of Barclays, said yesterday that the merger would lead to improved customer service and help the bank distribute its capital more efficiently.

Barclays had already combined several support functions for the two banks, including the secretary's department and the property division.

But a full merger would require an Act of Parliament, Mr Dolling said, and would probably not be completed until 1985.

n retirement...



regard for onomics involved a very dangerous " he said

whether the regional policy, recognises a sin- nomy for South was preferable old idea of frag- economies, he , with qualifi- "Yes, I think it improvement in sense that neo- alism is an im- on colonial- and new- rdianism is an ment on Ver- anism "

Oppenheimer said the growth of Afrikaans business — "and as far as we are concerned, in the mining industry" — had substantially diminished the hostility which the Nationalist Government had long felt towards big business

Mr Oppenheimer plays down his role in the entry of Afrikaans business into big-time mining, in helping Federale Mynbou take over General Mining

"Some people talk as if I did the whole thing I had some part in it, but one must not exaggerate There is no doubt if it hadn't happened in that way, at a later stage it would have happened another way " he said

While Sir Ernest, also a Kimberley MP, was a personal friend of General Smuts, Mr Oppenheimer met the current Prime Minister, Mr P W Botha, for the first time at the Carlton Conference.

"I think that on the whole, although I don't approve of everything Mr Botha does, he has improved relations between the Government and the business people." Mr Oppenheimer said

Ultra verkramptes in South Africa still use the old "Hoggenheimer" bogy to beat Anglo American accusing it of pumping money out of the country into its huge multinational interests

"I have always seen Anglo American as a South African group which had the resources and the know-how to do good business outside South Africa" Mr Oppenheimer said

"Eighty percent of our business is in South Africa The flow of money in and out of South Africa in regard to this group over the years has been enormously in the favour of South Africa We have been major importers of capital into South Africa"

Mr Oppenheimer is obviously delighted that his son Mr Nicholas Oppenheimer (37) now joint deputy chairman of Anglo is successful in the group

In retirement, he still intends to call at the office (which is the address of his private company Oppenheimer and Son) although not every day — and not for the hours that he used to

"Occasionally I hope that I shall even be able to make a useful suggestion But I won't try that too often because I believe that when you retire you must not breathe down people's necks "

He hopes to spend a little more time at his La Lucia estate near Durban and to take a more active interest in his racing stable

lections on retireme

ns

's

ut

life
of
of
the
hich

up
has
the

will

his
the
was
the
the

well led' he commented

"I don't think any sensible person in the PFP is going to disapprove of giving some share at the centre to coloured people and Indians But I don't think that really goes to the heart of the matter

"I think the role of the PFP is largely to push on with this thing and to stick to this issue of blacks in the towns and to press for something to be done about them also," he said.

The Government was mistaken in thinking that either the homelands policy or its regional development plan could solve the basic dilemma of the urban blacks, Mr Oppenheimer said.

"I think the dispersal of industry is a good thing in so far as each individual case is looked at to make sure that the particular growth is economically soundly based

"But I think that simply to say there is a great virtue in dispersing industry without too much regard for the economics involved — is a very dangerous policy," he said

Asked whether the new regional policy, which recognises a single economy for South Africa was preferable to the old idea of fragmented economies, he assented, with qualification "Yes, I think it is an improvement in the sense that neo-colonialism is an improvement on colonialism', and new-Verwoerdianism is an improvement on Verwoerdianism "

Mr Oppenheimer said the growth of Afrikaans business — "and as far as we are concerned, in the mining industry" — had substantially diminished the hostility which the Nationalist Government had long felt towards big business

Mr Oppenheimer plays down his role in the entry of Afrikaans business into big-time mining in helping Federale Mynbou take over General Mining

"Some people talk as if I did the whole thing. I had some part in it, but one must not exaggerate There is no doubt if it hadn't happened in that way, at a later stage it would have happened another way," he said

While Sir Ernest, also a Kimberley MP, was a personal friend of General Smuts, Mr Oppenheimer met the current Prime Minister, Mr P W Botha, for the first time at the Carlton Conference.

"I think that on the whole although I don't approve of everything Mr Botha does, he has improved relations between the Government and the business

moved fr
worth. Tr
launch atta
kel before
Lesotho," h
The Star R

and, according to a
Foreign Office spokes-
man, denied the exis-
tence of any ANC
bases in Lesotho
Mr Mollo asked for

PERSONALITY

Oppenheimer's refle

...'Make suggestions — but not too often'

(232) Star 3/12/82

Mr Harry Oppenheimer took his leave of the staff of the Anglo American Corporation today in a farewell address outside the firm's headquarters. He has spent a working lifetime with the corporation and 25 years as its chairman. The Star spoke to Mr Oppenheimer this week—about his life's work, his vision of retirement and his perspective on the world around him

By David Breier,
Chief Reporter

Diamonds are a girl's best friend — and Harry Oppenheimer's too

If beneath that businessman's exterior there beats a heart of gold, you can be sure it is well studded with diamonds

"Diamonds are a fascinating business— a sort of mixture between the mining business and dealing with works of art," Mr Oppenheimer says

He reclines on a plush couch in the offices of Oppenheimer and Son at 44 Main Street Johannesburg

Looking benignly at him from the wall is a portrait of his father Sir Ernest founder of the Oppenheimer empire

Sir Ernest's love of diamonds, of their sheer beauty, was legendary

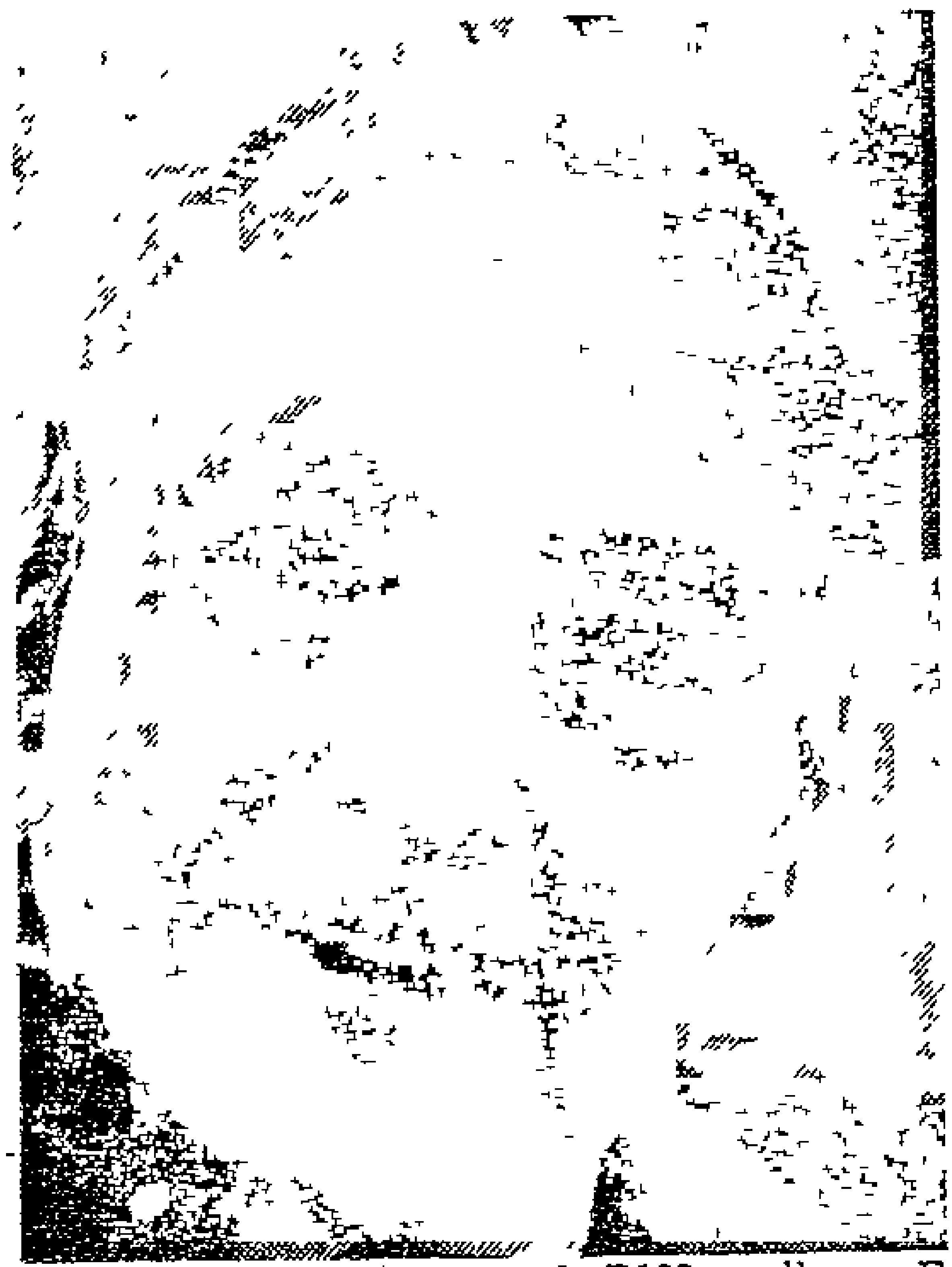
As plain Ernest Oppenheimer a young upstart at De Beers in Kimberley, he once had the temerity to tell the great Solly Joel that a chunk found in one of his diamond mines was nothing more than a piece of glass

Joel bet him £50 that it was a diamond — and lost "Best £50 I ever earned," Sir Ernest used to say

His son, who retires at the end of the year at the age of 74 after 25 years as chairman of Anglo American, is delaying his retirement as chairman of De Beers to help nurse the diamond trade out of the doldrums

"I think it was right to stay on until one could see light at the end of the tunnel

"Actually, for some reason, the diamond business is a little better now I don't know whether that is a flash in the pan or the beginning of a real improvement," he said as if describing the slow convalescence of a loved one



Mr Harry Oppenheimer . reflecting on his life and times Left "I have had the satisfaction of inheriting my position from my father and of being able to develop it so that I leave it bigger than when I started it" Right "I still feel the Government is not facing up to the point which has been the stone in the way of advancement — that is the urban black worker. Until it faces up to that, nothing will be adequate."

Looking back at his career, he said "I have had the satisfaction over the years of having inherited my position from my father and of having been able to develop it over the years so that I leave it bigger than it was when I was first concerned with it"

In modesty, Mr Oppenheimer fails to say just how much bigger

In 1958 after he took over, Anglo had assets of R192 million For the year to March 1982, direct assets were valued at R6 000 million, a giant leap even if inflation is taken into account

As MP for Kimberley from 1948 until he took over as chairman of Anglo, and as a leading figure in the Opposition during the early days of Nationalist rule, Mr Oppenheimer could have had a successful political career.

"Over the years I've been very pleased not to be in politics I think at the moment, with all the movement that is going on, politics are fascinating again although I am far too old to take part

"But if I were 20 years younger, I think I would find present day politics very interesting," he said

Of the current Government - initiated reform movement, he said that if the Government were prepared to move strongly enough to split the National Party, it should be taken seriously

But he added "I still feel the Government is not facing up to the point which has been the stone in the way of advancement from the beginning — that is the urban black worker

"And until it faces up to that, nothing will be adequate," he said.

Mr Oppenheimer makes no secret of his financial support of the Progressive Federal Party. He said he was quite happy with the PFP's stance on the constitutional issue "I think it is being very

---

Family air in tycoon's suite

By Jean Waite

At first meeting it is hard to believe this small, neat man with a cultured English accent is chairman of South Africa's biggest multinational corporation

---

In Paris a French Foreign Ministry spokesman expressed

lls UK

tears."

The ambassador rocked British correspondents with his assertion that if the "survival of lives depends upon it we will probably do it again."

While the raid itself had been successful, he insisted, it had not rooted out the "terrorists" the South African forces were aimed at.

Mr Steyn would not comment on his meeting with Mr Onslow. But he attacked what he termed the one-sided condemnation of violence in southern Africa by the Western world generally.

"Violence takes place all the time against us. But there is not a murmur," he said.

"The violence committed against us is hardly reported and never criticised."

His interview with Mr Onslow came after an earlier call at the Foreign Office by the Lesotho High Commissioner here, Mr Joseph Mollo.

Mr Mollo gave a full account of the raid and, according to a Foreign Office spokesman, denied the existence of any ANC

outside
African em
to protest
sacre of
refugees
citizen
women ar
The r
appealed
and Com
act im
protec
sovereign
rity."
In Du
Catholic
Denis Hu
rather t
black as
"human
manner,"
ment l
clearly t
fight and
to them
The ar
pressec
shock and
the Lesoth
He s
amounted
admission
war with t
a worsenin
flict.
The Co
Chief of St
in Ciskei
General Ch
said the te
jubilant abo
"We're a
jubilant
because on
casions we
out the a
ANC terr
moved fro
worth. Tr
launch atta
kei before r

tycoon's suite

By Jean Waite

At first meeting it is hard to believe this small, neat man with a cultured English accent is chairman of South Africa's biggest multinational corporation

In his unpretentious office, surrounded by family pictures, the man who has become a business legend could be taken for an amiable school headmaster (albeit of the best British public school) or perhaps a career diplomat

But the impression lasts only for as long as it takes a determined jaw and shrewd, penetrating eyes to jerk to attention as the first question of the interview is put

Little escapes Mr Harry Oppenheimer He speaks directly at you, unwavering, chin thrust out the movement is all in his head and eyes — his body is relaxed

Mr Oppenheimer's clothes are discreet, standard Main Street It is his office that does the talking

Not huge by executive standards, it reflects contentment

The suite belongs to the family firm of Oppenheimer and Son And while Mr Oppenheimer doesn't intend to be in it as much as in the past, there will be no immediate packing of books and mementoes.

A formal portrait of Sir Ernest Oppenheimer dominates the room. From a casual painting Mr Nicholas Oppenheimer "locks eyes" with his grandfather across the room.

Framed family photographs — wedding pictures, baby pictures, many of them obviously unprofessional, unposed snaps — are dotted around

With the job of De Beers chairmanship his only official job from the new year, Harry Oppenheimer reckons he'll be able to take a bit more time to walk and read.

He has a love of thrillers — Agatha Christie, Dick Francis — and Victorian novels — Dickens, Thackeray, Trollope.

And, when it comes to poetry the steely tycoon is blatantly Romantic — Byron, no less, is his preference!

In Paris a French Foreign Ministry spokesman expressed

ells UK

tears."

The ambassador rocked British correspondents with his assertion that if the "survival of lives depends upon it we will probably do it again"

While the raid itself had been successful, he insisted, it had not rooted out the "terrorists" the South African forces were aimed at.

Mr Steyn would not comment on his meeting with Mr Onslow. But he attacked what he termed the one-sided condemnation of violence in southern Africa by the Western world generally.

"Violence takes place all the time against us. But there is not a

(232) D. Dispatch 7/12/82

King Tanning takes over rival for R9m

By TOM LOUW
Business Editor

EAST LONDON — King Tanning Company is to take over the Western Tanning Company and the properties which house its operations, for about R9,5 million

A statement issued in Johannesburg by Seardel Investment Corporation says the deal takes effect on February 1 next year and the purchase price will be paid in cash over four years

Managing director of King Tanning, Mr Stewart Dorrington, told me yesterday that Western Tanning is "probably our biggest competitor" so the effect of the deal is almost to double the size of King Tanning

The new enlarged group will hold between 40 and 45 per cent of the market for men's upper leathers, the field in which King Tanning specialises

MR DORRINGTON

King Tanning is the direct successor in a century-old tradition of tanning in King William's Town The company is now owned jointly by Vleissentraal (the chairman of the company is Mr S J J. van Rensburg, general manager of Vleissentraal) and Edworks Ltd

Mr Dorrington said the most important effect of the takeover would be a rationalisation of the market The two tanneries would be able to work well together, with one specialising in the production of the better quality leathers and the other concentrating on the bread and butter lines

Mr Dorrington confirmed that King Tanning proposes to sell its sheepskin operation "We hope to divest ourselves of it rather than close it down," he said

He said the Seardel group had run Western Tanning quite successfully, but had felt that it did not fit in with their principal business, which was in the clothing field "hence the deal," he said

---

RY CANDIDATE MUST enter in
mn (1) the number of each question
vered (in the order in which it has
ı answered), leave columns (2) and
lank

	Internal	External
1)	(2)	(3)
4	68	68
1	62	60
Examiners' Initials		

Subject Economics III
(to be copied from the heading on the Examination Paper)

Paper No PAPER 3
(to be copied from the heading on the Examination Paper)

NOTE CAREFULLY

1 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
2 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book (s) are used

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

~~[illegible]~~ (232)

Scaffolding firm buys US links

Star 13/12/82

04/6

Form-Scaff of South Africa has moved into the US in a big way by acquiring Waco, a scaffolding company in Gleveland, 'for R6 million

Earlier this year, Form-Scaff bought Bouwman Scaffolding of Los Angeles, Rocky Mountain Scaffolding of Denver, and Houston Scaffolding of Houston

"We have embarked on a strategy of geographical rather than business diversification," says group managing director Mr Jeff Liebesman

"Instead of taking over companies outside our field, we have gone outside the country to acquire similar companies in strategic areas"

Form-Scaff has a company in Hong Kong and associated companies in Singapore, Manila and Holland, as well as interests in the Middle East It is probing new markets in Macao and Israel

Locally, it has identified new markets for its products and in coming months will be opening several branches in growth areas

Fight the me[illegible]

232

S. Tribune 19/12/82

Consumer body calls for action on 'get-together'

Tribune Reporter

THE Consumer Council this week urged the Competition Board to protect buyers of red meat by probing a "get-together" move by the two huge meat co-operatives, Vleissentraal and the Boeremakelaars Kooperative Beperk (BKB).

In a forthright statement, the council questioned the reasons for the controversial new working agreement, saying it would benefit producers but not consumers.

Mr Jaap Wilkens, president of the South African Agricultural Union, hailed the move as a "rationalisation" procedure which would benefit both producers and consumers.

But Mr Bill Heunis, the council's assistant director, told the Sunday Tribune yesterday: "We don't accept this at face value. It is a step which would cut down on free enterprise."

He likened the move to the attempted merger of the fertiliser giants Triomf and Fedmis, which was abandoned in February.

"They wanted to become more powerful in negotiating by joining hands, but that was prevented," Mr Heunis said. "The Consumer Council's view and that of agriculture was that it wouldn't be in the interests of the consumer generally.

"By the same token we express our concern about this closer collaboration, because we don't think it will be in the interests of the consumer."

The "closer collaboration" announced by Vleissentraal and BKB comes at a time of soaring red meat prices just before Christmas.

The chairmen of the organisations, Mr Flip du Toit of Vleissentraal and Commandant Piet Marais of BKB, claimed the move would increase the benefits of co-operative marketing.

Mr du Toit reportedly said it would enable Vleissentraal to "forge closer links" between producers and consumers. But the Consumer Council sees no such benefits.

Mr Heunis commented: "We are told that this is both a breakthrough for agriculture and is in the interests of the consumer. But we see repercussions for the consumer.

"The main effect of this agreement would be to increase the bargaining power of these organisations, but from the consumer's point of view it would cut down on free enterprise."

The Council urged the Competition Board — a statutory watchdog which monitors restrictive trade practices — to "participate more strongly in controlling the activity of these organisations in the interests of the consumer."

Senior officials of the BKB and Vleissentraal could not be contacted yesterday.

TWO LEADING FARMING CO-OPERATIVES PLAN TO MERGE — AND PRICES MAY SOAR AGAIN

~~3~~ 232

S. Express 19/12/82

Meat monopoly fear as giants extend control

By JEAN LE MAY Political Reporter

A PROPOSED merger between giant farming co-operatives Vleissentraal and Boeremakelaars Ko-operatief Beperk (BKB) has revived allegations of monopoly in the meat industry.

And two spokesmen for the Progressive Federal Party have disagreed on the issue

Mr Harry Schwarz, spokesman on consumer affairs, criticised the merger as a potential monopoly — but Mr Errol Moorcroft, PFP spokesman on agriculture, welcomed the move

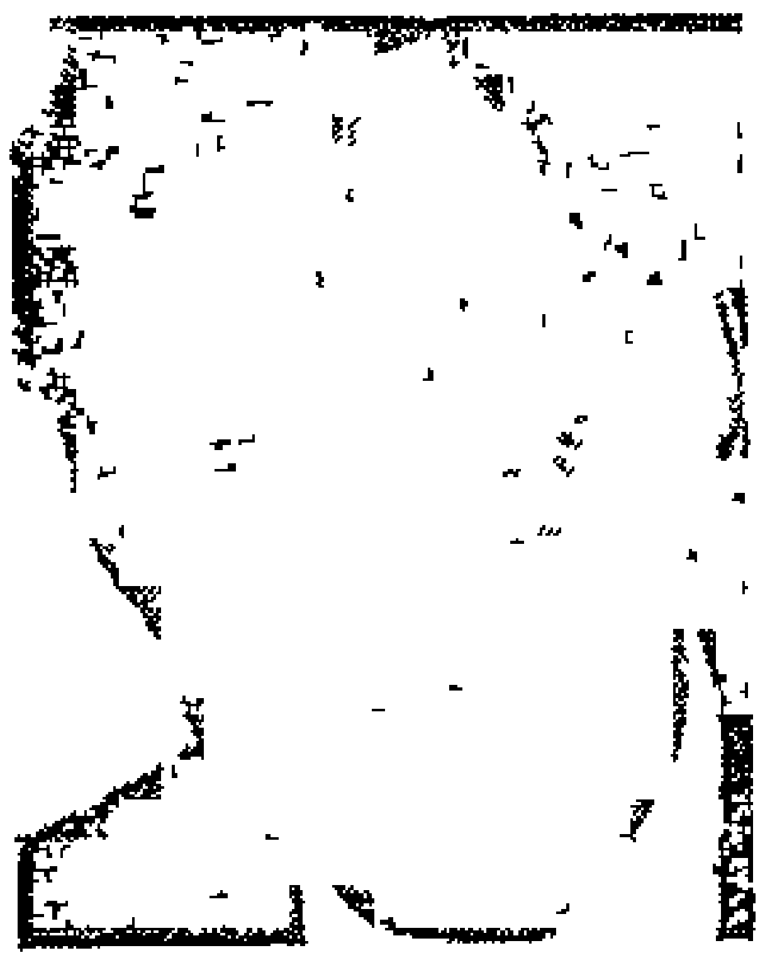
One of the consequences of the "closer co-operation" announced by the two co-operatives this week is that Vleissentraal, the biggest marketer of beef, will now also control the marketing of mutton in all major cities

Vleissentraal was one of the 'Big Three' meat undertakings investigated by a commission of inquiry into the meat industry last year, which found that while there was a "close inter-relationship" between the major meat marketing conglomerates, there was no monopoly

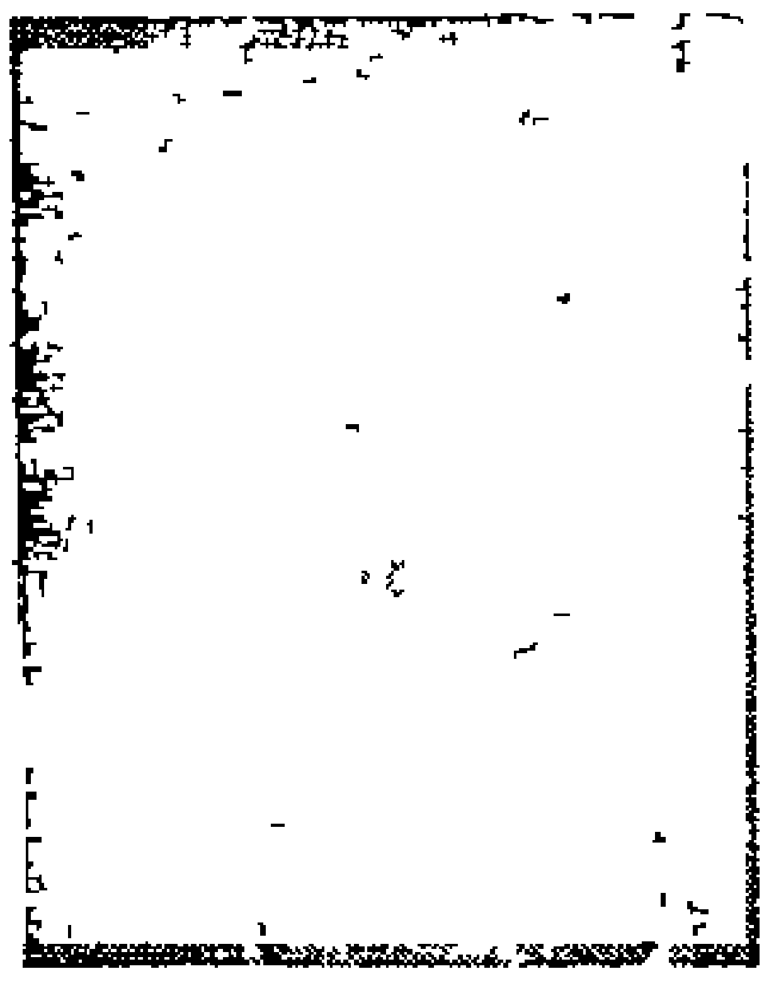
Until now BKB has marketed most of the mutton sold in South Africa

Spokesmen for commercial undertakings in the meat industry, who all refused to be named, say the merger could triggger a further investigation — "but you cannot expect us to tell the Press what we intend doing about it," said one of the spokesmen

Mr Harry Schwarz, Progressive Federal Party spokesman on consumer affairs, has called for an investigation into the proposed merger



● Mr Errol Moorcroft welcomed the move



● Mr Harry Schwarz ... wants an investigation

"It appears to me that it presents the possibility of a monopoly," he said

However Mr Errol Moorcroft, PFP spokesman on agriculture, welcomed the move, saying it would make for greater efficiency and that it was "ridiculous" that two co-operatives should compete against one another

Mr Philip Myburgh, PFP MP for Wynberg and a former party spokesman on agriculture, warned that "a few very large conglomerates have a monopolistic hold on the meat industry, starting at the level of basic farm production and extending as far as retailers"

Mr Jan Cronje, director of the SA Co-ordinating Consumer Council, called for the merger to be investigated by the Competition Board

Dr D J Mouton, chairman of the Competition Board, said agricultural co-operatives and control boards were normally exempt from investigation by the board as far as the marketing of unprocessed agricultural products was concerned

An investigation was only possible if ordered by the Minister of Industries and Commerce at the request of the Minister of Agriculture

However this is unlikely to happen, as the Minister of Agriculture, Mr Greyling Wentzel, has issued a Press statement in which he expressed his satisfaction at the merger

The SA Agricultural Union — of which Vleissentraal has been described as "the marketing arm" — has also welcomed the move

Commandant Piet Marais, chairman of BKB (and of Armscor), denied that the merger would bring about a monopoly

"They don't know the facts — there is a great deal of competition in meat marketing in South Africa The share of the business which will go to BKB/Vleissentraal will still be very small compared with that of Imperial Cold Storage and Karoo/Kanhym," he said

Between them, the two co-operatives have an annual turnover of close on R1 400-million — representing what has been described as "the most powerful voting bloc in the country"

A commission of inquiry into the meat industry under Mr Justice C F Eloff found last year that although there was "a close inter-relationship" between the 'Big Three' — Vleissentraal, ICS and Karoo/Kanhym —, and concern about their growing investment in the industry, there was no monopoly

---

/ERY CANDIDATE MUST enter in
olumn (1) the number of each question
nswered (in the order in which it has
een answered), leave columns (2) and
) blank

	Internal	External
(1)	(2)	(3)
5	10	
7	x	
9	x	
~~6~~	~~/ -~~	
ami- ers' tials		

notes, pieces of paper or other mate-
brought into the examination room
ndidates are so instructed

s are not to communicate with other
s or with any person except the invi-

an answer book is to be torn out

books must be handed to the com-
or to an invigilator before leaving the
on

nd to possible exclusion from the

Vervaardig in Suid Afrika

232 S. Times 19/12/82

Battle of Afrikaans business giants reaches boiling point

By Sunday Times Reporters

THE row between the two Afrikaans business giants, Rembrandt and Sanlam, reached boiling point this week with accusations and counter-accusations being flung about by the chairmen of both companies, Dr Anton Rupert and Dr Fred du Plessis.

In a hard-hitting interview yesterday, Dr Rupert said he felt "ashamed" that Rembrandt had been unable to stop Gencor — a Sanlam-controlled company — from changing its rules so that directors could be "fired with a letter to the secretary".

He also vehemently denied a reported claim by Dr du Plessis that he had been invited to address the Sanlam board and described it as "misleading and incorrect".

"I was invited to lunch and to discuss the issue with four of the directors

"I was never asked to address the board. In fact, I was repeatedly refused the opportunity.

* * *

"I was unable to attend the lunch because on the same day we had a board meeting of four listed companiues in our group."

Asked whether Rembrandt would continue the battle, Dr Rupert stressed that "we have no interest in what Dr du Plessis does. There is nothing he can do to us. He doesn't own us.

"But we were thinking about all the other companies in the Sanlam group and we are concerned about the tendencies that are developing In the end we will prove to have been right.

"We are one of Sanlam's biggest clients, we have R60- to R70-million of insurance money invested with them"

Dr Rupert said he would like to know how many other companies used the same rules as Sanlam had introduced at Gencor

"I am prepared to believe that other companies controlled by Sanlam follow them, but I don't know of any others

"Dr du Plessis could not change the articles of association of Fedmyn — Gencor's holding company — because we have a blocking minority.

* * *

"So instead he used our captive votes to force the change through in a subsidiary."

This week Sanlam chairman, Dr Fred du Plessis, described Rembrandt's stance as "frankly, a bit baffling".

He said Dr Rupert could not have been serious about the issue of the amendment to Gencor's company articles, main point on the agenda at Gencor's meeting on December 14, by sending a telex to him (Dr du Plessis) on December 10, two days after the Sanlam board meeting

Dr Rupert had been invited to meet Sanlam's directors after the meeting on December 8 to discuss the issues involved. He declined, saying it was not convenient to him.

Dr du Plessis said Sanlam was given a clear mandate by Gencor shareholders, outside the influence of either the Sanlam or Rembrandt groups, on Tuesday.

Dr du Plessis disputes Dr Rupert's statement in the telex that such an amendment in the company articles "introduces a principle to the business community which is foreign to the accepted values and sentiments of its members".

A number of companies had had the same articles for a number of years, and both the London and Johannesburg Stock Exchanges had accepted them

RDM 23/12/82

232

~~16~~

~~210~~

Go-ahead for Charter sparks row

By NEIL BEHRMANN

LONDON. — A British Government decision allowing Charter Consolidated to take over a large Scottish company has sparked a row in Parliament

The Department of Trade overruled a Monopolies and Mergers Commission recommendation that Charter should not be allowed to take over Scottish mining-equipment manufacturer Anderson Strathclyde

The reason for the uproar is that Lord Cockfield, the Trade Secretary, owns 2 500 shares in Charter

The rejection of a Monopolies Commission report is unique and provoked sharp criticism by Scottish MPs in the House of Commons

Anderson Strathclyde, Scotland's fourth-biggest manufacturing employer, said it was "shocked and astonished" at the ruling

According to a majority report of the Monopolies Commission, the bid for Anderson by Charter would operate "against the public interest" because it would sap management morale, damage labour relations and reduce Scottish employment

The Government accepted a minority report by two members of the commission — one of them its chairman, Sir Godfray le Quesne — saying there was no real evidence that the merger would damge Anderson Strathclyde

The Government rejects Scottish and Labour MPs' criticism because the decision on Charter's bid was handed over to Mr Peter Rees, Minister of State for Trade The Department of Trade stressed that Lord Cockfield was not involved in the consideration of the Monopolies Commission's report

Since becoming a cabinet minister, Lord Cockfield's shares have been held by a bank which has been given instructions not to deal in them

Charter bought 28,4% of Anderson Strathclyde early in 1980

In May this year it made a 135p a share offer, valuing Anderson at £64-million The shares are currently 176p

The Financial Times Lex column says that the Government's ruling was "pretty sound"

Anderson's pre-tax profits have risen from £3 900 000 to £11 200 000 in the past five years

Lex says the "return on assets has increased steadily and debt has been shaken down With a 37% increase in half-year profits, Anderson is in a strong position to push Charter well over the 135% bid price"

S. Post

24/12/82

(232)

~~210~~

Minorco deal in Canada

JOHANNESBURG — Bermuda-based Minerals and Resources Corporation (Minorco) has announced that discussions are taking place with Hudson Bay Mining and Smelting Co (HBMS) regarding a possible pooling of interest involving HBMS and the mining and industrial interests held jointly by HBMS and Minorco through the Plateau Group of companies, and the provision of additional finance, it was announced in Johannesburg The Plateau Group of companies is jointly owned by Minorco and HBMS — Sapa

29/12/82

232

RDM

Hepworths group buys Harrowe's

By HAROLD FRIDJHON

THE old-established retail clothing and softgoods chain, Harrowe's, is to become part of the Hepworths group in a R536 000 deal.

Atlas Furnishing Stores (Pty) which controls the Hepworths group is to acquire not less than 68% and not more than 78% of Harrowe's 953 500 issued ordinary shares at 75c a share. Most of the shares will come from the Jacobson/Mendelsohn families who control the Harrowe's group

Mr I Rudick, chairman of Hepworths and of Atlas will immediately join the board of Harrowe's as chairman and managing director

The price of 75c will be finalised with effect from March 1 — Harrowe's financial year-end is February 28 — when the final price will be calculated on the same basis as that used to value the shares at 75c

As soon as possible after March 1 1983 a stand-by offer of not less than 75c will be made to minority shareholders. Harrowe's price last night was 60c

Harrowe's operates a chain of stores trading as Leydens, Harrowe's and Simon Templar in Johannesburg, Pretoria, Vereeniging and along the reef

The last annual report shows that the net asset value of the group was 180c a share In the year to February 1982 the earnings were 16,2c a share from which a dividend amounting to 2c a share was paid.

In the half-year to August equity earnings slumped to 1,5c as trading profits fell to R183 000 compared with R243 000. Interest took R148 000 and net profit was R20 000 down from R97 000 in the half year to August 1981.

Unisec: Sage wins another round

232

RDM 31/12/82

By JOHN MULCAHY

ANOTHER round in Sage's protracted battle for control of Unisec was won by Sage this week when Unisec's appeal against an earlier judgement by Mr Justice Goldstone was dismissed with costs.

Sitting in the Pretoria Supreme Court, Mr Justice J Coetzee, Juctice B Franklin and Justice J J Grosskopf, ordered that the affairs of Unisec, Newstock (Pty), Billhawk Investments (Pty), Plover Securities, Overseas Trust Corporation (Pty) and Unit Securities and Trust Company of South Africa, be investigated by one or more inspectors appointed by the Minister of Finance.

Recapping on the long and complicated proceedings over the past two years, Sage in December 1980 launched a proposal to merge with Unisec, which was vehemently rejected by the Unisec board

Headlines ranging from "Sage offers R154-million for all of Unisec", through "Unisec spurns 'inadequate offer'" to "Angry Sage hits back", characterised early proceedings in Sage's bid for the group

In February 1981 it emerged for the first time that negotiations between Sage and Unisec had reached the point of open warfare, and Unisec, to the great joy of minority shareholders sitting on the sidelines, declared an excellent dividend as well as a bonus payout

Accompanying the distribution of largesse from Unisec was an open letter to shareholders, urging them to reject Sage's offer

The three judges this week ordered an investigation into Unisec's affairs, which would throw light on all aspects of the relationship between Unisec and Newstock, Goshawk and Plover (all associates of the Unisec group)

According to the judgement the investigations should cover these companies

- " at the relevant times when the last-mentioned three companies purchased the Unisec shares, in order to determine whether they were then or had been before, or subsequently, became subsidiaries of Unisec and the circumstances under which they, if they were not subsidiaries before, became subsidiaries — or, if they were subsidiaries, all the circumstances under which their "de-subsidiarisation, purported or actual, occurred"

- All aspects relevant to the purchases of ordinary shares in Unisec by companies which are now subsidiaries of Unisec (including Newstock, Goshawk and Billhawk) and more particularly — the date and quantities of shares purchased, the sources of the funds used for such purchases, the motives for such purchases, and whether there are facts which indicate that at the relevant times these companies were subsidiaries of Unisec, either on the footing of the meaning of subsidiary or the operation of the "fraus legis" doctrine

All complicated legal jargon, but essentially, Sage happened to discover — fortuitously, I am told — that Newstock (Pty) had as its major asset an interest in Unisec, and that this situation also applied to Billhawk Investments (Pty)

It was early in the battle that Sage initiated the Supreme Court action against Unisec, the central question concerning the status of some companies in the Unisec group

At the same time, Sage sought, and was granted by Mr Justice Goldstone, a ministerial investigation into the affairs of Unisec

Broadly, Sage harboured suspicions that the effective control of Unisec was being artificially manipulated

Unisec lodged an appeal against the judgement, and according to reports the group has not decided whether to take the matter further, but the next step would be an appeal before the Appeal Court in Bloemfontein

Sage argued that if Newstock and Billhawk, both former Unisec subsidiaries, had shares in Unisec, there could be any number of other similar "ex-subsidiaries" with such holdings, effectively watering down the issued capital and protecting the then existing control position

The 63-page judgement handed down in Pretoria this week deals again with most issues that had been previously argued, but limits the scope of the investigation to the particular companies that Sage requested be investigated

Subsequent to the no-holds-barred battle for control of Unisec, Standard Bank Investment Corporation (Stanbic) appeared on the scene, when it bought a controlling interest in Luxembourg-based Tolux, which controls Hesperus Holdings, which in turn has 41% of Unisec

Stanbic's interest gives it effective voting control, and certainly the power to block another direct attempt by Sage (or anyone else) of acquiring control of Unisec, so the question is — why is Sage determined to go ahead with legal proceedings which at the end of the day will not improve the group's status in Unisec or its ability to gain control of the group?

The simple answer, it seems, is that Sage has almost R30-million tied up i Unisec, and semantically as large an economic interest in the group as Stanbic, so that if there have been untoward developments the company, as a major shareholder it is imperative that Sage be aware of them

This is no different f the right of the holder of 1 shares in a company to demand information on key aspects of that company's operations

Unisec professes to hav no objection to an investigation into the company's affairs, other than the inference that there is some amiss at Unisec

While this reaction to ministerial investigation the affairs of a group might appear frivolous, it is debatable whether there can any significant material advantage to Sage emerg from an official enquiry

However, the function of the investigation might be t act as a catalyst in finding a direct controlling shareholder in Unisec, which would require either a compromise between Sage Stanbic, or a reversal stance by either party

The battle for control early last year was enacted in terms which at times reached such an acrimonious level, that it is unlikely Unisec's directors would ever entertain the idea of relinquishing control to Sage, at any price

OWNERSHIP

1983

JANUARY — AUGUST.

• JSE overall: 879,2 **• Dow Jones:** 1 046,54

Kohler negotiates to acquire DRG interests in SA

Star

232

3/1/83

Financial Staff

Despite repeated denials from DRG and Kohler that acquisition talks were under way, the market has again been proved correct with the terse statement today from Barclays Merchant Bank that Kohler is negotiating to acquire the South African and Zimbabwean interests of DRG of Britain.

No further details have been released, but shareholders are advised to exercise caution in dealing in DRG shares

DRG of Britain holds 70 percent of the local operation's 12 million issued ordinary shares worth about R17 million at Friday's closing price of 205c

EARLIER DENIAL

DRG shares on the stock market rose sharply recently, touching 245c at one stage — only to fall back following a denial by DRG (UK) executive vice chairman that talks were taking place

DRG South African has a net asset value of about 322c

In 1981 DRG cut its dividend to 12c from 23c and reported a 43,8 percent drop in profits to R2,7 million

---

Golds open a shade better on JSE

by Pieter de Vos

Gold shares opened a shade better in line with the Hong Kong bullion price, but the market was exceptionally quiet as most local and overseas investors extended their weekends

Industrials and financials were firm at present levels, shadowing gold shares

Brokers said prospects for gold this year seem even better than a few days ago giving solid support to the gold sector

A new bull market was born on Wall Street late in the summer of 1982 Most analysts agree the market will need increased help from the economy to remain strong

The Federal Reserve Board will have to bring down interest rates Lower US rates and higher inflation boost gold.

Another international financial crisis may be looming in Brazil Rumours have been that the nation could go broke March 1, leaving enormous debts unpaid. As a traditional haven for funds in times of economic unrest, gold could also benefit from this

As an economic barometer, trading on the JSE portends better times — in line with a higher trend worldwide

Trust Bank Growth Fund (10th) and NGF (11th) make up the last three positions on the performance list for the period

In the quarter to end December the trusts managed by Sanlam disposed of large holdings in second-line industrials topping up with near-blue chips gold and coal producers

The trusts were large sellers of Dorbyl, Lucem, Fedfood, Pepkor and Protea

Sappi was a popular buy in heavy volume by two of the trusts, while other Sanlam associated companies D & H and SA Druggists are new additions

On the gold producers side Vaal Reefs, Dries Western Deep, Harmony and Stilfontein were popular additions, while coal producer Trans Natal and asbestos operation Gefco were also popular buys

Other interesting purchases include 33 400 Nampak by SATS, and 40 000 Bromain and 80 000 Goldstein by Santamgro

ces

	Metals	Financials	Indust
4	353 0	716 7	713 7
0	351 6	715 6	707 5
3	349 0	711,9	705,9
7,8	347 5	704 0	704,6
8	346 4	696 2	701,6
4	339 5	689,3	695 9
8	325 2	679,9	695 1
7	276 3	506 3	697 0

= 100 Golds = 87 9
Financials = 100 Industrials = 69 9

noves

LOSSES

	Price	cents	percent
Apex Min	2 600	150	5 8
Asseng	185	10	5 4
Cokicor	110	5	4 5
Trust Bank	160	7	4,4
Claude N	145	5	3 4
Alt Pers	150	5	3 3
Minorco	1 575	50	3 2
Graiemn	670	20	3 0
NFS Mtr	180	5	2,8
Fedfood	360	10	2 8
Bester	195	5	2 6
Bankrp 11 5 CP	240	5	2 1
Abercom	255	5	2 0
Bluciic	500	10	2 0
Tedelex	560	10	1 8
Romatex	610	10	1 6
Nampak	1 000	15	1 5
KR Tenth	6 500	100	1 5
Unisec	410	5	1 2
Stilftn	2 375	25	1 1

actives

	Value R	Price Gain (loss) %
Protea	663 950	2,1
P Brand	645 000	—
Amgold	560 177	—
Loraine	536 227	3 3
Gencor	516 000	0 8
Sasol	356 492	0 7
Kinross	349 650	3 3
Elands	347 700	—
Brackon	329 470	5,6
ERPM	319 500	0 8
Debeers	304 912	1 8
Barlows	296 246	0,4
Harmony	292 387	—
Elsburg	281 175	2,6
Welkom	271 628	3 5
Randfnt	252 000	0 6
Leslie	234 159	6 4
Grootvl	216 562	0 3
Wstn Dp	213 300	—
Org	209 902	1 8

Commodities

234

Star 5/1/87

Alternative merger plan to thwart Anglo's bid

The Star Bureau

LONDON — Two companies trying to resist the acquisition aims of Mr Harry Oppenheimer's industrial and mining empire plan to put together an alternative merger

They are Anderson Strathclyde The Scottish engineering group and National Mine Service Company, a US mining-equipment manufacturer

Anderson is to make an agreed bid of up to R30 million for a 51 percent stake in National Mine

Charter has been advised by the stock exchange's takeover panel here that it must decide by January 18 whether to make a new bid for Anderson whose bid for National Mine will be considered by shareholders on January 20

Anderson has fiercely contested a bid by Charter Consolidated and the US company is already the subject of a bid from Long Year Corporation of Minneapolis a subsidiary of Mr Oppenheimer's Anglo Industrial Corporation

Charter said last night it was too early to indicate now it would vote its existing 28 4 percent stake in Anderson at the January 20 shareholder's meeting

City analysts believe news of the Anderson National Mine deal has given Charter pause for thought and it is considered unlikely that it will renew its bid for the Scottish company

Anderson said yesterday the National Mine deal had been considered since before Charter made its original bid six months ago and the decision to move ahead with the takeover fo [illegible] [illegible] [illegible] [illegible] strategy

LEGAL CASE

Meanwhile the Scottish company believes it has found a legal case for challenging the British Government's decision to allow Charter to renew its bid in spite of a Monopolies and Mergers Commission finding that it was not in the public interest

The resignation of Professor Andre Bain from the commission this week had led to fresh demands from the Labour Party and the Social Democrats for the resignation on Lord Cockfield, the Trade Secretary

RESIGNED

Professor Bain resigned in protest over the Government's decision to over-rule the commission

If the Government does not allow a debate on the subject on January 17, when Parliament resumes Labour is likely to use part of its allocation of time to force the issue

Namibian foundation seeks cash

WINDHOEK — The privately sponsored Proswa Namibia Foundation was facing severe financial shortages, the honorary life president of Proswa, Mr Gunter Kaschik, said in Windhoek yesterday

The foundation was formed seven years ago by Namibian community leaders to promote understanding abroad of the territory and its problems

Proswa's main activity to date has been to invite influential overseas visitors to Namibia — Sapa

Argyle to check on De Beers prices

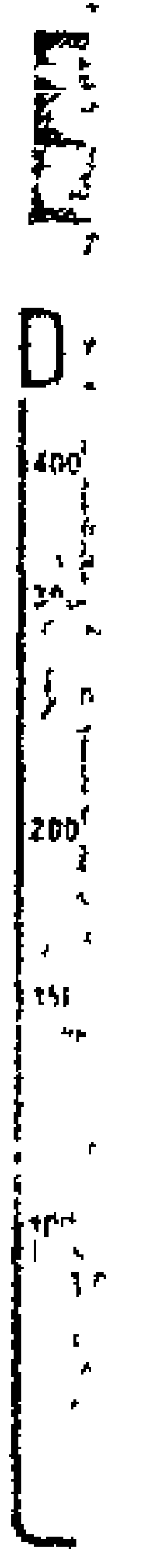
PERTH — Owners of the Argyle Mine in Western Australia want to double check the value De Beers puts on its diamonds, a spokesman confirmed today

An agreement now in effect provides that the De Beers - controlled Central Selling Organisation (CSO) evaluates and markets the diamonds

But Argyle Diamond Mines spokesman Greg Walker said negotiations were under way with Mr Milos Varner, an independent London diamond dealer, to establish a staff of valuers in Perth to place a separate value on the gems

A report in Australia's leading financial newspaper, the Financial Review, said the Western Australia and Federal Governments were also planning to hire a London diamond dealer to check the value of the gems

The review named Triefus, which it said specialised in industrial diamonds, the bulk of the mine's expected output —Associated Press



Prices at pre-close

MININGS—

MIN — COAL							
AMCOAL	2550	25	5,7	18 2	3925	2300	1875
AT COLL	2750		9 2	8 5	3900	2600	
ANGLOCOL6%PP	205		11 3		240	205	
APEX MIN	2450	150—	10,6	37 8	5300	2475	100
CLYDSDL	930		8 6	13 2	1430	800	
INDMENI	145		35 9	36 3	310	120	
MCALPNE	320		7,5	11 4	525	300	200
NAT COAL	125	5	8 8	10 6	305	110	50
RL COAL	62			3 1	185	47	1400
RL COAL PP	33	1—			70	25	2550
TRNS NTL	915	5	7 1	9 5	1130	750	1000
TRNS NTL CP	890	5	8 4		1220	760	650
VIERFNT	55		22 5	24 9	60	55	
WANKIE	39		17 8	45 6	70	37	
WELGDCT	295		11 5	38 7	500	280	
WIT COLS	4700		8,5	29 7	6700	4100	
MIN — DIAMONDS							
ANAMINT	9250	50	6 4	12 4	9600	4900	1000
BRDACRE	45			9 3	76	33	
DEBEERS	865	15	4 3	20 7	870	393	8100
THERON	40	SUS			185	40	
TRNSHEX	110		7,3	11 7	150	60	
MIN — GOLD — RAND OTHERS							
MODDER	620				635	155	10875
DBN DP	4950	65		17,1	5075	1200	
E T CONS	2850	25	3 2	7,4	2850	800	1850
ERGO	935	15	8 3	15 4	1000	440	8855
E R P M	3000	25		7,0	3000	575	8000
E R P M OPT	12 0	50			1250	220	750
EGOLI	[illegible]	2			145	53	81710
EGOLI OPT	37		-		43	13	
[illegible]CON	455						

JOHNIES	11800		5 1	9 7	11800	5050	
T C LANDS	5150		5 0	12 2	6400	3500	100
MIN FIN — MINING HLDG							
AMGOLD	15050		5 7	6 0	15050	5800	3277
ASSORE	3250		3 7	9 7	4000	3000	
COR SYND	130		1 5	10 2	180	50	300
DUIKER	400	15	10 0	22 1	505	310	11400
E R CONS	50	1	4 3	9 4	55	35	7925
FREDDEV	9758	15	4 9	5 7	930	310	
MID WITS	1935	10	4 3	5 8	1925	695	1050
MINORCO	1525	50—	1,2	4 8	1575	590	2400
NEW CENT	1000		6 6	6 6	1035	695	
NEW WITS	945	5	4 9	6 8	940	305	3300
RAND LON	115				340	67	4850
[illegible] SEL MIN	825		5 6	6 2	825	400	
SNTRUST	1530	30	6 1	8 4	1550	720	1631
TWEEFNT	775		9 8	13 4	1100	610	
U C I	2425	25	6 2	6 8	2400	860	500
VOGELS	285		5 6	7,6	325	200	500
WIT CONS	610		11 8	11 8	900	500	
WIT DEEP	2300		3,3	5,5	2300	950	
FINANCIAL RAND KRUGERRAND							
FR	87 0%				90 0	90 0	
KR	580	2—			56700	380	262
KR HALF	290				295	204	
KR QUARTER	15000				15300	10500	3
KR TENTH	6400	100—			6500	4300	2
FIN — BANKS FIN SERV							
BANKORP	380		5 5	32 2	390	205	8350
BANKRP11 5CP	235	5—	4 9		250	120	4000
BANKRP9 6%CP	165		5 8		170	90	

BARLOWS
BLUCIRC
BON KOR
BROHOLD
BROMAIN
BTR
CGSMITH
CURFIN
D H
DE BOND
DIROYAL
ENYATI
FED VOLK
FED VOLK CP
FRENCOR
HLH
ICH
IND INV
LONRHO
LUCEM
LUCEM OPT
LUCORP
MALBAK
MALBAK 15%CD
MALBK12 25CD
MERTRU
MESSINA
METJE Z
MICOR
M R
NICTUS
PICBEL
PICK N

FM 7/1/83 (232)

CHARTER CON

Victim hits back

Charter Consolidated's efforts to take over the Scottish coalmining equipment makers, Anderson Strathclyde, are running into embarrassing complications

A political storm is building over the British government's unprecedented reversal of a majority recommendation by the Monopolies and Mergers Commission that Charter should not be allowed to proceed This led to the resignation this week of one member of the commission, who protested at the "arbitrary" way in which UK Minister for Trade Peter Rees overruled the commission's 4-2 majority report And now several Labour MPs are demanding a full House of Commons debate as well as the resignation of Lord Cockfield, the Secretary for Trade, who owns 2 500 Charter shares

A further complication has also arisen Anderson's management, fiercely opposed to Charter's bid, has indirectly hit back at the Anglo group with a bid of its own It plans to offer $32,2m in cash for 51% of a US equipment group, National Mine Services (NMS) Only three weeks ago Longyear Corporation of Minneapolis, controlled by Anglo American Industrial Corporation (AMIC) announced an offer for 24,7% of NMS Longyear's price was $11,50 a share Anderson's is $12,50 even though NMS ran up first quarter losses of $1,2m (against previous full year profits of $6,7m dollars)

This puts Charter in a curious position Anderson requires the approval of shareholders to borrow the £20m needed for the bid and Charter already holds 28,4% picked up in a 'dawn raid' in 1980

Charter has also yet to say whether it intends to renew its offer for Anderson When the Monopolies Commission inquiry into the bid was announced (*FM* May 28 1982) the bid automatically lapsed Charter has until January 18 to decide The Anderson shareholders' meeting to vote on its intended offer for NMS is set for January 20

Charter has much to consider Its £46m bid for the balance of Anderson was worth 135p a share — against 82p paid for the initial strategic tranche Since then on the back of a 76% profits increase, Anderson's share price has been up to 175p (which rated it on a PE of 10) It fell to 166p on news of Anderson's intentions towards NMS which would strain the Scottish firm's cash flow

Meanwhile the political row boils on When the Monopolies Commission reported last month four of its members opposed Charter's take-over They supported allegations by Anderson's management and unions that if the bid went through it would lead to high regional redundancies Two commissioners, one being the chairman, dissented saying there was "no reason" to expect "any adverse effects"

THE DOZEN MEN WHO RUN SA

JUST WHAT LIES IN THE HANDS OF OUR POWER ELITE

(232) (~~210~~) S-Express

9/1/83

Report by
TONY HUDSON
Business Editor

A SMALL but powerful business elite of a dozen men has taken almost complete charge of South Africa's mighty industrial machine.

A shock prediction last September by insurance tycoon Donald Gordon that six corporations would dominate the country by 1990 is already close to fulfilment.

The concentration of power in South Africa's business and industry was disclosed in a study published this week which said control of most of the large corporations was concentrated in "relatively few hands"

Research by the Sunday Express has identified most of those hands

Through interlocking shareholdings and criss-crossing directorships in 10 gigantic companies, about a dozen men effectively control banking and mining, steelmaking and chemicals, food and paper — down to the corner pharmacy and, sometimes, to the mom-and-pop shop

The South African power elite includes

Mr Mike Rosholt, chairman of the industrial giant Barlow Rand, also a director of SA Breweries

Mr Dick Goss, chairman of SA Breweries, also a director of Barlow Rand

Dr J G van der Horst, chairman of Old Mutual, also a director of SA Breweries, Sasol, Safmarine, Tiger Oats, Anglo American Corporation and Nedbank.

Dr Frans Cronje, chairman of Nedbank, also on the board of Barlow Rand and SA Breweries

Mr Harry Oppenheimer, chairman of De Beers, former chairman of Anglo American Corporation

Mr Gordon Waddell, Mr Oppenheimer's son-in-law, chairman of Johannesburg Consolidated Investments and a director of Anglo American Corporation, also a director of Barlow Rand and SA Breweries

Mr Gavin Relly, new chairman of Anglo, also a director of Sasol, AECI, Huletts, Highveld Steel and the Standard Bank holding company, Stanbic

Mr George MacMillan, chief executive of the British company Rio Tinto, also on the boards of Barlows, Sasol, Safmarine, Stanbic and C G Smith, the Barlows-controlled sugar company

Mr Julian Ogilvie-Thompson, director of Anglo American, its industrial arm Amic, AECI, Barclays and Highveld Steel

● All the details — Page 2

Between them, these men exert immense influence in the running of seven of the country's Top 10 companies, which have a combined turnover of more than R15 000-million a year — roughly equal to the Government's annual budget, or nearly a quarter of South Africa's entire yearly output of goods and services

They employ upwards of 500 000 people

The remaining three top companies are the Afrikaans giants Sanlam-controlled Federale Volksbeleggings, Sentrachem, whose Mr Frans la Riche serves on both boards, and Remgro, whose solitary Dr Anton Rupert is not properly included in any grouping

Sanlam's **Andreas Wassenaar** and **Dr Fred du Plessis** also hold places in the South African power elite

Afrikaans and English components meet in Gencor, the mining house, which includes among its directors Mr Harry Oppenheimer, Dr Fred du Plessis, Dr Wassenaar, and Mr P J Rupert from Remgro

Through their immense shareholdings the Top 10 also control household names like Morkels, Avis, Table Top, Simba-Quix, Barnes, Jet Stores, Adcock-Ingram, Gilbeys, Freight Services

Never so much owned by so few

232

S.Times 9/1/83

By Elizabeth Rouse

SOUTH Africa has followed the major trend in advanced industrial capitalism — the concentration of assets in fewer hands.

The signs are clear, says F E Halse in the latest issue of the Investment Analysts Journal.

"Recent merger mania has led to the following situation· in April (last year), the market capitalisation of the Top 10 industrial companies represented 45% of the total market capitalisation for the Top 100, that of the top 20 61% of the total and that of the top 30 70%

"Another sign of the intense concentration of assets is the size of the parties in the recent mergers

"Concentration is no longer a case of the takeover of a small company by one of the larger groups.

"Instead, it frequently involves an amalgamation of one kind or another between two of the Top 100 companies

"The big fish are no longer chasing the minnows, they are eating one another in a manner consistent with trends overseas"

However, South Africa has not yet moved into the ultimate phase of industrial capitalism — the dominance of management control

Mr Halse quotes John Scott, who has defined this concept in his book, "Corporations, Classes and Capitalism"

Scott has identified three different modes of control in corporations

The first is the control through a majority ownership of shares, either by another company or a family/individual

The other two are minority control, where a small group holding less than a majority of the shares has working control owing to the absence of any other holdings large enough to oppose it, and management control

The last form is said to exist when no stock interest has sufficient shares to gain a

● To Page 3

Never so much owned by so few

(Times 9/1/85

2'32

● From Page 1

majority, and so the members of the board (who may have only minimal holdings in the company) will be a self-perpetuating control group almost totally divorced from legal ownership.

Against this background, Mr. Halse has looked at South Africa's top 30 industrial companies in terms of their shareholdings

Of these, 57% appeared to be controlled by a majority shareholder, usually a large organisation. Of this 57%, only about 10% came near to the typical owner-manager type.

Only 10% of the companies could fall into the third category, that of control by management in the absence of any one dominating share-ownership

There are two reasons why South Africa has not developed significantly along this road.

"The first lies in the earlier history of the companies — they have in many cases developed from multinational branches

"So, while the overseas parent may 'own' the company on paper, much of the control may well be vested closer to home."

The second explanation is the concentration of assets in few hands. Because of the intense cross-holdings between the top 30 companies themselves, it is suggested that many of them could in fact be grouped under one umbrella as only one corporation

This would result in far fewer than 30 companies, and it could well be that the form of control operating in these few "holding companies" would be closer to the diluted form, management control.

Only 13% of the top 30 South African companies are not represented on the board of a financial institution, either a bank or a building society, through interlocking directorships.

Of these top companies, 13% have between 1% and 10% of their board also sitting on that of a financial institution and 28% of them have between 10% and 20% on the board of a financial institution.

At the top end of the scale, 3% of these companies have almost half of their board of directors also represented on the board of financial institutions.

The concentration of power is more obvious among the top 20 companies. A quarter of the companies have three or more directors on the board of one other top 20 company, 10% on the board of two other top 20 companies, and one-fifth on the board of another three top 20 companies

David Lewis buys Mike's Kitchen

9/4/83

232

S. Times

DAVID Lewis has bought the Mike's Kitchen chain of restaurants for R1,15-million

Control of the 13 restaurants — the number is scheduled to rise to 16 by March — has already passed to Mr Lewis, who is budgeting for R30-million in gross sales from 50 outlets by 1987

By John Spira

He has allocated a massive promotions budget to the operation — R320 000 for 1983 — part of which will be used to boost the new branches at Springs, Standerton and Claremont.

Already more than 54 areas for new Kitchens have been identified, and Mr Lewis is hoping to attract experienced restaurateurs to become franchise holders

He is prepared to finance the right people up to 100% if necessary and has set aside R5-million for this purpose

Mr Lewis was responsible for the launching of the Holiday Inns operation in South Africa 15 years ago

He tells Business Times "There are many parallels between the two operations

"Mike's Kitchen's formula of informal family eating at affordable prices has worked extremely well and forms an excellent basis for my planned operation

"I had planned to start a restaurant chain along these lines, but the fact that Mike's Kitchen was for sale provided me with a great starting point.

"Mike's Kitchen is aimed at exactly the right market for my purposes — a place where people relax in informal surroundings and, most important, get value for money '

The chain is 10 years old and has successfully expanded to Houston and Munich

Mr Lewis plans to take personal control of the operation from the word go and has already recruited several of his original Holiday Inns team to assist.

The Mike's Kitchen acquisition is unrelated to the deal announced earlier in the week whereby Mr Lewis's Lara Films has acquired more than 50% of Impala Investment Trust the shares of which company Mr Lewis offered for public subscription a year ago

Impala is currently negotiating for the acquisition of certain trading companies

If successful, these negotiations will result in Impala purchasing the companies concerned for cash and shares

The vendors of the trading companies will simultaneously make a cash offer for either a portion or all of the minority shares in Impala

The vendors would then seek a Johannesburg Stock Exchange listing for Impala

---

UI
E>

All answer bo

Number of l

Number of ·

Surname

First Name(s

Date

Degree/Diplo
you are regis

Subject
(to be cop

Paper No
(to be cop

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank

	Internal	External
(1)	(2)	(3)
2	6.9	
Examiners' Initials		

NOTE CAREFULLY

1. The answers only on the right hand pages will be marked The left hand pages may be used for rough work, but no credit will be given for such work
2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
3. Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
4. Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2. Candidates are not to communicate with other candidates or with any person except the invigilator
3. No part of an answer book is to be torn out
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

232

11/1/83

RDM

ATI, Macdem in R46m deal

By STEVE ELLIS

A JOINT venture company is to be formed to buy for R46-million a number of engineering operations from Anglo-Transvaal Industries and Macdem (Pty).

When the merger takes place, the enlarged company will have assets worth more than R60-million, will employ more than 2 000 people, and is expected to record a turnover of more than R130-million in its first year

Macdem — which is 45% owned by Haggie and 55% by McKechnie Bros (UK) — is to sell its wholly owned subsidiaries McKechnie Bros South Africa and Maksal Tubes (Pty) to the new holding company, and ATI is to sell its Denver Metal Works (Pty)

After the merged company is formed, it will buy another Macdem wholly owned subsidiary, SA Copper Alloys (previously Huletts Metals), for either cash or shares

Macdem will have a 60% stake in the holding company and ATI will get 45%

The deal will become effective retrospectively from January 1

Macdem will manage the merged operation and its chief executive, Mr C M Coutts-Trotter, has been appointed executive chairman ATI and Macdem will have members on the board

A statement by the two companies yesterday said that "although the trading companies will initially continue to operate as seperate units, their production and other facilities will be rationalised over the longer term'

The deal is not expected to have a material impact on ATI's share earnings or net asset value

A spokesman for the companies said the deal had been precipitated by the rising cost of scrap metal, for which the companies involved had proviously competed

The move would also reduce to some extent the overcapacity in the industry

● Haggie's latest annual report says it has an option to buy a further 5% in Macdem in 1984 which, if taken up, would give Haggie and McKechnie Bros (UK) equal shares in Macdem

CONSUMER FOCUS

Co-ops' link-up 'will not mean meat price rise'

(232) Star

13/1/83

Farmer Brokers Co-op and Vleissentraal announced recently their intention to "join forces for concerted future action" in the industry. Their move was hailed by the South African Agricultural Union and the Minister of Agriculture, Mr Greyling Wentzel, as a breakthrough for producers Consumer watchdogs did not display the same enthusiasm.

COLLEEN RYAN explored the background to the merger.

The spotlight has been focused firmly on the meat industry in recent years — and housewives now relate reports of "monopolies" and "mergers" with high prices for meat

But the chief of the BKB co-op, Mr Jan van Zyl, has made it clear that retail prices will not be affected by the new agreement between his organisation and the powerful Vleissentraal

"BKB has always been a shareholder in Vleissentraal," said Mr van Zyl "We were a big supplier of meat from Namibia to Vleissentraal In addition, we ran independent livestock agencies at the meat markets

"When we sold our Namibian interests two years ago our situation changed to some extent We were no longer a large supplier but our agents were working in opposition to Vleissentraal at the markets"

Vleissentraal became increasingly restless about the competition from the BKB agents and this resulted in tension between the co-ops

In 1981, the SA Agricultural Union arranged a meeting between the warring co-ops in an effort to reach a compromise The negotiations were unsuccessful and shortly afterwards Vleissentraal changed its regulations to expel the two BKB members who served on its board of directors.

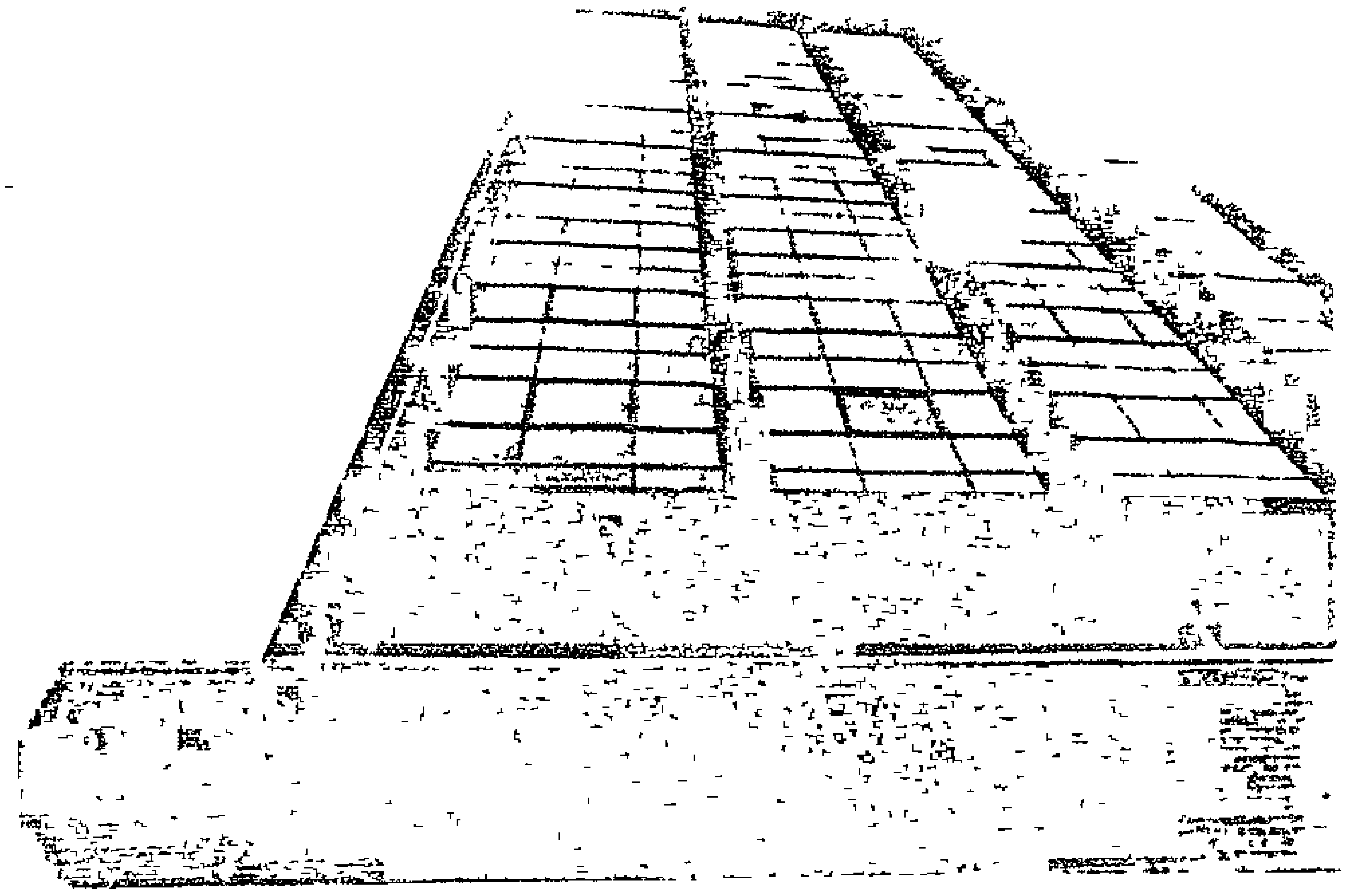
The pressure from Vleissentraal seemed to have the desired effect and within four months the two co-ops announced "one of the biggest breakthroughs in the livestock industry and for agriculture in general".

In terms of the agreement, Vleissentraal's board of directors was to be "restructured" — again — to provide for two BKB directors.

Will the merger lead to higher meat prices?

The co-op chiefs are adamant it will not and they argue it is necessary for farmers to have a strong, united co-operative voice if they are to survive the difficult years ahead.

WILDLIFE



Sage ... nearer its objective?

purchase shares in their holding company

Unisec denied these allegations, claiming that the purchase of Unisec shares was a good investment for the affiliated companies The court found differently Describing a scheme to "desubsidiarise" Newstock and Billhawk so that these companies could buy shares in Unisec Justice Coëtzee said "Obviously the directors fondly hoped that what they were doing was mere avoidance of the irksome fetters of company law Their methods however, point, overwhelmingly, in only one direction, namely evasion of the law which prefers the foundational truth to a hollow superstructure The project, conceived in sin was, due to the peculiar delivery technique, also born in sin"

Sage has long alleged that control of Unisec was being manipulated and tried to establish the true control situation Since the acrimony first erupted between the two groups however, the scene has changed somewhat Stanbic's acquisition last year of 67% of Luxembourg-registered Tolux gave the banking group indirect but effective control of Unisec (*Fox*, July 2 1982) Even so, Sage still holds over 20% of Unisec's equity and there are no indications that the group has given up its hopes of controlling Unisec

Just what will emerge from the impending investigation is not yet clear At first glance the scope of the investigation (as referred to in the recent Supreme Court judgement) may appear limited Handing down his decision Justice Coetzee called for an investigation into "All aspects or matters which would throw light on the true relationship between Unisec and Newstock, Goshawk and Plover at the relevent times when the last mentioned three companies purchased the Unisec shares in order to determine whether they were then or had been before, or subsequently, became subsidiaries of Unisec " The judge added that all aspects relevant to the purchase of ordinary shares in Unisec by companies which are now subsidiaries of Unisec should be investigated

Justice Coetzee said this would particularly involve looking into the dates and quantities of the shares purchased, the sources of funds used for the purchases and, perhaps more importantly the motives for such purchases

This may not have been quite what Sage was hoping for, since no investigation of Unisec's control situation can be exhaustive unless it examines Unisec's precise relationship with both Hesperus and Tolux In addition, the control structure of Tolux, prior to Stanbic's involvement, has never been revealed Stanbic is not talking and Luxembourg law on the subject of holding companies is not easily penetrated

Nonetheless in terms of section 258 of the Companies Act, the inspectors into Unisec's affairs have fairly wide-ranging powers In pursuing the true motives for the share purchases by the affiliated companies, the investigators may well decide to place Unisec's relationship with both Hesperus and Tolux under close scrutiny In addition the search for motives could have far-reaching implications for individual directors within the Unisec group

Meanwhile, Unisec's minority shareholders (including Sage) may feel that a further appeal in this case is not in their interests Unisec is obviously anxious to clear the slur on its name which is implied in the recent judgement, but the cost of further court action will have to be weighed against this Stanbic is non-committal at this stage Says Standard Merchant Bank's Eddie Theron, who was recently appointed to the board of Unisec "We shall just wait and see what the advice of the lawyers will be"

Chris Wilson

CAPE WINE

(232) FM 14/1/83

Senbank's shares

Government is unlikely to exert pressure on Senbank to dispose of its 943 538 Union Wine ordinaries at this stage even though this was threatened last year This is the word from an aide of Industries Minister Dawie de Villiers

The bank acquired the shares on behalf of Cape Wine in March 1981 and was given ministerial permission to become the registered owner six months later on condition that it sold the stock within a "reasonable time' Sixteen months would seem to be just that especially since Cape Wine has set aside about R2 5m to indemnify the bank against loss namely the difference between the R4 3m it paid for the shares and what it will realise when it finally disposes of its holding

Senbank says it has not yet considered the matter It has given notice that it intends to appeal to the Appellate Division in Bloemfontein against the judgment of Justices Van den Heever and Viviers in the Cape Town Supreme Court (*FM* December 24 1982) It appears then that the bank may wish to retain its holding until its appeal is finally disposed of — although continued "ownership' is hardly relevant to the facts of the case

This strikes legal circles in the Cape as odd On July 2 last year, Senbank's legal representatives in the Cape, Jan S de Villiers & Son, applied to the Cape Town Supreme Court to have its application (for a Section 258 inspection into the affairs of Coki and Picfin) placed on the court's roll of semi-urgent matters "on the grounds that the Minister of Commerce and Industries has stipulated that the shares held by Senbank must be disposed of in a reasonable time, and Senbank is entitled to have its interest in these shares properly protected before disposing of them"

Lack of urgency

The court offered the applicants August 3, the soonest available date for semi-urgent matters This did not suit all of the eight counsel (four silks) involved and the case finally came before the court more than three months later, on November 22 It is understood the Judge President of the Cape did not take kindly to the sudden lack of urgency surrounding the case

Meanwhile, there seems to be some doubt whether Senbank has adopted the correct procedure in directing its appeal to the Appellate Division Counsel's opinion is being sought to find grounds for arguing that the appeal should rather be heard by a full bench of the Cape Town Supreme Court because the case was not a trial matter but argument on a motion brought by Senbank The course of the matter was determined by the founding affidavit of the applicant and the answering affidavits of the respondents

John Stewa

232 ~~188~~ FM 14/1/83

CAPE WINE

Senbank's shares

Government is unlikely to exert pressure on Senbank to dispose of its 943 538 Union Wine ordinaries at this stage even though this was threatened last year This is the word from an aide of Industries Minister Dawie de Villiers

The bank acquired the shares on behalf of Cape Wine in March 1981 and was given ministerial permission to become the registered owner six months later on condition that it sold the stock within a "reasonable time" Sixteen months would seem to be just that, especially since Cape Wine has set aside about R2,5m to indemnify the bank against loss, namely, the difference between the R4,3m it paid for the shares and what it will realise when it finally disposes of its holding

Senbank says it has not yet considered the matter It has given notice that it intends to appeal to the Appellate Division in Bloemfontein against the judgment of Justices Van den Heever and Viviers in the Cape Town Supreme Court (*FM* December 24 1982) It appears then that the bank may wish to retain its holding until its appeal is finally disposed of — although continued "ownership" is hardly relevant to the facts of the case

This strikes legal circles in the Cape as odd On July 2 last year, Senbank's legal representatives in the Cape, Jan S de Villiers & Son, applied to the Cape Town Supreme Court to have its application (for a Section 258 inspection into the affairs of Coki and Picfin) placed on the court's roll of semi-urgent matters "on the grounds that the Minister of Commerce and Industries has stipulated that the shares held by Senbank must be disposed of in a reasonable time, and Senbank is entitled to have its interest in these shares properly protected before disposing of them"

Lack of urgency

The court offered the applicants August 3, the soonest available date for semi-urgent matters This did not suit all of the eight counsel (four silks) involved and the case finally came before the court more than three months later, on November 22 It is understood the Judge President of the Cape did not take kindly to the sudden lack of urgency surrounding the case

Meanwhile, there seems to be some doubt whether Senbank has adopted the correct procedure in directing its appeal to the Appellate Division Counsel's opinion is being sought to find grounds for arguing that the appeal should rather be heard by a full bench of the Cape Town Supreme Court because the case was not a trial matter but argument on a motion brought by Senbank The course of the matter was determined by the founding affidavit of the applicant and the answering affidavits of the respondents

John Stewart

~~10~~ 232 ~~270~~

Scots workers oppose SA takeover bid

By BRUCE STEPHENSON
London Bureau

LONDON — Scottish employees of the engineering firm Anderson Strathclyde yesterday stepped up their fight against a takeover bid by Charter Consolidated, because of the South African connection

The 4 500-strong workforce fears that political factors could jeopardise valuable contracts with China, India and East European countries, endangering their jobs

The board of Charter Consolidated, part of the Anglo American empire, met in London yesterday to decide whether or not to go ahead

Anderson Strathclyde, which makes mining equipment, has been given leave to appeal against a decision by the Monopolies Commission which has approved the bid

Should the takeover go ahead, the workforce is making plans of its own which could leave Charter Consolidated with a "hostile" workforce on its hands

The chief shop steward of Anderson Strathclyde's Glasgow factories, Mr Kenny Gormal, told the Rand Daily Mail yesterday that workers had two main reasons for opposing the takeover

"Firstly, over the years we have developed a very good relationship with the board of Anderson Strathclyde It is the third largest locally controlled engineering concern in Scotland and has a good record as a stable employer

"It is one of the last core industries remaining in Scotland We have suffered over the past two decades from the operations of financial conglomerates like Charter Consolidated — if I can put it bluntly, we think they are out to make a fast buck.

"Secondly — and we are prepared to leave the politics to the professionals — it has been suggested to us that strong South African ties could jeopardise the contracts Anderson Strathclyde has built up with China, India and various East European countries"

In the event of a takeover, Mr Gormal said, while he would not want to jeopardise the plants, he could not guarantee good industrial relations with the new owners

The British Press Council is to investigate the dismissal of an Isle of Man newspaper editor after he printed a report about the bid

It concerned the British Trade Secretary, Lord Cockfield, whose department allowed the takeover bid to go ahead Lord Cockfield, who owns shares in Charter Consolidated, is a friend of the owner of the Isle of Man Weekly Times

232/

Landlock:

S Times 26/1/85

3 new deals

By John Spira

LANDLOCK has bought three companies — Alkauff Golden City, Staples & Wire and Clayville Foundry — from Abercom for R4 7-million

Alkauff produces nails, split pins, can keys and fasteners, Staples & Wire manufactures a wide range of staples and stapling machines, and Clayville produces iron and non-ferrous castings

The acquisitions — which dovetail neatly with Landlock's existing operations — will have little impact on Landlock's net worth or profits in the current financial year.

Next year, however, the three new companies are expected to add R10-million to group turnover and R1,5-million to pretax income

S. Times 16/1/83

New metals giant formed

By Don Robertson 232

THE gross over-capacity in the non-ferrous semis manufacturing industry and the threat of substitution prompted the merger this week of the copper, brass and bronze interests of the Macdem group and Anglo Transvaal Industries

The new company, still to be named, will become the undisputed leader in its field with an estimated turnover this year of R130-million compared with the total industry turnover of between R200 million and R250-million

In terms of the deal Macdem will sell its wholly owned subsidiaries, McKechnie Bros South Africa and Maksal Tubes to the new holding company, while ATI will contribute Denver Metal Works

Once the deal has been completed SA Copper Alloys, previously Huletts Metals, will be added

The purchase price for McKechnie, Maksal and Denver will be satisfied by a package of shares and cash, the details of which will be completed only by mid-March SA Copper Alloys will be bought for cash

The deal will also involve the 5 7ha site owned by McKechnie in Wadeville and other properties, some of which might be sold in the future

Because of the relative sizes of the various divisions, Macdem, which is 45% owned by Haggie, will have a 60% stake in the new group, with ATI holding the balance Macdem will manage the new company

While it is generally contrary to Anglovaal's policy of accepting a minority stake in an operation and ceding management control, the group was prepared to accept a minority role because of conditions in the industry

Speaking to Business Times, the new chief executive of the company, Murray Coutts-Trotter, said that, in the extrusion field alone, industry capacity was about 40 000 tons a year compared with a current local demand of about 17 000 tons and exports of between 2 000 tons and 3 000 tons

Conditions in the rolling and tube sectors, which together make up an industry total of about 100 000 tons a year, is similar

Compounding this is an expected growth rate in the industry of about only 5% over the next few years, and the very real threat of substitution by other products such as plastic and aluminium.

By pooling the manufacturing facilities of the three companies, rationalisation of operations will be possible, which will mean longer runs, hence lower unit costs

This will also result in the closure of some operating facilities, a reduction in stocks and a rationalisation of the distribution network

The new company will focus its attention on exports in the future, an area in which South Africa is competitive internationally exporting between 8 000 tons and 10 000 tons of material annually

"The tendency in the past has been for local companies to compete with each other on the overseas market,' says Mr Coutts-Trotter, and by merging the operations of the various companies this will be eliminated

In addition, the export links that the companies enjoy can be pooled for the overall benefit of the group

McKechnie has recently completed an R18-million expansion and refurbishing programme, which has led to an improvement in the quality and specification of the product, with a resultant boost for the export effort

It has also resulted in a cut in imports of products which were not previously manufactured locally

"The immediate priorities of the new group are to get the rationalisation introduced, to weld the team together and to make optimum use of the increased coverage of export markets," according to Mr Coutts-Trotter

(232) [illegible] S. Times 16/1/83

6, 1983

National Industries sold for "millions"

By Julian Kraft

SETTIMO Holdings has acquired for "several million" the controlling interest of National Industries, a leading manufacturer of curtaining hardware, folding doors and window blinds

The company was formerly controlled by Boumat

The acquisition adds to Settimo's strength in this field as the R40-million-a-year group already has the controlling interest in Forsyth Udwin, which manufactures Kirsch curtaining hardware and Modernfold and Woodmaster folding doors under licence

A spokesman for Settimo said this week that the two companies would continue to operate as separate entities

However, since the deal went through last month, the managing director of Forsyth Udwin, Ruggero Spinazze, has been appointed chief executive of National Industries

The acquisition makes the two companies probably the biggest suppliers of curtain tracks and folding doors in the country

Mr Spinazze, 22, is the brother of Settimo's 24-year-old chairman Gino Spinazze

Settimo's other major subsidiaries are Femco manufacturers of small electric motors Autocable, manufacturers of electric harnesses for the motor industry, Transmission Engineering gear manufacturers, and Microcut Industrial Supplies, which markets machine tools

232

S.Times 17/7/83

Rennies expected to be on the hunt

OLD MUTUAL MAY WANT TO REDUCE 75% STAKE

By David Carte

"ENGULF and devour" could become the new byword at Rennies after its takeover by Old Mutual.

The rehabilitated conglomerate is expected to become one of the hungriest predators in the corporate jungle, because Old Mutual is believed to want to reduce the 75% stake it acquired in the recent takeover

And acquisition is one way the company can grow at a rate that might justify the high price paid

All the executive chairman, Charles Fiddian-Green, will say is that, now that Hong Kong-based Jardine Matheson is no longer involved, Rennies is freer than ever to make acquisitions

He acknowledges that Rennies is on the lookout for opportunities but reminds that it has been for some time

He admits that Jardine Matheson was reluctant to commit further funds to SA, and that this inhibited Rennies in recent years

Jardine Matheson's holding was just over the 50% required for control, so there was no question of issuing significant amounts of new scrip in takeovers

Old Mutual head of investments Peter Bieber says that, while it will play no role in management, Old Mutual would like to see Rennies as an aggressive predator.

Old Mutual is quite prepared to see its 75% stake reduced through the issue of new shares by Rennies in acquisitions

Old Mutual in the past has shown an aversion to controlling operating companies

Old Mutual's PETER BIEBER "Rennies as aggressive predator"

When it came close to controlling Tiger Oats, for instance, it swapped its stake in Tiger for one in Barlows that was far from control

So it would probably be prepared to let its holding in Rennies fall even lower than 50%

Rennies was once a conglomerate, but it stopped aggressive expansion after running into hard times in 1976 and 1977

After these traumatic years, it closed or sold off unprofitable companies and concentrated on managing its good interests, notably shipping, security, forwarding and the hotel chain, Holiday Inns

The company resoundingly rehabilitated itself from 1978 to 1982, nearly quadrupling earnings and halving its debt-equity ratio

As Mr Bieber says "We believe that over the past five years Rennies has earned a triple A rating We believe it can continue growing over the long term at 25% a year"

Mr Fiddian-Green says the company will stick to its policy of investing only in those areas in which it has expertise

Rennies watchers say it will have the same problem making acquisitions as all the hungry predators stalking the SA financial and industrial scene — that, as much as it might want to buy, there simply are not the desirable assets around to do so

But, to justify the high 1 825c paid by Old Mutual, Rennies will have to move, and most observers expect it to pounce overseas

The Reserve Bank is on record that it is "sympathetic" to requests for direct — as opposed to portfolio — overseas investments, particularly where these help a local company compete abroad

Rennies already has an international foothold in shipping and forwarding Acquiring companies in the same business abroad would obviously give the company a lift

It has not been lost on some observers, however, that SA Mutual is one of the biggest single shareholders in Safmarine, the national shipping line

Some speculate that Old Mutual will sell off the shipping, forwarding and travel interests of Rennies to Safmarine for more shares in the latter

Alternatively, the thought is that Safmarine can do a partnership deal with Rennies

Another possible avenue for Rennies would be to take on Holiday Inns franchises in other countries.

232

RDM 19/1/83

Anglo Life sells Protea stake

By STEVE ELLIS

ANGLO American Life has sold its 8,2% stake in Protea Holdings for more than R7-million because the diversified industrial company has been unable to fulfil its promise.

The buyer was Old Mutual

The investment manager of Anglo Life, Mr Des Bradford, said that "although we think Protea is still a sound company, we have been disappointed at its growth rate over the past couple of years"

The economic downturn would certainly not help Protea in the short term

Funds raised through the sale had not been earmarked for any particular investment.

Mr Bradford said "we are keeping the funds liquid for a time" — waiting for opportunities

The sale did not represent any investment policy change, and he denied that Anglo Life might try to take advantage of the surge in gold stocks "We feel our portfolio is balanced reasonably well"

Old Mutual's assistant general manager, investments, Mr Bill Langley, was reported as saying that Protea had been underrated for a long time

However, he shared Mr Bradford's analysis of the company's immediate prospects "I think the results for the year to June will be uninspiring, but when one looks at the company with a three- to five-year view, it offers good value."

Mr Langley believed that too many people were still rating companies on their short-term potential

Old Mutual buys stake in Protea

ARGUS 19/1/83

232

OLD MUTUAL, the country's largest life assurer, has bought a substantial stake in the industrial conglomerate Protea Holdings

The Mutual bought 2,5-million shares at 291c a share through a special bargain on the Johannesburg Stock Exchange The investment of R7,2-million represents 8.2 percent of Protea's issued shares

It is the Mutual s first investment in Protea, which has interests in the chemicals, consumer products, electrical and engineering fields

Commenting on the deal, Mr Bill Langley, the Mutual's assistant general manager, investments, said the investment must be seen as long term

UNDER-RATED

He said "Protea has been under-rated for a long time, but the fact that we have picked up such a large line does not mean that it will get a better rating overnight

"I think the results for the year to June will be uninspiring, but when one looks at the company over a three to five year view, it offers good value

"Too many people are still rating companies on their short-term potential"

CRITICISM

The Mutual has come in for criticism in the past for its obsession with investing for the longer term

A good example was the institution's heavy subscription in a government stock issue early last year when an estimated R250-million worth of stock was bought at a yield of 13,25 percent

SHOT UP

Over the next few months the investment looked sick as rates on the stock shot up to just below 15 percent

Subsequent events proved the investment strategy was correct, as today long-term government stock yields just over 10,4 percent, which means the Mutual's substantial investment now stands on a large book profit

Alec Hogg

Anglo controls mammoth 52,5% of listed companies

By John Spira

AN overwhelmingly dominant 52,5% of the shares listed on the Johannesburg Stock Exchange is under Anglo American control.

Anglo American effectively controls 70 South African listed companies whose share market value totals a mammoth R47 000-million

This staggering revelation emerges from an analysis by "McGregor's Who Owns Whom", which, inter alia, contains a detailed analysis of the shareholdings in the JSE's listed companies

Anglo's dominance of the South African economy is highlighted by the accompanying table, which shows Sanlam lagging well behind in the control stakes with R8 368-million from 38 companies, followed by Barlows with R6 648-million from 25 companies.

Old Mutual, larger than Sanlam in asset terms, is lower down in the rankings because, unlike Sanlam, it tends to shy away from acquiring controlling interests in the companies in which it invests

The man behind "Who Owns Whom" is Robin McGregor, who explains that, in arriving at which groups have effective control of the JSE's listed companies, he managed successfully to identify the groups behind a great number of nominee companies

He is satisfied that the control situations which he has uncovered do, in fact, represent effective control In every instance, he adds, a company had to own 30% or more in another for such a stake, in terms of his study, to represent effective control

Other striking features to emerge from Mr McGregor's control analysis include

- ● No fewer than 153 companies (with a market value of R3 685-million) are controlled by directors of those companies.
- ● Foreign sources control 58 companies with a market capitalisation of R4 778-million — 5,4% of the JSE's market capitalisation at the end of 1982.
- ● Of the 15 largest controlling body groups, three (Sanlam, Liberty and Mutual) are life assurance bodies, two (Nedbank and Volkskas) are predominantly in banking, and two (IDC and Iscor) are semi-government organisations

In an allied study, Mr McGregor has listed the value of shares actually held by various companies and institutions

Heading the list is (again) Anglo American which, at the end of last year, held shares to the value of R22 881-million

At a much lower level (again) in second place is Sanlam with R5 491-million, followed by Mutual (R3 103-million), Barlows (R1 744-million), Anglovaal Holdings (R1 177 million), the Rembrandt group (R1 048-million) and Liberty Holdings (R1 011-million)

Mr McGregor, the only McGregor living in the tiny Cape village of McGregor, has made several additions to his latest edition of "Who Owns Whom"

He lists some 350 nominee companies, 4 000 shareholders, 3 000 directors and, in addition to listing every shareholder in every listed company down to a 1% share of the equity, describes the activities of the subsidiaries of the JSE's listed companies

(232) S. Times 20/2/83

SUMMARY - CONTROL

CONTROLLING BODY	NO OF COMPANIES CONTROLLED	MARKET VALUE OF SHARES	PERCENTAGE OF TOTAL
ANGLO AMERICAN GROUP OF COMPANIES	70	R 46 906 000 000	52 5
SANLAM	38	R 8 368 000 000	9 4
BARLOW RAND LTD	25	R 6 648 000 000	7 4
FOREIGN CONTROL	58	R 4 778 000 000	5 4
DIRECTORS CONTROLLING MAJORITY SHARES	153	R 3 685 000 000	4 1
ANGLOVAAL HOLDINGS LTD	21	R 2 860 000 000	3 2
SOUTH AFRICAN BREWERIES	6	R 2 548 000 000	2 9
INDUSTRIAL DEVELOPMENT CORPORATION	4	R 2 120 000 000	2 4
REMBRANDT GROUP OF COMPANIES	65	R 1 893 000 000	2 1
LIBERTY HOLDINGS	5	R 979 000 000	1 1
NEDBANK	3	R 968 000 000	1 1
ISCOR	4	R 753 000 000	8
S A MUTUAL - OLD MUTUAL	7	R 526 000 000	6
PREMIER GROUP	7	R 492 000 000	6
VOLKSKAS GROUP	3	R 294 000 000	3
		R 83 813 000 000	93 9
UNACCOUNTED		R 5 489 000 000	6 1
		R 89 302 000 000	100 0

Monopolies: Deafening silence from the Minister

DE VILLIERS BETWEEN THE DEVIL AND THE DEEP BLUE SEA ON LIQUOR INDUSTRY

By Michael Fridjhon

THE Government's silence on the recommendations of the Competitions Board on the liquor industry is deafening

In June 1982 the board published its findings after an investigation lasting three years

Since then the Minister of Industries, Dr Dawie de Villiers, has supposedly been preparing an industry reshuffle adopting, where possible, the board's recommendations

So far, despite frequent hints and promises that an announcement was forthcoming, no formal proposal has been published

The Board of Trade and Industries was directed early in 1979 "to investigate and report on monopolistic conditions in the supply and distribution of alcoholic beverages in the Republic"

While this investigation was in progress, the Cabinet approved a restructuring of the liquor industry which created a beer monopoly (South African Breweries) (SAB) and a virtual monopoly in the wine and spirit industry (Cape Wines & Distillers) (CWD)

The report, tabled in Parliament in June 1982, acknowledged the competitive shortcomings of the beer monopoly, but conceded that, since it was the outcome of the beer war between SAB and Rupert's Intercontinental Breweries, it would be difficult to revert to a pre-1979 situation

It did suggest that SAB sell off its 30% stake in the wine and spirit industry.

It likewise recommended the abolition of the CWD with the company's two producer/wholesaler organisations, Oude Meester and Stellenbosch Farmers Winery, freed from the KWV's influence and control

The board also suggested that retail interests be kept separate from producer interests, but that on this basis there should be no limitation in the number of stores in a liquor chain

It also noted that liquor licences should be issued on the basis of pre-advised criteria covering the necessary security for handling a potentially harmful product

Since June last year, Dr de Villiers appears to have been walking a tightrope between opposing producer and political interest groups

The board's recommendations are tantamount to an unreserved condemnation of the liquor industry reshuffle approved by the Cabinet in 1979

The stranglehold of the KWV and the Oude Meester Group on the wine and spirit industry is roundly criticised, as is the long-established basis on which the State-run National Liquor Board issues licences in accordance with current legislation

The Competitions Board, however, sees no fault in increasing the size of liquor chains, providing these chains are not owned or controlled by producers

No doubt Dr de Villiers is having an awkward time trying to strike up a satisfactory compromise between the board's recommendations and the liquor industry's interests.

If he accedes to the abolition of the CWD, the Cabinet will have to condemn its own decision of 1979

This would also infuriate two potent forces in Nationalist politics — the wine-farming interest, represented by the KWV and 12 MPs, four of whom are directors of the KWV — and Dr Anton Rupert's Oude Meester Group

Dr Rupert would be especially piqued, particularly after the failure of his Intercontinental Brewery and his inability last year to wrest an equal share of managerial control in Gencor from Sanlam

The CWD was largely his creation, and its abolition would entail a substantial loss of face

If the Minister concedes the board's recommendations to liberate the restrictive basis on which liquor licences are issued, he falls foul of all the existing licensees

All present liquor licences were obtained on the understanding that their numbers were restricted, so there is a certain intrinsic value attached to them

If Dr de Villiers permits liquor chains, freed of producer shareholders, to grow to an unlimited size, he will invoke the wrath of the producer groups, notably the CWD

They must want the retail chains to remain small and ineffectual the larger a chain, the greater its buying power and the more influence it can exert against the virtual monopoly of the producers

It seems that at least four proposals have been put to the various interested parties in the liquor industry, and every time the Minister has encountered intractable resistance

He would obviously like to accede to the board's recommendations failure to do so would undermine the board's authority

As Minister of Industries Dr de Villiers would presumably also like to be seen supporting a free-trade initiative

It seems certain that existing retail chains will be severely pruned they all belong to liquor producers who will be happy to sacrifice them if they can retain their dominance of the production sector

It is exactly their potential for destruction which is undermining the confidence of many of the employees of the retail liquor industry

If there are to be any changes as a result of the Competitions Board report, the chains are the most likely victims

Dr de Villiers's nine-month delay in proposing legislation in the light of last June's report has not inspired confidence or security

There are literally thousands of employees who can expect to lose their jobs as new proprietors of bottle stores take over their running

The Competitions Board was set up to report on a situation which was potentially not in the consumers' interests

It would be ironic if the only response Dr de Villiers could make would be the curtailment of the retail chains, whose size at least assures a countervailing force to deal with the producer monopolies

The silence emanating from the Ministry cannot bode well for the liquor consumer and the retail industry

55.

SECTION C

Goss grooms SAB for overseas growth

CAPE TIMES 22/1/83

(232)

BLUE CHIP South African Breweries (SAB) has exciting profit potential over the next decade as black incomes rise substantially

With its main divisions of beverages, retailing, hotels and selected manufacturing, the group is in a prime position to share in the expected upturn

Apart from beer, SAB is dominant in several sectors In retailing it boasts both the OK — the country largest retailer and Edgars, a leader in clothing sales

In the hotel sector Southern Sun's strength is undisputed while Afcol and Amrel are the country's largest furniture manufacturers and retailers

It has 30 percent of Cape Wine, and is probably dominant as well in footwear through the SAB footwear division with household names such as Barker and Crockett & Jones

Capetonian Dick Goss heads Breweries and, apart from gearing SAB for the next upswing, he is preparing an extensive overseas expansion — the fourth phase of group development.

Already announced is Sol Kerzner's mandate to develop a hotel business overseas and Goss says further overseas programmes involving the other group divisions are being considered

SAB under Goss has shown impressive dividend and profit growth Over the past five years dividends have risen from 11c to 34c a share and eps from 22,4c to 75,1c

Sales are now over the R3-billion The overseas divisions are no doubt being planned to add additional sparkle to South African profits

SAB has been at the forefront of the recent stock market boom in industrial shares with the quality of its earnings (return on equity was 25 percent last year) attracting considerable buying

Major institutional shareholders include JCI (an investment which dates back to Solly Joel at the turn of the century), the Old Mutual, Liberty and Sanlam

Last year beverages provided taxed profits of R92,4m, retail R47,4m, hotels R37,3m and selected manufacturing R2,6m Beer sales were R981m and retail R1,6-billion

Recently SAB outpaced the competition to buy Edgars and increased its stake in the soft drinks market through Appletiser

SAB's market rating is a tribute to Goss who has kept the group in the high growth stakes since being appointed managing director 15 years ago

An accountant by training, he served articles with the firm of Kenneth White & Co in Keerom Street, Cape Town and later joined SAB as control was being transferred from London to South Africa.

He spent two years installing a host of totally new accounting, control and costing systems, and later was appointed assistant chief accountant.

In 1967 Goss became managing director after handling probably the toughest job in the group — general manager of the beer division

In this interview, Goss talks of his business philosphy and SAB's strategy for the late eighties

Business Report How do you see the group developing over the next five to 10 years?

Goss I believe SAB today has a focussed and well-balanced portfolio of activities Focussed in the sense that they are all consumer-related Balanced in that one part of the portfolio is fixed capital intensive — beverages and hotels — the other part in retail

The latter is capital intensive in a totally different way — hp book debtors and stocks Both have important implications for cash flow cash

When one is generating cash the other needs cash Hence we are focussed in consumer goods and balanced in terms of the make up of the investment in the various activities

BR You are dominant in these sectors?

Goss We are substantially invested in each sector In the foreseeable future — the next 3 — 5 years we would be seeking to grow organically off the base established Expansion in terms of new business activity will probably take place outside of South Africa but within the same fields of competence — beverages, hotels and retail

BR You will, in fact remain in these three fields?

Goss We feel we can capitalize on organic growth We do not want to become unfocussed and move into a host of diversified activities Growth prospects off the existing base are certainly very, very exciting

We could go into other areas but then one becomes more conglomerate

People can understand SAB Once we start getting into too wide a field of investment we will loose some of our character

I would rather remain solidly invested in depth in chosen areas where we have a high degree of expertise

If those opportunities are not available in South Africa I would rather take that expertise and keep going down in depth in terms of more geographic penetration outside of South Africa

The alternative is to become wider, fatter, bigger in SA but not more effective in what we can achieve in terms of results

BR What progress is taking place in expanding overseas?

Goss In beverages SAB has expertise and techology which is unique Our fruit juice know-how is unmatched elsewhere We are already developing that area with people offshore working on various projects

Southern Sun has been reorganized for overseas expansion freeing Sol Kerzner to develop a chain overseas

BR Are there any particular countries you are looking at, such as the US?

Goss I would not like to emphasize any particular country The timing of this investment will depend on the extent to which we have the spare resources in people and finance to deploy them away from South Africa

BR Would you buy into existing overseas companies?

Goss It could be through acquisiton or greenfields

BR. Did SAB overpay for Edgars?

Goss We certainly did not Looking back I would repeat that deal There were other companies which could have been less expensive but you get what you pay for Edgars is a great company with excellent management and compatible with SAB We regard it as a first-class investment.

BR It was a difficult acquisition?

Goss It was not the easiest of acquisitions to put together It happened when Sydney Press was away which was a complicating factor It was very difficult for all parties to know what positions to take up From our side should we have stood by and have watched nibbling from other quarters or have acted in the absence of the major shareholder?

There was no one more aware than I that this could be seen as some dastardly deed We were very conscious of this

BR. ~~What is your~~ style of management?

Goss The only way to run a business is to decentralize — grant the highest degree of autonomy and see the companies are well positioned and motivated to achieve The staff are the achievers I am the one who supplies the resources in terms of finance and tries to ensure the direction of the team is compatible with the direction the group as a whole needs to take

In the process of management at SAB there are four key areas

- Investment policy
- The amount of financial risk that the holding company is prepared to have injected into the business
- The level of return we would like to see from that policy within the risk constraints
- The way in which the business is to be conducted

BR. What returns do you set?

Goss Each set of returns vary from business to business and the economic cycle It would depend on if we are looking to gain market share

BR Your share price is reflecting the high return on shareholders' funds Can you maintain this performance?

Goss Our businesses are in mass markets where the action is going to be in the future — middle lower income group spending As more people are drawn into the economy from the lower group the spending will take place right through the segments where we are positioned — furniture, shoes, clothing retail, and beverages

We are already sitting there We do not have to buy into other businesses We have the range of products All we need to do is a great job in those segments

BR What is your view of 1983?

Goss The downturn is gathering momentum One can accept we are at a much lower level of activity A downturn there will be it could be more severe than we think. We are hopeful that an upturn will occur early in 1984

BR How will beer profits fare in the downswing?

Goss Beer is not immune to economic downswings, it relates to the economy If personal disposable incomes erode then beer sales growth erodes It would seem, though, that the downturn will be less painful for us in the beer business

SAB supports the economic measures being taken South Africa must not reflate prematurely

BR What is the inflation outlook?

Goss Inflation will come off this year and begin rising on the economic upturn But if one looks at the longer term there are healthy signs — the manpower training and upgrading of education at colleges will pay dividends

These schemes are costing money now but 5 — 7 years down the line South Africa will receive the payoff for these substantial investments SAB is investing heavily in training

(~~129~~) (232) S. Times 23/1/83

New metals supergiant

SECOND COLOSSUS IN A WEEK POINTS TO MASSIVE MARKET BATTLE

By Stephen Orpen

HARD on the heels of the mammoth merger reported in Business Times last week between the non-ferrous metals interests of Anglovaal Industries (ATI) and the Macdem group the country's second-largest copper and alloy producer and caster, the Non-ferrous Metal Works Group (NFM), has acquired the multi-million Metal and Chemical Industries group (MCI), leading ingot producers on the Reef

Combined the new group will enjoy a turnover "well in excess of R70 million" — enough to provide stiff competition to the R130 million-turnover ATI-Macdem operation

The mergers have produced two giants which will enjoy no less than R200-million of the estimated total SA industry turnover of some R250-million

A spokesman for this week's agglomeration tells me "It is no accident that the new takeover — I cannot disclose the price — follows so closely on the announcement of the merger of NFM's main opposition in the copper, brass and bronze semi-manufacturing industry"

Reacting to the ATI-Macdem deal, NFM director Bernhard Lazarus said "The collapse of leading fabricators in the UK, Western Europe and the US during the current economic recession has taught the South African non ferrous industry that in times like these you rationalise where possible'

NFM's takeover of MCI, a company previously controlled by the International Associated Metals and Minerals Corporation of New York (Asoma) is more than an exercise in rationalisation and "muscle-flexing"

"Of immediate benefit will be the strengthening of NFM's presence in the Transvaal which up to now has been confined only to branch offices at Germiston and Pretoria These outlets are to be strengthened in product range and personnel

"Specifically, our Durban smelter is now augmented by the ingot production facility on the Reef The MCI deal also means that we have a stronger arm in the Transvaal scrap-metal buying market", says Mr Lazarus.

Bernhard and his brother, Gunter, who control Durban-based NFM, have retained MCI's John Hess as managing director and left Asoma with a "substantial' minority shareholding

They believe this will give them additional penetration into important overseas markets

Explains Bernhard Lazarus "With Asoma's worldwide offices and contacts, we aim substantially to boost exports, which presently account for 15% of our trade

"Despite the recession, our group looks forward to continued growth during 1983 We certainly do not envisage any cutbacks in either production or personnel"

18 The Star Monday January 24 1983

Merged firm aims for 50 percent boost in exports

232

By Stan Kennedy

McKechnies and Denver Metals, recently merged, expects to increase exports by 50 percent in the next year or two and reports slightly increased US interest

The group, with excess capacity, hopes to raise exports to about 3 000 tons a year It has a R130 million share of the R250 million a year non-ferrous market in this country which has a throughput of about 50 million tons a year.

Bigger production runs and lower unit costs are the main aims of the new company formed by amalgamating the non-ferrous interests of Anglo-Transvaal Industries and Macdem

From January 1, Macdem's interests in McKechnie Bros SA and Maksal Tubes were merged with ATI's interests in Denver Metal Works, through forming a joint holding company to acquire the three businesses and, at the same time, buy Macdem's interest in SA Copper Alloys

The total involved was R46 million, settled by shares and/or cash in the new company

Macdem will manage the merged operation and its chief executive, Mr Murray Coutts-Trotter, is executive chairman of the new holding company Both ATI and Macdem will be represented on the board, to be complemented by representatives of the three operating companies

Mr Bill Keen, a manager of Anglovaal, said that capacity utilisation was the key to the merger

"There is excess capacity in the market for extrusions and phosphor bronze, resulting in assets not being used economically," said Mr Keen

"Our future programme will include plans for longer runs of these products, to bring down unit costs and make us more competitive overseas

"We also see on the horizon a threat of substitution of our products and we want to pool our resources to compete with this"

Denver recently perfected the continuous casting of aluminium bronze in solid, hollow and shaped configurations and is believed to have the widest casting of phosphor bronze in Southern Africa

The company has already received a US order and Mr Keen said the alloy was set to make a big impact on export markets

Board's recommendation rejected

Govt green light for liquor giant

(232) ROH 25/3/83

Political Staff

CAPE TOWN.

THE Government has rejected a Competition Board recommendation that the formation of a new liquor giant, Cape Wine and Distillers (CWD), three years ago was not in the public interest and that CWD should be dissolved.

The KWV, Rembrandt, and South African Breweries (SAB) each has a 30% stake in CWD, whose holding company was formed by Rembrandt and the KWV.

The Competition Board criticised the merger of two of the largest producers and wholesalers in the wine and spirit industry into a retail selling company as a structural change which was not in the public interest

It recommended in June last year that Stellenbosch Farmers' Winery owned by SAB, and the Oudemeester wine interests owned by Rembrandt, be re-established as separate and competing entities

It also recommended that the 50% interest KWV Investments had in the controlling company of CWD should be terminated

The Minister of Industries, Commerce, and Tourism, Dr Dawie de Villiers, said in a statement yesterday the Government sympathised with the board's view It could not, however, simply undo a structure which had come about in 1979 with Cabinet approval

He said the restructuring of the liquor industry had probably brought greater stability to the liquor trade to the benefit of the wine industry It had also meant a reorganisation of capital involving millions of rands which could not be undone without detrimental consequences

The Government could not therefore agree to the dissolution of CWD and the restructuring of the wholesale liquor trade as the board had recommended It was also bound to honour undertakings given to those concerned in 1979

Dr De Villiers said this implied that the right of Union Wine to acquire 103 liquor outlets was upheld and that CWD would be able to acquire 300 outlets

Rembrandt and SAB would continue to sell off their retail liquor outlets as was agreed in 1979

Dr De Villiers said, however, the Government still wished to ensure competitiveness in the liquor industry and warned against abuse of the existing concentration of power in the trade

The Government had therefore decided

- Not to allow any further extension of the retail liquor licences of producers and wholesalers
- That no retailer would in future be allowed more than 12 retail liquor licences, although existing licences are unaffected
- That the number of grocer's wine licences per licence holder is to be pegged at the 35 licences held by Pick 'n Pay This does not affect the number of wine counters in supermarkets, which are wine outlets for existing bottle stores
- That further proposed take-overs and mergers in the liquor trade would first have to be submitted to the Competition Board for consideration

The Government accepted the board's recommendation that no dominant manufacturer or supplier of beer, or of wine and spirits, should possess interests in another sector of the liquor industry Dr De Villiers said, however the SAB holding in CWD was justified and should be retained as an exception

Other Competition Board recommendations rejected by the Government yesterday were that beer should be sold in grocery stores and the present discretionary issue liquor licences be replaced with a uniform and objective standard

Beating for the spirit of enterp

232

RDM 26/3/83

By MICHAEL FRIDJHON

Wine writer and co
domestic and interr
liquor industries.

THE Government's response to the recommendations of the Competitions Board appointed to examine monopolistic tendencies in the liquor industry is an abject denial of fair trading practice

In what amounts to a sell-out to the Cape-based wine farmers' lobby, Minister De Villiers has entrenched the monopolistic structure of the wine and spirit industry

These concessions to protectionism not only undermine the credibility of the Competitions Board but also the whole basis of the so-called verligte economic policy the Government espouses

The major recommendations of the board included the break-up of the Cabinet-sanctioned wine and spirit giant — Cape Wines and Distillers Ltd (CWD) — the separation of retail and producer interests, the right to supermarkets selling wine also to sell beer and the deregulation of the restrictive liquor licensing laws in South Africa

The board rightly observed that the beer producer monopoly in South Africa was a de facto result of South African Breweries (SAB) domination of the industry

It noted, however, that the virtual monopoly of wine and spirit production in the CWD was artificially created and therefore reversible

It disapproved not only of the extent of this monopoly but also of the State participation through the quasi-government KWV

The message was loud and clear free trade needs competition, with all parties competing on an equal basis

Domination of production, specially coupled with a powerful retail control, is unfair and not in the consumer interest.

When the largest liquor producer also owns the largest retail chain, with guaranteed selling positions for his products, it becomes impossible for any one else to compete effectively against him

And without competition, capitalism loses its checks and balances

What is central to the Government's about-face is that their response will assure exactly what the Competitions Board was set up to oppose

The largest liquor producer the CWD, will be permitted the largest chain of stores hence they will be assured a dominant position in the industry through legislative enactment and not through efficiency or business enterprise

It follows from this that their style of trading will determine the norms of the industry and consumers will be forced to pay the price of protectionism

The de juro monopoly created by the Government in the wine and spirit sector, ostensibly to oppose the de facto beer monopoly, cannot function as a counterbalance, since the quality and style of its management needs protectionism to survive

In absolute terms, the price of beer has actually declined in relation to the consumer price index for the past 10 years during the same period, the wine and local spirit cost has actually risen

The domination won by the breweries in the market place is therefore qualitatively different from the CWD's victory at the Cabinet

The immediate result of the Government's response to the Competitions Board proposals will be the abolition of a strong independent retail trade, capable of opposing the production monopoly

There can be no major negotiation on price when the retailer is either a subsidiary of the supplier or inadequately geared to counteract a monopoly

It was precisely to investigate such a situation that the board was asked to study the industry, and the State's failure to accept the main thrust of the board's ruling leaves the board's chairman, Danie Mouton, no alternative but to resign

It would seem that Dawie de Villiers the Minister whose portfolio includes liquor trade matters, should also resign

It is understood that he personally did not support the protectionism intrinsic to this industry re-shuffle

In any event, he can no longer be plausible as the Minister of Commerce and Tourism

The political riot act has been read to him and he has learnt that the Prime Minister does not wish to jeopardise valuable Cape seats by alienating the wine farming lobby

Twelve Nat MPs are wine farmers, and four directors of KWV have seats in the House

Prime Minister Botha must feel he cannot ignore their views But he cannot have it both ways

By undermining the Board of Trade and the Competitions Board he has discredited the Government's economic policy

The country cannot continue to subsidise the wine farmers simply because the Prime Minister does not wish to lose Cape voters

The fact that Anton Rupert and his wine farmer allies have won their protectionist victory will have far-reaching consequences for the liquor industry and the price that consumers pay for the liquor of their choice

On March 11 the Government gazetted a new Board of Trade Inquiry this time into the ability or otherwise of the local spirits industry to deal with foreign competition

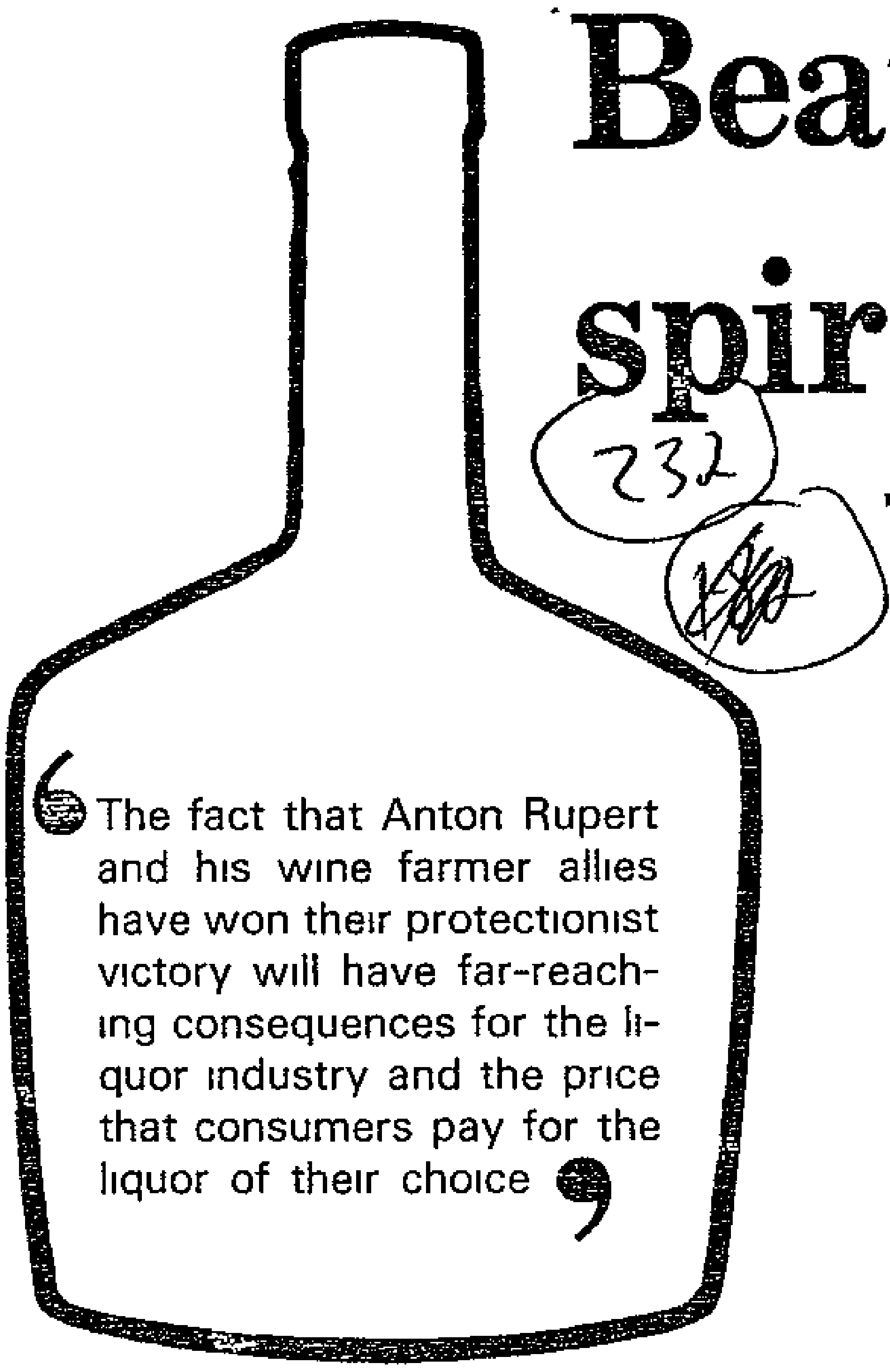
Doubtless this emanates from the CWD/KWV camp since they have been calling for some time for protective measures to defend a grape and brandy industry which suffers from chronic overproduction

Irrespective of how this board reports, it is a foregone conclusion that the Government will follow its own course

Restrictions will be clamped on whisky imports and retail prices will be increased to differentiate them from the prices of local spirits

Like the Competitions Board, this Board of Trade Inquiry is merely a front and the decisions will be taken by politicians, not business people

South Africa has no real use for about 35% of its wine production But the wine farmers are guaranteed minimum prices for their product



> The fact that Anton Rupert and his wine farmer allies have won their protectionist victory will have far-reaching consequences for the liquor industry and the price that consumers pay for the liquor of their choice

Examiners' Initials		

s, notes, pieces of paper or other mate
' be brought into the examination room
andidates are so instructed

tes are not to communicate with other
tes or with any person except the invigi-

of an answer book is to be torn out
'er books must be handed to the commis-
r to an invigilator before leaving the
tion

ı and to possible exclusion from the

Beating for the free spirit of enterprise

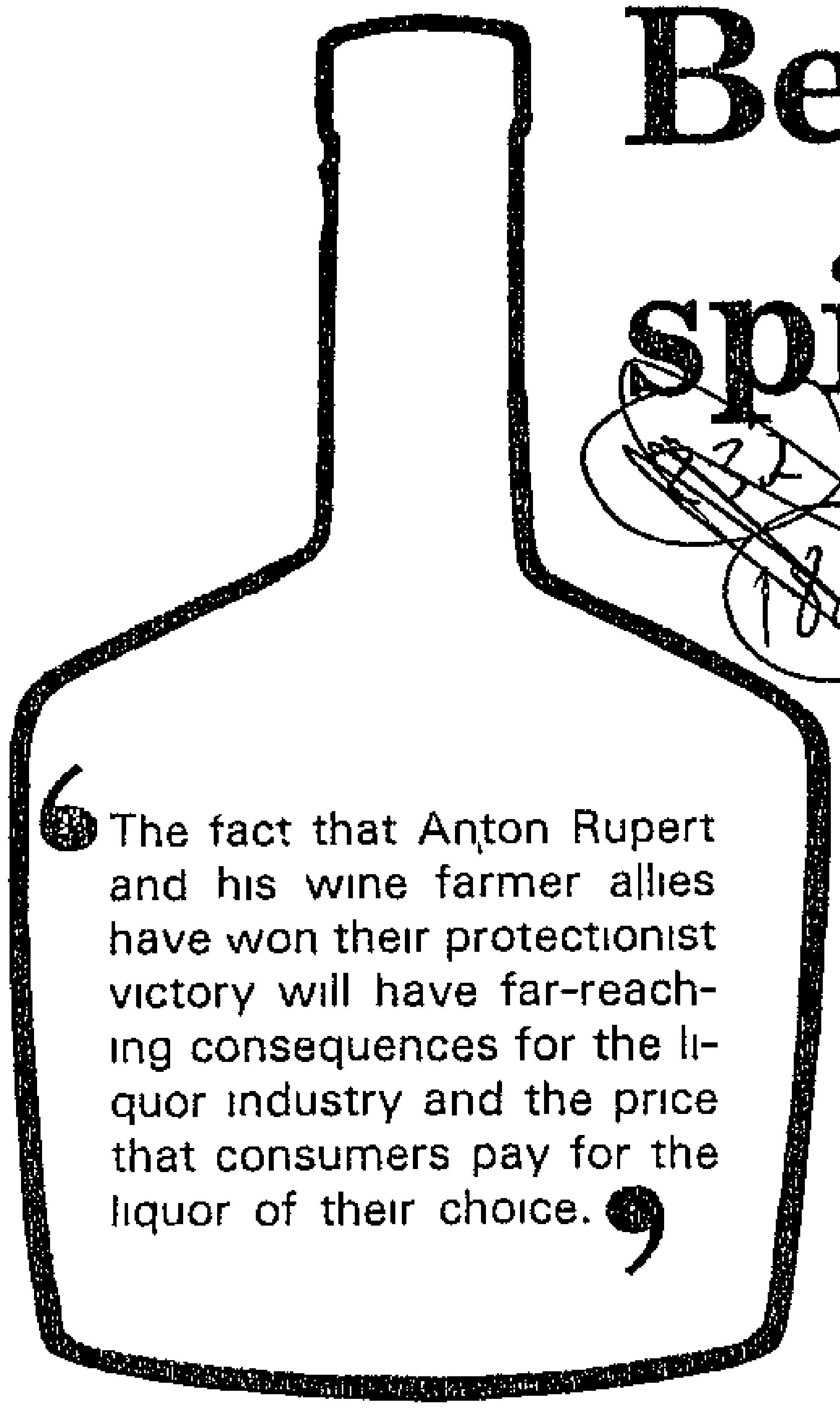
RDM 26/3/83

22

184

By MICHAEL FRIDJHON

Wine writer and consultant to domestic and international liquor industries.



❝The fact that Anton Rupert and his wine farmer allies have won their protectionist victory will have far-reaching consequences for the liquor industry and the price that consumers pay for the liquor of their choice.❞

THE Government's response to the recommendations of the Competitions Board appointed to examine monopolistic tendencies in the liquor industry is an abject denial of fair trading practice

In what amounts to a sell-out to the Cape-based wine farmers' lobby, Minister De Villiers has entrenched the monopolistic structure of the wine and spirit industry

These concessions to protectionism not only undermine the credibility of the Competitions Board but also the whole basis of the so-called verligte economic policy the Government espouses

The major recommendations of the board included the break-up of the Cabinet-sanctioned wine and spirit giant - Cape Wines and Distillers Ltd (CWD) — the separation of retail and producer interests, the right to supermarkets selling wine also to sell beer and the deregulation of the restrictive liquor licensing laws in South Africa

The board rightly observed that the beer producer monopoly in South Africa was a de facto result of South African Breweries (SAB) domination of the industry

It noted, however, that the virtual monopoly of wine and spirit production in the CWD was artificially created and therefore reversible

It disapproved not only of the extent of this monopoly but also of the State participation through the quasi-government KWV

The message was loud and clear free trade needs competition, with all parties competing on an equal basis

Domination of production, specially coupled with a powerful retail control, is unfair and not in the consumer interest

When the largest liquor producer also owns the largest retail chain, with guaranteed selling positions for his products, it becomes impossible for any one else to compete effectively against him

And without competition, capitalism loses its checks and balances

Doubtless this emanates from the CWD/KWV camp since they have been calling for some time for protective measures to defend a grape and brandy industry which suffers from chronic overproduction

Irrespective of how this board reports, it is a foregone conclusion that the Government will follow its own course

Restrictions will be clamped on whisky imports and retail prices will be increased to differentiate them from the prices of local spirits

Like the Competitions Board, this Board of Trade Inquiry is merely a front and the decisions will be taken by politicians, not business people

South Africa has no real use for about 35% of its wine production But the wine farmers are guaranteed minimum prices for their product and are themselves concentrated into a potent and vociferous lobby

They intend to mould the liquor industry so that it continues to keep them fat and inefficient

The Cabinet's sell-out on the Competitions Board recommendations is proof that they have the political clout necessary to achieve their aims

And the consumer will simply continue to pay the price forced to pay the price of protectionism

The de juro monopoly created by the Government in the wine and spirit sector, ostensibly to oppose the de facto beer monopoly, cannot function as a counterbalance, since the quality and style of its management needs protectionism to survive

In absolute terms, the price of beer has actually declined in relation to the consumer price index for the past 10 years during the same period, the wine and local spirit cost has actually risen

The domination won by the breweries in the market place is therefore qualitatively different from the CWD's victory at the Cabinet

The immediate result of the Government's response to the Competitions Board proposals will be the abolition of a strong independent retail trade, capable of opposing the production monopoly

quor trade matters, should also resign

It is understood that he personally did not support the protectionism intrinsic to this industry re-shuffle

In any event, he can no longer be plausible as the Minister of Commerce and Tourism

The political riot act has been read to him and he has learnt that the Prime Minister does not wish to jeopardise valuable Cape seats by alienating the wine farming lobby

Twelve Nat MPs are wine farmers, and four directors of KWV have seats in the House

Prime Minister Botha must feel he cannot ignore their views But he cannot have it both ways

By undermining the Board of Trade and the Competitions Board he has discredited the Government's economic policy

The country cannot continue to subsidise the wine

Examiners' Initials		

'Wine lake' blamed for Govt refusal to break monopoly

~~Wine~~ 232 ~~182~~

27/3/83 - S-Express

By MARTIN WELZ
Political Correspondent

A HUGE surplus — known as the 'wine lake' — lies behind the Government's refusal to dismantle the wine monopoly Cape Wine and Distillers (CWD)

The 'lake' has accumulated as a result of bad planning by KWV, the wine co-operative, and now its contents can no longer be disgorged and placed at realistic prices on world markets

KWV owns 30% of CWD

Another reason for the Government's shock decision was that it was aimed at protecting financial interests close to the Government, and hiding the fact that consumers are required to pay more for yet another agricultural surplus.

The Government decision could also have a major impact on future developments in the South African economy, not only on the liquor trade, said Mr Andrew Savage, official Opposition spokesman on consumer affairs

"It has shown the Government is not prepared to resist powerful political and financial pressure groups when it comes to preventing the formation of huge monopolies that are to the detriment of the consumer," Mr Savage said.

Minister of Industries, Commerce and Tourism Dawie de Villiers this week rejected the recommendation of the Monopolies Commission that the wine monopoly, formed by the KWV, the Rembrandt Group and South African Breweries with Government approval in 1979, should be dismantled as it was not in the public interest.

Dr de Villiers said it would not be fair to expect the companies to undo arrangements that had been made with Cabinet approval.

Nearly one in 10 South African farmers is a wine farmer Concentrated in the Western Cape, they form a powerful political lobby represented by 12 Members of Parliament.

KWV, the wine co-operative to which all wine farmers must belong, is obliged to take all the wine that farmers are unable to sell either on their own or to a local wine co-operative.

The KWV is supposed to fix production quotas for its members to control overproduction but, faced with local pressures on its board members, has been reluctant to strictly limit quotas, an industry source told the Sunday Express this week.

"Because of poor planning and marketing they have produced massive surpluses for years — commonly known as the Cape's 'wine lake' — which they have been unable to dispose of at economic prices on the international market."

The KWV does not publish figures for the amount of wine delivered to its cellars and refuses to discuss the extent of its surplus. Even the independent Cape Wine and Spirit Institute in Stellenbosch was unable to estimate figures when approached for comment this week.

Last year KWV announced half the crop delivered to it by members was used for the production of 'good wine' The rest was used for distilling

An indication of just how serious the surplus is emerged from the fact that farmers were paid for only half the distillery production. The other half was described as a "surplus contribution percentage", for which they were not paid

Informed sources said KWV had recently been obliged to sell a huge consignment, distilled to pure alcohol, at a substantial loss on the European commodity market where it had to compete with alcohols produced from cheaper crops

But since 1979, when the wine monopoly was formed, wine prices on the South African market have risen at double the inflation rate.

Wine producers faced a further drop in wine consumption by the white market as a result of the beer price war raging between the two major competing beer producers

One of the producers was the Rembrandt Group's Continental Breweries Both Rembrandt's brewery operation and KWV were being financed by Volkskas

Informed sources told the Sunday Express this week that Volkskas had played a major role in putting together the CWD monopoly and in obtaining Government approval for the deal that saved its two clients from extreme financial embarrassment.

Anglo American takes all

Chrysler sells Sigma stake

(232) RDM 27/1/83

By HOWARD PREECE

THE Anglo American group is buying the 25% stake held by Chrysler Corporation of the US in Sigma Motor Corporation.

Anglo holds the other 75% — 37% through the main Anglo American Corporation (AAC) and 38% through Anglo American Industrial Corporation (Amic).

Mr Chris Griffith, the chairman of Sigma, declined yesterday to say how much Anglo was paying Chrysler for its stake in the South African group

A fairly hefty sum must, however, have been involved

In 1980 Sigma made a pre-tax profit of more than R25-million and in 1981, according to Amic, the figure was 6,5% higher, which would take it to about R27-million

No figures are avilable for 1982, but Mr Griffith has admitted that Sigma incurred a loss last year

Apart from Sigma's particular problems, the motor industry is heavily cyclical and Chrysler is presumably getting tens of millions of rands for its holding

How much might depend, though, on how anxious a seller it was.

On the surface, Chrsyler's decision to sell looks strictly business.

The US company piled up colossal debts of $3 500-million between 1978 and 1981 and although its finances looked much healthier last year the group's future is still precarious

In fact, it is so much in debt to the US Government that the Sigma holding sale technically requires the approval of the US authorities

That should be a formality

Selling overseas assets looks, therefore, a matter of necessity

But in the past few years several overseas companies have been selling some or all of their fixed investments in South Africa

In nearly every case commercial reasons have been advanced, but it has been difficult to avoid the conclusion that politics has played a role, even if only a supporting one, in some instances

At any rate the Chrysler-Anglo deal represents another example of disinvestment in this country for whatever motive

It also seems as if the deal has been structured in a fairly complicated way

The announcement from Sigma said that "the agreement has the approval in principle of the exchange control authorities in South Africa"

Mr Griffith said, however, that it was not a simple "cash-financial rand operation".

Sigma's main interest is in the Mazda range and it has little direct involvement with Chrysler

In future, however, it will still have "the right to distribute any new Chrysler products in South Africa"

There seems no reason for Sigma staff to be affected by the ending of Chrysler's holding

But Anglo will have 100% control and will no longer have to consider, if it was ever a problem, the interests of a large minority shareholder

AAC and Amic will have 50% each of Sigma ex-Chrysler

Natal Scrap metal firms join forces

232

S-Tribune

Finance Editor

30/1/83

THE SERIOUS decline in demand for scrap metal has resulted in the merger this month of two of Natal's top merchants, Chicks Scrap Metals and Ferrous Metals

Also included in the deal is Waste Services, the industrial collection company All are based at Prospecton

They are now trading as Metal Reclamation Services with Waste Services retaining its own identity

The new company will be managed by Reclam, the national group of scrap processing companies in the Macdem stable

Former head of Chicks, Alan Sayer, is executive chairman Ferrous Metal's managing director, Jack Rozentvaig, will be general manager

"One fact considered was the ever-increasing difficulty in providing a high level of service to customers while still remaining competitive against a background of escalating costs amd capital replacements," says Sayer

"We believe that rationalisation of our combined resources will result in a better all-round service to our clients and will help us neutralise some of the effects of inflation"

50/1/83 S. Times ~~[illegible]~~ 232

New motor giant born

By Julian Kraft

A NEW giant has been established in the motor industry following the merger this week of Parko and Veltol Components

Parko, a division of a subsidiary of the JSE-listed Malbak, and Veltol Components say they will operate as a new 50/50 partnership which will have annual sales in excess of R10-million

Veltol Parko is expected to become a major force in the brake and clutch industry

The merger establishes the new company as the market leader in the R40-million-a-year replacement sector of the clutch and brake market

Its monthly production rate will be about 25 000 sets of brake shoes 10 000 cover assemblies and 15 000 clutch driven plates

A company spokesman said this week that increased production levels were expected to eliminate the duplication of some expenses

'This means we should be in a better position to hold prices than previously"

Iscor scrap move hailed

232 ~~189~~ [illegible] Mercury 1/2/83

Financial Editor

ISCOR'S decision to withdraw as a member of Ferrous Scrap Distributors (FSD) meant that free enterprise would reign in the scrap industry, Mr Harry Druker, chairman of the Scrap Metal Merchants Association, said from Johannesburg 'It's the best news we have heard for a long time,' he said

Until now FSD bought 95 percent of the metal scrap from more than 50 scrap merchants

But merchants are still furious about a 15 percent price cut late last year and further cuts in purchases by FSD two weeks ago

Mr Druker said Iscor would buy on the open market and that they might pay coastal merchants a premium to cover transport costs to inland blast furnaces

The original agreement between scrap merchants and FSD was to expire on March 31 but Mr Druker thought that Iscor's withdrawal would mean a total collapse now

Mr Druker thought Iscor and other purchasers would increase their scrap purchases towards the year end The market is depressed at present.

Merchants would get high prices in times of high demand and low prices when there was a metal surplus This, said Mr Druker, was the best thing that could happen to the industry

The merchants are expected to meet again in March to discuss the developments in FSD and Iscor

UNIVERSITY OF CAPE TOWN

EVERY CANDIDATE MUST enter in

BUSINESS

Natal scrap firms' merger reflects market problems

(232) ~~109~~ Star 4/2/83

Financial Staff

The serious problems faced by scrap metal dealers in many parts of the country are reflected by a development in Natal, where two of the province's most important merchants, Chicks Scrap Metals (Natal) and Ferrous Metals, have merged

The decline in demand for processed scrap has become steadily more acute in recent months and last month a drastic cutback in suppliers' quotas led to widespread criticism from merchants, who saw prospects of trading levels being reduced even further

Reasons given were based on the serious downturn in the world steel market and the subsequent crisis in the scrap industry, says the new group, known as Metal Reclamation Service

It says that the current oversupply has resulted in merchants throughout South Africa being placed on a "drastically" low quota system to steel scrap consumers

Another factor is the increasing difficulty in providing high-level service to customers while remaining competitive against a background of rising costs and capital replacements

Concern is now being expressed in some quarters that the current problems within the scrap business could lead to far-reaching changes in its structure

In Natal, it has been argued that a real danger exists of a local monopoly emerging

This follows the decision by Iscor to withdraw from Ferrous Scrap Distributors, through which most merchants channel their output, as well as the Chicks-Ferrous Metals merger

The Natal sources also express disappointment at the failure by the Competitions Board to take positive action to prevent the emergence of a monopoly

Degree/Diploma/Certificate for which you are registered (e g B A, B Sc) B Com

Subject Economics Ia
(to be copied from the heading on the Examination Paper)

Paper No I Section B.
(to be copied from the heading on the Examination Paper)

Examiners' Initials		

NOTE CAREFULLY

1 The answers only on the right hand pages will be marked The left hand pages may be used for rough work, but no credit will be given for such work
2 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
3. Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
4 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used.

WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2. Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

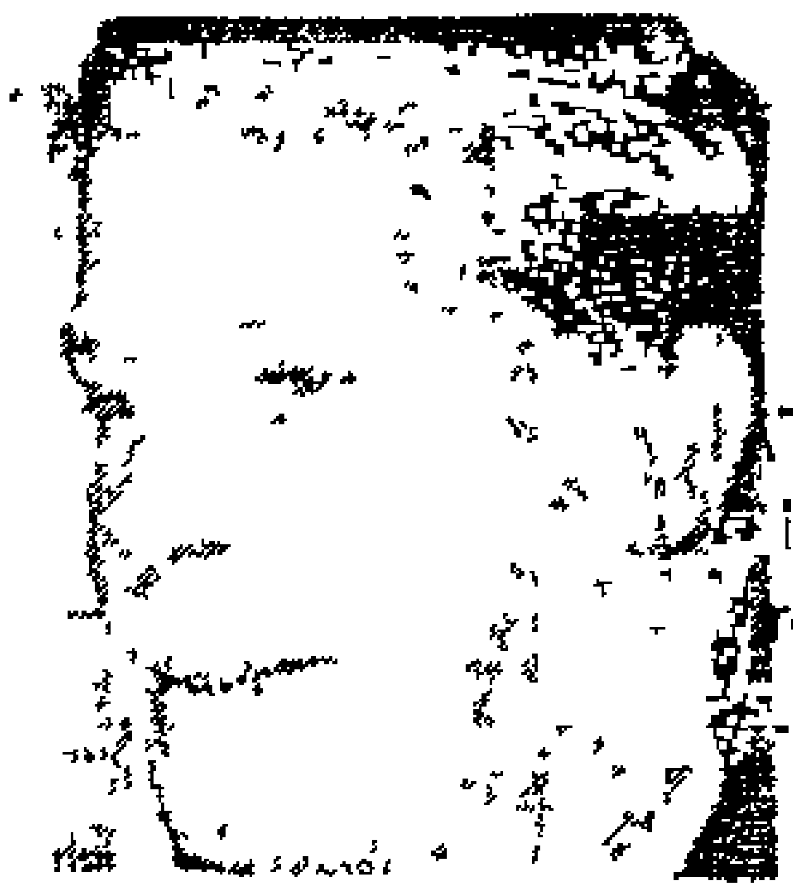
Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

EDSON

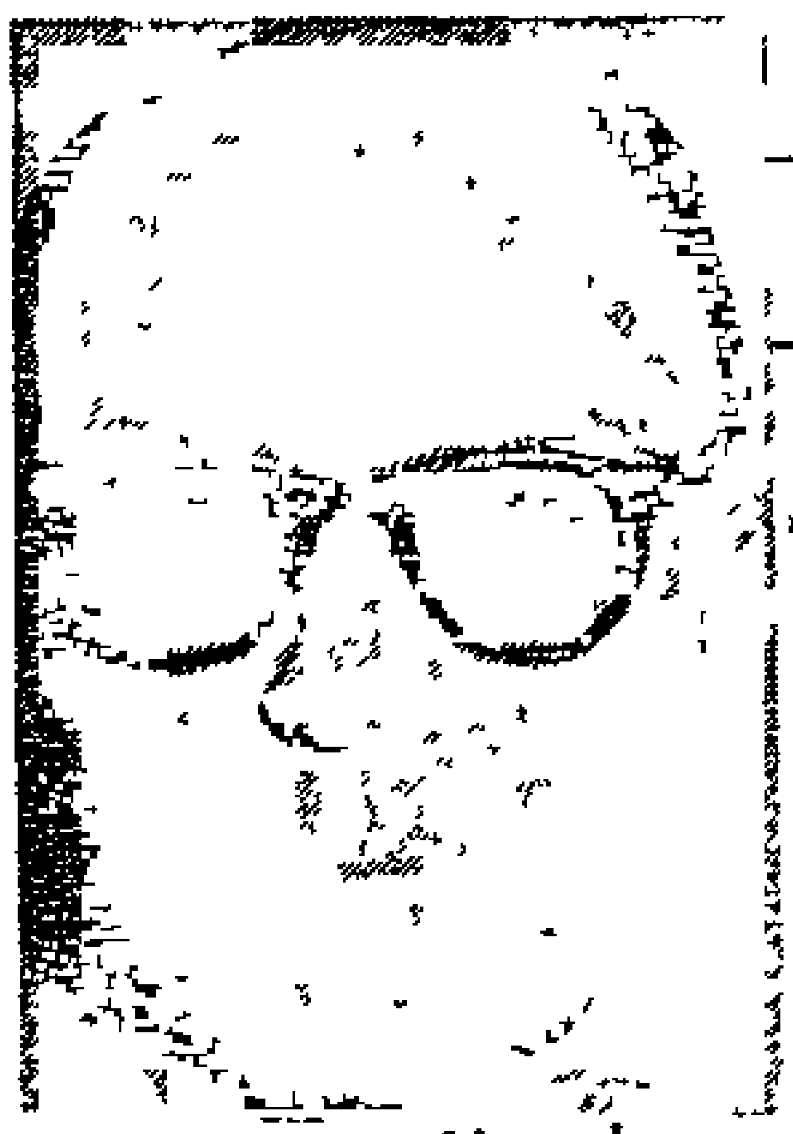
Cape group wins Tvl Press war

ARGUS 9/2/83

232



Professor P Cillie



Dr W van Heerden

Argus Correspondent

JOHANNESBURG — The bitter Press war between north and south for the politically vital Transvaal Afrikaans morning newspaper market has ended in total victory for the Cape-based Nasionale Pers group.

The rival Transvaal-based Perskor group yesterday effectively announced its surrender in terms of which it will leave the Afrikaans morning newspaper market completely

Nasionale Pers's Beeld, first published late in 1974, will be the only Afrikaans-language morning newspaper in the Transvaal

It achieved double the circulation of its main Perskor rival, Die Transvaler, which will in the near future publish in Pretoria only

Link forces

Die Transvaler will link forces with the Perskor morning paper, Oggendblad, and afternoon paper, Hoofstad, whose names will disappear

The new paper will be published in the afternoon The Johannesburg afternoon newspaper, Die Vaderland, published by Perskor, will not be affected

Dr Willem van Heerden, the new chairman of Perskor, denied that the Transvaler was disappearing and that the name was being grafted on to Hoofstad

He said Die Transvaler would have a more national character

Compensation

In terms of his joint statement with the Nasionale Pers chairman, Professor Piet Cillie, Nasionale Pers will withdraw its claim for compensation (put at R12-million) arising from Perskor's incorrect circulation returns

Perskor will be compensated for the loss of its share in the morning market

● The Argus Political Staff reports that political parties on the left and right believe the rationalisation will not benefit the conservatives

"Big loss"

Dr Andries Treurnicht, Conservative Party leader, said the move represented "a big loss for Perskor" and added that the struggle to propagate conservative ideas would be more difficult

Mr Dave Dalling, Progressive Federal Party media spokesman, said it was clear that Mr Harald Pakendorf of Die Vaderland had emerged as the dominant editor in the group

"This bodes ill for the conservative elements and will be cold comfort to the Herstigte Nasionale Party, which had some support at least in the old Oggendblad," Mr Dalling said

---

TE MUST enter in
ber of each question
rder in which it has
ve columns (2) and

External
(3)

First Name(s)

Date 22/

Degree/Diploma/C
you are registered

Subject E C
(to be copied fro

Paper No
(to be copied fro

xami-
ners'
nitials

NOTE CAREFULL

1. The answers onl
marked. The le
rough work, but
work
2. Enter at the top c
the block on this
you are answerin
3. Blue or black ink
The use of a bal
green ink may
emphasis or for d
be used
4. Names must be printed on each separat
(e g graph paper) where sheets additic
examination book(s) are used

notes, pieces of paper or other material
ught into the examination room unless
are so instructed
are not to communicate with other
or with any person except the invigilator.
in answer book is to be torn out
books must be handed to the commis-
an invigilator before leaving the exam-

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

EDSON 15255

(232) Hansard

Q.61, 81-82 11/2/83

One-channel marketing of ferrous scrap metal

*18 Mr P R C ROGERS asked the Minister of Industries, Commerce and Tourism:

Whether the Competition Board has completed its investigation into the one-channel marketing of ferrous scrap metal; if not, when is it expected that the investigation will be completed?

†The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

The Competition Board is not investigating a one-channel marketing of ferrous scrap metal The Board is, however, presently conducting an investigation into the existence of possible restrictive practices relating to the supply and distribution of ferro-scrap metal in the Republic of South Africa

This investigation has not yet been completed and it is unfortunately not possible to give an indication of the date on which the investigation will be completed

AE Motor Spares excluded from deal

UK parent pays R15m for Asseng SA

232

RDM

14/2/83

By STEVE ELLIS

ASSOCIATED Engineering of Britain is paying R14 900 000 — or 225c a share — for the manufacturing and warehousing divisions of its SA subsidiary, Associated Engineering (SA).

Also announced today by Standard Merchant Bank and Senbank is that Mr Peter Rhodes, the television entrepreneur who recently acquired control of Katz & Lourie, is to buy Asseng's major problem child, AE Motor Spares

To implement Asseng's reconstruction, these steps are planned

- AE (PLC) the British company, will buy all of Asseng's assets apart from the Motor Spares subsidiary for R14 900 000
- Asseng will retain Motor Spares which has been valued by the parties involved at R6 314 000, or 95c an Asseng share
- Asseng will subdivide its 6 625 900 ordinary 25c shares into 6 625 900 ordinary 15c shares and 6 625 900 redeemable preference shares of 12,5c each
- The preference shares will be redeemed immediately and shareholders will have the option of receiving a 225c capital repayment, or a 65c capital repayment plus a 160c special dividend
- AE (PLC) will sell to Mr Rhodes the 4 269 956 12,5c shares it holds in the smaller Asseng company for R298 676, or 7c a share — the same offer to be made to minorities

Asseng will disappear from the lists of the Johannesburg Stock Exchange when the deal is concluded Mr Rhodes will change the name to Nationwide Motor Spares

The deal is conditional on the approval of the SA exchange control authorities, the UK Treasury Department, the JSE and Asseng's shareholders

The effect of the proposals is that shareholders will receive 225c in cash and hold one 12,5c ordinary share in Asseng with a net asset value of 95c The 320c offered compares with a net asset value of 415c at the end of September last year

Today's announcement follows four weeks of speculation about the likely make-up of the reconstruction reported to have been be under consideration by Asseng

The need for the overhaul became obvious after the group suffered a disastrous R8 500 000 loss in the year to September 1982, largely as a result of difficult trading by the Motor Spares and Indusem subsidiaries

The chairman, Mr Cecil Dace said, in the 1982 report "The loss in AE Motor Spares and Indusem is a result of unprofitable trading practices which were masked during the year by a breakdown in administrative, financial and operating controls"

Mr Rhodes said at the weekend he was pleased with the deal, and had acquired a good company for a cheap price

"Although the division has been in trouble, particularly from an overstocking point of view, remedial action has been taken and I am confident that it will return to profitability once it has been separated from the Asseng manufacturing operations and put under our control"

Asseng's managing director, Mr Johan Meyer, was also happy with the deal — particular with the AE PLC offer, saying "This gives minorities the opportunity of finding alternative avenues of investment instead of being tied into a company which has little prospect of a dividend payment for several years ahead"

Delta merger can stop profit slide

Star (232)

Feb. 1983

Minorities of the troubled electrical group LH Marthinusen can be pleased about the merger of the company with the electrical repair and insulation business of Delta SA (Pty), writes Alec Hogg

LHM, suffering from ineffective management, steadily lost profits in the past two years, to the extent that this year the group is expected to break even

This compares with pre-tax profit of R2 1 million in the year to end March 1981, and R1,5 million in 1982

By contrast, the operations of Delta which are to be merged have performed well, with earnings in the 12 months to end-December of R1,4 million

Delta is being issued 3,5 million new LHM shares This is 51 percent of the enlarged share capital, and is effectively a reverse take-over by the private company

Delta is part of the huge Delta PLC group, which is a company quoted on the London Stock Exchange

Delta's other interest in SA is a joint venture with Haggie through the Macdem group of companies

The former controlling shareholder of LHM, UK-based General Electric, has had its stake in the group diluted from 55,4 percent to 27,1 percent

GEC has let it be known that it is disappointed in the performance of LHM Merger talks have been in progress since October

The biggest asset which the Delta group brings to LHM is the management, which has shown more success despite operating from a smaller asset base

In addition to the merger, LHM has disposed of its Zimbabwean interests for R619 750 This will be paid to existing LHM shareholders (at the equivalent of 18,5c a share) by way of a cash capital distribution

---

Blue Circle's decision to spend R200 million on expanding its Lichtenburg factory has meant a slowdown in profit growth for the first time in ten years and company chairman Mr Trevor Coulson says the company hopes to maintain earnings and dividends in 1983

Cement companies operate in a cyclical and capital intensive industry The timing of large expansion programmes is always difficult and often recessionary phases are chosen

Unfortunately for Blue Circle, expansion at Lichtenburg coincided with interest rates moving to historically high levels and the impact on profits has been severe

Pre-tax profit fell to R20,3 million from R24 million in the year ended November 30, while interest charges rose 55 percent to R13,9 million

Earnings a share fell 20 percent to 86,2c, but the total dividend was maintained at 38,5c

Mr Coulson says the capital expenditure should be seen as providing a good foundation for the company's major cement operations

The effect on profit and balance sheet ratios should be offset by strong cash flows reducing borrowings and interest payments

By the end of last November R100 million of the R200 million earmarked for the expansion project (due for completion by 1985) had been spent

A further R20 million will be spent this year, but part of the remaining R80 million — which it is hoped, will enable the company to raise production a further 600 000 tons a year — has been deferred to after 1985 when additional capacity is required

The Lichtenburg plant has a capacity of 1,9 million tons of cement a year, and when the projected extra 600 000 tons is eventually brought in, the factory will consist of three cost efficient kilns

The engineering activities of the group have been affected by the downturn, particularly the construction and mining divisions

The directors say 1983 has started with order books at lower levels than last year, with the exception of Tractec which has secured substantial orders for new locomotives from OFS gold mines

232

Star 17/2/83

Big shake-up in hotel industry

By Alec Hogg

Negotiations being held on "rationalisation of interests" between Southern Sun and Rennies (which controls the Holiday Inn chain in Southern Africa) have far-reaching implications for the hotel industry

Although an announcement on the result of the negotiations will become known within a month, investigations by The Star show that closer co-operation among the groups is likely in sponsorship, administrative and the travel tour areas

Significant in the discussions is the future of Southern Sun's profit-spinner Sun City, which is being threatened by kwaNdebele opting for independence

Holiday Inn has the casino rights to the kwaNdebele homeland It therefore would be easy for the group to open a Sun City-type centre an hour's drive from Johannesburg

But Southern Sun could open another gambling centre, even closer to South Africa's biggest city, because Rosslyn East, near Pretoria, is part of Bophuthatswana, where the SA Breweries-controlled group has sole casino rights

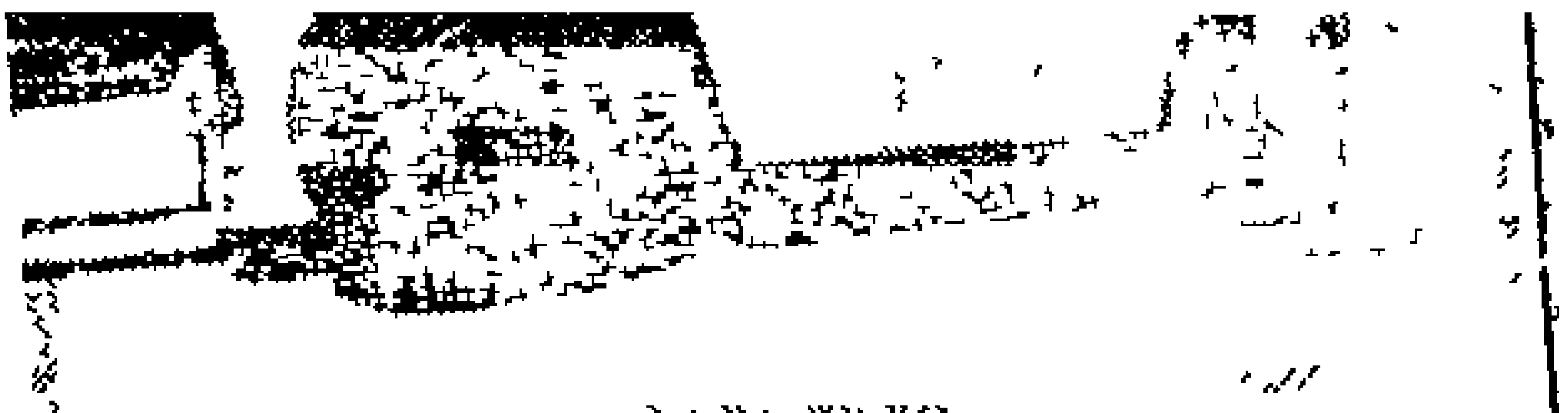
Although Rennies' chairman Mr Charles Fiddian-Green said at a conference this week kwaNdebele is not a critical element in the discussions, The Star has established that the question is on the agenda

It has been ascertained that closer co-operation between the groups on package tours, particularly from abroad, will be discussed

It seems probable that a future package tour could include stays at the Holiday Inn in Johannesburg, Hluhluwe and the Wild Coast, supplemented by Southern Suns Maharani in Durban, President in Cape Town, and perhaps Sun City

Another area where rationalisation between the groups could be achieved is through sponsorships Holiday Inn could receive some mileage out of the Sun City Million golf tournament while Southern Sun could benefit from the Holiday Inn Handicap

Exactly what the conditions of agreement are is difficult to establish, but it is beyond doubt that kwaNdebele is involved



THE first Yale forklift unit is delivered to Mr Joe Coetsee (seated) of the Wool Board by Mr Keith Dent of the South African LancerBoss organisation.

Forklift firms join forces

232

Mercury 22/2/83

Shipping Reporter

YALE, one of the most respected names in forklift trucks, has joined forces in South Africa with LancerBoss, the British range with an established reputation for upmarket trucks in the larger classes

The company now marketing these forklift trucks in the Republic is LancerBoss' Yale (Pty) Ltd and, according to Durban manager, Mr Keith Dent, it now markets one of the most extensive ranges of forklifts ever offered to shipping and other industries

'LancerBoss has always had an exceptionally good name for producing large forklifts which have been well received in various container depots,' he said

'Yale, manufacturers of the world's first forklift truck in 1930, is generally regarded as one of the finest small forklifts available

'Together with the LancerBoss models at one end of the scale and Yale's at the other, we have the local market well covered,' Mr Dent added

The front-end forklifts in the four-to-42 ton capacities are widely used in the handling of containers while side-loading models have been well received in other areas of cargo handling Both types are diesel-powered

Yale, part of the giant American Eaton Corporation, have gas, petrol and diesel-powered models available

We have already delivered our first Yale unit, a GLPO40 gas model, to the Wool Board,' Mr Dent said

LancerBoss, one of the main manufacturers of forklifts in England, was the first forklift manufacturer to win the coveted British Design Council award

Yale forklifts are assembled in Johannesburg from Japanese and South African components The mast, chassis and counterweight are some parts which form 60 percent of the local content.

Appliance firms join forces

Star
22/2/83

232

Financial staff

Two of South Africa's leading manufacturers and distributors of small household appliances, Defy Housewares and Swift Appliances, have merged to form International Appliances (IA)

Swift Appliances was formerly a wholly-owned subsidiary of Sweidan and King

IA now becomes the country's biggest manufacturer and distributor of small electric appliances, which include such leading brand names as Defy, General Electric, Russell Hobbs, Swift and Regal

The new company has control over three factories — the Defy factory in Babalegi, and two Swift factories in kwaZulu and Johannesburg — which make electric kettles, irons, food preparation products, hotbrushes, hairstylers, carving knives and heaters

Sweidan and King has a 51 percent shareholding in the new company and Defy 49 percent

Mr Geoff Sharman, a marketing director of IA, says the joint venture will capitalise on the assets of both companies to improve production, distribution and marketing skills

He says IA will have access to the technological resources of Defy Corporation and General Electric in America

"The small appliance market is growing steadily, and with the increased buying power of the new company, we will endeavour to give the consumer the best deal in price and product range" he says

Among new products to be launched soon are an electric frying pan, filter coffee mixer, plastic kettle and a new range of heaters

Strength in diversity proves true for AECI

(232)

Cape Times 24/2/83

By JOHN MULCAHY

JOHANNESBURG. — Strength in diversity has proved true for huge chemical group AECI, which in 1982 weathered a substantial downturn in some of its divisions to end with an unchanged dividend and an earnings decline of only 12,8%.

Turnover last year was 6% higher than in 1981, at R1 550m compared with R1 467m and trading income fell 8% to R221m from R239m

A feature of the increased turnover was an improvement in export sales to R83m from R65m, the combined result of higher volume exports and an increase in rand receipts

Earnings dipped to 137,8c a share from 158c and the final dividend has been left at 31c, for an unchanged annual payment of 55c

Interest leapt to R19 400 000 from R11 100 000, due partly to higher interest rates, but also to increased borrowings, which took the ratio of interest-bearing debt to 48% of shareholders' funds at the end of December from 30% at the end of 1981

Difficult year

Mr Denys Marvin, AECI's managing director, yesterday made no bones about the fact that 1982 was a difficult year, and that 1983 would probably present equal problems, but he was confident that earnings this year would match those of 1982, with the proviso that there was no further serious deterioration in the economy

"Whatever happens to the gold price, the scene is set for a very difficult year A higher gold price might help to hasten the upturn, but I do not see this happening before 1984"

Chemical plants were extremely volume-sensitive, said Mr Marvin, and AECI was sitting with spare capacity in almost every division, with SA Nylon Spinners operating at about 60% of capacity and the ammonia plant at around 65%

R200m capex

The group is planning capital expenditure of about R200m this year, of which R70m will be absorbed by renewal and replacement of existing equipment, while other projects include a R25m plant to convert fly ash to fuel at Modderfontein's No 4 ammonia plant, as well as improvements to the cyanide plant and on a chlora-alkali plant at Richards Bay, a joint venture with Mondi

A soda ash plant, either at Saldanha Bay or Richards Bay, is also under consideration but Mr Ted Smale, an executive director, said AECI would have to make sure of the Government's view on the strategic importance of domestic soda ash production

The proposed plant would have a capacity of about 300 000 tons a year, said Mr Smale, and would probably cost about R200m

Most divisions performed satisfactorily last year, says Mr Marvin, especially in view of the soft demand in most sectors

Trading profit

Addressing a news conference in Johannesburg, Mr Marvin said last year was the first time in his 11 years in SA that AECI's second-half earnings had been lower than the first six months

Trading profit for the first half of 1982 was R120m and R100m in the second six months, compared with R108m in the first half of 1981 and R231m in the second half

From these figures it is clear that the downturn accelerated in the later part of the year, and in volume terms, domestic sales in the first half were 3% below the first half of 1981 and 12% down in the fourth quarter of the year, for an annual decline of about 6%

The two main problem areas last year were the agricultural division and SA Nylon Spinners (SANS) which reported volume downturns of 10% and 19% respectively

Fertilizer

Reduced demand for fertilizer products was a direct result of the serious drought which has afflicted the farming sector for more than a year, while SANS faced the onslaught of competitive imports

Mr Marvin said the SANS difficulties represented a classical situation which arose during every downturn

In his view the solution to the problem was for the authorities to take a decision to employ South Africans rather than South Koreans and Taiwanese

The flow of cheaper imports from such countries was exacerbated in times of gold price strength, said Mr Marvin, when the Government relaxed controls on imports

An additional problem for SANS was that the fibre producer was exposed to a greater extent than any other AECI division to exchange rate vagaries and import costs rose by more than R20m last year, which in a weak textile market could not be passed on to customers

ROOK ~~220~~

Charter raises offer

24/2/83 232

~~240~~

~~16~~

Mining Editor

CHARTER Consolidated is making a new offer for Anderson Strathclyde, after the UK High Court's decision to allow Charter's takeover bid to go ahead.

The offer is 200p a share, worth £95-million, for all Anderson and compares with Charter's bid, made last June, of 135p a share

Charter is going for the 71,6% of the company it does not already own after a dawn raid on the London Stock Exchange in 1980 when it increased its stake in the Scottish mining equipment company to the 28,4% it now holds

Charter's first bid was initially outlawed by the UK Monopolies and Mergers Commission This decision was overruled by the UK Minister for Trade and his decision was upheld by the High Court following an appeal against it by Anderson Strathclyde

According to Charter, Anderson's profits over the past few years have benefited from a boom in mining equipment orders But the boom is ending

It believes Anderson will be hard put to maintain, let alone increase, profits in the year beginning April 1983 even without taking into account the effects of Anderson's acquisition of 51% of National Mine Service Company (NMS)

Charter considers the NMS acquisition will adversely affect Anderson's profits and cash flow and its gearing

The NMS shares will cost Anderson about $33-million, financed by borrowings

Cash flow to compensate for the estimated $3 300 000 interest charges on these borrowings is forecast at only $1 400 000 by Charter, assuming NMS pays an annual dividend of 56c, the highest level paid by the company in the past 10 years

"NMS' current annual dividend is 32c a share Even this level of dividend must be in doubt in view of the results which NMS is reporting"

Charter estimates its offer is more than double Anderson's net asset value at the date of its last published accounts

Because of the poor immediate outlook for profits and dividends from both Anderson and NMS Charter believes its offer fully values Anderson

Kohler deal to cost R43m

232

26/2/83

By STEVE ELLIS

KOHLER's takeover of DRG (SA) and Drukpak Beheer the holding company of other Southern African interests of DRG (UK), will cost it up to R43 091 300

According to a statement circulated to Kohler shareholders yesterday, the group's purchase of the British company's 70% controlling interest in DRG (SA) and the entire share capital of Drukpak will cost it R32 831 300 in cash

If shareholders of the outstanding 30% of DRG (SA) accept the alternative offer to be announced about March 4, the cost of the takeover will rise by R10 260 000

Kohler says "Your company intends to offer the minority shareholders in DRG (SA) the opportunity of becoming investors in Kohler, thus giving them the opportunity of remaining invested in the SA packaging industry."

It says the combined benefits of the acquisition and the expected improvement in Kohler's performance are expected to result in 1983 earnings exceeding the group's present growth target

However, it was still too early to specify expected earnings of DRG (SA) this year

The statement says that in the year to last December, the stationery group lost about R1 700 000 — the preliminary results of both DRG (SA) and Kohler are scheduled for release next Thursday

The effect of the acquisition of DRG (SA) and Drukpak on Kohler's net asset value will also be disclosed when last year's results are released

Kohler's directors think that the DRG (SA) acquisition "is of long-term strategic importance to (the group's) future development as a major force in the packaging industry"

Many of DRG (SA)'s 13 plants and warehouses are close to Kohler operations

"It is the belief of your directors that significant benefits will accrue from the integration and rationalisation of these operations

"When the major advantages accrue from the completion of the rationalisation programme, which is expected to coincide with the anticipated recovery of the SA economy, your company will be well placed to exploit its greater market share and capitalise on the full utilisation of its increased production capacity."

They recommend that shareholders vote in favour of the takeover at the annual meeting on March 14 General Mining Union Corporation (Gencor) — which holds a 69% stake in Kohler — supports the deal

26/2/83 (232) (~~220~~ 16) C. Times

Pick 'n Pay may open in US

By PAUL DOLD
Financial Editor

THE retail trade is waiting anxiously for the start of the biggest supermarket battle ever seen in South Africa as Pick n Pay — the country's most profitable chain and Checkers — the largest clash head on

While there has tradition ally been strong rivalry be tween the two groups a gigantic tussle will develop this year as Gordon Utian, now rid of the millstone of the loss-making department stores prepares for a return to profitability in the next economic upswing and Raymond Ackerman throws the full muscle of Pick 'n Pay into the fray to prevent Natie Kirsh from reaching his goal

This week Raymond Ackerman described the looming battle as a head-on clash

"I now regard Checkers as our major competitor I see a terrific head-on clash between Checkers and ourselves American retailers believe there is insufficient room in the South African market for three major chains by the end of the eighties We are going to make damn sure that we are around"

Gordon Utian says Checkers morale is high, with continuing progress being made in restructuring operations Noting Checker's strength at consumer level he said

"We are the largest supermarket chain in the country and recently in a poor trading week had more than 2,5m customers through our stores"

Raymond Ackerman has been touring the country boosting staff morale and honing the group for this battle

Pick 'n Pay will be releasing its year-end figures soon which are likely to show sales up 25 percent and a similar increase in profits

In spite of the recession, the group is trading strongly and claims to have raised market share considerably at the expense of competitors

In this interview Mr Ackerman discloses for the first time that Pick 'n Pay is considering opening a chain in the United States and he gives a deep insight into the group's overall strategy

Business Report Retailers generally are slashing margins as sales growth falls sharply Has Pick 'n Pay been affected by the recession?

Ackerman Sales for the past year appear in line with budgets The Christmas figures were 30 percent up on last year which we were very happy with — sales were R30m up exactly

January was R2,9m above budget. February has been

Mr Raymond Ackerman

comed the other chains joining us in cutting bread prices by 15c — 16c a loaf In the end we held our prices for four months at a cost of R1m and unquestionably made heavy gains in market share

Overall, the group was particularly aggressive in the second half We have never been so aggressive in our marketing

BR Can the group become even more efficient?

Ackerman Yes, this is why I am so confident of growth

BR What trends do you see in supermarketing over the next few years?

Ackerman· We are spending a great deal of time studying trends The greatest change will be scanning with a sophstication of systems and expense control

The trend is firmly towards superstores — the larger supermarket with judicious hardware and DIY

The third area we are watching is the growth of cable TV, what will happen to supermarket shopping, how much shopping will be done from home Appliances and clothing are already being sold via home buying on TV — a trend which a retailer ignores at his peril

BR Checkers' problems over the past few years must have helped you gain market share?

Ackerman Far be it from me, and I really mean this, to wallow in anyone else's problems but we, as an act of policy, went out to gain market share, we would be fools if we did not We have also widened ranges while some of our competitors narrowed theirs

BR Have you ever considered bidding for Checkers?

Ackerman Obviously it has gone through my mind I would not be in favour but there are some people in my company who would see advantages for Pick 'n Pay in such an acquisition

However, we could run into anti-monopoly legistlation I feel it would be a bad move for Pick 'n Pay We should rather concen-

project This was one of the initial schemes My original timing for opening was Easter 1985 or Christmas 1984 These dates are still possible The plans are drawn and zoning has been approved

BR If Australia does not flow through for one reason or another would you switch your expansion elsewhere?

Ackerman If Australia falls through, and this is unlikely, I already have an alternative plan in the United States We have approached two to three companies who are very keen to talk something out with us similar to Australia but I certainly will not launch the two simultaneously

BR In what American cities would you open stores?

Ackerman I would rather not disclose this at this stage

BR Your son Gareth is working with the Pantry Pride group in Florida Would you link with this chain?

Ackerman We have had talks with three chains The group is being extremely cautious So many European companies have burnt their fingers in America — chains who went too big

BR Is the overseas growth a priority area?

Ackerman South Africa is our major priority From the point of view of personal challenge I would be delighted to see Pick 'n Pay trading successfully in the US or Australia

If by 1990 we can have two-thirds of the business in South Africa and growing and one-third running well in Australia and the US this would be an enormous achievement

BR Would you set up another chain in South Africa?

Ackerman We have another hyper opening in Pretoria giving us 10 and there is still scope for another five to six supermarkets and super stores a year until 1990 without overstoring

Our field is mass market-

areas for expansion in our own business We are ex tending builders' yards into some of our super stores like Kenilworth and also opening more garages as part of our superstores They are very profitable We have so much potential for more bakeries, garage, diy around our centres

The group is undertaking an enormous amount of internal diversification extending bakeries — we want more — plus large scale renovation gutting the older stores and redoing them in a new image Our whole goal for the eighties is a very real South African involvement.

BR The South African programme is clearly on its own a major expansion Can Pick 'n Pay continue to achieve profit rises in the 30 percent range?

Ackerman· Growth is likely to average 15 to 20 percent and in good years 20 to 25 percent. I do not think we can go on at 30 — 35, but growth in relation to our size will remain strong

BR Could Australia alter these forecasts?

Ackerman Yes, but only in about five years when the chain is established We hope to have a 50 percent stake in the remaining stores after the first is opened

BR Some time ago you disclosed negotiations were underway to buy a stake in Clicks — would a diversification of that type still be considered?

Ackerman. At the time I liked the idea of expansion in this direction Jack Goldin runs a first-class company and if he wanted to sell a strategic stake we would have been very interested Unfortunately, the negotiations have fallen away completely I think we have talked two or three times

BR· What about the theory SA is overshopped?

Ackerman I do not accept it. I heard that view when we first expanded Pick 'n Pay from the Cape to the Transvaal Checkers have 170 stores doing less turnover than we are in 69 stores We have earmarked openings through to 1990 in areas where we are not represented at all If it means competing against their older stores so be it. This is what competition is all about Equally, we must watch our older stores We are not overstored South Africa has a lot of stores

BR What still remains for you to achieve?

Ackerman I have never been goaded on by money or power A sense of achievement yes Americans are amazed at what we have achieved in 15 years there it would take them 30 to 50 years

I realize we have an enormous amount to do to con soldiate what has been achieved I would like to hand this business over to my successor as managing director whether it is now or three or five years time and be chairman of the board

This will not happen yet. I have a great deal to achieve over the next three to five years Pick 'n Pay is sound but it has grown so quickly and consolidation is needed

BR I presume your son Gareth will succeed you?

Ackerman Gareth is now 25, working in the US Certainly I would never practice nepotism He has to prove his worth and earn his spurs If I decide to appoint an md before he is ready — assuming he is able — I have people in the business who could be very talented managing directors with me a chairman of the board

Gareth will only succeed me if he is able and has a good many years tucked under his belt of South African experience I may well appoint a managing director before he is ready show sales up 25 percent and a similar increase in profits

In spite of the recession, the group is trading strongly and claims to have raised market share considerably at the expense of competitors

In this interview Mr Ackerman discloses for the first time that Pick 'n Pay is considering opening a chain in the United States and he gives a deep insight into the group's overall strategy

Business Report Retailers generally are slashing margins as sales growth falls sharply Has Pick 'n Pay been affected by the recession?

Ackerman: Sales for the past year appear in line with budgets The Christmas figures were 30 percent up on last year which we were very happy with — sales were R30m up exactly

January was R2,9m above budget. February has been slower but enough to reach the budgetted turnover We should achieve profits in line with sales

Obviously, the mix has not been as strong, due to the downturn But gross margins have held up extremely well on the food side in spite of price cutting

The expenses are well in hand Everything depends on the shrinkage for the year end Tax rates are higher this year and there are also additional shares to be serviced through the pref conversion The after-tax earnings will not show the same growth

BR Are you taking any steps to minimize tax?

Ackerman· We are wrestling with the problem of a switch to lifo which effectively reduces pre-tax earnings and taxed earnings but keeps more money within the group More funds being retained through the lifo switch could mean more resources available for dividends It is only a thought — no decision has been made

BR· What of leveraged leases?

Ackerman. We are looking at this closely

BR: Pick 'n Pay appears to be trading extremely well

Ackerman We adopted a very aggressive stance early last year depressing margins to get sales the sales have come through with expenses going down percentage wise

The bread issue brought market share People poured into the stores Let me imediately add I did not take this step as a marketing stunt to merely boost sales We would have wel-

ances and clothing are already being sold via home buying on TV — a trend which a retailer ignores at his peril

BR Checkers' problems over the past few years must have helped you gain market share?

Ackerman· Far be it from me, and I really mean this, to wallow in anyone else's problems but we, as an act of policy, went out to gain market share, we would be fools if we did not. We have also widened ranges while some of our competitors narrowed theirs

BR Have you ever considered bidding for Checkers?

Ackerman Obviously it has gone through my mind I would not be in favour but there are some people in my company who would see advantages for Pick 'n Pay in such an acquisition

However, we could run into anti-monopoly legistlation I feel it would be a bad move for Pick 'n Pay We should rather concentrate on what we are doing I have never tried to be a conglomerate Mr Kirsh has to concentrate on Dions, Russels and Checkers

I do not want to become so big that Pick 'n Pay looses its thrust and cohesiveness I would rather be big through internal growth Ten years ago I never thought we would be as large as today

BR· The expansion to Australia appears to be taking longer than anticipated?

Ackerman. There is an enormous upside potential and very little downside risk to the project. We are only going in with a partnership — one third with our Australian partners holding two-thirds It is a R9m company where we put in R3m

Our first problem was to obtain forex permission, which we received The second to find a partnerhip, and the third to obtain Australian Government permission which we thought would be automatic, and, fourthly, the finance

Government permission proved difficult, due to vested interests smaller and larger chains trying to keep us out. An overflow of these problems is now creeping into the financial sphere Many of these traders are on the boards of financial institutions

We are having problems in raising the finance But it looks ever so much brighter after a recent trip by Hugh Herman but it is still not settled

BR: Will you put in more of your own funds?

Ackerman· No Another alternative is for our Australian partners to finance the

group is being extremely cautious So many European companies have burnt their fingers in America — chains who went too big

BR· Is the overseas growth a priority area?

Ackerman South Africa is our major priority From the point of view of personal challenge I would be delighted to see Pick 'n Pay trading successfully in the US or Australia

If by 1990 we can have two-thirds of the business in South Africa and growing and one-third running well in Australia and the US this would be an enormous achievement.

BR Would you set up another chain in South Africa?

Ackerman We have another hyper opening in Pretoria giving us 10 and there is still scope for another five to six supermarkets and super stores a year until 1990 without overstoring

Our field is mass marketing There are planned

it. I heard that view when we first expanded Pick 'n Pay from the Cape to the Transvaal Checkers have 170 stores doing less turnover than we are in 69 stores We have earmarked openings through to 1990 in areas where we are not represented at all If it means competing against their older stores so be it. This is what competition is all about Equally, we must watch our older stores We are not overstored South Africa has a lot of stores

BR· What still remains for you to achieve?

Ackerman I have never been goaded on by money

S.Times 27/2/83

232

Major takeover

By Julian Kraft

ONE of the country's largest specialist foundries has been acquired for R5-million by the R20-million-a-year Mill & Industrial Services (MIS) group, manufacturers and suppliers of alloyed castings and pollution control products.

The acquisition of the Alberton foundry, previously owned by Rexnord of the US and operating as Nordberg Manufacturing, represents a vertical integration for MIS's specialist alloy division Mitak

"By bringing this foundry under our own roof we will be able to increase production, particularly of our high-chrome, abrasion-resistant alloys," Alex Anderson, MIS chairman, told Business Times

"We will also be able to effect quicker deliveries, develop new products, meet customers' requirements more effectively and achieve a faster rate of import replacement"

Mitak is one of two operating divisions in MIS, the other being the air-handling and dust-control equipment division, where the company last year took over its main rival, Colt International, and integrated it into its operation

The Argus Monday February 28 1983

Kohler takes 70 pc share in DRG (SA)

232

ARGUS 28/2/83

KOHLER — the packaging giant — has acquired 70 percent of DRG (SA), and the entire issued share capital of Drupak Beheer BV, the company which controls DRG interests in Zimbabwe

Kohler shareholders were asked to approve this in a circular which stated that the acquisition, at a cost of R32,8-million, would be of long-term strategic importance to the company's development as a major force in the packaging industry

According to the circular, the acquisition of the remaining 30 per cent of DRG (SA) would cost Kohler a further R10,2-million

BORROWING

It also notes that arrangements are in hand for Kohler to increase its existing short and medium-term borrowing facilities to complete the acquisition without upsetting Kohler's sound financial ratios

The DRG (SA) minority shareholders will be given the opportunity to invest in Kohler

As both groups' preliminary results for the year to December 31 are expected to be announced next week, the circular does not spell out the effect of the acquisition on Kohler's earnings in any detail

The terms of the Kohler/DRG paper exchange will be announced around the end of next week

232

The Star

Kohler and DRG disappoint

By Alec Hogg
Assistant Financial Editor

The results of Kohler and its soon to be acquired subsidiary DRG for the year to end December are highly disappointing

In last year's annual report, Kohler chairman Mr Basil Landau said that despite an expected deterioration in economic conditions, "the company has budgeted for earnings growth in 1982 in excess of its strategic plan target of 20 percent"

FALL OF 23,2 PERCENT

Even when the interim report was released in August, the directors predicted that earnings would match the previous year's levels

But results released today show earnings for the full year to be down from 195,5c a share to 150c a share — a fall of 23,2 percent

More significant, however, when the second half figures are compared with the same period in 1981, the decline is a sharp 46 percent, from 101c to 54,5c a share

Considering turnover was 12,6 percent higher in the second half when compared with the same period in 1981, the fall in margins must have been devastating For the year as a whole turnover was 32 percent up on 1981, which emphasises the worsening business conditions in the second half

In comment attached to today's results, the directors say problem areas in the group are Wiggins Teape, and the manufacturing sections of Rigid Plastics and General Packaging

Although DRG managed to improve on the first half's results, its performance in the second half was also disappointing

When the interim results were released in August, the company forecast that earnings for the full year would be positive

Today's announcement shows that the company fell well below this target, reporting a loss of R799 000 for the full year, equivalent to 14,2c a share And this figure was bolstered by a surplus of R909 000 for the sale of property

This year, however, should prove to be the turning point for the enlarged Kohler group, which with the acquisition of DRG now boasts turnover of R335 million, making it the second biggest packaging group in the country

From all indications, Kohler picked up DRG at a bargain basement price

RETURN OF 20 PERCENT

Although the price of R34,2 million is a discount of only 12 percent on DRG's net worth of R39 million, the difference between the returns achieved by the two managements is such that the acquisition should pay for itself in just over four years

Even during 1982, when Kohler's results were certainly the worst in many years, the group managed to make a return of 20 percent on shareholders' funds

By comparison, the best return which DRG has achieved in the past six years is 18,6 percent, while the average for the five years to end 1981 is a more humble 14,8 percent Kohler's equivalent figure is nearly 30 percent

Considering the benefits which rationalisation of the two groups will have, it is highly likely that Kohler can achieve a return of at least 20 percent on DRG's assets

This is equivalent to R7,8 million a year, and puts the acquisition on a price earnings ratio of just 4,4 — well below the paper and packaging sector's average of 6,3

Comment Although Kohler's share price may adjust to lower levels following today's results, it looks to be a good bet in the longer term

Since DRG is set to become a wholly-owned subsidiary, its different divisions can be amalgamated into the larger Kohler structure

Provided Kohler's internal problems can be sorted out, the group should be able to post significantly higher earnings in the present year

Any price weakness will present a buying opportunity

(232)

Competition Board

Hansard Q. 61.M

232 Mr P R C ROGERS

Minister of Industries, Commerce and
ism

2/3/83

(1) When did the Competition Board commence its activities,

(2) (a)(i) how many cases has the Board investigated to date and (ii) what were the findings in each case and (b) how many cases are under investigation at present?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

(1) 1 January 1980

(2) (a) (i) 293

(ii) Apart from the findings contained in the Board's report numbers 1 to 10 which have been tabled in Parliament, the other findings are not divulged because of the confidential nature thereof

(232

) Trade Practices Act

Q. Col. 473 – 3/3/83

231 Mr H H SCHWARZ asked the Minister of Industries, Commerce and Tourism

(1) (a) How many determinations were made in 1982 in terms of the Trade Practices Act, No 76 of 1976, and (b) what was the nature thereof,

(2) whether any matters are under investigation by the Trade Practices Advisory Committee at present, if so, (a) how many and (b) what is the nature of each such matter?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

(1) (a) None

(b) Falls away

(2) Yes

(a) Four

(b) (i) Activities of credit distribution firms

(ii) Standard sales contracts and guarantees

(iii) Investigation into the possible revision of sections 10 and 11 of the Trade Practices Act, 1976 (Act 76 of 1976) concerning the issuing of trade coupons

(iv) Re-grooving of motor car tyres

(232) Hansard Q Col. 481
3/3/83

Competition Board

378 Mr H H SCHWARZ asked the Minister of Industries, Commerce and Tourism

(1) Whether the Competition Board has arrived at any findings in respect of a company whose name has been furnished to the Minister's Department for the purpose of his reply, if so, what were its findings,

(2) whether such findings have been accepted by the Government, if not, why not,

(3) whether he will furnish the name of such company to the House?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

(1) Yes The findings of the Competition Board are contained in its report No 10 which was tabled on 9 June 1982

(2) The report of the Board is still being considered by the Government

(3) The name of the company appears in the report of the Board

Masses will be jobless, SA is warned

Star 4/3/2

232

By James Clarke

Unless South Africa can dismantle its enormous bureaucracy, break up some of its "job-destroying" corporate giants and go flat out to encourage smaller scale private enterprise, it cannot avoid massive unemployment.

"There are at least 800 laws inhibiting private enterprise in South Africa," says Mr Andre Spier of Syncom. His "think tank" organisation is advising Network, The Star's campaign which is seeking practical solutions to South Africa's classic problem areas.

"Economic freedom of the individual is an essential precondition to solving the problem of fewer jobs," he said.

Mr Spier advocates the breaking up of monopolies, especially where these have cornered the markets providing basic commodities such as food, clothing, furniture and houses.

He warns that the cult for big business mergers does not create jobs — it destroys them.

Then, because it becomes more difficult selling goods to a population which has less and less money because of joblessness, the giants begin to invest outside the country.

"This is in fact happening. Going multinational in a saturated economy is defensible but in a sea of local poverty it is a poor show of economic policy and responsibility."

Mr Spier, who has for years been involved in South Africa's economic and futures research, urges that every effort be made to encourage small enterprises among all races.

● See Page 7 of the Metro section.

R500-m steel giant on takeover trail

(232)

6/3/83

By Vera Beljakova

S. Times

THE mammoth R500-million Macsteel group is back on the takeover trail.

Undisclosed plans are in the pipeline for further expansion

The marriage that brought two of the mightiest steel merchants together late last year has culminated in an anticipated half-billion turnover for 1983-84

What with orders flooding in up to three months in advance, sales figures are fairly predictable, says group chairman Eric Sampson

Macsteel — now the largest in the land for both export and domestic markets — is beginning to integrate the various satellites, subsidiaries and offshots into one corporate company, which in future will trade under one name — Macsteel

Meanwhile, the R16-million expansion programme is virtually over, according to MD Jack Gerber

The Wadeville Macsteel yard was modernised and expanded at the cost of R9-million to become the new Steel Service Centre, and R5-million was invested in the Germiston South site of subsidiary Nathan's Steel Bank which becomes the new Macsteel Steel Yard, holding the bulk of the group's stock

Macsteel Natal, which saw a further investment of R3-million-plus, is running ahead of target

The group, whose export sales constitute 50% of turnover, believes that with the general improvement in the US economy South African steel exports will increase to various parts of the world

So far the group's most important export market remains the Far East — still the exclusive stamping-ground of Leo Raphaely

"It still has the greatest concentration of potential for development," says MD (International) Allan Levine, "followed by the Middle East"

The South American markets have become somewhat dormant after the continent's financial crises, but interest in the US and other African states is perking up

The new trading emphasis, though, is on the Steel Service Centre — "a fairly new concept in South Africa, offering the customers a cut-to-length service with the resultant saving in scrap metal for the buyer"

RAND DAILY MAIL, Tuesday, March 8, 1983

232

Hudbay control moves to US firm

By BRENDAN RYAN

CONTROL of Hudson Bay Mining & Smelting Company of Toronto is to be vested in a United States company which is now a 50% subsidiary.

This will follow a reorganisation of Hudbay's joint interests with Minerals & Resources Corporation (Minorco)

Minorco, the Bermuda-based foreign arm of the Anglo American Corporation-De Beers groups, will hold 60% of the equity of US-quoted Plateau Holdings which is to acquire Hudbay

Care has been taken to ensure Plateau will not be seen as a subsidiary of Minorco

Minorco has agreed to restrict its voting rights in Plateau to below 50% and will elect a minority of the enlarged Plateau board

Minorco is owned 41% by Anglo American Corporation, 22% by De Beers and 10% by Charter Consolidated

Plateau Holdings owns Inspiration Consolidated Copper, Terra Chemicals and Inspiration Coal

Hudbay shareholders other than Minorco (which controls 44% of Hudbay) can exchange their Hudbay common shares for special shares in Hudbay at 1,1 special shares for each Hudbay common share

As an alternative they may convert directly to Plateau shares at 1,15 Plateau for each Hudbay

The Plateau shares will be listed in the US and the Hudbay special shares in Canada, each to receive the same dividend payouts

Hudbay special shares can be converted to Plateau ordinary shares on a one-for-one basis at any time over the next 10 years after which they will automatically be converted

COMMENT· The latest reshuffle of the United States-Canadian operations of the Anglo American group has a company being taken over by one of its subsidiaries and another, with nominal control over the creature, shying away from it

AAC, which is sensitive to its North American image, is doing its best to avoid being accused of controlling companies in this area

This move and those before it are part of a build-up of business in North America

The Hudbay announcement says the deal will enable improved access to capital markets in Canada and the US as well as simplifying corporate and management structures within a single entity

Minorco watchers say the company is building a large equity base, fufilling long-term strategy dictated from 44 Main Street

With Minorco at a price of R12,75 a share and a dividend yield of 1,5% there are better buys around — unless the investor can see capital gain to be made from the company's future role in the machinations of the AAC-De Beers empire

Business Mercury

232

Mercury 15/3/83

Longmans buys Cape book firm

JOHANNESBURG—The educational publishing interests of Hortors Trio Rand (Hortrio) - Maskew Miller and Maskew Miller (SWA) (MM Group) are to be merged with Longman Penguin Southern Africa (LPSA), a wholly-owned subsidiary of Longman Group (Overseas Holdings), a UK-registered company

Standard Merchant Bank and Union Acceptances announced that the effective date of the agreement is March 1, 1983, and it will be implemented by LPSA acquiring the MM Group in exchange for the issue of shares to Hortrio The MM group has been valued at about R3,6m for the agreement

Hortrio and Longman will each hold 50 percent of the total ordinary shares in LPSA, which will change its name to

Maskew Miller Longman (Proprietary) (MML)

Shares

Hortrio will hold redeemable non-cumulative participating preference shares and redeemable non-cumulative fixed rate preference shares in MML

The agreement is conditional upon the necessary approval being obtained from the South African and United Kingdom authorities and the completion of a shareholders' agreement

It is envisaged that the combination of the MM Group's broad sales and asset base in the educational book market and Longman's acknowledged expertise in publishing will improve the prospects of the existing companies

The transaction will not have an immediate material effect on the net asset value or earnings per share of Hortrio but meaningful long-term benefits are anticipated — (Sapa)

BACKGROUND TO THE NEWS

232 9.805 17\3\84

Bankers told to stay out of mining

"LET bankers stick to banking and miners to mining — or suffer the consequences"

This veiled warning was issued in Johannesburg this week by Dr Louw Alberts, president of the SA Council for Mineral Technology, in an address to the SA-German Chamber of Trade and Industries

Over the past few decades, said Dr Alberts, financial institutions such as banks, insurance companies and pension funds had acquired a powerful influence in the industrial world because of their ability to invest in one form or another

"Their increased participation in the decision-making processes in industry because of their large shareholding leads to a situation in which the norms applicable to the running of financial institutions play an increasing role in the running of industries, that is, in industry technocratic leadership is being supplanted by financial leadership, and in the long-term this will harm industry

"The entrepreneurial spirit, the 'gut' feeling in the making of good long-term decisions, will suffer"

Dr Alberts said a technocrat was not necessarily someone with technical training He was, rather "someone who has lived and breathed a technological atmosphere with innate sympathy for technology and its potential"

"And the true wealth of a country such as South Africa is not represented by bank accounts, but by its mines and its metal and chemical industries We should learn from the history of others

It was imperative, said Dr Alberts, that South Africa retain a viable programme of research, development and innovation

"As runners in the race for survival fall by the wayside, those who are still on their feet when the climate changes for the better will have such a tremendous head start that their future prosperity will be assured

Regarding the prospects for economic revival, Dr Alberts said when the issue was raised no-one appeared able to identify what specific event or circumstance would break the vicious circle and reverse the economic momentum

"Morever, the prophets always predict the starting period some six to 12 months ahead — and then the target keeps on moving"

On the strength of South Africa in the economic struggle for survival during the next decade, Dr Alberts said the mineral industry formed the backbone of the SA economy

"During the past few years, he said, the world's copper industry had been experiencing a serious recession and the real price of copper was at present at its lowest level for the past 40 years

Furthermore, plants in many parts of the world had closed down and yet Phalaborwa, which was probably working with the lowest grade of ore in the world (0,5%), continued to show a profit as proof of its success

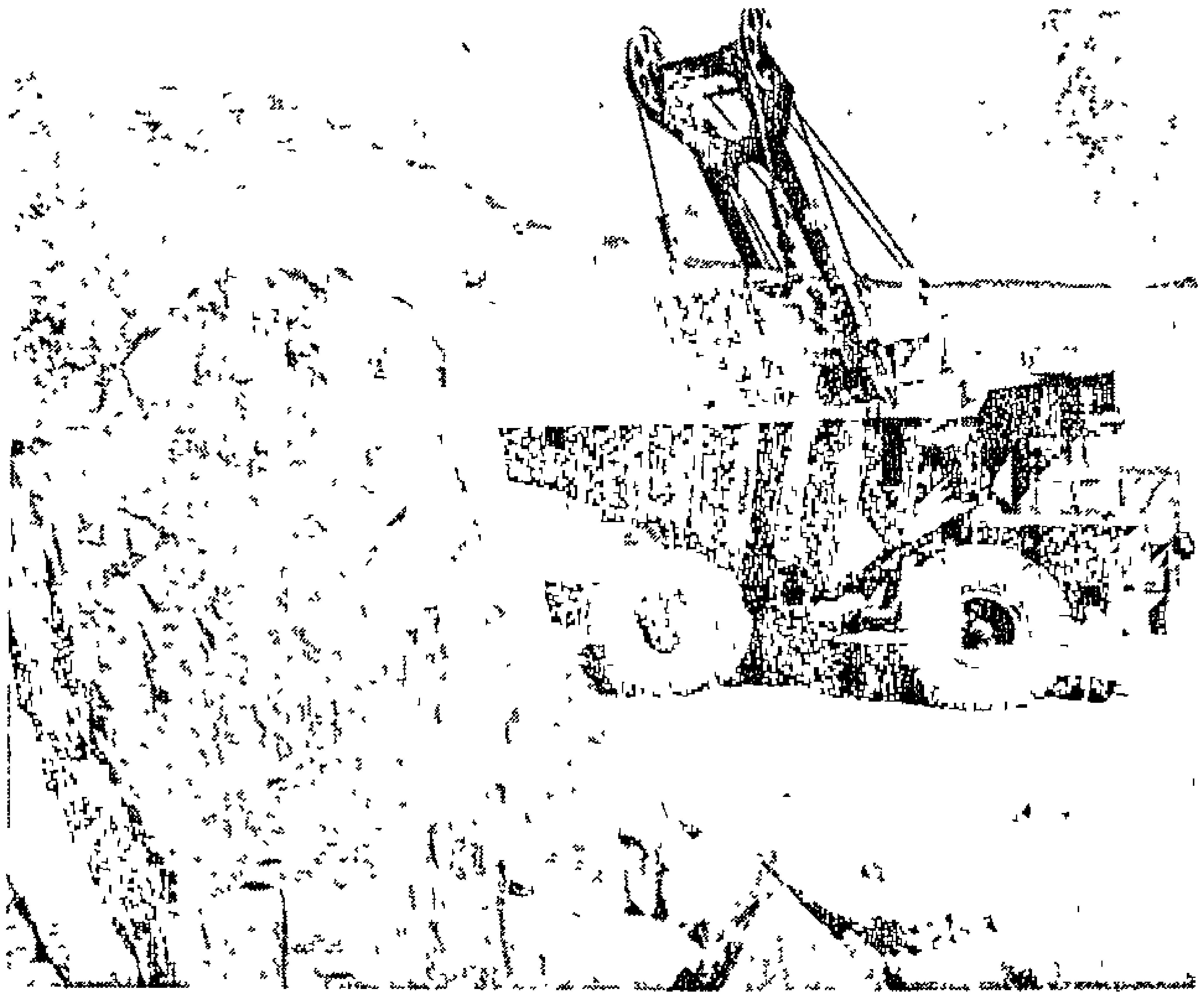
As regards ferroalloy production, a new process, plasma extraction, was now being developed at Mintek, said Dr Alberts, and this would maintain and possibly increase South Africa's leadership in the field of ferroalloys

He listed a few points to "illustrate the powerful image of the South African mining industry in the world"

In 1978, the international four-yearly congress known as the Commonwealth Mining and Metallurgical Congress should have been held in India, but, when that country refused to grant visas to South Africans, the entire congress was transferred to Hong Kong, since it was unheard of that this congress should take place without South Africa's participation

Last year this same international congress was held in Johannesburg with South African mining and metallurgical developments during the past two decades as its theme The word Commonwealth was even dropped from the title in 1982 to accommodate the Republic, as a non-member of the Commonwealth

Under the circumstances, concluded Dr Alberts, the SA minerals industry was evidently still well on its feet and could be expected to remain a forerunner in the years to come. — Sapa



Iron ore from Sishen: testimony of SA's inherent economic strength and the fact that minerals form the backbone of that economy. Let financiers tamper at their peril, warned Dr Louw Alberts this week.

---

be used

4 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

EDSON 15255

Govt to regulate retail coal sales

CStar 14/4/83

232

CAPE TOWN — The Government is to introduce measures to halt unequal competition and a possible "serious distortion" of the retail coal market

A statement released in Cape Town yesterday by the Minister of Mineral and Energy Affairs, Mr Pietie du Plessis, says a notice to be published today in the Government Gazette will stipulate that coal may be sold only to consumers in the South Africa if "certain requirements are met and if the written permission of the Director-General of the Department is obtained"

The notice will take effect 30 days after publication in the gazette

Mr du Plessis said the reason for the measure was that producers supplying coal directly to large consumers had a cost advantage, a competitive edge, over the retail merchant

The retail merchant needed to maintain an expensive infrastructure to supply the total spectrum of the retail coal market, especially in trade in bags

"The continued existence of such unequal competition may lead to serious distortion of the retail coal market, which will result in the price of coal sold in bags increasing disproportionately to bulk sale prices

"This is a development which may seriously affect consumers who use coal for cooking and heating purposes," Mr Du Plessis said

Coal merchants would be expected to maintain sufficent buffer stocks in outlet areas, not only to guarantee a continuous supply, but also to satisfy increased demand during the winter months

The notice would affect established merchants but was not applicable to coal sold for electricity generation, to the SA Transport Services, and at a colliery and delivered by rail to the private siding of a consumer

"This notice will be applied in close consultation and co-operation with the coal trade," Mr Du Plessis said — Sapa

Fate of workers in the balance

[illegible] 232

[illegible] ~~67~~

E. Post

22/3/83

Post Reporter

THE fate of about 250 workers at ICI (SA) in Port Elizabeth after the merger of the Zip and Narrow Fabrics division with Perl-Zip Limited of Cape Town will probably become known this week when management releases a statement

The Evening Post has twice received anonymous phone calls asking whether the ICI employees would lose their jobs

ICI's group personnel manager, Mr Clive McCombie, has said the two companies had formed a working committee to study the practical implications of the merger

The consolidated interests of the merger could be based in Cape Town or Port Elizabeth

Mr McCombie said from Johannesburg today that he would probably be able to comment on the future of the ICI workers later this week, but only after the workers themselves were informed

77 in PE zip plant out of work

232

6805

23/3/83

Post Reporter

THE entire staffs involved in the manufacture, sales and distribution of zip fasteners for ICI in Port Elizabeth and Johannesburg will become redundant next month

The announcement by ICI's chairman and managing director, Mr D W Swarbrick, today comes after the merger this month of the zip manufacturing interests of ICI and Perl Zip Limited of Cape Town

ICI staff today received a copy of the announcement saying that a working party had been set up to consider the merger implications

It had concluded that "in the interests of streamlining the business in the newly merged operation and in order to safeguard continuing manufacture and sales and the employment of as many staff as possible in the new company", the centre of operations would be transferred to Atlantis in the Cape

This means that 77 in the zip manufacturing section in Port Elizabeth, 26 in the narrow fabrics division, and seven in Johannesburg will lose their jobs

ICI's group personnel manager, Mr Clive McCombie, said today some employees would be offered positions at Atlantis

He said ICI retained an interest in Perl Zip

(232) Hansard Q 61 766 -

Competition Board

23/3/83 767

*18 Mr D J N MALCOMESS asked the Minister of Industries, Commerce and Tourism:

What are the names of the members of the Competition Board established in terms of section 3(1) of the Maintenance and Promotion of Competition Act, No 96 of 1979?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

Dr D I Mouton	(Chairman)
Mr H Goldberg	(Member)
Dr J de V Graaf	(Member)
Prof S I Naude	(Member)
Mr A I Marais	(Member)
Dr S I Kleu	(Ex officio Member)
Mr F W van Staden	(Ex officio Member)

Mr D J N MALCOMESS: Mr Speaker, arising out of the reply of the hon the Minister, would he be prepared to consider putting some members of the fairer sex on the Competition Board, as they are generally the people who spend the family's money when the shopping is done?

Mrs H SUZMAN: Hear, hear!

Mass housing firm changes hands

24/3/83 232

Mercury

Municipal Reporter

ILCO Homes, the company Durban City Council had to assist with R6 700 000 last year, has been wholly taken over by the Murray and Roberts Group.

Last year the council agreed to prop up the company in order to ensure the completion of housing contracts in Phoenix and Newlands East.

It did so because Murray and Roberts, which owned half the company headed by Mr Andries Demmers, guaranteed that the contracts would be completed.

Yesterday Mr Steve Boyazoglu, executive director of the Murray and Roberts Group, said the latest takeover included all Ilco operations in Natal and the Transvaal but excluded the Cape operations. The group intended going into the mass housing market in a big way.

Skills

He believed the 'past problems' with the city's housing schemes would be significantly reduced. Ilco's skills and unique building methods for mass housing would complement Murray and Roberts expertise in the field of civil engineering and conventional building methods

Mr Peter Goodson had been appointed managing director of Ilco Homes

Yesterday Mr Demmers, 50, said he was looking forward to semi-retirement after 28 years He would only have to do 'a little running around' for his Cape company which had a R100-million contract to build houses

He came to South Africa from Holland 28 years ago and landed Durban's first mass housing contract at Merebank 22 years ago.

'Altogether,' he said, 'I have built 60 000 houses in Cape Town, Johannesburg and Durban'

232 RDM 26/3/83

Govt favours liquor giants, claims Fedhasa

THE president of the Federated Hotel Association of South Africa (Fedhasa), Dr Wynand Pretorius, yesterday accused the Government of discriminating against small liquor retailers and favouring more financially powerful liquor groups

Mr Pretorius said in a statement in Pretoria he was "shocked" by the Government's announcement on Thursday that it had rejected a Competition Board recommendation that the liquor giant Cape Wine and Distillers (CWD) be dissolved

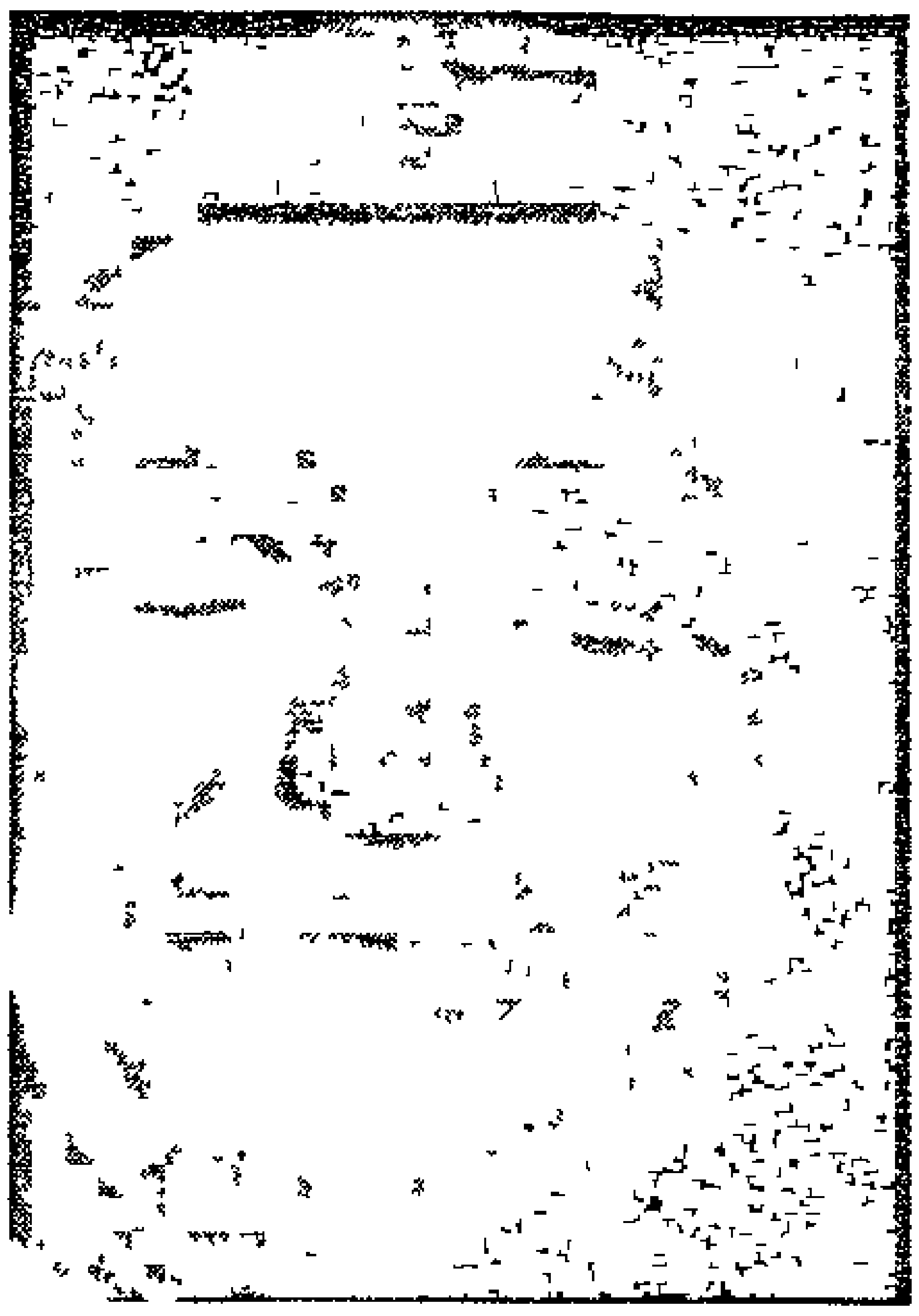
He issued a veiled warning that the continued existence of the CWD could possibly spell the demise of several small country hoteliers with liquor off-sales, as they would be unable to compete with the liquor giant

The Competition Board, in an outspoken report to the Government last year, warned against the dangers of monopolies in the liquor industry and said the formation of the CWD three years ago had not been in the public interest

It recommended that the CWD be disbanded so it would reliquish its present approximate 92% market share in the supply and distribution of wine and spirits

"Instead, the Minister of Industry, Commerce and Tourism, Dr Dawie de Villiers, has now seen his way clear not only to tolerate their continued existence, but even to welcome the CWD suppliers into the retail trade," Mr Pretorius said

"Individual retailers who have invested heavily in their liquor stores over the past 50 years are not allowed to expand beyond 12 outlets



DR DAWIE DE VILLIERS
Rejected Competitions Board advice

"The CWD, a total stranger and newcomer to the retail scene, is immediately granted a maximum of 300 stores," he said

The discrimination against the small liquor retailer had been aggravated further by allowing grocers to obtain a maximum of 35 off-consumption wine licences, he said

"Clearly, therefore, Minister Dawie de Villiers favours the financially powerful groups '

Mr Pretorius added that this approach was in direct conflict with a Cabinet decision in 1979, where a maximum of up to five retail outlets were laid down

Now a new direction was being followed, contrary to the interests of the small entrepreneur, the public at large and the sound economic principles spelt out in the Competition Board's report, he said

"It can hardly be claimed that free-market forces are being encouraged to operate in the liquor scene if the CWD is allowed to enter the retail trade to the tune of 300 outlets, since 30% of its shares are owned by KWV

"The latter has statutory powers and fulfils a pricing and control function

"Instead of rewarding the small hotelier for having to meet the high standards laid down by the Hotel Board, as intended by the granting of the off-sales privilege to hotels, he and other entrepreneurs will now have to face stiff competition from the favoured large producer merchants," he said

The managing director of Checkers Mr Gordon Utian said yesterday a monopoly created by the Government in 1979 had been allowed to entrench itself — now controlling the liquor production and retail sectors — and was a major blow to free enterprise

The consumer would have to pay in years to come, he said.

"There is little point in having a Competitions Board when their considered recommendations are rejected, presumably because vested interests and powerful lobbies carry more weight than the interests of the consumer," Mr Utian said — Sapa

---

Paper No 1
(to be copied from the heading on the Examination Paper)

Initials

NOTE CAREFULLY

1 The answers only on the right hand pages will be marked The left hand pages may be used for rough work, but no credit will be given for such work
2 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
3 Blue or black ink must be used for written answers The use of a ball point pen is acceptable Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used
4 Names must be printed on each separate sheet (e g. graph paper) where sheets additional to examination book(s) are used.

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Argus and Premier get together

Star 3/3/87 (232)

A new company which will assume control of CNA Investments and Gallo (Africa) is to be formed by the Argus and Premier groups in a move which is expected to have far-reaching implications for the fast developing video field in South Africa

The two giant groups announced this morning that they would hold equal shares in Newco, a company for which a stock market listing will be sought. They will sell their entire holdings in CNA and Gallo to Newco while the minority shareholders in both these trading companies will be given the same opportunity

Argus chairman Mr L E A Slater and Premier chairman Mr Tony Bloom today both expressed their satisfaction over their joint plans and described the opportunities for the new company as being highly exciting

The link between CNA and Gallo is a natural one in the light of common interests

Mr Slater believes that South Africa was still only on the threshold of video development and this augured well for the new venture

● See Page 12 of the Metro section.

2

The Star/BUSINESS

Argus, Premier in major deal

232

Aus 31/3/83

Financial Staff

A major new force in the rapidly developing video field as well as in other communications areas is announced today by the Argus and Premier groups.

The full announcement reads:

Argus Printing and Publishing Company and the Premier Group, controlling shareholders of CNA Investments ("CNA") and Gallo (Africa) Limited ("Gallo") respectively, wish to announce that agreement has been reached in principle to sell their entire shareholdings in CNA and Gallo to a new company to be formed ("Newco"), which it is intended to have listed on the Johannesburg Stock Exchange ("JSE"), in exchange for shares in Newco.

All shareholders in CNA and Gallo will be afforded the opportunity to sell their shares to Newco on the same terms.

It is intended that Argus and Premier will jointly control Newco through an unlisted pyramid holding company.

The directors of Argus and Premier consider that the merger will result in considerable advantages for both customers and shareholders due to cost savings and rationalisation benefits and, in addition, that the new group will have the necessary infrastructure and capital resources for exploiting technological advances in both the educational and leisure communication media, particularly in the rapidly developing video field.

As the relative values of the CNA and Gallo shares will be based on the 1982 and 1983 financial results, a further announcement giving more details will be made once the latter results have been published.

This is expected to be towards the end of April 1983.

The above transactions are subject to obtaining the necessary approvals.

Shareholders are therefore urged to exercise caution when dealing in the shares of CNA and Gallo in the interim.

The effect of proposed transactions on Argus and Premier are not expected to be material.

Tvl steel firms head for Natal

232

~~[illegible]~~ SA Industrial Week

7/4/83

By Mick Collins

TWO huge Transvaal steel firms have joined forces to vie for a share of the lucrative Natal market

Van Reenen & Nicholls have teamed up with Amsteel to buy out the Natal based company, Precision Profilers for an undisclosed sum

Both companies are headquartered in Alrode and working in close cooperation will offer a comprehensive service in profile cutting any type of steel, including stainless steel

Speaking on the takeover, Patrick Nicholls, a director of Van Reenen & Nicholls, said the new acquisition "is a company ideally suited to our expansion in Natal

"We have, in cooperation with Union Steel Corporation, just introduced a new roller quenched and tempered flatbar, VRN 360, on the local market which will carve 25% off the price of the equivalent imported flatbar

"The flatbar is used extensively in the sugar industry for grain-cutting knives and we will now be in a position to meet demand in the Durban area", he said

A director of Amsteel, Barry Friedman, said that his firm had recently awarded a R2-million contract to Van Reenen for their specialised steel plates thus enabling the company to offer a complete cutting service including plasma

"Next month we start on a R2,5-million expansion programme which includes new offices and a second factory in Alrode

"This has been necessary to cope with the increased demand for steel profiling", Friedman said

Precision Profilers, now trading as VRN Steel Centre, has four profile cutting machines, one of which can cut up to a 3 metre circle disc

The company offers customers the full range of specialist abrasion and impact resistant steel plates such as Roq Tuf, Roq Last, BS4360 Grade 50B and 3CR12 used mainly in the mining and sugar industries

---

Port haulage fleets feel the squeeze

DWINDLING exports and imports, as well as a depressed economy are testing Durban Transport harbour carriers and the prospect is of even tougher times ahead **writes Kathy Gibson**

Cost efficiency is now a survival policy for all transport contractors with permits to operate in harbour area

If the Harbour Carriers Association is to survive all of its members should be commited to a course of sound management and forward thinking", said Brian Collin, chairman of the Association

"We are now experiencing a period of unprecedented depression", said Collin

"I would suggest to the SA Transport Services that under the present climate it would be unwise to issue any additional harbour carriers' licenses as the hauliers are experiencing difficulty in keeping their fleets occupied "

The Harbour Carriers Association represents the 40 companies in Durban licened to operate in Durban Harbour Durban is the only SA port to allow private enterprise to operate

Brian Collin.

All ansv

Numb

Numb

Surname

First Nam

Date......

Degree/l
you are r

Subject .
(to be

Paper N
(to be

NOTE C

1 Ent
of t
que

2 Blue
ans
able
und
whi

3 Nan
(e g
exa

IIDATE MUST enter in
number of each question
he order in which it has
d); leave columns (2) and

ernal	External
(2)	(3)
264 260 44	
5	

54

100

4

's of paper or other mate-
ito the examination room
' so instructed

) communicate with other
iy person except the invi-

book is to be torn out

st be handed to the com-
'igilator before leaving the

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa R.A. LTD. Vervaardig in Suid Afrika

Asseng to lose R9m if offer fails

8/4/83

232

RDH

By STEVE ELLIS

ASSOCIATED Engineering has provided a convincing counter to suggestions that the takeover offers by AE PLC of Britain and Mr Peter Rhodes are not high enough.

It has been forecast that the group will suffer a bottom-line loss of R9 382 300 in the year to this September if the takeover proposals do not receive shareholder approval next month

The loss in the half-year to March, figures for the first five months of which are already known, is estimated at R6 361 000

The forecasts have been made under the guidance of the Standard Merchant Bank and the group's auditors, Alex Aitken

In the year to last September, the loss was R8 500 000 compared with a profit of R6 200 000 in the previous period, and the continuing losses are seriously eroding the group's capital base

AE PLC intends to buy the group's manufacturing and warehousing divisions as well as several sundry investments for nearly R15-million through a 225c a share cash offer

Excluded from the purchase is loss-incurring AE Motor Spares, which is to be bought by Mr Rhodes for about R300 000, or 7c a share Of the R9-million loss projected for the present financial year, AE Motor Spares contribution is R6-million

It is believed that the Mine Officials Pension Fund initially intended to oppose the takeover, arguing that the 232c effective takeover offer was too much of a discount on the 415c net asset value.

However, the offer documents released today show that net asset value is expected to fall 52% to 273c as a result of past and projected losses

The March-end value of assets being bought by the British group was 224c — a marginal 1c less than the company's cash offer — but the value is expected to fall to 197c because of losses between March and the date the takeover becomes effective

The managing director of Asseng, Mr Johan Meyer, confirmed yesterday that the Mine Officials Pension Fund was unhappy with the offer because of the apparent discrepancy between the offer price and the net asset value

"(However), my feeling now is that once they've seen these documents, they will realise that it would be very unwise of them to block the deal"

Mr Meyer said that Asseng executives had not met the fund's management because they did not want to treat them differently to any other shareholder

Now that the details of the group's plight were available, Mr Meyer said he was prepared to talk to any dissatisfied shareholder

The chairman, Mr Cecil Dace, says in the offer documents that the major contributors to the first-half loss were again AE Motor Spares and Inducem

The continuing losses have resulted in borrowings rising to above 100% of shareholders' funds — thereby causing the group to breach certain covenants of the group's debenture trust deed

"Asseng will therefore have to repay the 12% debentures prior to the financial yearend"

The R4-million of debentures would have had to be repaid anyway because the debenture trust says that if the group sells a major portion of its assets, the debentures have to be repaid automatically

To help to repay the debentures, AE PLC is to buy a troublesome line of AE Motor Spares stock which, according to a Standard Merchant Bank spokesman, fits better into Inducem's range

The purchase price for the industrial equipment stock is R1 500 000

AE PLC will also lend AE Motor Spares R2-million interest-free — repayable within 13 months — to help in the repayment

Mr Rhodes will provide the R500 000 balance

The British company's helping hand does not stop at the repayment of the debentures The documents say "AE PLC will lend AE Motor Spares R1 152 468 in respect of purchase finance due and payable by AE Motor Spares on June 12, 1983"

The loan is also repayable within 13 months and bears a 4% interest rate

COMMENT Now that the real extent of Asseng's problems have been spelt out, there should be little doubt that the offers — particularly that of AE PLC — are fair

Some sceptics will look at the reduction in losses forecast for AE Motor Spares in the second half of this year, down from R4 544 000 in the first six months to R1 456 000, but much work is still to be done before the division provides an adequate return

Indeed, if the prospect of a rapid recovery by the motor spares operation is rosy, why is AE PLC being so generous in providing the ailing division bridging finance?

With regards the fairness of the offers, I can only repeat Mr Dace's comment in his letter to shareholders "If the scheme is not implemented, (the) directors believe it will be some time before Asseng's earnings and dividends can justify a price of 225c a share"

2M The Star Friday April 15 1983

Closer watch on mergers is planned

By Colleen Ryan, Consumer Reporter

The Competition Board has warned that in future it will give more attention to anti-competitive mergers and excessive economic concentrations

It appeals in its report for 1982 to the business community for its co-operation so that the "structural" features of the economy can be examined in greater depth.

"The board has completed most of its formal investigations and statutory duties and can now devote more time to the potential harmful effects of acquisitions and economic concentrations," it says.

"The board has already started a comprehensive study of trends towards increased economic concentration.

"Important acquisitions are being scrutinised and information about such transactions is requested from the parties concerned in order to establish whether or not they are in the public interest"

But the report says the board is hampered by a shortage of personnel

The board's contribution to maintaining competition is of the utmost importance under the present economic conditions, the report says.

During 1982 the board completed four formal investigations and submitted reports to the Minister of Industries, Commerce and Tourism on the soft drink industry, the explosives industry, the liquor industry and Interflora African Areas Ltd

In its investigation into alleged restrictive practices in the soft drink industry, the board found that the pricing policy of Pepsi-Cola in Cape Town from 1978 to 1981 constituted a restrictive practice.

After an investigation into the explosives and accessories industry, the board also concluded that restrictive practices existed.

An agreement between AECI and the Chamber of Mines effectively prevented other suppliers of explosives from entering the major market, it also found.

"The Board therefore recommended that the restrictive practices be declared unlawful. The Minister accepted the board's recommendations and directed it to negotiate with AECI to ensure the restrictive practices were discontinued"

In its investigation into restrictive practices in the supply and distribution of alcoholic beverages, the board recommended that "major and radical changes" be made.

"The restructuring of the liquor interests of SA Breweries, Rembrandt and KWV in 1979 resulted in far-reaching structural changes," the report said.

The board recommended that most of the complex strucutres created in 1979 be dismantled. One of the most important recommendations was that KWV's interests in the wholesale company of Cape Wine and Distillers be terminated.

● Last month the Minister of Industries, Trade and Tourism, Dr Dawie de Villiers, rejected the most important findings of the Competition Board's report.

S-Times (232)

17/4/83

Altech takeover

By David Ross

I BELIEVE that Powertech is about to announce a takeover of Lucas Batteries. It is a deal that would certainly make sense.

Powertech already controls Willard Acquisition of Lucas will give Willard a Transvaal manufacturing base

It would add a splendid brand name to the business At the same time it could help rationalise production Not so many heavy batteries would need to be carted to the Transvaal from Port Elizabeth

Meanwhile, following good results from 63% subsidiary Powertech, Altech, due to announce results in the coming week, should produce some excellent figures

My own guess is that, based on the 18% improvement in Powertech earnings, Altech earnings should move up from 190,1c to above 250c On that basis dividends should be around 84c for the year

Nampak to buy Prem Paper

Star 20 APR 1983

242

The announcement that Nampak is to buy out minorities in its 86 percent controlled subsidiary Premier Paper, has taken some of the sparkle from the group's excellent performance in the six months to end-March, writes Alec Hogg

At a time when most other industrial groups were battling to hold their dividends, let alone earnings, Nampak increased its interim payout by 14 percent

EXCELLENT

But despite Nampak chairman Mr Bas Kardol's cautious forecast that "assuming the prevailing economic conditions do not deteriorate further, it is expected the results for the current financial year will exceed those of the previous financial year", there is little reason to expect the final will not be raised by a similar proportion

NAMPAK

6 months to	31 3 82 (Rm)	31.3 83 (Rm)
TURNOVER ..	289,367	317,184
PRE-TAX PROFIT	47,673	51,702
TAX.	19,427	20,639
ATTRIBUTABLE	27,385	30,233
EPS	77,0c	85,0c
DPS	28,0c	32,0c

The timing of a R46 million investment in the glass sector is excellent The plant will be commissioned in August, which suggests the tax rate for the full year will fall sharply, with a higher final dividend consequently a distinct possibility

Nampak's tax rate in the half year under review fell slightly from 40,8 percent last year to 39,9 percent

The group experienced only a slight decrease in pre-tax margins, with the return falling from 16,4 percent to 16,3 percent

This was mainly a result of a drop from R3,2 million to R1,1 million in the interest bill Pre-interest margins were down from 17,6 percent to 16,7 percent

Nampak chairman, Mr Bas Kardol, said the saving of 65 percent in the interest charge was a result of "tighter control on working capital' The lower level of rates throughout the economy also helped

Despite the buying out of minorities, Nampak's level of borrowings should also not be affected

Total cost of the exercise is R3,36 million, minimal for a group with borrowings of over R25 million

Other reasons given for the group's good performance are improvements in cost control, rationalisation benefits and improved asset management

ATTRACTIVE

Premier Paper minorities have been offered a good deal Accepting the cash option of 975c gives a premium of 15 percent on the true net asset value (after adding back lifo write offs) of 845c This compares with the market bid price of 710c yesterday

While this option may be attractive to investors with relatively low taxable income, other minorities would do well by accepting the option to convert holdings into Nampak shares at an effective price of 1250c This compares with the current share price of 1325c bid

~~220~~

NMJ

S. Times 17/6/83

Remgro buys Cartier

By Elizabeth Rouse

THE Rembrandt Group is getting "classier and classier", adding luxury product holdings to its investment portfolio

The latest is Cartier, the famous 136-year-old Paris jewellery firm, now Luxembourg-based

Rothmans International PLC, in which Remgro has a 22% stake with US tobacco group Philip Morris also holding 22%, is paying $45-million for a 20% interest in Cartier

With sales of $4 900-million last year, Rothmans has the financial muscle to help Cartier, which chalks up annual sales of around $250-million, expand its product line

Besides jewellery, the Cartier name can be found on watches, lighters, pens, handbags, and other luxury items

(232) ~~(220)~~ WM 20/4/83

Charter sells its stake in RTZ

By NEIL BEHRMANN

LONDON — Charter Consolidated has sold its 4% stake or 9 100 000 shares in Rio Tinto Zinc for £57-million (R97-million)

The company says that the after tax proceeds of £38 600 000 (R66-million) will be used to reduce borrowings and finance investments in Charter's subsidiaries

Charter's dividend from RTZ was £2 330 000 (R3 970 000) in the year to March 31, but against this loss of income the group will be able to reduce interest on borrowings and use the capital to buy companies such as Anderson Strathclyde

The sale took a matter of hours and the shares were placed at 560p a share, a discount of more than 50p on RTZ's market price

Charter has held shares in RTZ since the mid sixties It reduced its initial holding in RTZ by 10-million shares, valued at £18 300 000 (R31 200 000) early in 1976

In 1980, Charter sold its holding in selection trust following the BP bid Mining finance investments, although still substantial are now mainly in the ambit of Mineral and Resources Corporation (Minorco)

In the six months ended March, Charter's net attributable profits amounted to £16-million (R27-million), equal to 15,2p a share, against an adjusted £21-million (R35 700 000) last year

Lucas bought for R2,3m

NDH

21/4/83

232

By JOHN MULCAHY

POWER Technologies is acquiring the battery manufacturing business of Lucas Industries South Africa (Pty) for R2 300 000 in cash, to be financed out of existing resources

This was confirmed yesterday by the group's chief executive, Mr Ken Maud, who said the assets to be acquired included the factory premises at Roodepoort, other fixed assets such as plant and equipment and stock

Rationale behind the acquisition, said Mr Maud, was to give Powertech a battery production facility in the Transvaal as well as increased market share

Subsidiary Willard's battery factory is in Port Elizabeth, and significant savings would flow from the addition of a Transvaal facility

Although there would be no immediate material effect on Powertech's net worth or earnings a share Mr Maud said substantial commercial benefits would flow from the group's association with Lucas

Lucas SA would continue to market Lucas-branded batteries, supplied by Powertech, which would be licensed to manufacture Lucas batteries exclusively in SA

The deal with Lucas explains in part Powertech's phenomenal share price rise over the past two weeks Another factor was the group's 52% earnings rise, and the fact that there was evidence of institutions buying sizeable parcels of the shares

M18M The Star Tuesday April 26 1983

Standard, UBS plan to link up

232

By Trevor Walker

South Africa's largest commercial computer network will be launched soon, despite official opposition. It will enable people to conduct virtually any financial transaction through one office

The Standard Bank and the United Building Society, blocked by the Registrar of Financial Insitutions from merging the bank's building society with the UBS, have decided to a rationalise various aspects of their businesses to allow for better use of assets

Sources close to the companies say the Registrar can prohibit a financial merger, but a rationalisation of computers, branch offices and staff cannot be stopped

This could mean that the Standard Building Society will cease accepting deposits and will funnel these towards the UBS, but this might only take place at a later stage

Mr Terry Power, MD of the Standard Building Society, today denied that any merger would take place betweem his society and the UBS

The main reason for a link-up was originally rationalisation of South Africa's largest banking and building society computer networks This is now still expected to take place

The Standard Bank, with over 200 automatic teller machines in addition to over 350 terminal locations linked to a powerful IBM system, has lead the field in the introduction of a whole range of computer-based banking operations

It is now set to expand this into another IBM system, based on softwear recently sold by the bank to the UBS.

The proposed linkup with the UBS, which has over 400 computer terminal locations including agency offices, will undoubtedly introduce a financial computer network of awesome dimensions.

Existing facilities

It could ultimately be possible, via the use of a single terminal card, to have access to either a building society or bank account, transact business between the two and make use of all existing computer and card-linked facilities

Companies using the Standard Bank system already have access to a whole range of facilities including Government figures, hundreds of graphs, stock exchange prices and related market data, money and foreign exchange market rates. They will soon be able to conduct actual foreign exchange deals via the central computer.

Standard Bank sources have said that despite moves by the authorities to allow for freer competition between banks and building societies, the bank does not expect building societies to move dramatically away from their present role of providing home finance

Mr Chris Ball, deputy managing director of Barclays Bank — the only bank to move directly into the home loan market — said recently Barclays did not aim to confront building societies in their traditional areas of operation on a large scale.

He said the bank had granted home loans of about R250 million, following the decision to move into home finance The original target of R500 million was about right and he did not see the bank extending itself much further in the future

The experience of Barclays in the UK had shown it was not in the bank's best interests to divert excessive amounts into this one area of business, Mr Ball said

Metbox and Barlows talk

26/4/83 232 ~~187~~ [illegible] NDM

By JOHN MULCAHY
Deputy Financial Editor

TALKS are in progress on the future of British-controlled packaging giant Metal Box South Africa.

The R400-million a year manufacturer and distributor of metal, plastic, board and paper packaging, as well as steel tube and pipe, electrical accessories and tin recycling, is controlled 51,2% by Metal Box Overseas of the UK

A statement issued by the parties says Metal Box UK and Barlow Rand "have agreed to undertake a joint review of the operations of Metal Box South Africa"

At yesterday's 875c Johannesburg Stock Exchange closing price, Metal Box's market capitalisation is more than R280-million, of which the UK interest is worth about R150-million

There has been no suggestion that the discussions are headed in the direction of an outright takeover by Barlows — a merger of interests seems the more likely route

Sources close to the negotiations said yesterday it was unlikely that Metal Box of the UK would wish to dilute its SA interests as they had regularly proved to be a solid contributor to group earnings

Metal Box SA's attributable profit almost quadrupled in the five years from 1978 to 1982 to R25-million from R6-million Sales rose to R401-million from R168-million

In the year to March 1982, Metal Box SA drew 78,5% of its attributable income from packaging and related activities, the remaining 21,5% coming from steel tubing and electrical accessories

The parties in the discussions with Metal Box are Nampak, Brollo Africa (Pty), Robor and Monoweld Galvanisers (Pty)

Nampak, a Barlow subsidiary, had a turnover of R602-million in the year to September and pre-tax profit of R82-million

Mr Bas Kardol, Nampak's executive chairman, said yesterday that in many cases Metal Box and Nampak had mutual end-consumers, and a merging of interests made sense

Nampak has launched a move into glass manufacture, which was previously the sole domain of Consolidated Glass, and an interest in metal packaging would provide it with an interest in every sector of the packaging industry

Mr John Maree, an executive director of Barlow Rand, said discussions were at an early stage, and although synergy had been found in many areas, it was too early to speculate on the final form of any agreement

Word in the market place is that speculation surrounding Metal Box reached such wide-ranging proportions late last week that it forced today's announcement

Metbox's share price surged last week by 28,7% to 875c from 680c amid takeover speculation

On Friday night a spokesman for Metal Box UK told Business Mail that the group did not comment on rumours It is believed the inquiries to Metal Box head office prompted today's announcement

Both Barlows and Metal Box insist that the talks were spontaneous, and not initiated by either side

Their statement says the purpose of the "joint review" will be to explore whether advantages could be gained from co-operation between or integration of some or all of the various companies' operations and activities

Without knowing the direction of the merger-takeover talks it is difficult to assess the likely impact on Metal Box, Nampak or Barlows, other than the advantages inherent in any rationalisation

It remains to be seen whether the market was precipitate in pushing the share price to the extent it did, but at first glance a merger might not have any immediate benefits to shareholders

Shareholders in Metal Box and Nampak are warned to exercise caution in dealing in their shares until the results of the negotiations are known

RDM

27/4/83

232

~~189~~

UK firm to buy part of Turner-Morris

Financial Reporter

DOBSON Park Industries of the UK is to acquire a "substantial minority interest" in Turner-Morris Holdings (Pty) for R2 200 000.

Dobson Park has interests in mining, general engineering and power tools, and the arrangement with Turner-Morris means that the marketing, sales and servicing of the Wolf range of electric power tools in South Africa will be transferred to Turner-Morris

This will increase the SA coverage for Wolf from the existing branch network in Johannesburg, Cape Town and Durban to include Turner-Morris's branches in Pretoria and Welkom

Mr Howard Walker, managing director of Turner-Morris, said yesterday the group was "flattered in this show of confidence from such a large overseas company which leaves us free to pursue our traditional policies"

"We also look forward to carrying on the solid base that Wolf Power Tools has established in the SA market," said Mr Walker.

~~60~~ ~~61~~ 232 ~~70~~

Declining role of foreign investment in S A

Mercury

Mercury Correspondent

30/4/83

JOHANNESBURG—Foreign investment in South Africa is playing a steadily declining although still very important, role in the total economy This applies both to overseas interests in factories and other fixed assets and in shares

According to the Reserve Bank, South Africa's foreign liabilities for direct and non-direct investment here were R16 548-million at the end of 1975

By the end of 1980 they had risen only to R25 485-million — an increase well below the inflationary rise of gross domestic product in money terms

These are some of the main disinvestment actions in recent years

- Kohler pays R24-million to DRG of Britain for its control of DRG South Africa (1983)
- ITT of the U S sells its 33 percent stake in Altech to South African interests for R37-million (1980)
- Bridon of Britain sells its 39 perecent holding in Haggie of South Africa to Anglo American and Gencor for R57-million (1980)
- Asea of Sweden sells an 18,8 percent holding in Asea South Africa to Anglo American Investment Company (Amic) for R11-million This gives Amic effective control of Asea SA (1980)
- Haggie pays nearly R25-million to McKechnie Brothers and Delta of Britain for 50 percent of Macdem, South Africa's largest manufacturer of copper, brass and bronze semi-manufactured products It also has an option to buy the other 50 percent over 1985-89
- Sigma buys Peugeot/Citroen S A from French control for R30-million (1978)
- Grinaker pays R12-million for Racal Electronics of Britain's South African operation (1978)
- British Steel sells its interests in Stewarts & Lloyds and Dorbyl of South Africa for R67-million, basically to Anglo American and Metkor (1981)
- Tate & Lyle of Britain sells 49 percent of Illovo Sugar to C G Smith for R8-million (1977)
- Mondi pays R110-million for Usutu Pulp of Swaziland from Courtaulds of Britain and the Commonwealth Development Corporation (1981) Technically that is not disinvestment from South Africa but the implications are similar
- The pension fund of Marks & Spencer of Britain sells just over 10 percent of Woolworths S A to South African interests for around R8 500 000 (1976)
- GEC of Britain sells 50 percent of its South African arm to Barlows for more than R27-million (1978)
- Chrysler of the U S sells its 25 percent holding in Sigma S A for R16 500 000 (1983)

Times, May 1, 1983 3

CNA, Gallo step into future

232

S-Tims

1/5/83

By Elizabeth Rouse

THE CNA Investments-Gallo merger is a step into the future for the parent companies, Argus Printing & Publishing (CNA) and the Premier Group (Gallo)

"It's a logical merger," says Premier Group chairman Tony Bloom

The merged group has a strong base to move into the era of high technology in the field of video and communications

CNA is a unique organisation in that it has around 280 outlets in all parts of South Africa

Mr Bloom says that vast changes in the record and book markets are on the cards

"The merger also holds synergistic benefits There is obviously scope for substantial rationalisation of operations"

Mr Bloom is not prepared to make facile predictions on potential turnover "We will study each move and make sure that it makes good economic sense"

Terms of the merger, announced by Barclays National Merchant Bank and Standard Merchant Bank this week, are 100 CNA shares for every 265 Galllo shares

CNA will become the new holding company No decision has been reached on the title of the new company

The effects the proposals would have on each company had the merger taken place last year are

- CNA would have had a lower net asset value of 794c compared with an actual 1 005c, but earnings would have been higher at 236c (219c) and dividends 102c (75c) a share
- Gallo's net asset value would have been much higher at 300c (207c), but earnings would have been lower at 89c (96c) and dividends 38c (50c) a share

year, to keep from R127,6 million to R162 mil- that the benefits from this pro-

---

Three takeovers fulfil prediction

5 MAY 1983

STAR (232)

By Alec Hogg

In January, The Star predicted 1983 would be the year of the takeover.

Three announcements today vindicate this assessment and none of these takeovers comes as much of a surprise.

The most likely of the three was the takeover of the Finger family's private hospital and property operation Amalgamated Medical Services (Ammed), by the Afrox group.

There has been talk of a takeover for months now, with tipsters suggesting the ageing chairman, Mr M H Finger, was ready to retire.

Ammed's three private hospitals and three blocks of flats in Hillbrow, Johannesburg, will fit in well with the Afrox drive into the medical sector. Afrox recently announced it had acquired a 50 percent interest in Cape Town's City Park Medical Centre project for R7 million.

Afrox is paying the Finger family and associates R20 million cash for 85 percent of the Ammed shares, equal to 600c a share In line with JSE regulations, a similar offer will have to be made to minorities and this price offers a healthy premium on both the net asset value of Ammed (293c at end-June 1982) and the pre-suspension trading price of 400c.

Another event on the cards was Tiger's acquisition of the remaining minorities in United Oceana Holdings (Units).

Tiger already holds 97,4 percent of the ordinary shares, 93,8 percent of the "A" shares and 56,8 percent of the preference shares issued by Units.

Following the takeover of Tiger by Barlow Rand and the subsequent restructuring of the food group, the announcement comes as no surprise.

Minorities in Units should be pleased with the terms. They are being offered a straight cash payment of 500c a Units share, or 175c a share plus 61 ordinary shares in Lamberts Bay for every 100 Units shares held.

The offer is also at a considerable premium to both the last-stated net asset value of Units of 352c a share and its pre-suspension trading price of 320c,

The third takeover announcement, however, is not good news for South African investors.

Speculation that the Khazam family would sell out its stake in local-listed companies Aurochs, Williams Hunt, Cap-Auto Investments and General Tire, has been rife on the JSE for some months.

But it now appears local investors will receive little benefit, as the family is negotiating with a non-resident company for the takeover of UK listed Anglo African Finance PLC.

An announcement by Standard Merchant Bank yesterday confirmed that "no offer is in contemplation for any other listed associate companies of AA either in the United Kingdon or South Africa."

The Argus Thursday May 5 1983

Tiger offers 500c a share for Units

ARGUS 5/5/83

232

SUBSTANTIAL sums of money will soon be on the way to holders of shares in the three cash-rich pelagic fishing companies, United Oceana Holdings (Units), Lamberts Bay and Seaswa

Tiger Oats, which is now part of the Barlows group, is tidying up its fishing interests

It is to absorb Units by making an offer of R500 in cash or R175 and 61 Lamberts Bay shares for every 100 Units shares it does not already hold

Tiger says it owns 90 percent of Units' ordinary share capital

SPECIAL DIVIDEND

As part of the restructuring, Seaswa is paying a special dividend of 250c a share and Lamberts Bay intends repaying 200c a share to shareholders

Tiger is investigating the possibility of structuring the Lamberts Bay payment so that a part will take the form of a capital repayment and the balance that of a special dividend

The move represents a rationalisation of the line of control which will be from Tiger to Lamberts Bay through to Seaswa

Tiger says documentation is being prepared and will be sent out as soon as possible

OFFER FAIR

The directors of Units, UAL (the merchant bankers to Tiger Oats) and the Standard Merchant Bank (advisers to the minorities in Units) say the terms of the offer are fair and reasonable

Units shares were 300c before their recent suspension so the offer of 500c a share represents a substantial premium on the market price

Lamberts Bay shares were last quoted at 600c and Seaswa at 495c

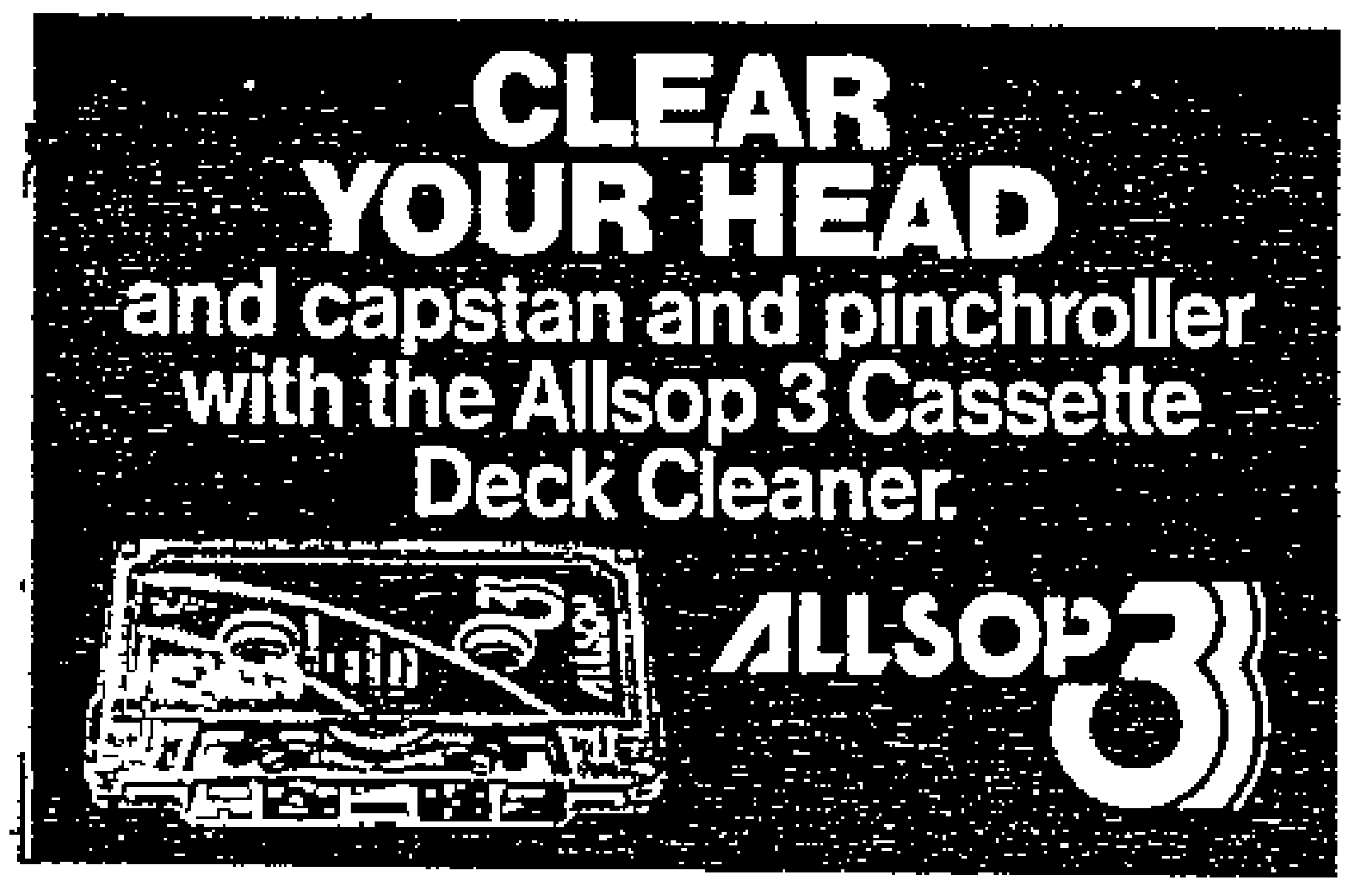
Investors in the three companies have complained for several years about the large sums of cash the companies have retained

● **Lamberts Bay Holdings** today reports a pre-tax profit of R9,95-million for the six months to March, compared with R8,63-million for the preceding seven months The interim dividend is 12c (10c)

United Oceana Holdings, for the same periods, shows a pre-tax profit of R10,13-million (R8,84-million) Earnings a share are 33,1c (25,2c)

Sea Products SWA reports a pre-tax profit of R3,21-million for the six months to March The company is paying an interim dividend of 18c and a special dividend of 250c to return cash surplus to shareholders

Derek Tommey



CAPE TIMES 5/5/83

232

Drought worse than 1930s — Tiger Oats chairman

By JOHN MULCAHY

JOHANNESBURG — Tiger Oats, the food giant that is now a subsidiary of CG Smith and in the Barlow Rand stable, produced attributable profit of R27 137 000 for the six months to March 31, and is paying an interim dividend of 50c

The profit compares with R26 096 000, which is the pro-rata figure for the six months to September 30, and the closest comparison possible because of the change in year-end — firstly, to February from December last year, and then to September to bring it into line with Barlow Rand

Tiger's executive chairman, Mr Rudi Frankel, said yesterday he was making an uncharacteristic forecast of the year's dividend — at least 75c — because of. the confusion surrounding the two changes in the year-end and the difficulty in comparing interim figures with any results last year

Turnover was R947m compared with R848m for the six months to September, and operating profit was 11,2 percent higher at R63m compared with R56m Net interest paid rose to R10 860 000 from R7 934 000 and dividends from investments fell to R4 058 000 from R6 221 000

Non-trading items absorbed R3 124 000, relating to a provision for diminution in the value of certain investments in associated companies and losses on translation of net assets of foreign subsidiaries

On the positive side of the extraordinary items is the surplus realized on the sale of Tiger's stake in SA Breweries and of its 49 percent holding in Mageu Number One (Pty)

Associates, in which Tiger holds 30 percent to 50 percent of the share capital, are not accounted for on the equity basis

These companies had a total turnover of R1 189m for the six months, and had they been equity-accounted, the group's earnings would have been 232c a share, or 5,3 percent higher

Borrowings

The balance sheet at the end of March shows that total liabilities amounted to 93 percent of shareholders' funds, while the current ratio had improved to 1,2 from 1,7 at the end of September and total borrowings represented 46 percent of shareholders funds, compared with 53 percent at the end of September

Long-term liabilities amounted to R49m at the end of March compared with R51m at the end of September

Current, interest-bearing debt at the end of March was R135m compared with R150m six months earlier, while other current debt amounted to R184m (R175m)

Mr Frankel said the review period had been difficult, a feature being the intense competition in the oil and margarine industries, with fierce battles for market share

Maize crop

The official estimate of South Africa's maize crop for the 1983/84 season of 4 300 000 tons is significantly lower than preceding years, and Ti-

The significant impact of the drought on the whole agricultural sector meant that exports would be seriously affected, but that domestic consumption of feed for animals would increase

He applauded the government steps taken to alleviate the problems facing the farmers, and added that although there could be no monetary compensation for the tragedy, the measures now being implemented to relieve the financial burden were commendable

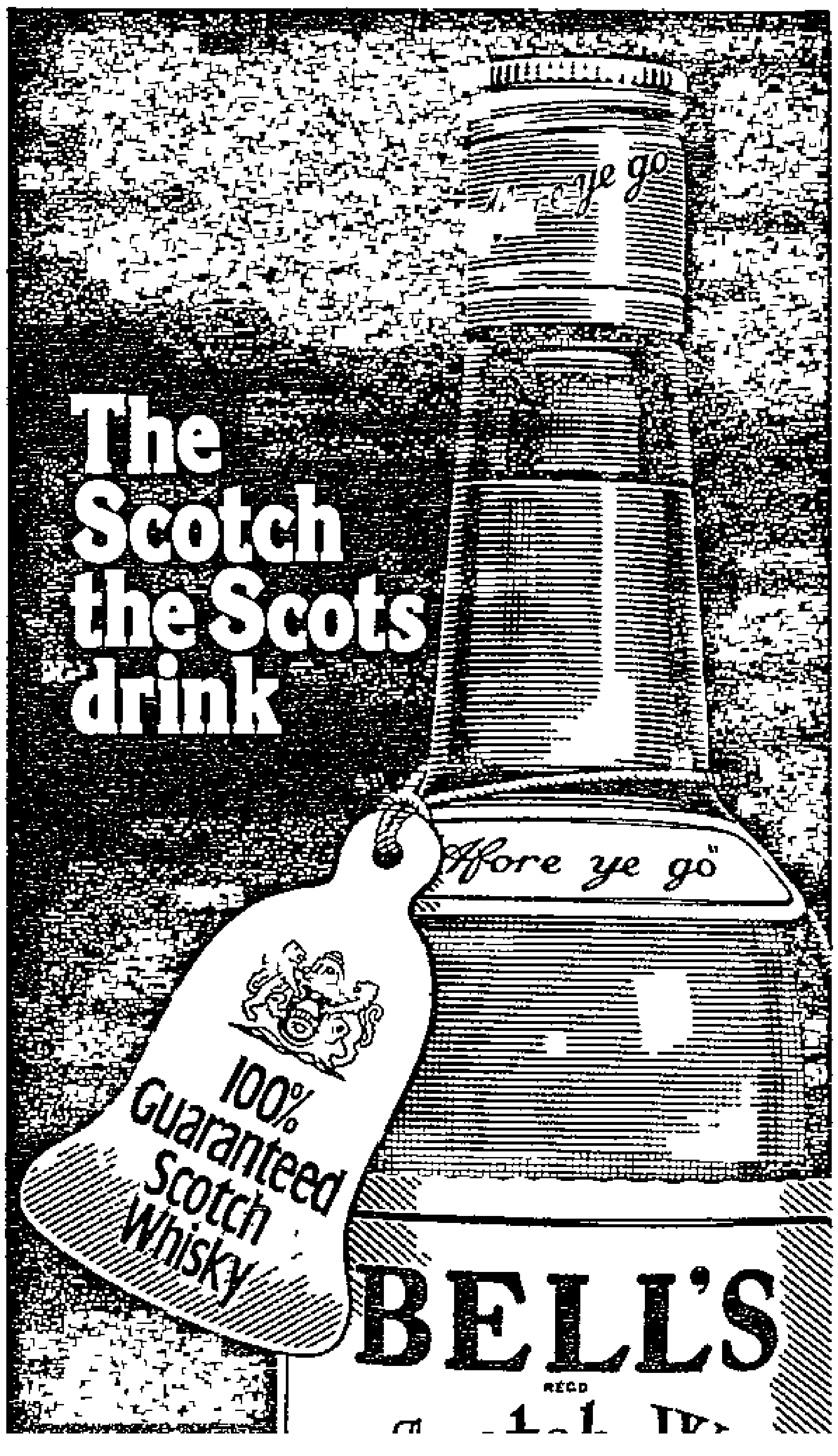
Protein shortage

Apart from the hefty maize imports that will be required, Mr Frankel foresaw substantial shortages of protein material for feeds and oil

Wherever possible the group would attempt to import raw materials for processing at the coastal plants, but the procedure to be followed would depend on relative prevailing railage costs

From the group's viewpoint, Mr Frankel said that irrespective of decreased exports and increased imports, it was Tiger's duty to supply the major portion of the country's food and feed requirements, and it would do its best to provide a service on a margin which would keep prices at as low a level as circumstances made possible

Tiger's taxed profit amounted to 3,7 percent of turnover for the six months to March, and Mr Frankel said the switch from an exporter to an importer would necessitate adjustments



Kruger rands

JSE Closing

	Buyers	Sellers	Sales
1 oz	552	555	555
1/2 oz	—	—	290
1/4 oz	14500	15000	14500
1/10 oz	—	6200	6200

Cape Gold Coin Exchange

~~(188)~~ (232) Cape Times 5/5/83

Afrox bids for 85% stake in Ammed

By STEVE ELLIS

JOHANNESBURG — African Oxygen is making a R20m cash offer for 85 percent of Amalgamated Medical Services — the owner of three private hospitals and three blocks of flats in Hillbrow, Johannesburg

Afrox is offering to buy 2 900 000 Ammed shares for 600c each

The Princess, Lady Dudley and Florence Nightingale hospitals, and the Esselen Towers, Dudley Heights and Baker House apartment blocks will come under Afrox control when the transaction is settled

Afrox, which is 56,1 percent-controlled by British company BOC Holdings, will also get a 20 percent stake in the Eugene Marais private hospital in Pretoria

The manager of Afrox's new health care division, Mr Royden Vice, said that the Ammed purchase would be financed from the proceeds of the group's sale early last year of Dowson & Dobson's mining operation

Coffers

Boart International paid R24m for the mining division — R12m of which is already in Afrox's coffers The balance is to be paid from August this year.

Mr Vice said that bridging finance would be needed until the second instalment was received — some of which is likely to be reflected in the group's September year-end balance sheet — but the increased debt would be repaid within six months

The 15 percent of Ammed not bid for is being retained by former major shareholders, the Finger family, who are apparently unwilling to cut ties with the company

However, it is believed that Afrox intends to increase its stake to 100 percent in the medium term

Shareholders

The biggest shareholders in Ammed are Union Cold Storage of SA, which has 47,4 percent, and United Finance Corporation 17,3 percent.

Ammed is expected to increase bottom-line profits by nearly 60 percent from R3 058 000 to about R4m in the year to June 1983 on a 56 percent improved turnover

Afrox's profit in its latest full year, to September 1982, was 19,9 percent higher at R19 166 000

An Afrox spokesman said the profit record of Ammed in the previous five years was "marked by less dramatic, but nevertheless stable growth"' Attributable profit in 1978 was R859 000, 1979 R799 000, 1980 R892 000, and 1981 R1 031 000

Benefit

Afrox earnings should benefit from the acquisition in the second half of its September 1983 year but, when the interest income sacrificed to make the offer is taken into account, the increase is not expected to be dramatic

Mr Vice said Afrox sold a large portion of its gases to hospitals and that, with it holding minority stakes in three hospitals for about five years, "we think we now know enough about the industry" to take control

Afrox's other interests in the health care industry are, a 50 percent stake in the City Park Medical Centre project in Cape Town (which last year cost the group R7m), a 42,2 percent holding in the Benoni hospital, Glynnwood, and 32 percent holdings in the Jakaranda and Nedpark hospitals in Pretoria

The City Park venture is being undertaken with Clinic Holdings, which also holds stakes in the three other hospitals.

Affiliations

Mr Vice said that Afrox's move into the hospital management area would be helped to some extent by the group's overseas affiliations with hospital materials suppliers

The managing director, Mr Peter Joubert, said the purchase was "an excellent opportunity to buy a viable, major going-concern with soundly-based assets — at a reasonable purchase price"

Mr Joubert said the new health care division would slot comfortably" into the group's framework.

"The industry is not subject to fluctuating economic cycles — if anything, it is counter-cyclical Like our gases division, it tends to grow at a point or so above the growth rate of the country's gross domestic product."

London

LONDON — Gold producers closed below the day's highs after the bullion price eased from opening higher levels, turnover was modest

Amgold finished $3 up to $122 and other heavier priced issues showed net rises ranging to $2½ while West Areas was 20c up among cheaper issues at 735c

Other issues in the mining sector were generally higher with Anglos 50c up to 23⅜c, De Beers 20c up to 885c, Zamb Cons 5p firmer at 90p while platinums showed rises of 12c to 25cs

CLOSING PRICES

Closing middle prices in pence unless given in US cents or dollars

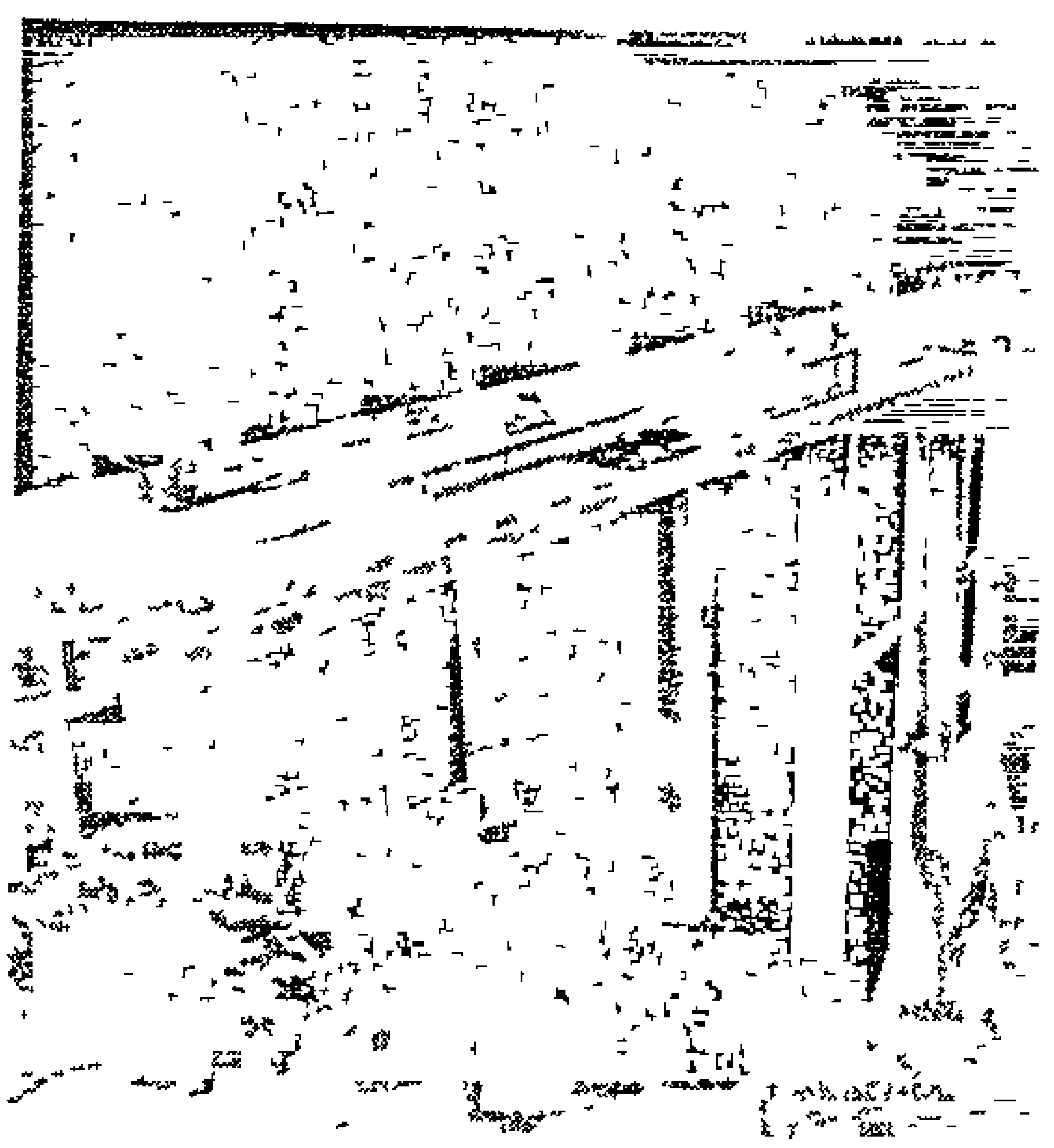
Mining

Afex Corp	126	Kinross	$27¼
Cor Syn	81p	Kloof	$53½
Portlnd	16p	Leslie	460c
Falcon	250	Libanon	$43¼
Glb Phnx	60p	Loraine	770
Lonrho	92p	Lydenbrg	6⅛
MTD (M)	23p	Marievle	520c
Nchart	12	Messina	355p
Elbar	40p	Mid Wits	12¼p
Wankie	22p	N Cnt Wt	635p
Zambia	90	N Wits	9⅞c
ZCI	22	P Brand	$53¼
Am Gld	$122	P Steyn	$58¼
AA Crp	23⅜	Tongaat	325p
AA Inv	$105	Rndftn	$167½
Ang Vl A	$44	Rust Plats	8¼
Barlow	750p	Sentrust	15
Bracken	385c	SA Land	875
Blyvrs	$17⅝	Southvl	$63¾
Buffels	$67	St Helna	$48¼
Chrtr Cn	255p	Stilfont	$21
Cn Gld	539p	Gldfd P	180p
Cn Mrch	450p	Vaal Rfs	$117¼
Debr Dfd	885p	Venters	$20¼
Doorns	$30½	Ang Am	$16½
Drieftn	35½	Vlaks	405
Durban	$38	Vogels	213p
E Daggas	605	W Hldg	$58
ER Prop	$20¾	WR Cn	10⅜
ER Gld	9⅝	GFSA	$147½
Elsburg	460	Wit Nigel	228
Freddies	625	Welkom	$15½
FS Gdld	$53¾	W Areas	740
GM Mln	$25½	W Deep	$64¾
Grootvl	18⅞	Rnd Mns	620
Harmny	$23	Winkels	$44¾
Hartles	$88½	Zandpan	$15¼

Industrials

Abercom	170p	Sappi	675p
Nmpck	825p	Sasol Npv	252
CNA Inv	800p	Stancha	457p
OK Baz	14	Tongaat	523
Checkers	330	Tvl Cn	33
Imp Cld	230	Tiger Oat	17½
N Eng	99½	Un Stl Cr	50p
Ntl Cnvs	375p	Unisc Gp	280p
Rennies	555p	Unisel	$15⅛
CG Sug	13½p	Utico	250p
Rex Tr A	585p	Ver Ref	375p
SA Brws	468p		

— Sapa Reuter



The Bloukrans gorge bridge which M & R/C months ahead of sch

JOHANNESBURG. — Two Eastern Cape building structures last night won the prestigious Fulton Award, awarded annually by the Concrete Society of Southern Africa for excellence in the use of concrete in new buildings.

The award in the building category went to the Port Elizabeth port control building while the civil engineering category winner was the Bloukrans bridge.

At the presentation ceremony in Jo-

han

the Ga

River M

describ

of conc

structio

With

bridge is

crete ar

longest

The br

the river

Central banks up gold purch

By NEILL BEHRMANN

LONDON — After selling in the first half of last year, central banks stepped up their purchases of gold from July onwards

The latest annual bullion review of Samuel Montagu estimates that in the first six months of 1982, central banks, mainly Communist nations, such as Hungary and Romania sold 86 tons of gold

In the second half of the year producing nations such as the Philippines and Colombia withheld gold from the market while other nations, notably the United Arab Emirates bought

The net effect of these transactions was that central banks and other official institutions bought an estimated 65 tons from July to December last year

Estimates

"This estimate is based on available published information, together with our own estimates of official transactions," said Mr Robert Beale, director of Samuel Montagu's bullion division.

"It should be borne in

tion of Portugal's g
reserves of 688 tons w
temporarily excha
in return for foreign
change

In terms of such
agreement the gold
held as collateral un
Portugal repays th
loan

If the country decid
it still needs the for
exchange and does
exercise its right to
possess the gold, t
bullion will be sold
the BIS

BIS officials have
phasized several ti
that this is normal bu
ness with central bank
Treasury officials
Lisbon confirmed th
Portugal had obtain
the £400m from the B
just before general ele
tions, Monday a
ago But they and th
Bank of Portugal re

Star Times 7/5/83

Stewart & Lloyds profits slashed

By SIMON WILLSON

JOHANNESBURG — Drought and the economic downturn combined to slash Stewarts & Lloyds' halfway profits by 59 percent and its interim dividend by 40 percent in the six months to March 31

The engineering group is paying a 7,5c half-time dividend, against 12,5c last year, with interim earnings 59 percent down at 13,2c against 32,5c Dividend cover dropped to 1,8 times from 2,6 times

Half-year attributable profit slumped to R3 023 000 from R7 405 000

In spite of a four percent increase in turnover to R228m from R219m, pre-tax profit plunged 64,3 percent to R3 774 000 from R10 579 000

Tax offtake

Net profit, however, was again helped by a shrinking tax offtake — 82 percent lower at R536 000 against R3 065 000 — thanks to the company's use of the investment allowances

The chairman, Mr Henri Kuiper, anticipates a further deterioration in economic conditions during the next six months, and doubts whether the company's traditional second-half improvement will be as substantial as it has been in the past

Earnings for the year, therefore, are expected to be lower than last year's

The usual effects of recession on borrowing costs lifted interest charges by 46 percent to R4 371 000 from R2 994 000

S & L makes and distributes metal tubing and allied products and is controlled by Ipsa which in turn is owned by Metkor (60 percent) and Anglo American (40 percent)

Forecast

The managing director, Mr Percy Levick, said yesterday the company's forecast in its last annual report of a worsening in trading conditions this year had turned out to be "the understatement of the year"

S & L's agricultural branches on the coast had been seriously affected by the drought, although increased prospecting for boreholes could be reflected in the end-year order books

"South Africa has not yet recognized what the drought is doing to the country," he said

There had been a general fall in demand for rolled steel products and castings

Imported goods

"During the last half year, imported goods have been available at very competitive prices," Mr Levick said

"The price of imported stainless steel strip and tubing has dropped by 30 percent in the last six months"

The company had closed and amalgamated subsidiaries to cut costs, and had reduced its overall staff complement by about 20 percent.

Working capital and capital expenditure had also been cut to meet the recessionary conditions

State looks into forest hand-over

Business 8/5/83 (232) S Express

By DAVID PINCUS

THE Department of Forestry started searching in earnest this week for a way to transfer its considerable commercial interests to the private sector

It has appointed an inter-departmental committee for this purpose The committee has already held four meetings

The first major meeting was held in Pretoria on Wednesday

The committee will meet again next month when one of the main items on the agenda will be to decide whom it should co-opt from the private sector

The significance of the department's move, apart from giving some meaning to the oft-stated belief of the Prime Minister, Mr P W Botha, that State-run enterprises should be taken over by the private sector, is the sheer size of its commercial activities

While it may supply only about 5% of the sawn timber to the South African market, it is by far the country's biggest supplier of logs to private sawmillers and to the veneer industry

● MR P W BOTHA .. forest chiefs heed his call

Its annual turnover is about R50-million and it owns about 256 000ha, or 21%, of the 1 200 000 hectares under timber in South Africa

It wields tremendous power over private growers who cannot adjust their prices without its full co-operation

Wilson van der Merwe, Deputy-Director-General, Directorate of Forestry of the Department of Environment Affairs, stressed that "we are only investigating at present", but said the aim was to canvass the opinion of all who mattered and "to hold a mini-Carlton conference

"There are many reasons for our trying to hand over to the private sector, apart from the Prime Minister's belief that the State should not compete with the private sector," he said

"One of them is finance We are hamstrung by the State's cut-back in expenditure"

Danie Jacobs, Chief Director of Timber Industries of the department, said that Herman Potgieter, the department's administration head, was chairman of the committee, on which the Treasury and the Department of Industries were also represented

He said the committee should complete its work and be able to decide one way or another by September

~~243 185~~ 232

Saan offer to EP Newspaper minorities

Cape Times 10/5/83

Own Correspondent

JOHANNESBURG — South African Associated Newspapers wants to acquire all the minority holdings in its quoted subsidiary Eastern Province Newspapers.

Saan, which at present has a 69,9 percent holding in EP Newspapers, is offering the minorities through a scheme of arrangement either 400c a share cash or 25 Saan shares for each 100 ordinary shares in EP Newspapers

EP Newspapers closed at 350c on the Johannesburg Stock Exchange

Saan closed at 1 650c which puts a price of 412,5c on EP Newspapers on the scrip offer

Last year Saan secured shareholder approval for an increase in its issued capital to be able, it was said, to take advantage of suitable investment opportunities if they should arise.

EP Newspapers obviously fits that bill

Saan owns the Rand Daily Mail, Sunday Times, Sunday Express, Financial Mail and Cape Times and has interests in the Natal Mercury and Pretoria News

Over the years EP Newspapers has had a solid track record

In 1982, the company paid dividends of 37c a share from earnings of 90,1c

That compares with 1978, for example, when dividends were only 18,5c and earnings 29,9c

A scheme of arrangement requires the approval of 75 percent of the minority holders.

There is no indication, at this stage anyway, that there will be any substantial objection to the Saan offer of a useful premium over the current EP Newspapers share price

The Cape Times
Business Report
THURSDAY, MAY 12, 1983

Cape • Times 12/5/83 ~~[illegible]~~ (232)

Beer maintains its head for SAB

By JOHN MULCAHY

THE beverage division again came through as the main stabilizing factor in South African Breweries, offsetting downturns in some of the group's retail subsidiaries

The bottom line shows an improvement of 4% in attributable earnings, to 78c a share from 75,1c and the final dividend has been raised to 25c from 24c, making 35c (34c) for the year, and an unchanged cover

In last year's annual report, and again in the interim report in November, the group forecast a modest earnings improvement for the year

Mr Goss said yesterday the 'modest improvement" envisaged a year ago and at the halfway stage was about 8%, and the squeeze to 4% reflected the sharper than expected slump in consumer spending in the second half of the year

'It was like a tap being turned off — suddenly the demand had disappeared'

While the group is looking to an upturn in the economy early next year, there has been no sign yet of a bottoming in the recession, and Mr Goss said in some respects trading conditions were the worst in recent memory

'Group budgets indicate a capability of matching earnings a share for the year as a whole, although the first half could well show some decline

"However, if the accelerating downtrend in private consumption expenditure does not level out by the middle of the new financial year it will be extremely difficult to meet the budgeted performance"

Performances by OK Bazaars and Edgars suggested the group would battle to maintain earnings, but the small improvement at Southern Sun and the marginal decline at Amrel meant that non-beverage earnings were only 5% lower, at 32,2c a share compared with 33,9c

Mr Goss said the non-beverage interests had performed extremely well condidering the circumstances

"Afcol was off 10% in a very depressed furniture environment and Southern Sun showed an improvement in a very tough hotel industry"

Beverage interests accounted for 45,8c a share, or 11% up on the previous year's 41,2c

SA Breweries issued share capital was boosted by the Edcon takeover, and the earnings calculation was based on 254-million shares, compared with 222-million a year ago

Turnover rose to R4 342-million from R3 057-million, and operating profit was 28% higher at R398-million compared with R312-million a year previously

The interest charge leapt by 90% to R77 300 000 from R40 700 000, partly reflecting the substantially higher interest rate pattern over the year, and also increased borrowings, which rose to R670-million at the year-end from R488-million at the end of March last year

Interest-bearing debt rose to 55% of total shareholders' funds at the end of March compared with 53% a year earlier, and Mr Goss said the ratio was within the group's stated parameters

"We regard 60% as a comfortable ratio and have never exceeded this number"

Capital expenditure rose to R250-million from R244-million, the biggest single item being the R80-million spent on phase one of the new Rosslyn brewery

Expenditure this year will include another R80-million on phase two of the Rosslyn brewery, and for the rest will be almost a mirror image of the 1982/83 programme, with store development at OK, Edgars and Amrel and new Southern Sun hotels

Expenditure in the beer division must of necessity be based on two to three year forecasts, said Mr Goss, and was inclined to continue regardless of economic cycles

For the longer term, Mr Goss said he was happy with the group's composition, which allowed SA Breweries to be less affected by downturns than comparable groups

"The beverage division seems to be more resilient to downturns, and when we have an upturn the other interests roar ahead strongly, which enables us to generate growth

"We have a sound portfolio spread across the most important segments of the consumer market, and the beer division complements the retail element in that it is fixed capital-intensive, against the working-capital intensity of the retail sector"

Another area that was showing surprisingly good growth was the soft drinks market, which Mr Goss said had done exceptionally well over the year

Overseas dem
lifts platinums

Own Correspondent

JOHANNESURG — Platinum shares surged ahead on the Johannesburg Stock Exchange yesterday on strong overseas demand

Impala put on 75c to R14,25, Lydenburg 50c to 750c and Rustenburg 70c to R10,30

Dealers pointed to increased speculative demand for the metal, based on expectations of increased physical take-off by the US vehicle industry, as the reason for the activity

Two weeks ago the shares stood at R13,10, 680c and 880c repectively

Counters in the Williams, Hunt stable were again a feature, with Aurochs gaining 65c to 625c, General Tire A 25c to 925c and Williams, Hunt 25c to 350c Autolec firmed 30c to 340c

The renewed overseas interest in golds continued and local demand was maintained. Apart

from RD Le
to 220c, gol
across the
15 counter
gains of 100

Klerksdor
showed th
vances, with
up 550c t
Southvaal
to R75, Har
R102,50 and
to R74,50 St
proved 25c

Marginal
ally added
There wa
interest fr
tional bu
buying was
sive Many
clined t
positions al
long weeke

De Beers
firmer at R

Among ot
neglected in
ing, Palami
eased 20c to
tins were f
Roiberg up
and Union
at 135c

Cost-saving closures

10M The Star Friday May 13 1983

232

CG Smith raises stake in Tiger Sugar

By Duncan Collings

CG Smith has increased its stake in Tiger Sugar and is to make an offer for minorities in a restructuring of the food and sugar interests of the Barlows group

Barlows has acquired 11,6 million shares worth R81 million in Tiger from the Old Mutual, in exchange for 5,8 million Barlows shares.

CG Smith has in turn acquired the Tiger shares from Barlows in exchange for 3,9 million CG Smith shares.

The result of the restructuring is that Barlows' interest in CG Smith is increased to 67,7 percent from 64,8 percent and CG Smith's interest in Tiger rises to 95,1 percent from 78,9 percent

CG Smith is making an offer for the Tiger minorities on the basis of one Barlow share for two Tigers.

CG Smith is also considering rearranging its food investments so that Tiger will become the holding company of Imperial Cold Storage. A further announcement on this move is expected shortly.

CG Smith says that the restructuring will have no immediate effect on earnings, dividends or net asset value but increased investment in the food-related business is considered in the best long-term interests of shareholders.

It will certainly have an effect on the financing of the various companies involved — particularly ICS which has already announced it is contemplating a rights issue.

Following the inclusion of the results of Tiger Oats for the first time, CG Smith turnover jumped 212 percent in the six months to end-March to R2 168,8 million, from R695,8 million.

Operating profit totalled R160,4 million (R93,7 million). Taxed earnings increased 54 percent to R87,3 million (R56,7 million).

An unchanged interim dividend of 50c is declared on earnings a share down to 109c from 124c on the increased share capital.

Pointing out that the full impact of the drought has yet to be felt, the directors say earnings for the full year should be reasonably close to those of the previous year.

Tiger Sugar pre-tax profit for the six months totalled R71 million and after-tax profits R44,5 million. Previous figures are not comparable

An interim dividend of 10,5c is declared on earnings a share of 30,6c and total dividend for the year is expected to be not less than 33,5c.

The Argus Friday May 20 1983

Competition Board looks at takeovers

ARGUS 20/5/83

232

THE Competition Board is making a comprehensive study of trends towards excessive economic concentration through acquisitions

Members of the Cape Chamber of Industries are told, in its current newsletter, that the board has appealed to the business community for co-operation

In its third annual report, covering 1982, the board discusses price control policy, the importance of informal negotiations in solving conflicts caused by restrictive practices, and the question of economic concentration

It says it has dealt with nearly 230 appeals for relief, made by parties claiming they have suffered competitive disadvantages

RESTRICTIVE

These mostly concerned restrictive trade practices such as refusal to supply, production quotas, discrimination in respect of conditions of sale, abuse of buying power, price collusion, predatory pricing, market sharing arrangements and the potentially harmful effects of market concentrations through acquisitions

The CCI newsletter says "The report makes it clear that price control within the framework of a free enterprise system is an extreme measure to be applied only under highly exceptional circumstances when no other remedy is available

"It should be noted that the board does not take within its purview the type of price control applied under the Marketing Act"

Premier in R337-m deal

232

Star 27/5/83

By David Bamber

A South African consortium comprising Johannesburg Consolidated Investments (JCI), Liberty Life and Anglo American Corporation has bought the British controlling interest in the giant foods group, Premier, for R337,2 million

In a joint announcement this morning, the consortium said it had reached agreement whereby it would acquire 52 percent of the issued ordinary share capital of Premier from a wholly-owned subsidiary of Associated British Foods of the United Kingdom.

The members of the consortium have in turn agreed to sell their present shareholdings of 34 percent of the issued ordinary share capital of South African Breweries to Premier for just over R77 million Premier will pay for this by allotting and issuing new ordinary shares to the consortium at R25 a share.

Mr Tony Bloom will remain as chairman of Premier and will retain his personal shareholding in the company. Representatives of the consortium will, however, also be invited to join the board. Trading in Premier's shares was, at its request, suspended on the Johannesburg Stock Exchange this morning. The suspension will be lifted as soon as possible.

A Johannesburg stockbroker said that there would probably be many takeovers of this type (from foreign owners) during the next few years.

Pound, dollar roar ahead

LONDON — Gold rallied yesterday afternoon and the dollar and pound rose to their highest of the year against other currencies

Gold was fixed at $437,25 in London in the afternoon and at $436,85 in the morning Thursday's second fixing was $440

Gold fell $1,08 in Hong Kong to close at $438,84 It was little changed from New York's $437/$438 on Thursday Gold retreated yesterday afternoon as the dollar gained in European markets

Hong Kong trading was moderate as many dealers were sidelined ahead of the Williamsburg economic summit which starts today

Comex gold futures were narrowly changed in featureless morning dealings as the market prepared for the summit in Williamsburg, Virginia

Spot june was off 40c at $436,90 and August lost 80c to $443,60

LATE prices London $437 bid, Paris $435,63 fixed, Frankfurt $437,46 fixed, Zurich $436,75 bid, Hong Kong $438,84 bid

---

The dollar closed strongly against the yen in Tokyo, finishing at [illegible],85 yen — 0,55 yen up on Thursday's close and three yen higher than last Friday's close

Tension in the Middle East helped the dollar and the pound in Europe In Frankfurt, they broke through 2,50 and four marks respectively

In Paris the dollar jumped to a record 7,5065 francs, an increase of four centimes in about 24 hours

The dollar rose to 2,5035 marks in Frankfurt, a pfennig above Thursday's close Sterling was at 4,010 marks after 3,982 on Thursday

Sterling and the dollar continued to be the focus of attention in London, sterling being the stronger of the two It rose to a mid-session $1,6030/40 from an opening $1,5980/90 and more than recouped overnight losses from $1,6015/25

At mid-session the pound currency stood at 87,3 on a trade-weighted index, the highest since November 19

Some dealers doubt whether sterling is worth $1,60 on fundamentals

Constant opinion polls suggesting a Conservative victory with an increased majority on June 9 have been the main reason behind extensive bank and commercial buying of the pound

Weaker than expected trade figures and some

Premier top dog in SA Breweries

237

ROM 28/7/83

By JOHN MULCAHY
Deputy Financial Editor

CONTROL of food giant Premier Group has passed to a South African consortium for R337-million in a deal that leaves Premier the biggest shareholder in South African Breweries.

The consortium — Johannesburg Consolidated Investments, Liberty Life and Anglo American Corporation — will acquire 52% of Premier from a wholly owned subsidiary of Associated British Foods (ABF) for R25 a share.

The deal was struck at the initiative of Mr Tony Bloom, Premier's executive chairman, who approached Mr Gary Weston, ABF's chairman, about six weeks ago Premier was then trading about R21 a share

Finding Mr Weston receptive to the deal, Mr Bloom returned to SA and approached JCI and Liberty, who realised that the deal was a little rich for them and brought in Anglo as a "sleeping partner"

ABF will receive its R337-million in cash, although the parties in the consortium have not decided how they propose to raise the money

Further details about the financing are likely to be released in about 10 days

The consortium members will sell their combined 34% stake in South African Breweries to Premier at R8,85 a share in exchange for Premier shares

SA Breweries has 242 659 057 shares in issue A 34% stake is 82 504 079 shares, worth R730 161 110 at 885c a share

In exchange for the SA Breweries stake Premier will issue 29 206 444 new shares at R25 each

After the SA Breweries injection into Premier, Premier will have 55 007 989 shares in issue of which the consortium will have 84,6%, or 46 563 240 shares

In terms of JSE regulations on control the consor

its status as a major food group, as well as an investment company with a significant stake in a major conglomerate, the listing will be important in the future scheme of things

An announcement from Anglo, Liberty and JCI yesterday said Anglo's participation would not exceed 20%, which suggests that Liberty and JCI will together hold 64,6% of the new Premier

After JCI, the biggest shareholder in SA Breweries was Old Mutual, which has been left out of this deal

Old Mutual recently swopped its stake in Tiger & Sugar Holdings for Barlows shares, taking its share of Barlows to 24,8%

The Barlows deal also tidied up the group's food interests under the umbrella of CG Smith, using Tiger-Sugar as the vehicle for future food investments

The whole deal served to place Old Mutual's various holdings in the correct drawers, and the assurer cannot be displeased at the result

There is the nagging feeling, however, that the very deal struck with Barlows on the food interests was in some part responsible for initiating the Premier deal

Mr Bloom denies that this was so, saying there were two events that might be construed as prompting the approach to ABF

These circumstances were the Tiger deal and the bomb blasts in Pretoria and Bloemfontein The one happened last week and the other on Thursday this week

Mr Bloom said that when the Tiger deal was announced Premier had already made the first approach to Mr Weston The bomb blasts were too recent to have had any effect on ABF's decision to disinvest

From an investment viewpoint the new deal for Premier does not make decisions any easier If, for example, an institution is looking for a stake in the food industry, it has two main choices — Tiger or Premier

After the consortium's deal, however, Premier will be a different animal, containing as it does a big chunk of SA Breweries which could detract from its standing as a

and were offered a good 'deal"

Some of the funds might remain in SA for investment in other companies

"So far I have not yet made up my mind on what the company is going to do with the funds," he said

ABF was an industrial company which generated earnings from internal growth

"We are not in the business of buying and selling companies I have mixed feelings about parting with the Premier board I enjoyed excellent relations with the directors"

Apart from Premier ABF has interests in 11 SA companies These include Ovenstone Consolidated Investments, Southern Sea Fishing Enterprises, Madadenis Baker and Bophuthatswana Bakeries

---

Diversity bo OIL income

Own Correspondent

CAPE TOWN — Benefits of diversification by Ovenstone Investments Limited into property, construction and homebuilding paid off handsomely in the year to February 28, 1983

These interests contributed 83% of income before interest and corporate expenses

They were the main reason for the increased earnings attributable to ordinary shareholders of R4 762 000 (1982 R4 055 000) which gave earnings of 9,65c (8,22c) a share Pre-tax profits increased from R6 478 000 to R8 168 000

Mr Andrew Ovenstone, chairman of OIL, says in the annual report that satisfactory earnings growth is expected in the current year Property, construction and homebuilding interests appear to be well placed and fishing results will depend on volumes landed and processed

"The property division (Ovland) is expected to have another excellent year There are three factors influencing the property scenario

- Lack of development of blocks of flats because of uncertainty over rent control
- Lack of development of residential townships because of inordinate delays by the authorities and the unrealis

year The company can produce 50 000 tons of fishmeal and 10 000 tons of frozen fish a year By February 1984 is should be able to produce 600 000 cartons of canned fish annually

The other Chilean interest is an 8% shareholding in Pesquera Iquique, one of the largest fishing companies in the world with a pelagic production exceeding South Africa's Pesquera Iquique expects to process 38 000 tons in 1983 and has a capacity to convert this into large quantities of fishmeal, frozen fish and canned fish

Mr Ovensteon joins those who have urged the authorities to ease pilchard fishing quotas in Namibia He warns that going beyond the existing zoning restrictions for rock lobsters would cause social problems in certain areas

---

Interest bl Robin

Financial Reporter

THE high gearing of the Robin group again caused its three listed subsidiaries to turn in losses in the year to February

Amalgamated Industrial Investment Corporation incurred an attributable loss of R491 192 (1981-82 R624 881 loss), excluding extraordinary and non-trading profits of R931 169 (R[illegible] 950 040)

A 7,5c final dividend is be

$- 5 96 and August lost 80c to $443 60

LATE prices: London $437 bid, Paris $435,63 fixed, Frankfurt $437,46 fixed, Zurich $436,75 bid, Hong Kong $438,84 bid

The dollar closed strongly against the yen in Tokyo, finishing at 236,85 yen — 0,55 yen up on Thursday's close and three yen higher than last Friday's close

Tension in the Middle East helped the dollar and the pound in Europe In Frankfurt, they broke through 2,50 and four marks respectively

In Paris the dollar jumped to a record 7,5065 francs, an increase of four centimes in about 24 hours.

The dollar rose to 2,5035 marks in Frankfurt, a pfennig above Thursday's close Sterling was at 4,010 marks after 3,982 on Thursday

Sterling and the dollar continued to be the focus of attention in London, sterling being the stronger of the two It rose to a mid-session $1,6030/40 from an opening $1,5980/90 and more than recouped overnight losses from $1,6015/25

At mid-session the pound currency stood at 87,3 on a trade-weighted index, the highest since November 19

Some dealers doubt whether sterling is worth $1,60 on fundamentals.

Constant opinion polls suggesting a Conservative victory with an increased majority on June 9 have been the main reason behind extensive bank and commercial buying of the pound

Weaker than expected trade figures and some squaring of positions ahead of the holiday weekend undermined sterling against most currencies in thin, erratic trading at the close The pound closed at $1,6005/20

Crop threat

LONDON — EEC harvest prospects are poor unless there is a change to drier and sunnier weather. Reports from France, Germany and Holland tell of flooded fields, delayed planting and a general lack of growth to be expected at this time of year

— will acquire 52% of Premier from a wholly owned subsidiary of Associated British Foods (ABF) for R25 a share.

The deal was struck at the initiative of Mr Tony Bloom, Premier's executive chairman, who approached Mr Gary Weston, ABF's chairman, about six weeks ago Premier was then trading about R21 a share

Finding Mr Weston receptive to the deal, Mr Bloom returned to SA and approached JCI and Liberty, who realised that the deal was a little rich for them and brought in Anglo as a "sleeping partner"

ABF will receive its R337-million in cash, although the parties in the consortium have not decided how they propose to raise the money

Further details about the financing are likely to be released in about 10 days

The consortium members will sell their combined 34% stake in South African Breweries to Premier at R8,85 a share in exchange for Premier shares

SA Breweries has 242 659 057 shares in issue A 34% stake is 82 504 079 shares, worth R730 161 110 at 885c a share

In exchange for the SA Breweries stake Premier will issue 29 206 444 new shares at R25 each

After the SA Breweries injection into Premier, Premier will have 55 007 989 shares in issue, of which the consortium will have 84,6%, or 46 563 240 shares

In terms of JSE regulations on control, the consortium will be required to make a similar offer to minorities, although the R25 price does not afford an exciting premium over Premier's R22,75 suspension price

In fact, with well over 80% of Premier, the consortium will not want too much response from minorities to its offer as a holding of more than 84,6% could present problems in raising capital through the market.

This is assuming the new controllers wish to maintain Premier's listing But given Old Mutual recently swopped its stake in Tiger & Sugar Holdings for Barlows shares, taking its share of Barlows to 24,8%

The Barlows deal also tidied up the group's food interests under the umbrella of CG Smith, using Tiger-Sugar as the vehicle for future food investments.

The whole deal served to place Old Mutual's various holdings in the correct drawers, and the assurer cannot be displeased at the result

There is the nagging feeling, however, that the very deal struck with Barlows on the food interests was in some part responsible for initiating the Premier deal

Mr Bloom denies that this was so, saying there were two events that might be construed as prompting the approach to ABF

These circumstances were the Tiger deal and the bomb blasts in Pretoria and Bloemfontein The one happened last week and the other on Thursday this week

Mr Bloom said that when the Tiger deal was announced Premier had already made the first approach to Mr Weston The bomb blasts were too recent to have had any effect on ABF's decision to disinvest

From an investment viewpoint the new deal for Premier does not make decisions any easier If, for example, an institution is looking for a stake in the food industry, it has two main choices — Tiger or Premier

After the consortium's deal, however, Premier will be a different animal, containing as it does a big chunk of SA Breweries, which could detract from its standing as a blue-chip food group

Although all parties to the deal insist that as far as SA Breweries is concerned nothing has changed, one wonders what will happen further down the line — will Premier in the longer term maintain the passive role that JCI has filled over the years, or is the group likely to increase its stake in SA Breweries?

Questioned on Premier's likely role as the major shareholder in SA Breweries, Mr Bloom said SA Breweries management and directorate would not be changed.

"We do not have the ability or the desire to control SA Breweries"

Mr Weston told **NEIL BEHRMANN** in London yesterday he thought R25 was a good price

"We considered Premier's potential, its growth prospects and recent results when we made our decision"

Mr Weston said the deal was attractive The R337-million cash, now worth about £198-million, could be invested at higher returns in the UK or elsewhere

Share prices on the Johannesburg Stock Exchange were high and "although South African investors may find Premier shares attractive at current levels, international investors can look elsewhere'

He stressed that the sale did not arise from a decision to pull out of South Africa for political reasons

"There is no way we wanted out We were approached

Saudi deficit may be $9bn

THE HAGUE. — Saudi Arabia expects a current account deficit of $8 000-million to $9 000-million this fiscal year, says the Deputy Governor of the Saudi Arabian Monetary Agency, Mr Ahmad Abdulla-tif

The deficit will be covered by investment income on the capital account to give an overall payments balance, and Saudi Arabia should not have to liquidate any of its investmet principal, he says

Last year's current account figures have not

must be encouraged and build a capacity to export

If in the short term declining oil revenue force Saudi Arabia to liquidate some of its assets, this will be done across the board without favouring types of assets or currencies

Bankers have estimated Saudi Arabia's assets at $150 000-million, but without giving details he says this figure is too high

He declined to comment on whether he had been approached to take over the job as governor of the Monetary Agency after the resignation last month of Mr Abdul-Aziz al-Quaraishi — Reuter

OIL incom

Own Correspondent

CAPE TOWN — Benefits of diversification by Ovenstone Investments Limited into property, construction and homebuilding paid off handsomely in the year to February 28, 1983

These interests contributed 83% of income before interest and corporate expenses

They were the main reason for the increased earnings attributable to ordinary shareholders of R4 762 000 (1982 R4 055 000) which gave earnings of 9,65c (8,22c) a share Pre-tax profits increased from R6 478 000 to R8 168 000

Mr Andrew Ovenstone, chairman of OIL, says in the annual report that satisfactory earnings growth is expected in the current year Property, construction and homebuilding interests appear to be well placed and fishing results will depend on volumes landed and processed

"The property division (Ovland) is expected to have another excellent year There are three factors influencing the property scenario

- Lack of development of blocks of flats because of uncertainty over rent control
- Lack of development of residential townships because of inordinate delays by the authorities and the unrealistic service standards required
- Continued increases in building prices, which although comparatively moderate in 1982 and at present, are likely to revert to higher rates in the future

"We expect Bellandia (the homebuilding division) to do well in the current year It is, however, affected by a shortage of developed stands in the greater Cape Town area, and management is endeavouring to overcome this problem without committing the company to excessive investment in land

"The construction division (Ovcon) should further increase its contribution to group profits during the current year; but the tight conditions currently prevailing in the industry will make it difficult to maintain turnover at acceptable margins in 1984 Under these conditions Ovcon is following a policy of not overcommitting itself"

It is OIL's policy to remain involved in all its South African and Namibian fishing operations, and it hopes to expand where possible Quota restrictions have, however, compelled most companies to rationalise and diversify Apart from its traditional South African and Namibian interests, OIL now has substantial fishing interests in Chile

These are a 49% share in Pesquera Playa Blanca, which is managed by OIL and which has a capacity to process 250 000 tons of fish a year The company can pı duce 50 000 tons of fish and 10 000 tons of frozen f a year By February 1984 should be able to pro 600 000 cartons of canned fı annually

The other Chilean inter is an 8% shareholding in P quera Iquique, one of largest fishing companies the world with a pelagic p duction exceeding South A rica's Pesquera Iquique pects to process 38 000 tons 1983 and has a capacity convert this into large tities of fishmeal, frozen and canned fish

Mr Ovensteon joins th who have urged the auth ties to ease pilchard f quotas in Namibia He wa that going beyond the ex ing zoning restrictions rock lobsters would cause cial problems in cert areas

Interest Robin

Financial Reporter

THE high gearing of the R in group again caused three listed subsidiaries turn in losses in the year February

Amalgamated Indust Investment Corporation curred an attributable loss R491 192 (1981-82 R624 loss), excluding extra nary and non-trading p of R931 169 (R2 950 040)

A 7,5c final dividend is ing paid, making 10c for t year

AIIC's 91,6%-owned sidiary, Premier Industr reported a loss of R440 (R411 307 loss) before traordinary profits of same amount as reported

Nissan r

TOKYO — Nissan, Japa second-largest car compa has reported its first dec in vehicle sales in 28 ye because of the world re sion and import restri in Western countries

Its sales declined mar ally by 0,3% in its year March from a year ear Vehicle exports fell 4,8% 1 340 000 and domestic sa

Cadswep ri

THE Cadbury Schwepp rights offer to ra R5 300 000 has bee successful

Union Acceptances sa subscriptions were rece for 97,3%, or 591 087 of 607 632 13,5% unsecur automatically convert debentures on offer

Applications were re ceived for an additiona 167 477 convertible debe

Insurer c

NEW YORK. — The world second-biggest insuranc broker, Alexander & Alex ander has cut its US wo

232

RDM

28/5/83

R337m deal gives Anglo team up control of Premier

GAVIN RELLY
Anglo American

DONALD GORDON
Liberty Life

By HOWARD PREECE

THE Anglo American group has teamed up with Liberty Life assurance in a R337-million deal to take control of the South African food giant Premier Group

A ripple effect of the deal is that it will strengthen Anglo's ultimate effective control over SA Breweries, the R2 000-million liquor, hotel and retail conglomerate.

These massive new developments in South African business also involve what is thought to be the biggest ever disinvestment from this country by an overseas company

Associated British Foods (ABF) of the UK is selling out entirely its 52% stake in Premier for R337-million cash

However, Mr Gary Weston, the chairman of ABF, told the Rand Daily Mail in London yesterday that there were no political reasons for the sale

This view was endorsed by Mr Tony Bloom, the chairman of Premier

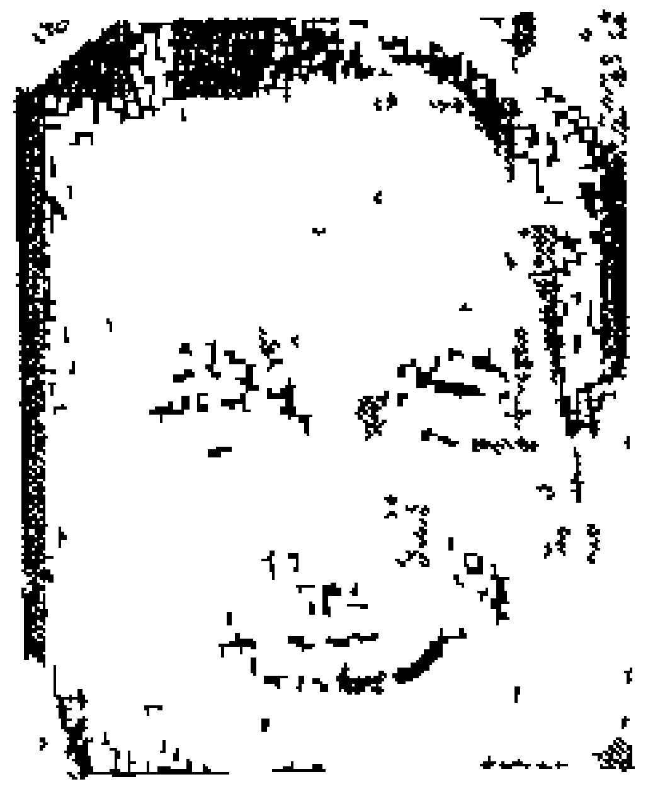
He said he initiated the deal because he wanted control of Premier in South African hands.

Premier, whose main interests are in the processing of wheat, maize and oilseeds, had sales of R1 756-million in the year to March 31, 1983

There may, however, be some concern at yet another major move by Anglo American, albeit with Liberty Life, into yet another area of the economy.

- A consortium led by the mining house Johannesburg Consolidated Investments (part of the Anglo American group) and Liberty Life is paying R25 a share for ABF's 13 486 564 shares in Premier
- The consortium also includes Anglo American Corporation, although its direct holding in Premier will not be more than 20%
- The JCI/Liberty/Anglo consortium is to put its combined existing 34% holding in SA Breweries into Premier in return for new Premier shares
- This 34% stake in SA Breweries will give the consortium effective control

● See Page 10



TONY BLOOM
PREMIER MILLING

DICK GOSS
SA Breweries

S.Times 29.5.83

GOT IT!

232

FOUR ACES, ONE DEAL . money men Bloom, Waddell, Gordon and Rapp

How Big 4 pulled off coup

By FLEUR DE VILLIERS and DAVID ROSS

FOUR of South Africa's top business heavyweights this week created a mammoth, multi-million rand empire which will provide South Africans with much of what they eat, drink and wear.

The package is believed to represent the biggest cash-for-shares deal ever on the Johannesburg Stock Exchange.

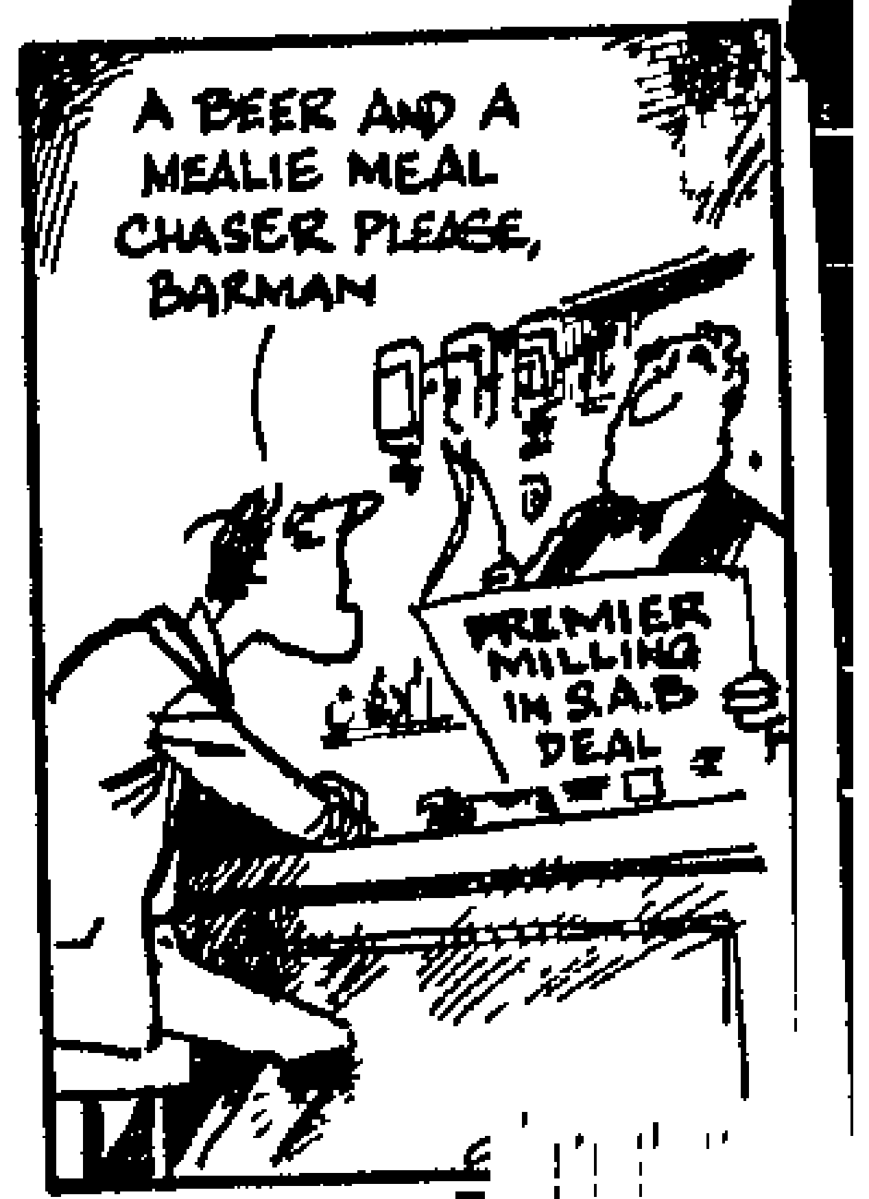
The deal involved two nail-biting weeks in London in which the South Africans faced one of the world's most powerful businessmen, whose international sales top $15-billion a year.

The four South Africans were Tony Bloom, chairman of the Premier Group, Donny Gordon and Michael Rapp of Liberty Life, and Gordon Waddell of JCI

Across the table was Gary Weston, chairman of Associated British Foods, whose company has for the past 20 years held a controlling 52 percent stake in South Africa's giant Premier Group.

It is believed that the Liberty Life-JCI-Anglo American consortium will eventually — once the minorities decide whether to accept or reject a R25-a-share offer — control up to 70 percent of Premier

GASKILL



The Premier food empire has grown in four generations from a milling company founded in Johannesburg's Newtown and built up by Mr Bloom's late father, Joe, to a giant corporation which controls everything in the food chain from animal feeds to poultry, margarine and baking

It also controls, through Gallo, a large slice of South Africa's entertainment and publishing industry Gallo recently merged with the Argus-controlled CNA in a new company in which Premier acquired a 50 percent stake

In the first wide-ranging interview he has given since news of the Premier takeover astonished South Africa's financial world on Friday, a "delighted" Mr Bloom said that he had been thinking about the move for about a year

"Premier is a strategic company," he said

☐ To Page 2

And with that deal — which was dramatically unveiled on Friday — in their pocket, the four Johannesburg men promptly turned Premier into a 34 percent shareholder in the even bigger South African Breweries.

SAB, through its approximately 300 subsidiaries and associates, has a beer monopoly in the Republic, and other interests which range from Southern Sun Hotels to retail chains, from furniture to footwear.

SAB, which ranks third on the list of the Financial Mail's top 100 companies, had a turnover last year of R4 350-million

It owns.

- The beer production and distribution monopoly in SA.
- Control of such consumer-oriented companies as OK Bazaars, Afcol (furniture manufacture), Amrel (furniture retailing), Edgars (clothing retailing), and Southern Sun (hotels and gaming)

Blue chip

It is regarded as one of the deepest blue chips on the JSE lists. That view, in part at least, results from SAB's strategic ability to benefit further from the growth in disposable incomes of blacks.

While the deal has sparked speculation about how Premier will exercise its new power in the brewing colossus, Mr Bloom said yesterday "We have neither the ability nor the desire to exercise management control of SAB."

Control of the Premier Group, which with a turnover last year of R1 750-million, is the biggest single consumer of South African agricultural products, will cost the Liberty Life-JCI-Anglo American consortium a cool R337-million in cash

S Times (58)
29/5/83 (232)

Big four take over control of Premier

☐ From Page 1

"As the largest consumer of South African agricultural produce it is a national asset and it should be in South African hands"

Mr Bloom's own "buy South African" campaign took off in the greatest secrecy a month ago when he went to Premier's two most important minor shareholders, Liberty and JCI, for help in bringing Premier home.

His choice of friends is significant — JCI and Liberty Life were respectively also the largest and third largest holders of SAB shares.

In approaching the two companies he was also following a recent South African pattern in which financial institutions, mainly insurance companies and pension funds, have become the dominant shareholders in nearly every blue chip company on the Johannesburg Stock Exchange.

But Mr Bloom says that the magnitude of the deal was such that it could only have been contemplated by major institutions.

Bargaining

Preparations for the deal culminated in two weeks of top-secret, hard bargaining in London which pitted Messrs Donald Gordon, Gordon Waddell and Tony Bloom against the extremely tough Gary Weston

Mr Bloom made two trips to London in one week, and in the second week Michael Rapp, MD of Liberty Life, took over to negotiate the details

"Negotiations were extremely difficult and sensitive," says Mr Bloom, but he makes it clear that in the South African team, Gary Weston had four "tough and canny" adversaries.

He stressed that Associated British Foods had no wish to sell, that there had been no move on the part of the British company to divest itself of its South African assets.

Major interest

Mr Bloom also disputed the contention that the double-edged deal had given Anglo American, the third leg of the consortium, a major interest in the giant SAB

It appears that through both its 40 percent holding in JCI, and its direct investment, Anglo will eventually hold no more than 25,2 percent of Premier and only 8,5 percent of SAB.

Anglo American, which was not involved in the London negotiations, was brought into the transaction because of the massive reverse gearing which involved a negative cash flow of R65-million.

"The sheer magnitude of the deal meant that no company on its own would have been able to carry it," Mr Bloom said.

Anglo, however, had played a very low-key role.

Replying to accusations that the move represented a significant reduction in competition in a South African market which Liberty chairman Donald Gordon predicted last year would soon be "controlled by only six companies", Mr Bloom said that despite its size, Premier's R1,7-billion turnover was only 10 percent of the annual turnover in South Africa's food industry.

Competitors

Major competitors include Barlows (C G Smith-Tiger), Anglo-Vaal, a clutch of multinationals such as Unilever and Nestle, and the agricultural co-operatives.

On the fact that the move simply strengthened the dominance of the JSE by major financial institutions such as insurance companies and pension funds, Mr Bloom said such was the size of a major modern company that only institutions had the cash to ensure control

"This is a feature of stock exchanges all over the world

"But in South Africa there are far fewer institutions which control the market, and there is exchange control which tends to bottle up funds inside the country," he said

Fewer

In a marked difference to other financial institutions which dominate the JSE, both Liberty Life and JCI are public companies which are accountable to shareholders

Following Friday's announcement, SAB's MD, Mr Dick Goss, put out a non-comittal statement to the Press

It's effect was that SAB would have to consider implications of the deal further.

S. Times

232

29/5/83

Three firms into one

By Julian Kraft

FEDERALE Volksbeleggings, which acquired Fibreglass SA from the Plate Glass group for an undisclosed sum last year, has consolidated its three insulation-related companies into a single concern, Acoustical Fibreglass Insulation (AFI)

The companies involved are Fibreglass SA, leading suppliers of building insulation material and reinforced industrial products, Insulation Products, suppliers of industrial insulation materials, and Acoustical Products, which makes high-quality ceiling tiles.

The three operations, with five plants between them, have an annual turnover in excess of R40-million and assets of R38-million.

Hennie Steyn, MD of the new company, tells Business Times that the companies, although serving different markets, are complimentary and will benefit from technological interchange

The Fibreglass operation has about 75% of the building insulation market while being the leading supplier of reinforced industrial products and Filon translucent sheeting.

The company claims about 50% in the industrial insulation market and is also dominant in the top end of the market for acoustic ceiling tiles, which it also exports to the UK and Europe.

WOM

232

The Big Seven control JSE 80%

31/5/83

SEVEN companies have ultimate control of 80% of the Johannesburg Stock Exchange's capitalisation, according to a private researcher, Mr Robin McGregor

Mr McGregor told Reuters the figures were calculated after the two-leg deal in which control of the Premier Group returned to South Africa and Premier bought a large stake in South African Breweries

The estimate was made by defining an "ultimate controlling shareholder" for each company on the JSE

The seven companies are Anglo American, Barlow Rand, Liberty Holdings, South African Mutual, Sanlam, Anglovaal and Rembrandt

Mr McGregor said the first five companies in the list controlled 74% of the JSE's capitalisation

The JSE's president, Mr Paul Ferguson, said that capitalisation of the JSE was about R85 000-million at the end of March

Mr McGregor said there had been a marked increase in the concentration of shareholdings in the past four years.

At the time his Who Owns Whom publication was first issued in 1979, he estimated that 15 concerns controlled 70% of market capitalisation

He said yesterday: "We're seeing the development of a centrally controlled free-enterprise economy" — Reuter.

5

5

2

232

E. Post 31/5/83

Sanlam bid for Premier nipped in bud

Post Correspondent

JOHANNESBURG — The business consortium which engineered the multi-million rand takeover of the Premier Milling Group last week beat the massive Sanlam insurance group to the ticker tape

The South African consortium — Tony Bloom, chairman of Premier, Donny Gordon and Michael Rapp of Liberty Life and Gordon Waddell of JCI — put together what is considered the biggest cash-for-shares deal in South African business history

Technically the deal with Premier's British mother company, Associated British Foods, who have held a 52% stake in Premier for 20 years, has not been completed

But in the light of last week's announcement, it seems unlikely Sanlam will make a counter bid

Sanlam's chase for control of Premier, a company in which they have a minority shareholding, could not be confirmed

Mr Bloom would only say "no comment" today

But it is reported that Sanlam held discussions with the British holding company some weeks back The thinking behind this would be a merger of Premier's food interests with Sanlam's R700 million-a-year food conglomerate, Fedfood

It is unlikely they would offer the R25 a share — amounting to some R650 million — now necessary to better the offer made by the consortium sits on the SAB board, said nothing That's not surprising, with Mike Rosholt of Barlow Rand, controller of SA's biggest food group Tiger & Sugar, not to mention Frans Davin, MD of OM, as co-directors on SAB's board Whether Gordon's silence was fair to his fellow directors is a moot point, and disclosure between co-directors is a debate in itself He has certainly helped stir up a hornets' nest, even though there was no change in control in SAB in terms of the Companies Act

This brings us to the question of how and why the deal was done and just what role the various parties played in it The immediate reaction of many analysts was that the whole operation was Anglo's response to the creation of the Tiger & Sugar food giant by Barlow Rand (*FM* May 20)

Not so, says Bloom He had been thinking of the deal for some time, he claims, and it was aimed at bringing "a national asset" into SA hands

Bloom and JCI's chairman Gordon Waddell have been friends for years Bloom, in fact, managed Waddell's successful parliamentary campaign in 1974 And Gordon's Liberty was already an approximate 10% holder in Premier, a stake acquired over the previous four to five years, including some shares from the United Trust which holds interests of the extended Bloom and Jaffee families. So it was not surprising that Bloom should look to JCI and Liberty once Bloom had persuaded ABF to part with its stake.

The unanswered question is who had the idea of putting the SAB stake into Premier, and why

When the negotiations got under way, says Bloom, JCI realised it would be stretched to find its share of the cash and went to parent Anglo to ease the pressure Bloom says there will be approximately 57m shares in issue after the deal, of which the consortium will hold approximately 80%, depending on the results of the offer to minorities These 44m or so shares will be held 20% by Anglo, with the remainder split equally between Liberty and JCI, an aspect upon which Bloom refuses to be drawn

Corporate egos

Anglo is known to have been miffed by the establishment of Tisugar, particularly as it took OM's stake in Barlow way beyond Anglo's And if corporate egos were bruised, this seems a logical reason for the deal to have been initiated But the catalyst, says Bloom, was the relaxation of exchange control on non-residents with the merging of the financial and commercial rands This enabled ABF to repatriate the money at a more attractive rate

It has been suggested that the Anglo link is all-important in the SAB leg of the deal SAB's management has always been independent and aggressive Could it be that by orchestrating tighter control of SAB by placing its shares in Premier, Anglo expects to exert greater control over the firm's board? Whatever happens it will be in everyone's interest that Goss and his team stay in place


Anglo's Relly . . . a tighter hold on SAB


Breweries' Goss . . . nobody asked him anything

Bloom stresses that Premier has neither the will nor the capacity to run SAB It is an investment holding only, he insists — a change in style for Premier But the apprehension and anger of SAB management will have to be assuaged

Further, Anglo's style is always to be top dog OM's rapidly increasing portfolio of investments in companies such as Barlow and SAB was obviously being perceived as a threat

Whatever the behind-the-scenes reasons for the SAB link-up, Premier is now well on the way to being a very different animal. It already controls Gallo and will benefit from the CNA/Gallo tie-up Its foothold as an industrial holding company has thus already been firmly established The SAB stake confirms this trend, as does Bloom himself

Balancing act

In this it seems that Premier, in its new guise, is intended to act as a a counter-balance to Barlow's C G Smith, which holds Barlow's interests in packaging, food, sugar pharmaceuticals and textiles Though Bloom says this was not the intention, it is clearly now more realistic to compare Premier with Smith, rather than to draw the old parallel with Tiger Oats

There are ironies in drawing even this comparison, of course Anglo has a 13%-plus holding in Barlow and lists it as an associate in its accounts, though Old Mutual holds around 25% following the recent reshuffle of shares around the C G Smith grouping

To take the complex linkages even further, Liberty Life has close links with Standard Bank, but OM holds nearly 20% of the banking group Stanbic MD Henri de Villiers says he was in the US while all the action was taking place and the bank had nothing to do with the deal

Premier's prospects are exciting, to say the least Bloom says that despite the more than doubling of the shares in issue following the deal, equity accounting the SAB stake should mean no dilution of Premier's earnings this year In fact, says Bloom, Premier's bottom-line could be improved by 7c-10c by the SAB stake In the year to March 31, Premier turned in attributable earnings of R53,3m, or 207c a share, only 4c better than in the previous year Little organic growth is expected this year

Where Premier goes next remains to be seen, but injection of SAB gives it balance sheet clout to pursue an aggressive acquisition policy The group's gearing, following the deal, will drop from 0,80 to around 0,24, according to deputy MD Peter Wrighton. With the self-imposed limit remaining at 0,85, despite the final removal of 3(1)f borrowings restrictions with the transfer of control, Premier's scope for mobilising outside capital will be massive

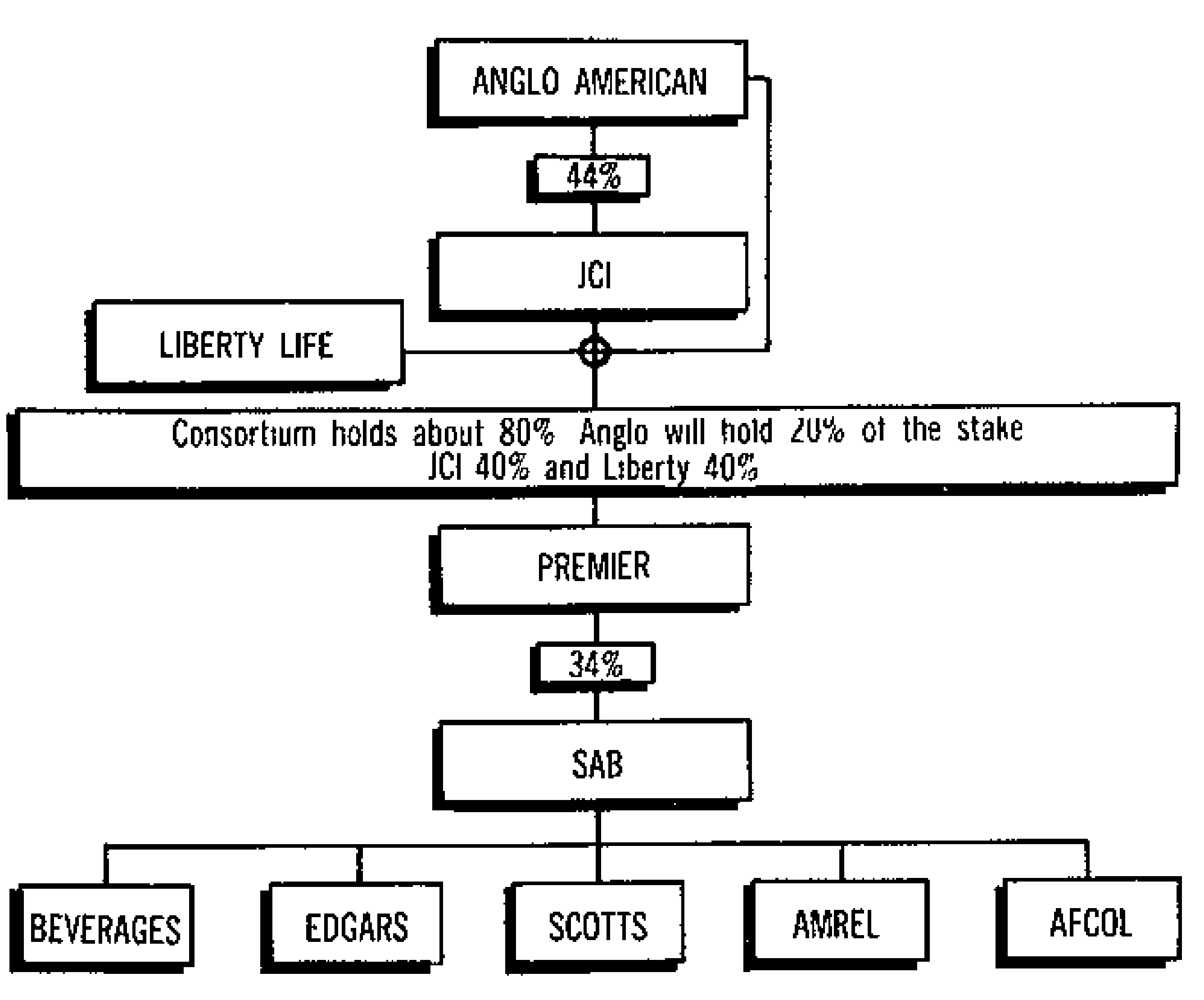
Premier's expansion may nevertheless be difficult to plot Anglo and SAB are already so diverse that clashes may be difficult to avoid Anglo's food interests,

ough African Products and ngaat, are also broad-based, Bloom says there are no to bring them closer to remier

Board changes at Premier inevitable and will reflect various new influences on the group Donald Gordon Gordon Waddell, for exam must be dead certs to be at top table having clearly yed pivotal roles in the deal

SAB's board may also see a in time Chairman of group at present is Nedbank's Cronje Nedbank is 27%- by OM and friction between and Anglo over this deal ld cause some heat Van der , Rosholt, Cronje and OM's Frans Davin also represent Mutual/Barlow camp and

THE NEW DEAL



could feel that they are behind enemy lines

There is more that can be speculated upon in relation to the deal What happens, for instance, to the pension funds of the industrial companies involved in the light of the competing presence of OM and Liberty Life? How inevitable is a tie-up between Liberty and Anglo American Life, to create a countervailing force to OM and Sanlam? Just where does Premier go from here?

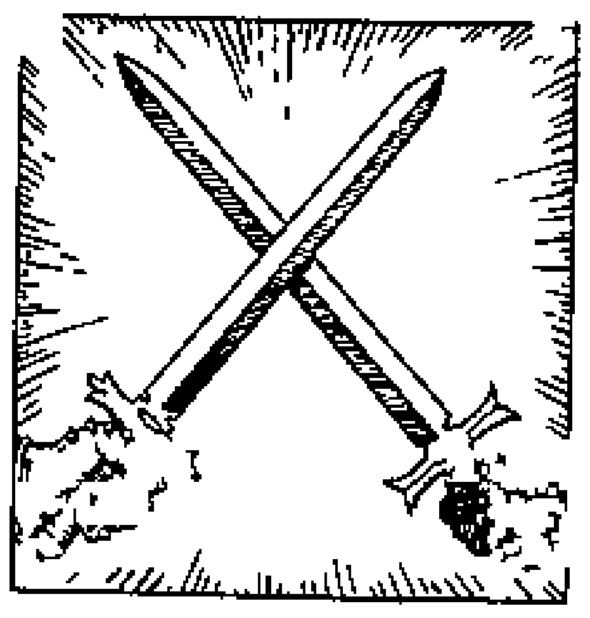
And how about a scenario in which OM reacts by adding to its direct 7,4% holding in Anglo — there are also holdings in many other group companies as well as a near-5% holding in De Beers That could lead to the greatest power play of all *Scott Hawker*

PREMIER GROUP

232 FM 3/6/83

Battle lines are drawn

Last week's takeover of Premier by an Anglo/Liberty consortium is more complex than it first appears. The deal hits at established control structures in SA business and the long-term implications are wide-ranging.



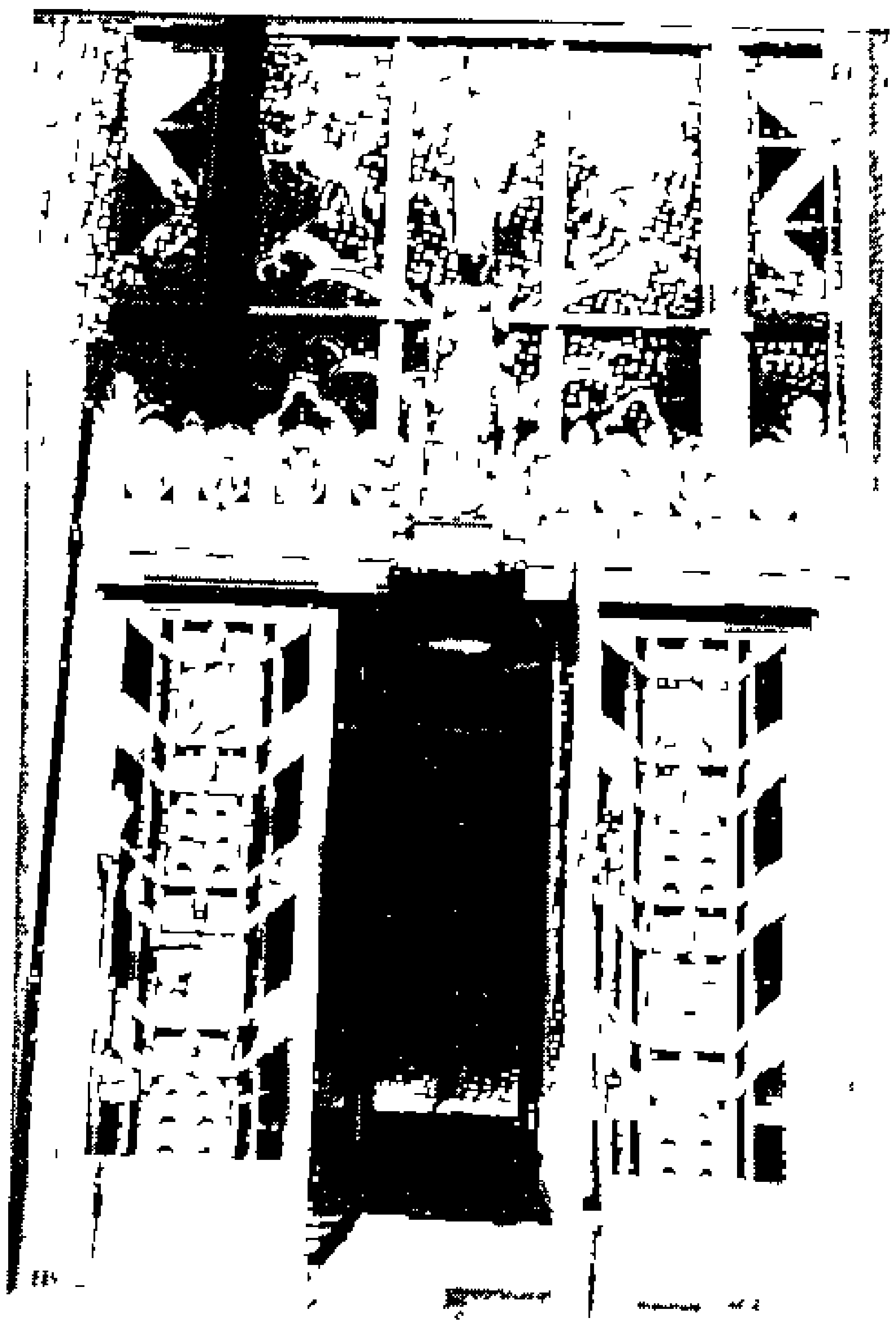
If anyone thought that Harry Oppenheimer's departure from Anglo American would rob the group of its momentum, they can think again

Last week's takeover of the Premier Group is far more than a change of control in one of the country's largest food combines It represents a major shift in ownership of corporate SA The potential for change which springs from it is enormous, and SA's private sector promises to become even more polarised

In one stroke, Oppenheimer's successor, Gavin Relly, has moved with skill and precision to tie up control of a large part of the local food industry, Anglo has moved firmly ahead of Old Mutual (OM) as the largest shareholder (through Premier) in SA Breweries, and the mining house has indicated that it is binding itself strongly to assurance group Liberty Life.

The deal is big enough in itself, of course Associated British Foods (ABF), of the UK, has sold its 52% interest in Premier to a consortium consisting of JCI, Anglo American and Liberty Life for R337m A comparable R25 a share offer is to be made to Premier minorities, few of whom are likely to sell

Simultaneously, the combined 34% stake in SAB held by the consortium members will be injected into Premier in return for additional shares to be issued to a value of around R770m



Anglo . . . open door for further expansion

This, however, represents a small part of the deal's implications Far more important are the developments which will flow from it The Anglo group has effectively joined forces with Liberty and weakened its links with OM and Nedbank

Perhaps it was unavoidable after OM had moved significantly towards Barlow Rand at the time of the Tiger deal. Anglo, despite its size, needed closer links with a major assurance group generating significant cash flows

The deal was done under conditions of total secrecy, aggravating its impact A lot of noses have been put out of joint Though Premier chairman Tony Bloom says he had conceived the idea of the Premier leg more than a year ago, the wheeling and dealing that tied up the takeovers was done in only two weeks, culminating last Friday As a result, neither SAB's other major shareholders, including OM, nor its management, were aware of the reshuffle

SAB's group MD Dick Goss was furious when presented with the accomplished fact of the injection of the SAB shares into Premier And Old Mutual's chairman Jan van der Horst was similarly unimpressed. OM, which has holdings, both direct and within its sphere of influence, of the order of 25% in SAB, no doubt believes it should have been consulted

But that was hardly possible as the whole deal has given competitor Liberty a strategic advantage

Liberty's chairman Donald Gordon, who

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered)· leave columns (2) and

SUNDAY ... June 5, 1983

PROPERTY & FINANCE

Gencor is behind bid for Tucker takeover

232

By TERRY MEYER
Property Editor

THE giant General Mining Corporation (Gencor) has emerged as the company behind the bid to take over the troubled Tuckers land empire through the purchase of 54,6% of the shares in the company presently held by Tuckers Family Holdings.

The company has taken a three-month option to purchase the shares at 750c each and will be examining the company 'in-depth' during the next few months

Gencor's newly-appointed group property manager, Cecil Dewing, said his company had taken "a pretty educated look" at Tuckers before taking the option, but would now make an intensive investigation into its assets before exercising it

"We don't even know how many townships or potential townships (land not yet proclaimed as such) there are and we will be looking into that over the next few months in a full-blown investigation," he said

The offer by Gencor — probably the country's largest township developer — makes sense in the light of the growing demand for township land on the Witwatersrand

The sale of residential township land has been frenetic in recent months and no doubt the new Gencor management sees a golden opportunity in Tuckers to develop further land for sale to meet the current demand

Gencor is currently developing a number of townships, including Hurlingham Manor with some 650 stands on offer But already Gencor has about 900 prospective purchasers — even before it goes on the market

Similar responses are also expected for other Gencor developments — Benmore Gardens Extension 3 in Sandton (174 special residential stands), Randpark Ridge Ext 41 (582), and Sundowner Park Ext 7 (260) — both in Randburg

Gencor also sold out its Witkoppen Ext 4 township almost overnight and stands have been changing hands after six months at profits of more than R10 000 a stand — even before proclamation

Township sales in Pretoria have been even more meteoric as the demand for stands increases

The purchase of Tuckers will provide Gencor with a considerable amount of stock to service and then market, although some insiders believe it could be taking on a 'can of worms'

However, as a long-term investor in property, Gencor could sort these problems out — to the eventual benefit of thousands of standowners who have long waited for the chance to build on unserviced land they bought from Tuckers

For Tuckers, too, with a considerable portfolio of township land — much of it unserviced — the sale would

The introduction of the Alienation of Land Act has also imposed new restraints on township developers, and it would seem as good a time as any for the Tuckers to get out of the business

In February this year shareholders in Tucker's Land Holdings — the main Tucker company — were warned to "exercise caution" in dealing with their shares because there were "certain negotiations by the controlling shareholders to sell"

This followed an announcement the month before that negotiations were

Property king Edkins hands over the reins to his deputy


● Noel Edkins shock resignation

AFTER 16 years as head of the giant Gencor property division, its founder Noel Edkins has elected to take early retirement

He will hand over the reins to his deputy, Cecil Dewing

As head of the country's largest township developer he has seen the company grow from a first-time profit of R36 000 to one where the profit is approaching R14-million, according to market sources

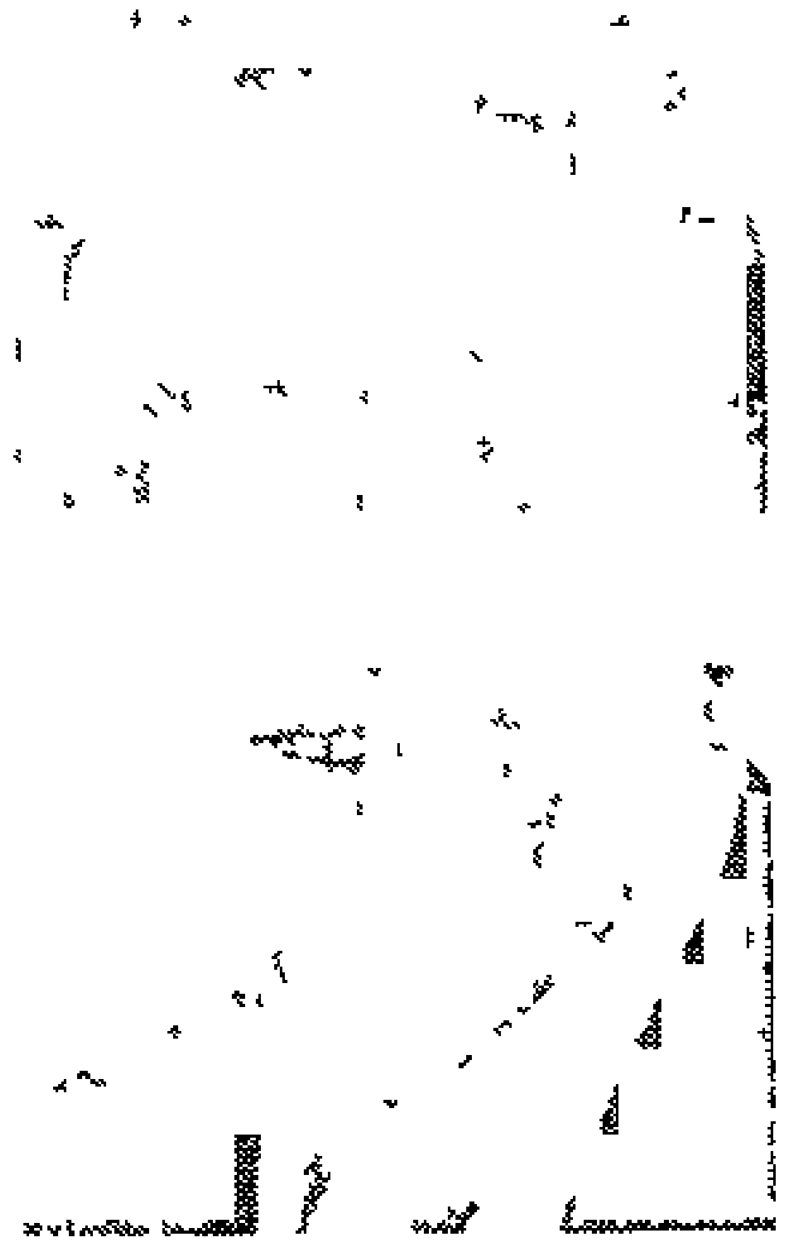
The staff, under Edkins' control, has grown from him and one assistant to a department with six fulltime and 12 supportive staff

Under Edkins' control Gencor has launched into a number of township developments — mainly in Johannesburg and Pretoria — with projected sales worth more than R300-million lined up

Since his shock resignation last Friday, Edkins has been inundated with offers to join other companies.

"Hovever, I am certainly not going to take any decision on these for the next few weeks," he said

At this stage he won't disclose the reason for his early retirement from Gencor, but market sources believe that this may be because of personality clashes between him and new management at Gencor


● Cecil Dewing . . to take over

All N N

Surn

First

Date

Degr you a

Subj (t

Pap (

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Made in South Africa R.A. LTD. Vervaardig in Suid-Afrika

232 5/6/83

ther in the light of recent court actions against the company which have brought it under pressure.

In the Garsfontein residential township in Pretoria, for example, a recent case against Tuckers involved the sale to 15 buyers of allegedly non-existent stands The case is now in the hands of the Attorney-General

Later that month the negotiations were called off This has led to certain scepticism in the market about a deal this time

However, the Sunday Express understands that the companies involved at the time were Stocks and Stocks and Rand Mines Properties which subsequently turned down the chance to take over Tuckers

No problems over SAB, says Mutual

S-Times 5/6/83

232

By Alec Hogg

SOUTH Africa's largest life office, the Old Mutual, has hotly denied speculation that it is "not impressed" with last week's deal which gave the Premier Group effective control of SA Breweries

In the first official statement on the deal which makes Premier the largest individual shareholder in SA Breweries with a stake of 35%, Mutual managing director Frans Davin told Business Times that his group sees no problems with the new structure

Mr Davin said "As far as we are concerned, our stake in SA Breweries (12%) has always been viewed as an investment You know what our attitude is — we are investors and with SA Breweries are not seeking control"

The stock market was abuzz this week with talk that a showdown was imminent between the Mutual and the Liberty/Anglo consortium, which, through its control of Premier, now holds the dominant stake in SA Breweries

Mr Davin added a strong warning, however, that the Mutual would do everything in its power to stop Premier from interfering with the SA Breweries management

He said "We have tremendous faith in the Breweries team, and I believe it is one of the best-managed industrial companies in the country Its prospects remain good as long as the management is allowed to remain independent

"As we are now a small minority shareholder in SA Breweries, there is not much we could do if Premier wanted to interfere, but we would certainly speak out in the strongest terms if this did occur," Mr Davin added

His fears about possible interference, however, were dispelled by the deputy managing director of Premier, Peter Wrighton

Mr Wrighton told Business Times that Premier regards its SA Breweries stake solely as an investment.

"We have neither the ability nor the desire to get involved in the management of the company"

At the time of going to press, there was no comment available from the chief executive of SA Breweries, Dick Goss, who was apparently angry that he had not been informed of the deal until it had been consummated

It seems likely, however, that Premier and its new controllers will do all in their power to keep Mr Goss and his management team happy

In the unlikely event that Mr Goss were to resign, he would probably take his deputy, the former managing director of group subsidiary OK Bazaars, Meyer Kahn, and other head-office executives with him

CAPE TIMES 9/6/85

232

Walkout crisis in SAB averted

Own Correspondent

JOHANNESBURG — The entire executive team at South African Breweries was on the point of resigning last week in reaction to the deal in which Premier became SAB's major shareholder

Rumours were rife in business circles this week that the SAB directors were about to stage a mass walkout, which sources say would have been disastrous for the R2 000-million conglomerate

Under the new deal Premier will change its name and become an investment holding company Its trading interests will be transferred to a subsidiary

At a news conference yesterday the managing director of SAB, Mr Dick Goss, said he had been angry when it was announced on May 27 that Premier was to be the major shareholder in SAB

There were "huge and serious problems having a major trading company holding a major interest in SAB", he said

Mr Goss and the other SAB executives held a meeting at which they decided that under the then envisaged structure, with another major trading company holding 34 percent of SAB's shares, there was potential for a substantial conflict of interests

● **Premier deal reconstructed, page 12**

Relly keeps SAB and Premier poles apart

232

~~182~~

~~186~~

204

9/6/83

By JOHN MULCAHY

THE STRUCTURE of the deal in which The Premier Group acquired a 34% interest in The South African Breweries has been changed to avert a potentially damaging palace revolt at SA Breweries.

After some hectic horse-trading between the consortium that now controls Premier and SA Breweries executives, a compromise has been reached in terms of which Premier will become an investment company, holding SA Breweries shares on the one hand, and 100% of a new subsidiary in which Premier's trading interests will reside, on the other.

In essence the original deal remains unchanged, in that Premier will get about 90 million SAB shares, paying for them by the issue of new Premier shares, at a price of R25 a share.

Premier's name will be changed to one that connotes its new investment holding company objective, although the name "Premier" will be incorporated in the new title

A listing may at some point be sought for the subsidiary company holding Premier's trading interests.

Mr Gavin Relly, chairman of Anglo American, will become chairman of the newly constituted Premier, with Mr Tony Bloom and Mr Dick Goss as deputy chairmen

The consortium — Anglo, Johannesburg Consolidated Investments and Liberty Life — will nominate some directors to the Premier board, as will SAB

In addition, Mr Bloom will be invited to join the SAB board.

The substantial gearing advantage afforded to Premier still exists in the holding company, and is available for the use of both Premier and SAB

At a news conference in Johannesburg yesterday, at which Mr Bloom, Mr Goss, Mr Gordon Waddell (chairman of Johnnies) and Mr Michael Rapp, managing director of Liberty, were present, it was emphasised that the new deal "affirms the concept of managerial independence for SAB, and removes the disadvantages of its shares being held by a trading, rather than an investment holding company".

"In addition, it guarantees the trading integrity of Premier's and SAB's subsidiaries in relation to their customers and suppliers throughout South Africa."

Mr Goss, managing director of SAB, admitted that he had been "pretty angry" at the news that a major part of the group had been placed in the hands of another major trading company.

On the Monday after the deal was announced Mr Goss and his executives met to consider the implications and "we concluded that there was potential for a very substantial conflict of interests"

He said the SAB executives also saw a threat to the group's managerial independence, which they felt was not in the interests of the general body of shareholders

"We decided to do everything in our power to bring about a resolution to this situation, and arising from lengthy negotiations reached the conclusion that if a solution could not be found we would have to consider resigning"

Mr Goss stressed that each of the executives looked at the problem from his own point of view, although they all arrived at the same conclusion.

He said the new arrangement removed the major conflicts, although it did not remove all the potential areas of conflict between SAB and Premier

Mr Bloom said that in the heat of negotiation, when secrecy was the catchword, there was not a great deal of time for mature reflection, but "after sitting back quietly we've decided to amend the original structure"

The final configuration was satisfactory to everyone involved, said Mr Bloom Premier was satisfied that its major investment was being kept intact, and it also removed some possible areas of conflict for Premier's subsidiaries

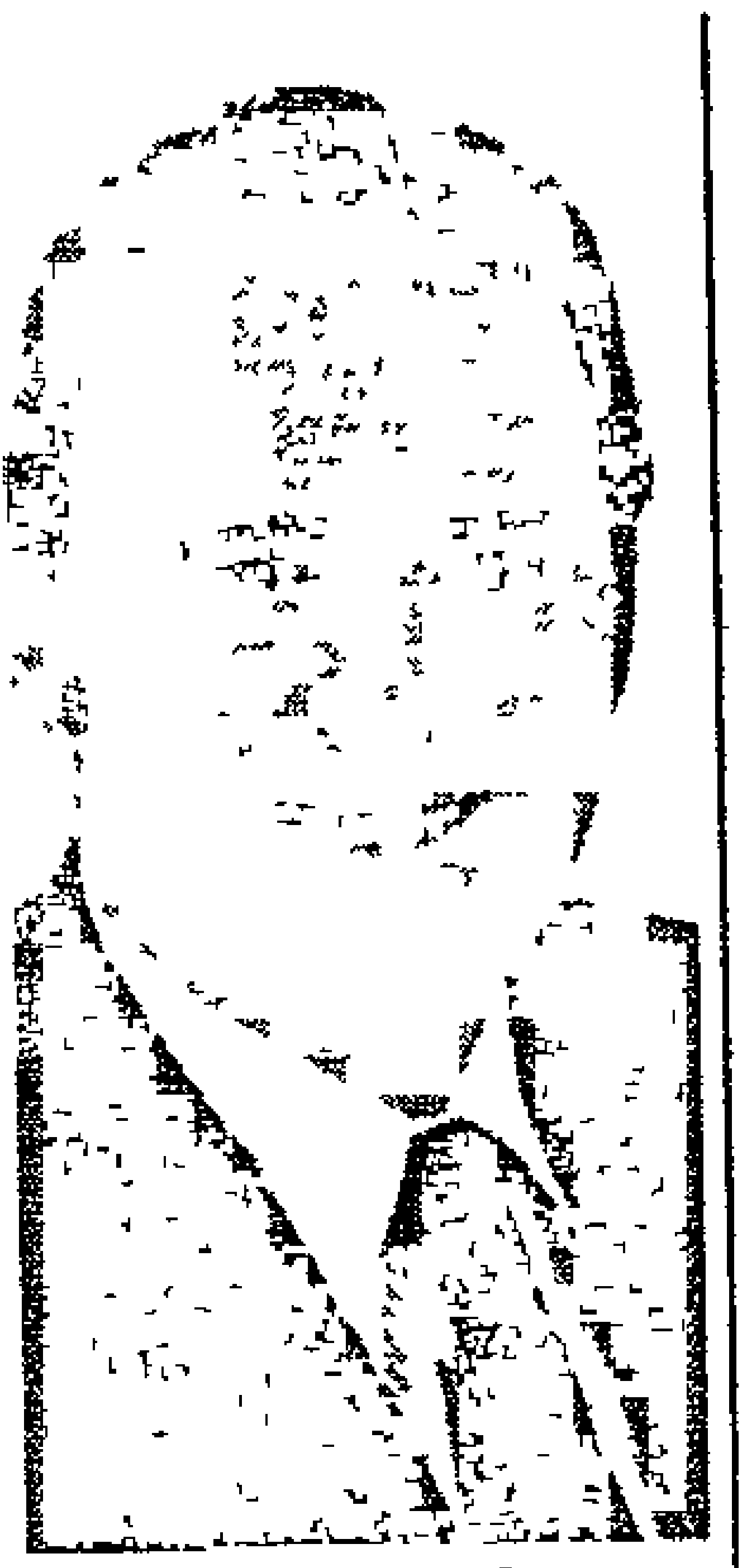
Asked whether the consortium was considering building up its stake in SAB, Mr Waddell said the combined holding now was no different to what it was before the Premier deal, and at this stage there was no intention of increasing the SAB stake

He said that Old Mutual, through its representation on the Anglo and SAB boards, was aware of the latest structure, but he declined to comment on the suggestion that Old Mutual might have been invited to join the new Premier by throwing in its 12% stake in SAB for a share of Premier

Mutual has denied that it was upset about not being consulted on the Premier deal, but there has been strong and repeated speculation that it was with Mutual's backing that Mr Goss and his colleagues decided to make their stand

Mr Waddell said that if someone attempted a takeover bid for SAB the consortium would obviously have to take action, "but we have no offensive intentions".

To build its interest to 25% would cost the Mutual about R250-million at the current price, but it is likely that once such a big buyer was seen the consortium would match its purchases



Mr Leslie Boyd has been appointed chairman of Highveld Steel, while retaining his present post of managing director.

Interest, tax stunt growth

Financial Reporter

SHARPLY higher interest and tax charges restricted the growth in Mercabank attributable profit to 12,7% — up from R2 421 000 to R2 728 000 — in the year to March

Earnings a share rose from 24,2c to 27,3c

Not included in the result is an extraordinary loss of R118 092 (1981-82 R20 910) which, if incorporated in the accounts, would have limited the earnings increase to 8,8%

The directors have lifted the annual dividend payment 1c to 8c — causing cover to dip marginally from 3,46 to 3,41

Highly geared Mercatrust, in which Mercabank holds a 31% stake, was hit hard by the rise in interest rates to record levels in the third quarter last year

The financing bill jumped 78,6% from R4 060 000 to R7 250 000

The Receiver also took a larger share this year, his rate jumping from 10,7% to 28,7% The tax bill, as a result, jumped from R404 738 to more than R1 500 000

The effect the double blow had on the accounts was marked

Operating profits stood 60,6% higher at R12 620 000 (R7 860 000) but the advance in taxed profits was just 0,5%, up from R3 799 000 to R3 818 000.

Govt
tend
for

By HOWARD

THE Treasury is
the market for about
million with two new
issues that seem
help the Government
bills and also keep
inflationary lid firmly
economy

A long-term
stock is being
tender

The current
for this type of gilt is
13,30%/13,35%
some 1,25% over
month and an
how steep the
interest rates has
been

The second stock
tender is short-
1986

Rates here are
against well under
than a month ago.

The maximum
value for each stock
is R150-million but
current pattern-of
means that the
mum available is
R250-million

Under the new
Treasury does not
with pre-determined

Xactics deal closer

Financial Rep

A SPOKESMAN for
the Cape Town-
aging manufactu
clined to elaborate
on the board's
shareholders to
tion in dealings
negotiations

However, recent
speculation has
around a tie-up
tics and Sandton-
agers Kohler, pa
Gencor Group

The Xactics
Gencor, through a
called Cortics,
Xactics and all of

Market rumours
that chairman
Meyerson had a
exercisable last
which could oblige
take control of

Analysts have
Xactics' plastics
would complement
recent problems
packaging.

Premier—SA Breweries deal restructured

CAPE TIMES ~~[illegible]~~
9/6/83
232

By JOHN MULCAHY

JOHANNESBURG. — The structure of the deal in which The Premier Group acquired a 34 percent interest in the South African Breweries has been changed to avert a potentially damaging palace revolt at SA Breweries.

After some hectic horse-trading between the consortium that now controls Premier and SA Breweries executives, a compromise has been reached in terms of which Premier will become an investment company, holding SA Breweries shares on the one hand, and 100 percent of a new subsidiary in which Premier's trading interests will reside, on the other

In essence the original deal remains unchanged, in that Premier will get about 90m SAB shares, paying for them by the issue of new Premier shares, at a price of R25 a share

Premier's name will be changed to one that connotes its new investment holding company objective, although the name "Premier" will be incorporated in the new title

A listing may at some point be sought for the subsidiary company holding Premier's trading interests

The chairman of Anglo American, Mr Gavin Relly, will become chairman of the newly constituted Premier, with Mr Tony Bloom and Mr Dick Goss as deputy chairmen

The consortium — Anglo, Johannesburg Consolidated Investments and Liberty Life — will nominate some directors to the Premier board, as will SAB

In addition, Mr Bloom will be invited to join the SAB board

The substantial gearing advantage afforded to Premier still exists in the holding company, and is available for the use of both Premier and SAB

Guarantees

At a news conference in Johannesburg yesterday, at which Mr Bloom, Mr Goss, Mr Gordon Waddell, chairman of Johnnies, and Mr Michael Rapp, managing director of Liberty, were present, it was emphasized that the new deal "affirms the concept of managerial independence for SAB, and removes the disadvantages of its shares being held by a trading, rather than an investment holding company"

"In addition, it guarantees the trading integrity of Premier's and SAB's subsidiaries in relation to their customers and suppliers throughout South Africa"

The managing director of SAB, Mr Goss, admitted that he had been "pretty angry" at the news that a major part of the group had been placed in the hands of another major trading company

On the Monday after the deal was announced, Mr Goss and his executives met to consider the implications and "we concluded that there was potential for a very substantial conflict of interests"

He said the SAB executives also saw a threat to the group's managerial independence, which they felt was not in the interests of the general body of shareholders

Resigning

"We decided to do everything in our power to bring about a resolution to this situation, and arising from lengthy negotiations reached the conclusion that if a solution could not be found we would have to consider resigning"

Mr Goss stressed that each of the executives looked at the problem from his own point of view, although they all arrived at the same conclusion

He said, the new arrangement removed the major conflicts, although it did not remove all the potential areas of conflict between SAB and Premier

Mr Bloom said that in the heat of negotiation, when secrecy was the catchword, there was not a great deal of time for mature reflection, but "after sitting back quietly we've decided to amend the original structure"

The final configuration was satisfactory to everyone involved, said Mr Bloom Premier was satisfied that its major investment was being kept intact, and it also removed some possible areas of conflict for Premier's subsidiaries

Asked whether the consortium was considering building up its stake in SAB Mr Waddell said the combined holding now was no different to what it was before the Premier deal, and at this stage there was no intention of increasing the SAB stake

Since the days of Barney Barnato, SAB's management had been left to deal with the day to-day running of the company as they saw fit and more recently Johnnies, as SAB's major shareholder, had never seen it as being in its interests to interfere with SAB

He said that Old Mutual, through its representation on the Anglo and SAB boards, was aware of the latest structure, but he declined to comment on the suggestion that Old Mutual might have been invited to join the new Premier by throwing in its 12 percent stake in SAB for a share of Premier

Speculation

Mutual has denied that it was upset about not being consulted on the Premier deal, but there has been strong and repeated speculation that it was with Mutual's backing that Mr Goss and his colleagues decided to make their stand

Mr Waddell said that if someone attempted a take-over bid for SAB, the consortium would obviously have to take action, "but we have no offensive intentions"

Old Mutual would need another 13 percent of SAB to build its holding into a strong minority position, with the power to block special resolutions, which are needed for the issue of shares

To build its interest to 25 percent would cost the Mutual about R250m at the current price, but it is likely that once such a big buyer was seen the consortium would match its purchases

Market analysts believe there would be no value in Old Mutual aggressively building up its stake in SAB through the market if there is no possibility of a controlling interest

While Mutual — and SAB's executive directors — might not be elated with the new dispensation, it is probably the best they could have hoped for in the circumstances

oday

LATE FINAL

MAIL

PRICE 25c (incl tax)
PRICES ELSEWHERE ON BACK PAGE

dma put flight

over me, shaking awake and saying my needed me He said he cut her throat if she 't behave

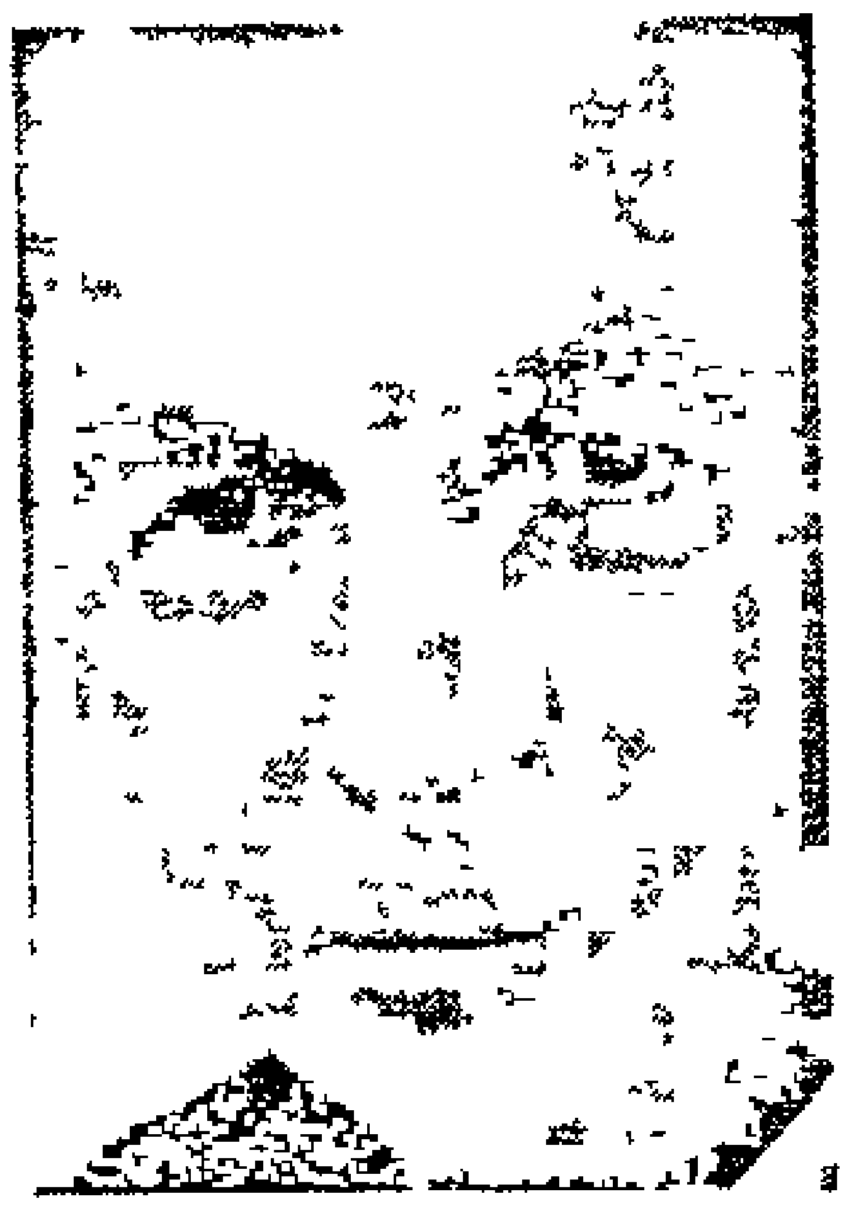
"It was very frightening I was so angry I did evything he told me not to do told me to leave my dressgown off but I put it on

"When we got into my 's bedroom, he ordered to get into bed with her I told him not to be

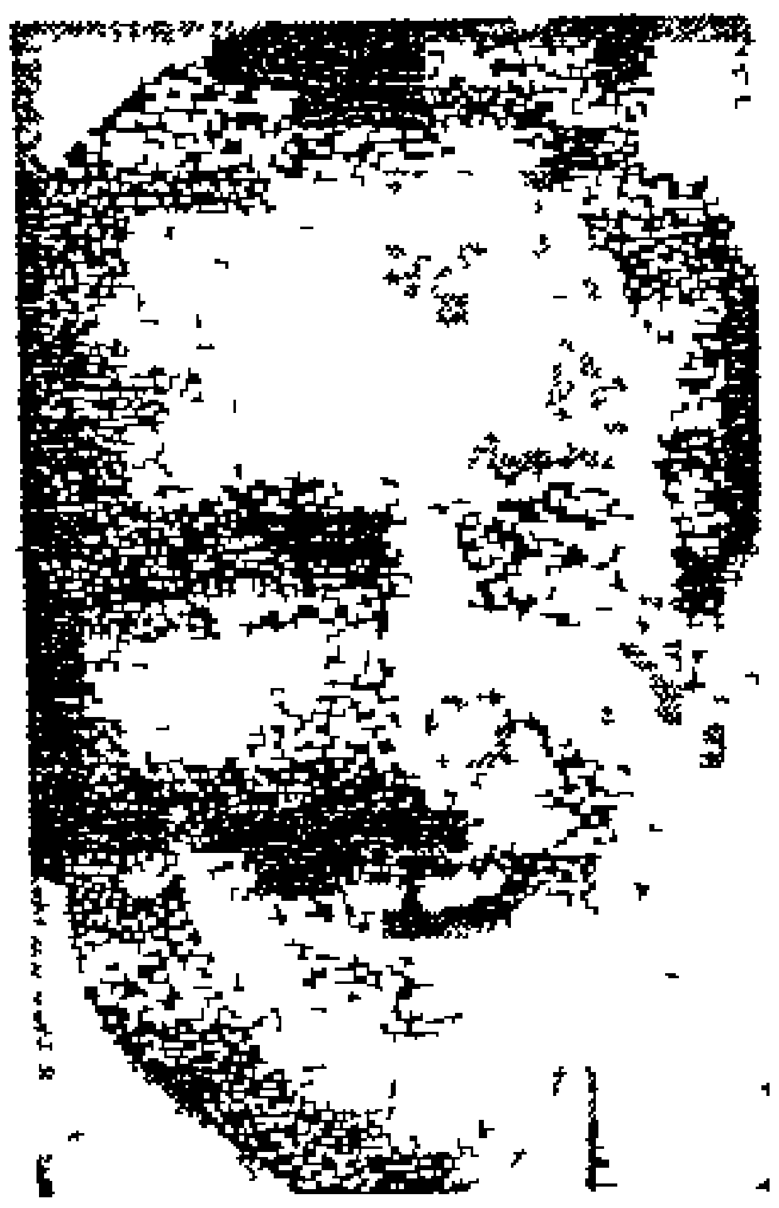
That seemed to shake him I got behind him and said I going to get him out. I him downstairs, opened front door and pushed out saying 'Get out and y out.'

"He was so dumbfounded even returned Miss ales' purse with R17 "

DICK GOSS
deputy chairman



GAVIN RELLY
chairman



TONY BLOOM
deputy chairman

New deal averts walkout at SAB

9/6/83 (232) ~~186~~ RDM.

By JOHN MULCAHY

THE entire executive team at South African Breweries was on the point of resigning last week in reaction to the deal in which Premier became SAB's major shareholder

Rumours were rife in business circles this week that the SAB directors were about to stage a mass walkout, which sources say would have been disastrous for the R2 000-million liquor, hotel, retailing and furniture conglomerate.

But the ruffled feathers have been smoothed, and in a further leg to the huge deal which brought control of the Premier Group back to South Africa from Britain, Mr Gavin Relly, chairman of Anglo American, becomes chairman of Premier.

This gives Premier a neutral flavour, with Mr Tony Bloom, Premier's present chairman, and Mr Dick Goss, managing director of SAB, coming in as Mr Relly's deputy chairmen.

Premier will change its name and become an investment holding company instead of a trading company, and its trading interests will be transferred to a subsidiary

At a news conference in Johannesburg yesterday Mr Goss said he had been "pretty angry" when it was announced almost two weeks ago Premier was to be the major shareholder in SAB

He and his fellow executives agreed to do everything in their power to change the structure of the deal, which they felt was not in the interests of the general body of SAB shareholders

There were "huge and serious problems having a major trading company holding a major interest in SAB", Mr Goss said yesterday

Just 48 hours after the deal was announced on May 27, Mr Goss and the other SAB executives, who include Mr Meyer Kahn, Mr Sol Kerzner, Mr Selwyn MacFarlane and Mr Ronnie Cohen, met at the group's head office to plan their strategy

They decided that under the then envisaged structure, with another major trading company holding 34% of SAB's shares, there was potential for a substantial conflict of interests

"We cannot choose our shareholders but we prefer to have investment companies holding our shares"

Another misgiving was that in its original form the structure threatened the independence of SAB's management, one of the major motivating factors behind the group's management and staff, and without which "we felt we could not optimise SAB's business"

Mr Goss said he indicated that if the problems were not resolved he would be forced to resign, and the other executives independently came to the same conclusion

When their feelings were relayed to the consortium members the horse trading is believed to have started, with Mr Gordon Waddell, JCI's chairman and also a director of SAB, playing a major role, together with Mr Donald Gordon, chairman of Liberty Life and a director of SAB

'Reform' Bill time-table collapses

By JOHN BATTERSBY
Political Correspondent.

THE GOVERNMENT's original timetable for ushering in a new constitution for South Africa appears to have collapsed.

This was the implication of a short statement by the Prime Minister, Mr P W Botha, in Parliament last night.

Mr Botha said the current session of Parliament would adjourn on June 30, until further notice

The adjournment was to provide time for the select committee on the constitution to complete its consideration of the Republic of South Africa Constitution Bill which had already had its second opportunity to complete its work.

"On receipt of its report, it will be determined when the Assembly will resume business," the Prime Minister said

Last week the Minister of Constitutional Development, Mr Chris Heunis, gave the first hint that the Government was backing down on its "pressure-cooker" schedule for the Constitution Bill, when he said that he would recommend that the select committee hear evidence from parties outside Parliament.

The Government now has two options It could call a short second session of Parliament later in the year, to complete the parliamentary passage of the

of the year

But Opposition sources said it was highly unlikely that the Government would succeed in this objective once the select committee began hearing evidence from outside parties

The select committee had its first meeting yesterday and it is now widely accepted in political circles that the original 10-day schedule to complete its work was quite unrealistic and that it was likely to take a matter of months rather than weeks or days.

A postponement of the Bill's passage through Parliament would mean a serious loss of face for Mr Heunis, who has repeatedly stated that the Bill would be taken through all its stages in Parlia-

FOOD COMPANIES FM 10/6/83 ~~SM~~ 232 ~~186~~

Growing bigger and fatter

Last week's Premier deal has important implications for the SA business community. Investors, too, will have to watch developments carefully.

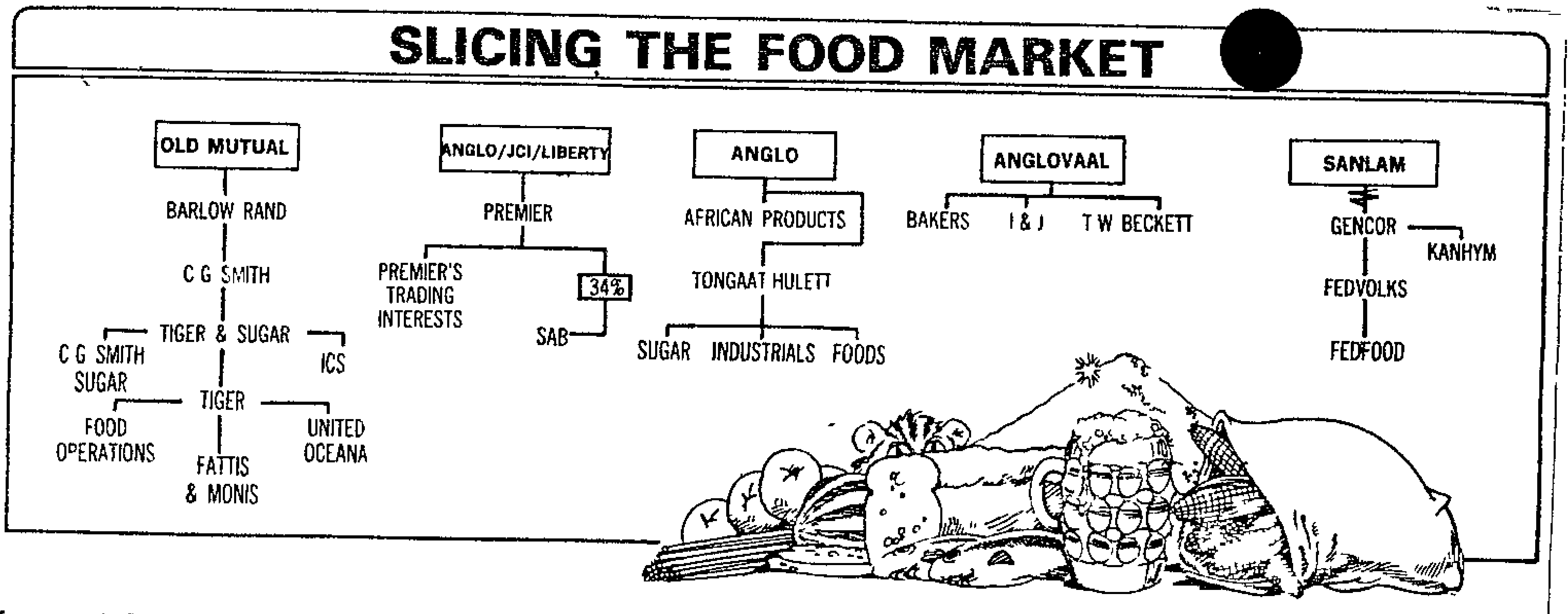
Now more than ever, the ownership of SA's food companies reflects the concentration of power among local institutions Over and above the issues of business politics, the narrowing of the power base has important consequences for investors

After last week's Premier deal (*Leaders*, June 3) the food industry has become further polarised Half a decade ago, there were 18 food companies listed on the Johannesburg Stock Exchange. Now there are 11 More importantly, only one of those remaining, Cadbury Schweppes, has any pretensions to being independent of SA's major institutions (see chart)

The creation of the powerful new consumer-orientated groups around Premier and C G Smith must raise questions for shareholders just what sort of companies with what sort of prospects will emerge after the dust has settled? And, indeed, which of the new groups is likely to come out best from the reshuffling?

The important parameters of power in the food business are size and the capacity for growth The size factor has been intensified by the recent moves However, the new structure will severely restrict the capacity of the majors to grow faster than the food market itself So much so, in fact, that this strategic regrouping appears to have been carried out not only to take advantage of the SA market More importantly, it seems to have been done in anticipation of further relaxations of exchange controls on resident companies

SLICING THE FOOD MARKET



Only by going abroad, food industry men say, can the two giants give themselves room to move And the financial muscle unleashed by the various deals is such that Premier and Tiger could be significant companies in the world market

Tiger, of course, already has links overseas through its significant holdings in food companies Allied-Lyons and Bibby And Premier's tie-up with assurance group Liberty Life will give it an introduction to foreign markets now that its connection with Associated British Foods has been broken

On the local front, conversely, the major food groupings have little room for manoeuvre They are already involved in a broad spectrum of food-based activities, where a particular group is not active, one of the other majors is already dominant (see table) Premier could try for expansion in meat production and distribution, for instance, but would clash immediately with ICS in the Tiger group or Kanhym, which belongs to Gencor, if it did

Premier's chairman Tony Bloom last week told the *FM* that there were a couple of food sectors in which the group would still like to get involved Last year's tussle with Tiger Oats' Rudi Frankel over Fattis & Monis, the last independent local listed food company, will have shown him how difficult it is to pick up these remaining pearls Premier's real expansion on the local market, therefore, is likely to be outside food and into something unrelated to its normal operations

The new Premier holding company, after the injection of the 34% stake in SA Breweries, is a new animal, and in time will presumably be comparable with C G Smith, which holds all Barlow Rand's consumer-orientated business It could conceivably become a vehicle for a much more broadly based industrial grouping — both at home and abroad

One move which Bloom has denied but which industry analysts believe could eventually take place is the absorption of Anglo's other food interests into Premier Anglo has African Products in the milling field, as well as the enormous Tongaat-Hulett group — created only just over a year ago A get-together between all or some of these three would create an industrial group remarkably similar to and at least as powerful as C G Smith

The possibility of this happening at some time, in addition to Premier's own exciting prospects which will follow the sharp reduction in its gearing after the deal, will undoubtedly make the share a popular one when its suspension is lifted It nevertheless looks a fine buy for the long-term

Tongaat-Hulett did not reveal its turnover in the recently announced preliminary results for the year to March 31, but the group's profit for the year was R67,3m — and that was in a bad year for its various industrial interests The group is active in sugar, of course, as well as in bricks, textiles, milling and other basic foodstuffs

Two more camps

Two other major camps are represented in the JSE's food sector. Sanlam holds sway over Fedfood and meat combine Kanhym, while Anglovaal controls I & J and Beckett It also controls biscuit market leader Bakers The Anglovaal grouping looks fairly stable but some sort of regrouping within the Sanlam stable looks likely following the Liberty- and Old Mutual-linked deals

Fedfood has had its problems, and its performance over the past couple of years has been poor in relation to that of Tiger and Premier Rapid expansion into frozen foods, through Table Top, and an unfortunate venture in white fishing, have restrained growth The moves elsewhere in the industry have caught the Federale Volksbeleggings-controlled company rather on the wrong foot

For one thing, Fedfood offered R20m of convertible debentures in February last year, as well as R10m in ordinary shares, to finance past growth And this came after a one-for-five rights issue with the acquisition of Table Top in financial 1980 Until the overhang of new shares is out of the way — conversion of the debentures will take place between 1986 and 1988 — and the dilution of the extra shares is overcome, it will be relatively difficult for Fedfood to fund further expansion

Financial director Francois Rossouw says this year is likely to be one of consolidation The company has a fairly balanced portfolio, he says, and has market leaders in Simba and Table Top Its Ruto milling operation has about 10% of the local wheat milling and up to 13% of the maize milling markets

Presumably, the company would be happy to see a quiet year, especially with the severe drought complicating everything and making it likely that raw material supplies will be scarce later this year Nevertheless, and if the right target came along, Fedfood is unlikely to be embarrassed about asking its parents for funds But further expansion would clearly stretch financial and management resources and seems unlikely

A link-up with Kanhym, perhaps under a common holding company in the same way as Premier is being used, could help alleviate some of these problems Kanhym is an enormous company with turnover of more than R1 billion a year, though returns and profit were hit last year by the drought and other factors

Fedfood and Tongaat Foods are ~~both~~ placed in a difficult position because of the Tiger and Premier reorganisations While the really small food operator is still able to take advantage of a small market niche or a specialised product, these middle-sized groups are likely to feel the full blast of competition

As a result, they will have to rely increasingly on intensive brand name promotion to carve their particular market niches This has been their strategy, as with Tongaat's foray into the margarine market But there is a relatively small number of products which are well-suited to this form of marketing Fedfood, and even Tongaat despite the Anglo link, will have to be quick to take advantage of them

There are many unlisted food companies, of course Unilever's Van den Bergh & Jurgens, for instance, is a leading margarine manufacturer and distributor Nestle, Borden, Wilson Rowntree and even Murray & Roberts' Crown Mills all have substantial markets Whether companies such as these would be up for sale is unknown, but the relaxation of exchange control on non-residents must increase the likelihood of them coming on to the market

The distribution side of the food business is also important to consider, and Premier has gained a significant strategic position through its link with SAB's OK Bazaars

This does not mean that no other products would be considered for sale in OK Bazaars, of course Market demand and the threat of retaliation will see to that Tiger's link with Checkers, via its holding in Metro Corporation, is a powerful countervailing force But the deal means one more tug on the balance of power

Fedfood has no local retailing links — it has a wholesaling chain in Botswana — but the concentration on brand names means that all retailers will have to stock its products or lose customers

Investors in the food sector have been well-rewarded over the past two years Premier's share price has moved from a low of 1 025c to a pre-suspension 2 350c over the past 18 months Tiger Oats has more than doubled, too, as has Kanhym

WHAT'S COOKING?

PRODUCT GROUPINGS	PREMIER	TIGER	ICS	NESTLÉ	ANGLO-VAAL	FEDFOOD	KANHYM	TONGAAT FOODS	ANGLO AMERICAN
GRAIN MILLING	▨	▨				▨		▨	▨
BAKERY PRODUCTS	▨	▨			▨	▨			
ANIMAL FEEDS	▨	▨				▨		▨	
PET FOODS	▨	▨				▨		▨	
BROILERS	▨	▨	▨						
EGGS	▨	▨	▨					▨	
EDIBLE OILS AND DERIVATIVES	▨	▨	▨			▨		▨	
RANCHING AND MEAT DISTRIBUTION			▨				▨		▨
FEEDLOTS			▨				▨	▨	▨
DAIRY PRODUCTS		▨	▨	▨					▨
FISHING	▨	▨	▨		▨	▨			
FROZEN FOODS			▨		▨	▨			
SOFT DRINKS AND FRUIT JUICES		▨							▨
TEA AND COFFEE				▨	▨				
CONFECTIONERY AND SNACKS				▨		▨			
FAST FOODS			▨		▨	▨			
INDUSTRIAL CATERING			▨			▨			
AGRICULTURE							▨	▨	▨

In future, it seems, shareholders will have to make a more clear distinction between investing in food itself — through operating companies such as Tiger Oats I & J or Cadbury, for instance — or in more broadly-based industrial holding companies such as C G Smith and Premier At the moment the action is taking place higher up the chain Food shares may regain their status as steady, assured growth stocks, for an investment with even greater capacity for growth, the new power groupings look more than interesting

Scott Hawker

Hands off, Triomf tells Sasol

10/6/83

RDM

232

By SIMON WILLSON
Industrial Editor

TOP executives at Triomf, the beleaguered fertiliser producer, are drawing up formal complaints to be lodged at the highest Government level against Sasol over alleged poaching of staff by the State-backed petrochemicals giant

Fedmis, part of the Federale Volksbeleggings group and South Africa's other major fertiliser producer, is backing the Triomf claims and co-operating with the plan to protest officially

Triomf alleges that Sasol, which will enter the fertiliser market next year, is using its State financial support to offer "unrealistically high" salaries to top private-sector fertiliser personnel

A spokesman for Sasol said last night that the company had advertised, and appointed staff by the normal methods used by other commercial undertakings

"We deny that we are paying salaries that are out of the ordinary for this particular line of work

"If people are recruited at higher salaries it is because they have been appointed to more senior positions than they had before"

Consultations between Mr Terre Terreblanche, managing director of Fedmis, and Dr John Skeen, general manager, marketing, of Triomf, will take place today Triomf chairman Mr Louis Luyt is in the United States but intends to intervene personally on his return

There is severe overcapacity in the fertiliser market. Demand for locally-produced fertiliser has been slashed by high interest rates, the drought and competition from imports

Industry analysts say sales this year could be as much as 30% down on last year's, with the worst effects of the drought on the agricultural sector still to work through to the fertiliser market next year

Triomf claims that Sasol is building up its marketing staff because it is scheduled to enter the already depressed market in 1984, and will need a sharp competitive edge over the existing private-sector companies

Fedmis says it lost seven senior salesmen to Sasol last month Triomf claims that seven salesmen and agricultural advisers have been approached by Sasol this week, and that at least two have left the company

Triomf alleges that Sasol poaching of its production staff has been going on for even longer, with five prized chemical engineers leaving the company to join Sasol over the last 12 months

Sasol claims that it had to recruit staff who wer already in the chemicals industry because, starting from scratch in a new field, it could not appoint its own people from inside the company

"We had to employ people who already know about fertiliser," the company's spokesman said yesterday

Triomf and Fedmis say the salaries offerd by Sasol are at least 40% higher than the best the private sector can offer

"Sasol is only able to compete on this basis through the low finance costs it obtains through the State There is no way we in the private sector can match what they are offering because we do not have the advantage of State backing," a spokesman for the two groups said yesterday

The loss of even a relative handful of salesmen by a private-sector fertiliser producer represents a serious setback to its marketing effort because of the special peculiarities of the fertiliser marketing system

Buyers in the agricultural sector tend to place orders on a basis of personal contact rather than brand-name loyalty Therefore, the loss of a salesman means that a substantial tonnage of orders is lost with him

Competition between the established private-sector fertiliser producers and their emerging State-backed rival can only get more bitter and acrimonious as the potential market for their total output continues to shrink

Industry observers say that even good rains and financial drought relief are unlikely to help fertiliser demand

But there may be little that the authorities can do to intervene in an escalating war over fertiliser staff Sources in the Competition Board have already said privately that Sasol cannot be prevented from competing for staff in the open market

Sasol is also privately-owned and in the process of buying back its three chemical plants from the State, which built them In that sense, Sasol regards itself as part of the private sector

232

RDM 10/6/83

Payment time looms for Premier

By JOHN MULCAHY

ALL that remains to be done in the Premier deal now that the dust has settled at South African Breweries is for the consortium to pay the bill.

A matter of R337-million is due to Associated British Foods for the 52% stake in Premier, to be settled, it is believed, in a number of tranches over six months

In addition, it is possible that some of the Premier minorities will elect to accept the R25 offer, although this will require serious consideration

In theory this could add more than R200-million to the price the consortium — Johannesburg Consolidated Investments, Anglo American and Liberty Life — will have to pay for Premier

But a significant proportion of the minorities are institutions whose best interests will probably be served by holding on to their stake in Premier

From the private investor's viewpoint, at first glance the best advice on short-term considerations seems to be to accept the R25, which puts Premier on a yield of just more than 2,6%

Before the deal was announced Premier was trading at R22,75, and although the offer is not significantly higher than that, there is a view that the industrial market could be headed for a time of weakness, especially if the gold price does not hold above $400

This is true, but it is also true that if before the deal Premier was a blue chip, its big stake in SAB must make it the deepest of the deep blue chips now

On relisting yesterday Premier was bid at R25 but offered at a hopeful R30, without any takers

This could reflect the premium present holders put on the reshaped group, which now has substantial clout not only for funding its existing business, but for acquisition

Premier's debt to equity has dropped right back to about 25% from 80% as a result of the two-legged deal, leaving the way open for either major expansion or acquisition

The consortium is not advocating that any minorities accept the offer, partly because it would add to the already substantial cash burden of satisfying the ABF end of the transaction, and also because their holding is already an uncomfortably high 85%

Whether any of the parties in the consortium will need to resort to borrowing is not a matter for public consumption, in their view, but in any event the financial muscle of Anglo American and Liberty Life is such that their portion of the payment should not present major problems

From the Liberty side, the balance sheet at the end of December showed total investments of R2 227-million, which suggests a cash flow of anything up to R440-million

What is more significant in Liberty's case is the large proportion of equity investments represented by the Premier stake.

At end December Liberty's equities totalled R792-million, of which Premier and SAB accounted for R175-million

Stripping out the Premier and SAB holdings, and inflating the equity balance by 26%, which is the move in the RDM 100 from December 31 to yesterday, Liberty's equities, without additions and without Premier, should be worth about R777-million.

Adding an arbitrary R100-million for additional investments since the year-end, as well as the stake in the new Premier, which is worth about R497-million, Liberty now has about R1 374-million in equities

Based on these hypotheses Liberty has 36% of its equity portfolio in a single share, Premier Investments, which while certainly of the blue chip variety, does seem to be an inordinate concentration of eggs in one basket

232 ROM 11/6/83

Support keeps Premier above R25 offer price

By JOHN MULCAHY

THE Premier Group closed at R26 yesterday on the Johannesburg Stock Exchange, amid speculation that the consortium which recently bought control will strive to keep the market price above the R25 standby offer.

While there is a firm body of opinion among investment analysts that minorities should reject the offer and stay aboard the group in the expectation of substantial growth to come, in the event of the market slipping back there is the real risk of a substantial proportion of the minority body accepting the standby offer

This could add up to R200-million to the consortium's R337-million cost of acquiring control of Premier, and would also make Premier even less marketable than it is now, with more than 84% in firm hands.

If the market is reading the situation correctly, the Premier price should remain above R25 at least until the offer is formally made, which could cost the consortium some money to support the price, but nothing compared with the cost of taking out all or most of the minorities

"What's a few thousand when it could save hundreds of millions," said a broker yesterday

From the minorities' viewpoint, at least those who were considering accepting the offer, they could receive an added bonus through the market if the consortium is determined enough to go through with its support exercise.

"In any case, given the nature of Premier now, minorities would be crazy to accept the offer," said a broker.

Another firm feature on the JSE this week was the Frame group, with speculation surrounding takeover possibilities

The Natal Supreme Court case which is hoped to finally resolve the squabbles over control of the group has been adjourned to August, but this week's activity centred on events of a more immediate nature

One suggestion is that Romatex is preparing to approach the group with an offer before the court case, in another effort to ensure that it is in front of the queue if and when the group does come on to the market

Romatex has in the past declined comment on what it might do in the event of the Frame group becoming available, but the group is believed to feature prominently in Romatex's long-term strategic planning

Contex leapt to 850c from 500c last Friday, Natal Canvas was 70c higher at 900c and Nat Cons rose 500c to R28 SA Wool, the other listed company in the Frame group, closed unchanged at 390c

After a week of fluctuating fortunes, with the gold price on a number of occasions testing $400, by yesterday sentiment on gold had improved, and although there was still some nervousness and apprehension preventing purchases on any appreciable scale, there were also far fewer sellers than evidenced earlier in the week

The major feature of the gold-share market yesterday was a shortage of scrip, as investors were prepared to hold on until a clearer picture of gold's direction emerged

After the huge purchases of gold shares by SA institutions from overseas holders in the wake of the financial rand abolition in February, such scrip is considerably less mobile than it was in the hands of overseas shareholders

Although gold scrip is likely to be far less attached to these institutions than their industrial holdings, which are for the most part locked up as long-term cornerstones of the pension and insurance funds' portfolios, it will take a substantially higher gold price to bring large quantities of institutional gold scrip on to the market

A price of, say, $500, will see the institutions flood the market with their scrip, making handsome profits in the process, but until such time the gold-share market will face a scrip-squeeze similar to that in the blue-chip industrial market

Rumours of Federal Reserve Board chairman Mr Paul Volcker's imminent retirement sparked off buying in New York on Thursday, pushing prices above the JSE close.

Speculation that Mr Alan Greenspan could succeed Mr Volcker and introduce a far more flexible policy to the US central bank encouraged speculative buying of gold shares

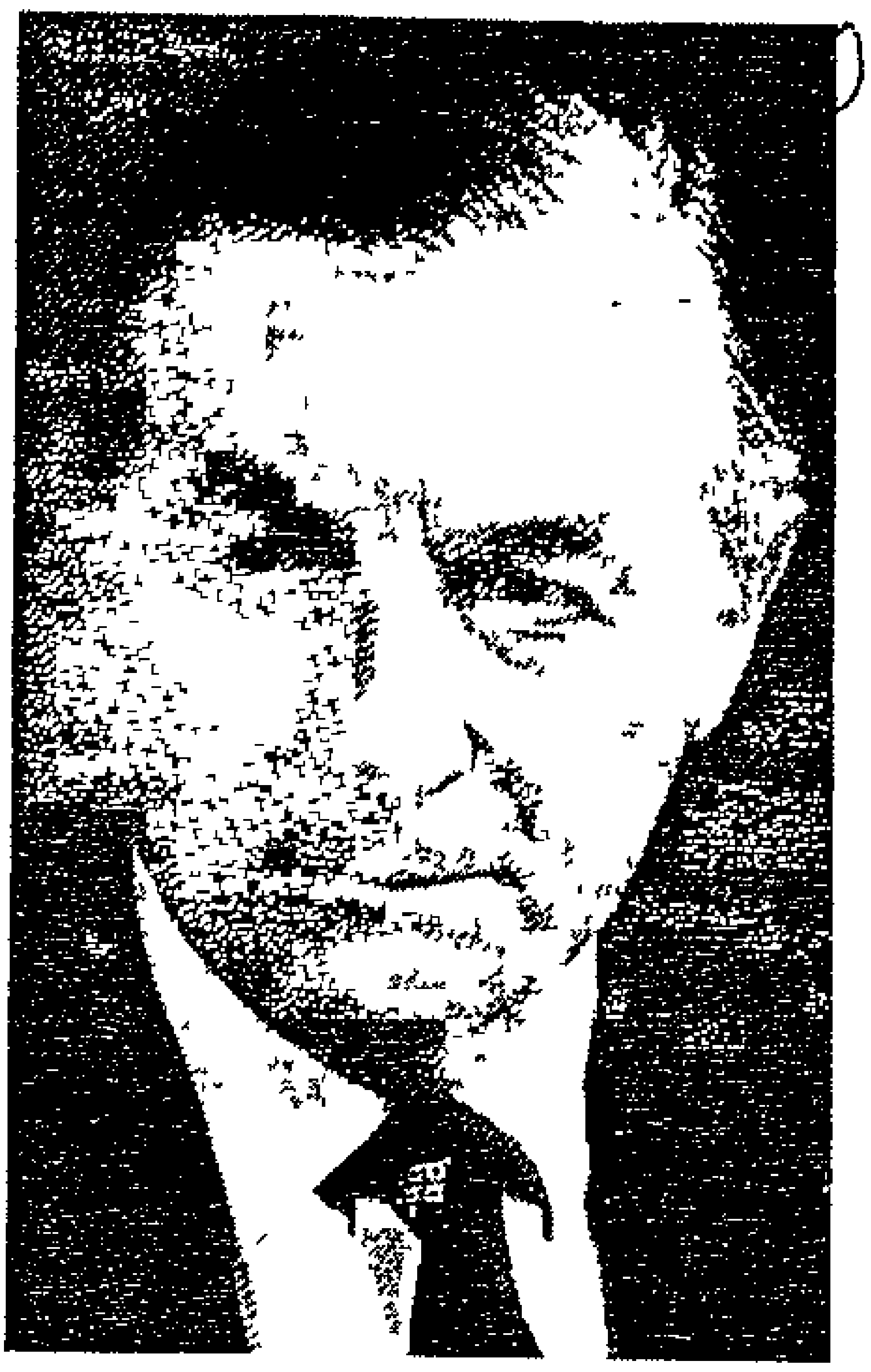
Trial of strength averted

S.Times

12/6/83

232

By Alec Hogg and David Ross



GAVIN RELLY ... chairs new company

ONLY heavy negotiating and an accommodating attitude by the Anglo American group this week saved the South African business community from a trial of strength which would have ranked in the same league as last year's Sanlam/Rembrandt debacle.

At one stage it appeared certain that SA Breweries chief executive Dick Goss, his deputy, Meyer Kahn, financial director Selwyn McFarlane, and executive directors Sol Kerzner (chief of Southern Sun), Ronnie Cohen (Amrel) and Ken Williams (beer division) would resign.

It was only after top-level negotiations which lasted well into the early hours of Wednesday morning that this potential disaster was averted

Anglo pours oil on troubled SAB-Premier Group waters

The reason behind the near palace revolt at SAB was the structuring of a deal between the Anglo/Liberty Life/JCI consortium and the Premier Group.

According to the original announcement, Premier would obtain a 35% stake in SAB in exchange for the issue of new Premier shares to the consortium.

This would have given the food company effective control over a group which has three times its total assets, and makes more than treble the profit.

■ ■ ■

Now that the deal has been restructured, however, Premier will be divided into a trading and an investment company, with the trading operation expected to apply for a listing, in its own right, on the Johannesburg Stock Exchange some time in the future

The investment company will hold a controlling interest in the trading operations of Premier (at present it has 100%) and the 35% stake which has been acquired in SA Breweries Between them, Anglo, JCI and Liberty will control the top company

The new arrangements appear to alter little of any substance in the deal

Mr Goss has stated that his basic objection to the original deal revolved round the interest of shareholders and possible conflicts of interest between managements of Premier Group and SAB

But it remains difficult to understand.

- What these conflicts of interests were
- How they are removed by the new arrangement

After all, Premier Group is not in brewing, hotels, furniture or retailing Although the principal actors in the fray all aver that the new arrangement is a better one, in practical terms it is difficult to see how

Yet another question is what motivated Mr Goss in concerning himself with ownership of shares in the company

A director's job is to run the company in the best interests of shareholders rather than to worry about who the shareholders are But clearly he believes that his stand was justified

Premier Group chairman Tony Bloom will, with Mr Goss, be joint deputy chairman of the new holding company

It has been rumoured that Mr Bloom might no longer be responsible for the day-to-day running of the Premier trading company

"It's the first I've heard of it," he told Business Times "There will be no change in the day-to-day running of Premier Group"

Overall, it appears that the new arrangement is cosmetic rather than substantial

■ ■ ■

On the other hand, the appointment of Gavin Relly, chairman of Anglo American Corporation, as chairman of the new holding company suggests that Anglo's previous stance as merely a minor consortium member need not have been taken too seriously

One cannot help drawing analogies between this clash and the one which occurred at Sanlam subsidiary Gencor last year, which ended in the premature resignation of the mining house's executive chairman, Wim de Villiers

If Dr de Villiers had had the kind of support from management which Mr Goss obviously enjoys, there may have been a different outcome

Then again, the SA Breweries situation may also have ended a lot differently if it were Sanlam and not the Anglo/Liberty consortium which was involved

German bank makes presence felt in SA

Business Times Reporter

THE Sal Oppenheim Bank of Cologne, one of West Germany's most respected private banks, is making its presence felt in South Africa for the first time

Baron Alfred von Oppenheim, one of the managing partners, and Paul Porzelt, a senior executive, are on a brief visit to this country.

Their arrival was partly prompted by an invitation to Mr Porzelt to deliver an address to the Simpson, Frankel, Kruger international investment seminar at the Sabi Sabi game reserve last weekend. He produced a wide-ranging overview of the German economy and the stock market.

Apart from attending the seminar, Baron von Oppenheim and Mr Porzelt want to keep in touch with South Africa and develop contacts with the stock-market and investment community.

It is a long-term exercise with an eye to the day when exchange controls for South African institutions are relaxed.

The bank already plays a role in the numerous borrowing operations mounted by South African institutions in Germany, particularly State-bodies like Escom and the SA Transport Services

Each year it acts as an underwriter for about 200 international bond and syndicated loans launched in Germany

Oppenheim Bank is a special type of institution Many South African borrowers do business with Germany's "Big Three" — Deutsche, Dresdner and Commerzbank — which are well known throughout the world, and with other, more regionally oriented banks like Bayerische Hypotheken und Weschel Bank which also have presences beyond their borders.

* * *

Oppenheim is a much smaller institution, but its influence and power within European banking circles is not to be underestimated

For a start, it was founded in 1789 and has been a family bank since.

It maintains a low profile, which is a fairly common feature among certain types of European banks

But it nevertheless conducts all the main areas of business that the large institutions undertake such as accepting deposits, making loans, investing and managing money, broking in shares

The consolidated balance sheet, with footings of DM10 000-million (about R4 200-million) is not that indicative of its size The figures do not include, for instance, its foreign-exchange, stockbroking or trustee business.

It owns a controlling interest in the Colonia Insurance Company, which is the second-largest insurance concern in Germany This company also claims to be the oldest reinsurance institution in the country, and has an offshoot based in Cape Town

The bank is run by six equal partners. It is, unusually for these days, an unlimited partnership, and each one is liable to the full extent of his personal assets

Oppenheim has done well in terms of profits in the past few years By contrast the dividends of some big German banks have recently been cut or omitted, a singular upset for any financial institution of standing

Baron von Oppenheim and his partners sit on the boards of a number of prominent German companies, including the Thyssen steel concern and the KHD engineering group, which invented the diesel engine

19/6/83 S TIMES

(232)

Which is next on the ‘hit list’?

By Alec Hogg

“After Premier and Rennies, who is next?” With the trend towards “repatriation” of foreign-controlled companies on the increase, this is the question on every investment analyst’s mind.

So far, without exception, every foreign company which has sold its controlling stake in a local subsidiary has done so at a price significantly higher than the ruling market price.

Good potential profits are available to the investor who spots the next foreign-controlled company which goes the Premier or Rennies route.

With hindsight, the astute investor would have earmarked foreign-controlled companies quoted on the Johannesburg Stock Exchange as the best investment opportunities immediately after exchange control for non-residents was lifted early in February.

The lifting of these controls, and the consequent phasing out of the financial rand, effectively increased the value of a foreign company’s stake in its local subsidiary by about 20%.

With many of these multinationals suffering the after-effects of the most severe international recession since the 1930s, it was logical that there would be some disinvestment.

It should be emphasised, however, that in most cases the disinvestment has been for economic reasons alone.

As our table shows, there are 36 companies quoted on the Johannesburg Stock Exchange which fall into this potential “hit list”.

CHARLES FIDDIAN-GREEN
Rennies chairman

From this list one can immediately delete the banks (Barclays, Standard and French) and the insurance companies, although for different reasons.

According to South African banking legislation, financial institutions (life offices and banks) are allowed to hold a maximum of 30% of a bank, while other companies may hold only 10%.

This means that there can not be a takeover offer in the true sense for any of the foreign-controlled banks.

To dampen speculation further, Barclays International and Standard Chartered have emphatically stated that they have no intention of selling out completely in this country.

The banks have until 1986 to bring their shareholdings in their local subsidiaries to below 50%, but this is likely to be as far as they go.

The local insurance companies are in another boat. There is still a strong “old-boy” network in London which believes in flying the flag in as many countries round the world as possible, and thus far, despite consistent approaches from prospective local buyers, the UK parents have resisted any temptation to sell.

Then there are other companies like Blue Circle, NEI Africa and BTR, which have been star performers in the worldwide networks of their respective groups, and a sale of any of these is also unlikely

POTENTIAL HIT LIST

Company	Controlled by	%	Market value of stake
Aberdare Cables	Phillips (Neth)	66,7%	R73,5m
Acrow Engineers	Acrow Plc (UK)	58,0%	R5,1m
Afrox	BOC Holdings (UK)	56,1%	R113,3m
Alfred McAlpine	Marchwiel Plc (UK)	70,0%	R23,5m
Anglo Alpha	Holderbank Financiere (France)	33,6%	R93,9m
Associated Engineering	Asseng Plc (UK)	61,1%	R5,9m
Aurochs Investment	AAF Finance (UK)	50,0%	R6,2m
BTR	BRT Plc (UK)	53,8%	R44,3m
Barclays	Barclays Plc (UK)	55,6%	R444,0m
Blue Circle	Blue Circle Plc (UK)	54,4%	R67,4m
Cadbury-Schweppes	Cad-Swep Plc (UK)	66,0%	R35,1m
Canadian & Overseas	Canadian Packaging (Canada)	50% +	R44,8m +
Cementation	Trafalgar House Plc (UK)	61,7%	R10,4m
Chubb Holdings	Chubb (UK)	71,7%	R9,9m
Coates Brothers	Coates (UK)	68,4%	R5,1m
Commercial Union	Commercial Union (UK)	45,0%	R17,3m
Concor	Hochtief (Germany)	40,0%	R9,0m
Dunlop	Dunlop International (UK)	52,4%	R114,0m
Everite	Eternit Group (Switz)	36,2%	R54,7m
Field Industries	Hunting Associated (UK)	63,6%	R1,9m
Fintec	Busch-Jaeger (Germany)	61,3%	R2,6m
French Bank	Bank de Indochine (France)	54,5%	R8,2m
GIC	Elliottona Investments (UK)	60,3%	R4,5m
Goodhope	Guernroy (Channel Islands)	88,9%	R2,0m
Lion Match	Wilkinson Match (UK)	64,0%	R35,1m
Masonite	Masonite Corp (US)	69,7%	R20,0m
Metal Box	Metal Box Overseas (UK)	51,2%	R153,3m
Mool River Textiles	Koninklike Textiel (Neth)	82,3%	R18,7m
NEI Africa	NEI (UK)	62,5%	R50,6m
Otis Elevator	Otis (US)	70,0%	R29,2m
Protea Assurance	London Assurance (UK)	73,9%	R10,8m
Quinton Hazell	Burmah Oil (UK)	80,9%	R3,4m
Scottish Cables	BICC (UK)	45,3%	R21,1m
SA Eagle	Eagle Star Holdings (UK)	59,0%	R56,5m
Standard Bank	Standard Chartered (UK)	58,1%	R302,2m
Utico Holdings	British American Tobacco (UK)	65,8%	R12,5m

* Source McGregor s Who Owns Whom

Tiger Sugar takes control over ICS

29/6/83 E.Post

232

DURBAN — Tiger and Sugar Holdings has taken control of Imperial Cold Storage by acquiring the 51% stake previously held by the C G Smith group and Tiger Oats

Tiger Sugar announced today that the transaction involved a R54,6-million cash purchase deal based on a share price of 400c for ICS

C G Smith would sell its 8 342 965 ICS shares — 31% of the equity — for R33,3 million and Tiger Oats would sell its 5 313 498 shares — 19,7% of the equity — for R21,25 million to Tiger Sugar

The effective date of the transaction will be April 1, 1983

Tiger Sugar also announced an ICS rights issue of automatically convertible cumulative preference shares to raise about R40 million to finance an expansion programme at Imperial

Another rights issue — of ordinary shares to raise R80 million — is to be made to finance Tiger Sugar's R54,6 million cash purchase of ICS and R20,3 million needed to follow Tiger Sugar's rights in Imperial

As part of the deal, a "similar offer" is to be made to minority shareholders in Tiger Sugar as was made to Old Mutual when Smith acquired that institution's holdings in Tiger Sugar, the announcement says

"With C G Smith already holding 95% of Tiger Sugar and possibly increasing that percentage following the offer to minorities, it will have to fund virtually the entire issue

"This holding would leave insufficient shares in the hands of the public to create a satisfactory market on the Stock Exchange and, in addition, it was never Smith's intention to maintain such a large holding in Tiger Sugar," today's statement said

Accordingly, C G Smith would not take up its right, thereby reducing its stake in Tiger Sugar to about 80% on completion of the rights issue

Tiger Sugar said Smith would not sell its rights on the market but would renounce them in favour of its own shareholders, including the parent group, Barlow Rand

"The rights attributable to Barlow Rand will be privately placed with institutions and private investors as part of the exercise to create the desired shareholder profile for Tiger Sugar," the company said

"The acquisition of the ICS stake is not expected to materially affect either Tiger Sugar's or C G Smith's earnings or asset value in the short term "

Tiger said the offer to its minorities would be conducted on the basis of two Tiger Sugar Shares for one Barlow Rand

Tiger Sugar shares acquired by Barlows would be exchanged with C G Smith on the basis of two Smiths for three Barlows, the announcement said

EPN payout

Strategic disinvestment chance for UK firms

ARGUS 21/6/83

232

By ROY ASSERSOHN, Argus Foreign Service

LONDON. — Leading stockbrokers Grieveson, Grant have been looking at the investment strategy which might be adopted by British companies with interests in South Africa following the ending of exchange controls

In one of the most comprehensive surveys of its kind, the brokers claim that the present position "offers an open window for anyone wishing to escape and it may be closed again"

It adds "Now there is a chance of strategic disinvestment on more attractive terms than were previously available"

Disinvestment may occur for several reasons For example, political exposure in South Africa may be deemed unacceptable now that foreign exchange controls have been lifted, or perhaps on straight commercial grounds such as a South African buyer offering a price and cash that can be more usefullly employed elsewhere

Trades unions

Whatever the reasons, the brokers claim there could be an impact on the UK quoted company's rating in the London market

This could be particularly true because many large investment funds are prevented from investing in companies which have operations in South Africa

These include the two largest pension funds in Britain, the Post Office Pension Fund and the Mineworkers', both of which are closely watched over by the trades unions and stipulate that no funds should be used to support South Africa in any way

Good business

The list of companies which might benefit from disinvestment is not large and less than 50 companies in all are mentioned Listed by sector, with Grieveson, Grant's comments they are

- **Building materials and contracting and construction:**

Blue Circle Industries, whose trading profits from SA are around R12,6-million out of a total of R168-million, Pilkington, with just R117,6-million out of R1 611-million sales worldwide coming from Africa and mainly South Africa, and Marley, whose profits are expected to be flat from South Africa in local currency terms this year

- **Electricals·**

BICC, which has a 35-58 percent interest in four companies with total sales of some R636,6-million, Bowthorpe, with a 90 percent stake in one company, Electronic Rentals, with a 100 percent holding in Visionhire SA, GEC, which has nine companies — five of which it holds half or more, ICL, with a 93 percent stake in International Computers SA, Plessey, which owns 74 percent of its subsidiary and there are two associated companies, and Thorn EMI, which has Thorn EMI SA

- **Engineering contractors/mechanical engineering:**

McKechnie Bros, which is reducing its holding in its South African associate in 1984 and has the option to withdraw completely in 1985, Northern Engineering, which might sell if it could get a good price for its good business, Delta is another with a good business, but might sell, and Babcock, which has an important involvement in the power generation area, would not make sense to withdraw in terms of level of business compared with assets owned

Record profits

- **Metals and metal forming**

Glynwed, which has a good business and probably would not sell.

- **Motors and other industrial materials:**

BTR, which has just won a take-over fight here for Thomas Tilling has significant interests in South Africa serving the materials handling and transport industries It is possible that BTR would consider a disposal to concentrate funds and effort elsewhere

- **Brewers and distillers**

Grand Metropolitan, which has W & A Gilbey, but it is very small in relation to the whole group

- **Food manufacturing·**

Rowntree Mackintosh, with a wholly owned confectionery business, Wilson Rowntree, which achieved record profits last year, Unilever, which earned 14 percent of its total trading profits from the African continent last year, Brooke Bond, which owns 100 percent of Brooke Bond Oxo where Africa as a whole accounted for 13 percent of group profits last year, and Cadbury Schweppes, which will have earned a large slice of its overseas profits in 1982 from Cadbury Schweppes South Africa

V

232 22/6/83

Metal Box merger talks are called off

1.

By JOHN MULCAHY

2. TALKS between Metal Box, Barlow Rand and Nampak on the future of Metal Box South Africa are off

Mr Bas Kardol, executive chairman of Nampak said last night that in the final analysis, "the numbers did not click"

Speculation on a possible takeover or merger at Metal Box first surfaced in mid-April, when the share price surged to 875c from 680c, and on April 26 a joint statement from Metal Box, Nampak and Barlows said the parties had agreed to "undertake a joint review of the operations of Metal Box South Africa"

Metal Box closed at R10 on the Johannesburg Stock Exchange yesterday, an all-time high, and 47% above the price immediately before the talks commenced in April

Subsequent statements from both Metal Box and Nampak indicated that the talks were headed in the direction of a merger of operations rather than a takeover, and this is supported by the large contribution Metal Box SA makes to the UK parent company's earnings

Mr Derek Jacobs managing director of Metal Box SA, was in a meeting yesterday afternoon and could not be reached last night

Mr Kardol would not elaborate on where the talks had foundered, but he stressed that negotiations had at all times been handled on a friendly basis

Commenting on the two months that elapsed between the date the first announcement was made and the collapse of negotiations Mr Kardol said at no time was it envisaged that formal talks would commence before last week

Up to that time, the parties were discussing informally which of their interests might dovetail into each other, and once formal negotiations commenced it soon became clear that agreement would not be reached

It is believed the final talks revolved around the establishment of a new holding company, with two main divisions — packaging and metal tubes

The discussions over Metal Box have been of particular interest in the light of the dramatic developments on the SA business scene in the past few weeks, which have seen control of Premier return to SA at a cost of R337-million, while Rennies Consolidated Holdings was last week bought from its Hong Kong parent, Jardine Matheson for about R200-million in cash

It remains to be seen whether Metal Box UK is interested in disposing of its SA wing but given the current "repatriation" climate, there will be no shortage of willing buyers especially for a company with a profit record as impressive as Metal Box SA.

The group's latest annual report, released yesterday, shows that attributable profit has grown by 254% in the past five years, from R8 687 000 for the year ended March 31 1979, to R30 775 000 for the latest financial year

Over the same period, earnings have risen to 88,5c a share from 32 7c and dividends to 45c from 25c

232

Hansard 22/6/83

Q Col. 1619-1622

Competition Board

*4 Mr G S BARTLETT asked the Minister of Industries, Commerce and Tourism

(1) Whether the Competition Board has investigated or intends to investigate the recent purchase by a consortium of a majority shareholding in a company the name of which has been furnished to the Minister's Department for the purposes of his reply, if not, why not, if so, why,

(2) whether the said Board has taken or intends taking steps in regard to the matter, if not, why not, if so, (a) what steps and (b) in terms of what statutory provisions,

(3) whether the consortium consulted the Board prior to purchasing this shareholding, if so, with what results,

(4) whether he will furnish the House with the names of the (a) consortium and (b) company in question,

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

†The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

(1) The Competition Board made a preliminary investigation into the acquisition by a consortium consisting of Liberty Life Association of Africa Limited, Johannesburg Consolidated Investment Company and Anglo-American Corporation of South Africa Limited, of the majority interest of British Food of the United Kingdom in the Premier Group Limited This investigation was made because in terms of section 6 of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of 1979), the board has to consult with any interested party to a proposed acquisition at the latter's request

(2) No The Board is of the opinion that, on the basis of the facts and information supplied by the consortium, no circumstances exist which indicate that the acquisition is against the public interest

(3) Yes, with the result as explained in (2)

(4) The names have already been furnished in the reply to (1)

(5) No

Sale of shareholding in company

*5 Mr G S BARTLETT asked the Minister of Finance

(1) Whether the exchange control authorities (a) were required to be consulted and (b) were consulted by the parties in a recent transaction involving the sale of a shareholding in a company the name of which has been furnished to the Minister's Department for the purpose of his reply if not why not, if so, (i) why and (ii) what was the nature of these consultations,

(2) whether any sums of money (a) have left and (b) are expected to leave the Republic as a result of this transaction, if so, what sums of money in each case,

(3) whether he will furnish the House with the names of the companies involved in this transaction?

The DEPUTY MINISTER OF FINANCE

(1) (a) In his announcement of 5 February 1983 the Minister of Finance stated that "with effect from 7 February 1983 exchange control over non-residents will accordingly be abolished This implies the disappearance of the 'financial rand' and of the dual exchange rate system as it has existed in one form or another since exchange control over non-residents was first introduced in South Africa in 1961 In future the local proceeds of sales of quoted and unquoted South African securities real estate and other equity investments held by non-residents will no longer be designated 'financial rand', but will be freely transferable from South Africa through normal banking channels at the ruling unitary rate of exchange for the rand Such proceeds may also be freely used in the Rand Monetary Area by non-residents for investment or other purposes "

In the case in question the prior approval of the Reserve Bank was thus not a prerequisite

(b) The South African group of buyers as a matter of courtesy fully informed exchange control of the transaction

(2) According to press reports an amount of R337 million is payable by the South African consortium in respect of a 52 per cent shareholding in the Premier Group Payment of the purchase consideration will be effected in tranches over a period of six months

(3) The South African group of buyers comprised Liberty Life Association of Africa Limited Johannesburg Consolidated Investment Company Limited, and Anglo-American Corporation of South Africa Limited

Goss hits at move on breweries

Argus 23/6/83 (~~[illegible]~~) (232)

JOHANNESBURG — The government stipulation that brewers continue to divest from retailing is blatant discrimination against the the brewer and beer drinker, says Mr R J Goss, group managing director of South African Breweries

He says in the group's annual report the most significant event in the liquor industry in the past year was the Government's ruling in March on the recommendations of the Competition Board which endorsed separation of producer and retail interests

This ruling should be viewed against the background of an agreement approved by the Government in 1979

IN EXCHANGE

In terms of the agreement between SA Brews, KWV and Rembrandt Group, SA Brews relinquished its controlling shareholding in Stellenbosch Wine Trust, in exchange for a minority shareholding in Cape Wine and Distillers — formed to hold the Rembrandt Group and SA Brews' wine and spirits interests

SA Brews was permitted to acquire Intercontinental Breweries

SA Brews and the Rembrandt Group also agreed to sell their retail liquor interests so that producer activities and those of retailing would be separated

Granting these approvals the Government said low alcoholic beverages should be preferred to those with a high alcohol content

UNDISTURBED

"The Competition Board's recommendations endorsed separation of producer and retail interests, and called for a dissolution of Cape Wine, but expressed the view that SA Brews' position in the beer industry should remain undisturbed"

It also recommended that beer and wine should enjoy equal distribution facilities through supermarkets

"The dissolution of Cape Wine would have been contrary to the 1979 agreement and SA Brews supports the stance taken by the Government that Cape Wine should be left intact

"On the other hand, by permitting the wine producers the right not only to retain, but also to increase their retailing interests, a major opportunity to establish a strong and independent retail sector has been lost"

LOW ALCOHOL

Mr Goss says the Government is paying lipservice to its stated policy of preference for low alcohol products While beer has a lower alcohol content than wines and spirits it already carries an excise burden almost equal to that of spirits, in contrast to natural wine on which excise duty was abolished during 1981

"Discrimination is being increased and entrenched because the Government will not permit the sale of beer in supermarkets as is allowed for wine

"The Government has not recognised the broader economic implications of beer production, which involves barley, maize, sugar and hop industries through to packaging suppliers and the consumer via the retailer" — Sapa

Capt Times 23/6/83 ~~182~~ 232 ~~58~~

SAB negotiates $150m loan for future projects

By JOHN MULCAHY

JOHANNESBURG — South African Breweries has negotiated $150m in offshore medium-term credit facilities to be used for future projects

The total loan is for seven years, the first three years being treated as a revolving facility, and fixed for the remaining four years

In both cases the terms are at rates of less than one percent above Libor (London interbank offered rate), which is currently at about 10 percent

Facilities

A SAB spokesman said yesterday the facility was not aimed at any specific project now, although later on it may be set aside for a particular programme or scheme

The chief executive of SAB, Mr Dick Goss, says in his annual review the group's policy of securing appropriate facilities ahead of project commitments was more than justified in the favourable terms obtained on the offshore facility

He says SAB's borrowing facilities are now comfortably in excess of requirements

Mr Goss says SAB's investment focus will be placed on expanding its existing business base through organic growth, without resorting to major acquisitions "unless unique opportunities offer themselves within the existing areas of focus".

Overseas investment exposure will be limited to no more than 10 percent of group net assets, and the business mix, which has the beer division providing about half of SAB's attributable earnings, is regarded as an optimal portfolio balance

In spite of depressed conditions SAB will continue its capital investment programme in the current year, says Mr Goss, and in the beer division, capacity expansion "remains a commitment to ensure that the market demand for quality beers is satisfied at all times, to an increasing degree from larger breweries"

Southern Sun's existing hotels are constantly being renovated and refurbished to maintain high standards, while opportunities to erect strategically sited large hotels will also be pursued

The group's retail interests will seek to increase their penetration by continuing to relocate and enlarge existing stores, although expansion through new stores will be undertaken at a slower pace

"As in the past, operating leases will be concluded for all the retail and general purpose property requirements

"On the other hand, the durable and semi-durable manufacturing activities will continue to trade from existing capacity with no expansion planned "

Group budgets

Mr Frans Cronje, SAB's chairman, says group budgets indicate a capability of matchings earnings a share for the full year, but if the accelerating downtrend in private consumption expenditure does not level out by the middle of the current year it will be difficult to meet budgeted performance

Trading conditions were especially difficult last year and 1983 has opened with what appears to be an accelerating downtrend in consumer spending, a key determinant of SAB's activity

Minorco's Cons Gold chance

~~220~~ 232 ~~210~~ RDM 24/6/83

M₁

By BRENDAN RYAN and NEIL BEHRMANN

IF MINORCO intends going for control of Consolidated Gold Fields this is a good time to do it.

That is the opinion of Johannesburg Stock Exchange share analysts who are weighing the possibility of such a move after speculation in London, New York and Johannesburg that it is a likely move.

Speculation has led to above-average buying from Johannesburg of Cons Gold shares in London.

A London jobber says that a 50 000 Cons Gold share purchase from Johannesburg is normally a good order, but in recent days orders have been for at least 500 000.

Principal reason for the speculation is the weakness of Cons Gold shares in relation to those of 48%-held associate Gold Fields of South Africa

In June last year Cons Gold shares stood at R8,75 compared with GFSA at R46,25 a share

Since then GFSA shares have soared with the improving fortunes of the gold market and Cons Gold shares have marked time

At yesterday's close on the JSE, Cons Gold stood at R9,80 a share and GFSA at R147,50, which dropped the Cons Gold-GFSA ratio to 6,6%

On a market capitalisation basis the Gold Fields element in Cons Gold amounts to more than 600c a share, putting a value of only 380c on the investments in Newmont Mining, Renison, Deelkraal, Driefontein, Kloof, Black Mountain and Cons Gold's other investments.

The main reason for the weakness in Cons Gold has been the group's disastrous move into the oil-drilling business in the United States.

Cons Gold bought a company called Skytop Brewster in 1980 — just in time for the bottom to fall out of the oil-drilling market in the United States.

The result was a write-off of £87-million in Cons Gold's results for the six months to December 31, 1982, and a decision to sell Skytop Brewster.

Johannesburg analysts believe the market's disenchantment with Cons Gold has been overdone to the point where the share is now in a good buy situation

"Skytop Brewster was a disaster, but it has been provided against and if losses from it have been neutralised there is a lot of room for improvement in the share," said one analyst.

Given this scenario, the possibility of Minorco, which holds 29% of Cons Gold, going for control has been raised

An analyst said "If you want control of a company the time to go for it is when the shares are underpriced and the outlook poor rather than wait for conditions to improve when the same company will cost a lot more"

Although some London brokers believe the situation has some logic, others are sceptical

Mr Julian Baring, mining partner at James Capel, said "The market is frothy, they are matching a story to fit the moment."

Minorco, which is the overseas arm of the Anglo American Corporation-De Beers group, acquired the Cons Gold shares in 1981. Anglo holds 40,9% of Minorco and De Beers 22%

At the time of the deal, Mr Harry Oppenheimer, then chairman of Anglo, denied any intention of raising the group's stake in Cons Gold above 30% — at which level an offer for the entire company would have to be made.

Mr Tony Lea, Minorco's vice-president for finance, said yesterday "That's an interesting theory. However, it is a market rumour and it is not our policy to comment on market rumours."

Minorco's chairman, Mr Julian Ogilvie Thompson, is in England and could not be reached for comment.

Minorco's role in the plans of the Anglo-De Beers group has been the subject of speculation since the restructuring in 1981 which gave Minorco most of the group's overseas interests and a mandate to expand its business

There would considerable advantages for Anglo-De Beers if Minorco were to gain control of Cons Gold

One of the group's main aims is to increase its business in North America and Cons Gold would be an ideal medium through which to do it

Cons Gold holds 22% of giant Newmont Mining Corporation and has its own mining operations in North America

Looking long-term control of Cons Gold carries the possibility of a bid for Newmont itself

Cons Gold has 49% of an Australian mining company, Renison Goldfields Consolidated, which could be useful in bringing to production any mining projects Anglo-De Beers might plan in Australia.

The cherry on the top is Cons Gold's 48% holding in GFSA which controls arguably the finest stable of gold mines in South Africa

The result of a deal would be an enormous concentration of international and South African mining power in the hands of the men on the first floor of 44 Main Street.

rate of interest

M₂

M₂

Income

Figure ii MONEY MARKET EQUILI

$Ms = kY + L(i)$

(The total Money supply being 7 ant).

As Fiddian-Green said at last week's interminable press conference, the deal is clearly an excellent one for minorities, now that the full bid is being made. The price is so high, in fact, that trade on Wednesday was often lower than the R17 average price on offer, indicating that sellers were willing to forgo maximum profit to get out quickly

The fact that Jardine was in no position to inject more cash or capital into SA and the tremendous financial clout which Old Mutual will give to Rennies makes the conglomerate's prospects particularly bright. The 30% annual compound growth over the past eight years represented by the take-out price is hardly likely to be repeated, but Rennies, and its new listed subsidiaries, are certain to prove popular stocks.

The implications for the Old Mutual/Anglo tussle in the industrial arena are something else altogether. *Scott Hawker*

METAL BOX

No merger

232

FM 24/6/83

This week's breakdown of discussions between Metal Box and Nampak does not necessarily herald the end of Metal Box UK's intention to seek new ways of increasing its SA subsidiary's market penetration.

While all parties concerned are reluctant to expand on the reasons behind the failure to reach agreement — some two months after talks began — it appears the ramifications of the merger were never seriously examined. Once the hard bargaining started this week it took only three days to realise there was insufficient common ground to continue

Metal Box MD Derek Jacobs says the talks started with the aim of merging specific business interests to enable a better spread of products between the two groups And, presumably, this would have brought about some rationalisation of both operations with a view to increasing marketing opportunities.

There were obvious mutual strategic benefits to be gained from an association between the two companies, particularly in light of Kohler's recent acquisition of DRG and its current discussions with Xactics. Metal Box would not have been unhappy to divest itself of its ill-fated Papercote subsidiary, which would have slotted well into Nampak, while Nampak's glass and tubing divisions would have complemented MB's existing activities

However, this need not be the end of the road While Jacobs says the company needs a breathing space before it contemplates its next step, the seeds of possible expansion routes are clearly sown. In addition, Metal Box UK is apparently in no hurry to join the disinvestment queue — with the local subsidiary providing over 25% of its pre-tax income*

What options are now left open? Kohler is probably too preoccupied with its expansions to contemplate a further addition to the fold, but a possible tie-up with Anglovaal's Consol cannot be ruled out

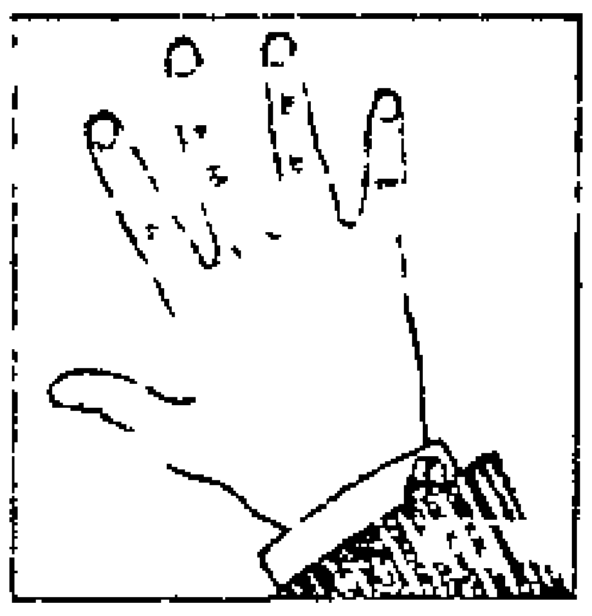
The packaging industry, like many other sectors in SA, is gradually moving into fewer and more-powerful hands. It is only natural, therefore, that Metal Box should further examine the opportunities in this direction before committing itself to expensive expansion programmes as a means of increasing market share. *Peter Farley*

232

ECONOMIC CONCENTRATION

It's not all business's fault

SA's megacorporations have grown inside walls of economic protection . which are the business of politicians, not industrialists



Premier's Bloom .. growing bigger with Anglo

Casual observers may be forgiven for the view that SA's corporate powers are engaged in a constant battle of one-upmanship Companies appear to be shuffled like poker chips in complex trade-offs and power-plays And the spirit of free competition, like Banquo s ghost seems conspicuously absent

A year ago, for instance, Anglo American owned the biggest single minority stake in the R5 billion Barlow Rand, SA's largest industrial company Then Barlow restructured its food interests into Tiger-Sugar and, in the process, Old Mutual swept into the top minority ownership position More recently, Anglo appeared to answer the challenge as the pivot of a deal that stitched together Premier Group's food empire with the retailing, liquor and hotel chains in SA Breweries Within two weeks, Old Mutual hit back and snapped up the Rennies Group, with its interests in shipping and transport, and its hotel chain

These mammoth deals take a long time to conceive and implement, and the view that each represents a knee-jerk reaction to the one before is not accurate But over a broader time-scale, it is evident that diversified capital empires are being created by a very limited number of independent financial powers in this country In fact, the accompanying table suggests that there are no more than three of comparable size in the private sector

The consequence is an awesome concentration of ownership It has been well documented For instance, at the end of 1982 the top 100 industrial companies in SA had total assets of R41 billion Of these, the combined assets of the first 20 were worth R25 billion, or 61% of the total Of this R25 billion, 39% was accounted for by companies associated with Old Mutual, 28% by Anglo-associated companies, 10% by Sanlam associates and 8% by State firms

The remainder (15%) represented independent companies — in a manner of speaking For every one of the top 20 industrial companies were connected, by numerous interlocking directorships, not only with each other but with the three largest mining houses, the two largest life insurance institutions and four of the five major banking groups

On the other hand, concentration of ownership need not mean concentration of control The trend in other countries has been for ownership to separate from control, and for non-owning management elites to emerge But in SA, estimates Cape Town sociologist Michael Savage in a study done in the late Seventies, only 14% of the top 100 companies were management-controlled This compares to 44% in the US and Australia and 54% in the UK And though this concentration of control may not affect the day-to-day decisions of line management, there is ample evidence that it determines the long-term strategic destinies of literally thousands of companies — and people

This process has not emerged from organic growth, as Natal University economist Jack Trevenna-Piggot points out "A number of studies have shown that the largest source of increase in concentration and hence of monopoly power is derived from acquisition rather than from natural growth"

All in all, it gives an ironic ring to the warning made five years ago by a Stellenbosch economist, in a study that found local manufacturing industry to be highly concentrated "Should the present situation be allowed to continue unabated," he said "the SA economy may in due course be dominated by government enterprises on the one hand and only a few large conglomerates on the other The prediction it seems, has long since been fulfilled

What are the causes? Over the last 30 years capital concentration in SA has come in waves Paradoxically it has been produced both by the confidence of prosperity and the need to rationalise against adverse market conditions Both these are functions of a fluctuating business cycle largely determined by world economic

Sanlam's Du Plessis ... riding the insurance tide

conditions.

But the process has received a domestic push Exchange control, in evidence in various forms since the World War 2, has prevented massive corporate cash flows from seeking investment in other countries Says a large mining house "The main stumbling block is that they dam up the flow of money, and there are finite local opportunities for investment"

Admittedly, companies with foreign investment projects that involve fixed assets, especially those that are seen to have national advantages, can almost always obtain permission from Pretoria But the red tape itself is a disincentive "You have to go by application," says Premier chairman Tony Bloom, "and it can be tough to get permission."

On the other hand, investment in foreign share markets is forbidden So the local share market takes the brunt of the R10m or so a day that SA life insurance companies and pension funds are estimated to attract Sanlam chairman Fred Du Plesssis puts his own slant on this "It's the result," he says, "of the State trying to steer clear of socialism So private sector institutions have the responsibility of mobilising savings, and end up as big holders of equity."

An ancillary cause of concentration is protection from foreign competition It shields the large-scale capital outlays needed by a developing economy and lets home firms get big in peace and comfort. As Du Plessis sees it "If we must compete against the world, we can't have small, fragmented indigenous companies"

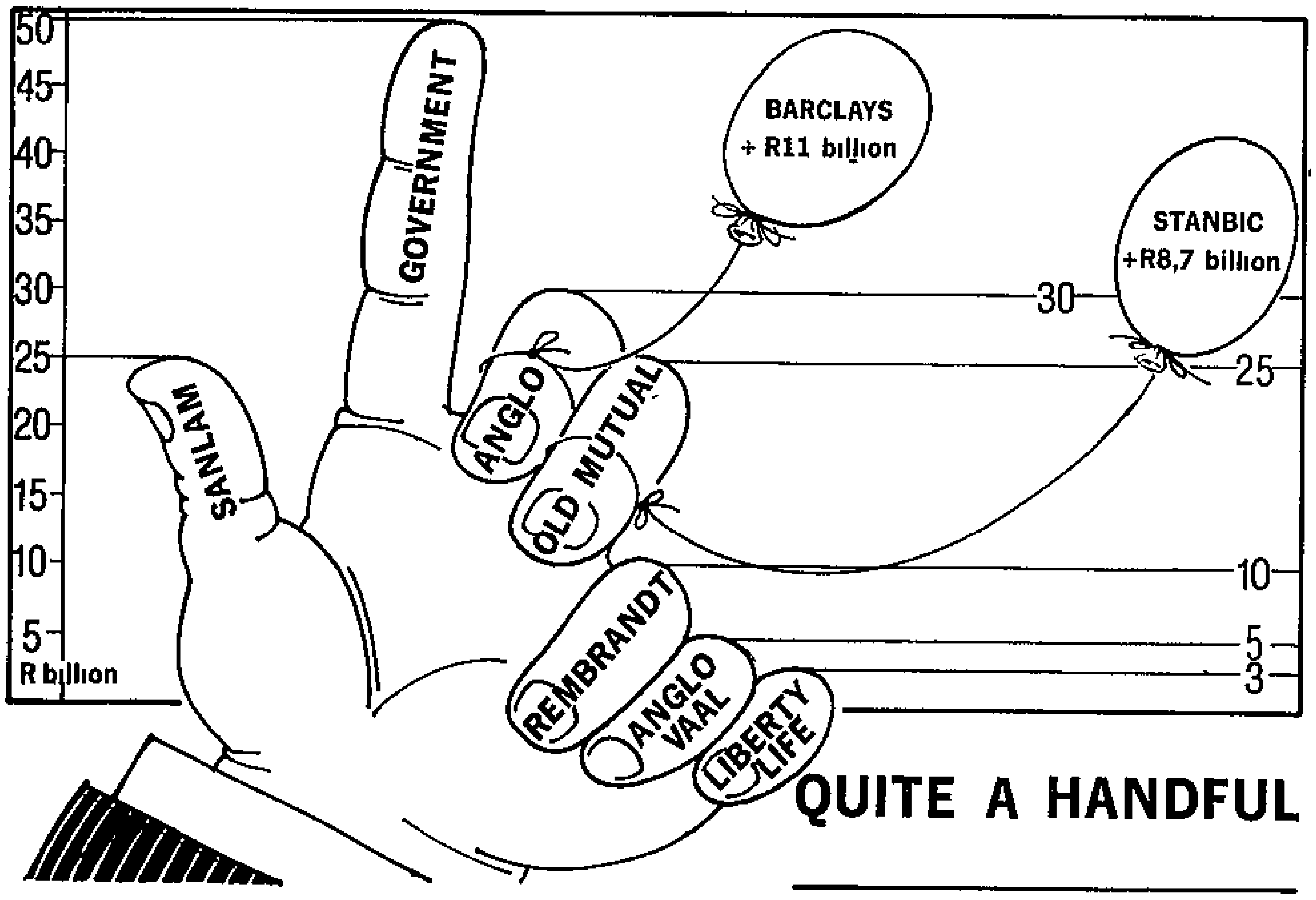
There may be some sense in this But more than half SA's export earnings are from primary commodities, which are produced and sold by different criteria The country has on its doorstep captive markets in manufactured goods whose economies of scale are decades from being comparable. The truth is that in SA at least, the classic development theory of import substitution and export promotion is soured by political motivation, especially an obsession with self-sufficiency

Small is not beautiful

What are the consequences? "You cannot judge categorically," says Du Plessis "It's circumstantial."

Quite right. Size in itself does not categorically restrict competition and small is not necessarily beautiful The only cafe in De Aar can exert more monopoly power than IBM. And economists are fond of pointing out that perfect competition leads to monopolies If everyone has full information and access, they all end up buying from the most cost-effective firm, destroying unsuccessful opposition and ensuring a single supplier.

Again, a market with one large firm and many small ones is not as competitive as



These are conservative estimates. They are based only on the chains of major subsidiary and associated companies claimed by each group. Barclays and Stanbic, the "jokers in the pack," are foreign-owned. But they may not be forever, and we have tethered them to the groups that hold the largest domestic stakes in them.

SANLAM	GOVERNMENT	ANGLO	OLD MUTUAL	REMBRANDT	LIBERTY LIFE	ANGLOVAAL
Bankorp	**SATS**	**Anamint**	**Nedbank**	**Rothman SA**	**Libhold**	**Midwits**
Trust	**Escom**	**Amgold**	**Rennies**	**PIM**	**Liblife**	**Prieska**
Santam	**Reserve Bank**	**Amlife**	**M & F**	**Volkskas**	**Clycol**	**Atcol**
Mercabank	**Landbank**	**Amaprop**	**Lydplat**	L&GV	**Fugit**	**Assmang**
Santam Ins	**Post Office**	**De Beers**	**Dura**		**Placor**	**ATI**
Fedmyn	**Armscor**	**Minorco**	**Barlow**		**Guardian**	Grinaker
Gencor	**Iscor**	Gold Fields	Randmin			Consol
D & H	Metkor	**Amcoal**	TC Land			Satlan
Kanhym	S&L	**JCI**	PPC			Natbolt
Sappi	Dorbyl	Premier	Plascon			Steelmetals
Kohler	Unisteel	SAB	CG Smith			Globe
Gefco	Samancor	Edgars	Nampak			I & J
FVB	**IDC**	OK	Romatex			
Fedfood	ADE	Suthsun	ICS			
Fedchem	Sasol	**Amic**	Tiger			
Sentrachem	Safmarine	Tongaat	Adgram			
SA Drug	Soekor	Toncoro				
	Alusaf	AECI				
	Natsel	Hiveld				
	Indsel	LTA				
		Debincor				
		Asea				
		Sigma				
		Boart				
		Scaw				
Approx 1350 companies	*Approx 300 companies*	*Approx 1600 companies*	*Approx 1600 companies*	*Approx 160 companies*	*Approx 250 companies*	*Approx 50 companies*

FM 24/6/83 (232)

one with two large firms It takes giants to compete with giants on economies of scale, as the recent commercial bank war illustrates

Alternatively, small business is the best employment generator At the same time, it duplicates auxiliary services, like accounting, and it does not offer the job security of the megacorporation.

In other words, there are trade-offs. But, in general, concentration (as opposed to size) promotes "monopoly power" and thus reduces price competition If two or three companies control even merely 90% of a market, it makes more sense for them to agree both on market shares and prices, rather than engage in suicidal showdowns Concentration and cartelisation in turn restrict freedom of entry to markets and industries by new combatants.

In SA, it also has political overtones As a senior monetary official has pointed out, bigger and bigger business is a Hoggenheimer banner still being waved by extremist lobbies that perpetually call for more State control.

What is the cure? It is notable that all the aggravating causes of concentration cited above invoke government, from exchange control to the concept of strategic industry The Liquor Act, it is often said, is the main support for SA Breweries' beer monopoly (which arguably shields the powerful wine lobby from damaging price wars in beer, like the one in 1979.)

So what should government do? "It should carry on doing what it's doing," says Bloom "It has a Competition Board, and the Board has teeth."

Not all would agree, including Pretoria, which recently bloodied (or blunted) those teeth. And many believe even stringent anti-trust laws to be ineffective, as they can be deftly manipulated by big business itself to curb the very competition they are intended to foster In any case, they treat symptoms, not causes

Even well-intentioned government intervention appears to have a dynamic of contradiction Influx control breeds illegality and corruption more than it does depopulated cities Minimum wage laws generate unemployment Fiscal incentives for small business can be circular if they mean throwing money at legislative barriers to entry, like minimum factory standards Significantly, the Yugoslavian state, said to preside over the largest relative small business sector, makes no concessions towards it

The ideal of untrammelled *laissez faire* may be neither possible nor desirable Cases can, and should, be made for selective intervention — on strategic and humanitarian grounds But they should be exceptions to the rule Economic concentration in SA is the result of turning the rule on its head, of making market freedom the exception The walls behind which it flourishes are erected not by the economy, but by the political economy, and their rationale has long since been lost.

S Times

26/6/83

232

olkskas omputer utlay f R37-m

Don Robertson

is thought to be the gest deal of its kind in Africa, Volkskas has ught new computer ment worth R37-mil- from IBM

equipment will allow kskas to keep pace the rapidly develop- electronic banking logy

services to be offered lude self-service in king halls by means of client work stations, banks, linked re- terminals used by porate clients and banking services ugh videotex

ition, it is planned to vide updated manage- information to sup- short and long term making and to en- the end user to com- icate directly with information data

ding on the purchase, Pieter Morkel, chief ive officer of Volks- says that, if the major in South Africa are maintain or increase market share at a they will have to maximum advantage electronic technology, at the same time radi- change their man- al and marketing ies

here is based on the that it will become in- ngly less necessary highly trained and staff for functions will be performed speedily and effi-

equipment will be led over the next two

IBM also conclud- a multi-million-rand with the Prudential supply of one of its and most sophisti information ssors

ustzen, general man- for planning and de- ent at Prudential, the move was neces- to keep pace with the ny's increasing in- tion-processing

---

Merger could still come later

NAMPAK AND METAL BOX BOTH LIKED THE IDEA

By David Ross

AFTER the announced failure of the proposed deal between Nampak and Metal Box this week, one thing about the aborted merger seems clear

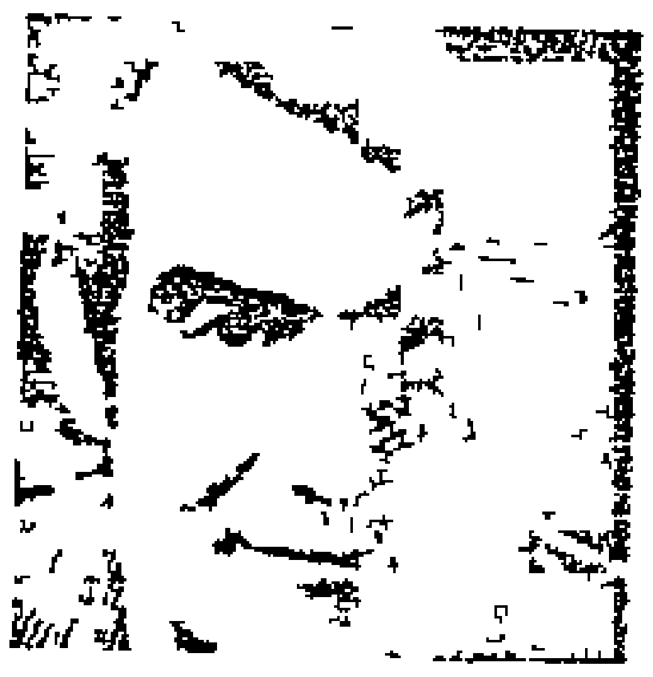
Both Metal Box SA and Nampak executives were full of enthusiasm for a form of merger.

Indeed, Bas Kardol, chairman of Nampak, and Peter Campbell, deputy MD of Metal Box, tell Business Times that they would like to reconsider the idea at some future date

The proposal was taken to the Competitions Board for its approval "They gave us a fair grilling," says Mr Kardol But the proposal was given the go-ahead.

"We just could not agree on the numbers," comments Mr Kardol Both Mr Kardol and Mr Campbell are unwilling to go further than that. But it seems that "half a dozen or more" different formulas were discussed

At the same time, Metal Box Plc was determined to stay invested in South Africa It regards its investment here as a good one, and has no special interest in selling it



BAS KARDOL "We just couldn't agree on the numbers'

The proposal was likely to have involved the merger of certain of the operations of both Metal Box SA and Nampak.

A further aspect of the deal was to have involved the steel-tubes interests of Barlows

"These would have given us business right across the steel-tubing industry," comments Mr Campbell

The businesses of Metal Box SA and Nampak are largely complementary, with Metal Box especially big in cans and Nampak in paper, paperboard and plastics, with glass to come Metal Box is also in plastic packaging

A major advantage of the arrangement would have been that it would have dealt with a threat of future competition.

As Mr Kardol puts it: "Metal Box SA would have been assured that we would not go into cans, and we would have been assured that they wouldn't move into paper products."

With Nampak's struggle for dominance over Kohler still unassuaged, it may look likely that both Metal Box and Nampak will try a get-together at some later stage

Metal Box Plc owns 51,2% of Metal Box SA, while Nampak is a subsidiary of Barlow Rand through C G Smith's 75% holding in Nampak.

Before the first announcement that discussions were in progress on April 23, Metal Box shares stood at 750c By mid-June they had moved up to 840c, partly on better-than-expected year end results

By last Friday the price was at 885c By Monday's close it stood at 975c ahead of an expected successful announcement on the talks, but had fallen back to 875c by Wednesday.

Technician training must increase 400%

Business Times Reporter

SOUTH Africa's estimated requirements for technicians must be stepped up by more than 400%, and the current output of artisans will have to improve tenfold to 20 000 annually if a growth rate of 4,5% is to be achieved

The National Manpower Commission's report indicated that 575 blacks received degrees in 1979 This figure increased to only 720 in 1982, according to the latest Human Resources Development quarterly bulletin

Only 2 000 technicians are being trained annually against a required 9 500

South Africa's severe skilled manpower shortage, in contrast to an over-supply of unskilled labour, has been blamed for the disastrous impact on management efficiency and continually declining productivity growth

According to the National Productivity Institute (NPI), training schemes at all levels of employment and an improvement in the level of employment groups are the only permanent solution to improving productivity

The required creation of 1 000 job opportunities each working day up to the year 2000 can be achieved only if the skilled labour demand by industry is satisfied according to the NPI

Although firms may provide the training, they are unlikely to pay for it, as skills are transferable from one company to another, according to the bulletin

In most cases, therefore, firms attempt to recover costs by paying lower wages, hence providing little encouragement to prospective technicians

Black trainees would also be reluctant to forgo higher benefits during training, especially if restricted mobility favours their white counterparts.

State intervention in the form of training tax concessions has decreased the investment return risk of the firm to about 8% of the cost of training given

The cost to the State in terms of forgone tax can be estimated in the region of R150-million annually

Based on a survey conducted of 22 companies in the Western Cape, it is estimated by Human Resources Development that total South African training expenditure should be in the region of R300-million

But the NPI's contention of a 0 3% increase in productivity over the past decade suggests either a shortfall in effective utilisation of the money spent or that investment by the State has not been shown

---

RUSSELL PAYS SAME

IN spite of a substantial drop in attributable profits for the year to April, Russell Holdings has maintained its final dividend at 13c for an unchanged total of 2?c on the increased share capital

Taxed profits were R9,1 million compared with R14,5-million, which were achieved on sales of R295-million against R266-million Earnings were 46c compared with 79,4c

The company has made arrangementts to sell its debtors book, a move which should improve liquidity

---

Ford, Pett

By Julian Kraft

FORD Motor and Petter Diesels h signed an agreement which promise boost Petter's strength in the small sel engine market to give it an indis ably dominant share of more than within the next couple of years.

In terms of the deal Ford will exc sively stock, sell and service Petter

(232)

RDM

27/6/83

ABF sees pressure on Premier

By NEIL BEHRMANN

LONDON. — The Premier group's profit margins will come under pressure in future years, according to Mr Gary Weston, chairman of Associated British Foods.

Mr Weston gave more details at ABF's annual meeting of why it had sold its 52% stake in Premier

He said "Premier's profitability on its existing assets has already come close to achieving a maximum rate of return With relatively low labour costs and well written-down assets Premier's margins of today will, I believe, become increasingly difficult to maintain in the immediate years ahead as they come to carry the depreciation and financing costs of new plant and machinery purchased at today's prices"

To achieve further profit potential the company must manufacture and distribute a "greater volume of products"

"This in turn must involve the company in a commitment to a period of sustained and heavy capital expenditure, plus additional large sums to finance working capital, and this at a time of continuing inflation and high interest rates

"During the past two years total borrowings for Premier have risen by nearly 94% from R140-million to R272-million The company has already reached a point where total borrowings are greater than the net worth of its shareholders' funds

"At the same time, the rate of profit growth has slowed and continues to slow as the South African economy faces up to a period of major readjustment."

Mr Weston said that major investment decisions "are best made by investors in South Africa itself; who are not subject to the additional hazard of exchange control, taxation agreements, currency realignment and potential political pressures"

"These would have been additional risks for our shareholders were we to have considered committing further large sums of money for the longer term in South Africa

"It is our view that the price of R25 per share fully values our investment in Premier, considering the shares were selling at a low of R10,25 in the past 18 months,"

Premier's contribution to ABF's net profits had fallen from 26% 10 years ago to 18,6%

"Net profit contributions from our other overseas divisions over the same period of time have remained at 23% of total earnings"

The proceeds of £200-million from the sale would "not burn a hole in our pocket" and "with the current low rates of inflation are capable of earning real rates of return until needed for a worthwhile long-term investment"

"I believe that there is a good time to sell and a good time to buy

"In regard to our South African subsidiary it was the time to sell We don't feel that it is necessarily an equally good time to invest our money in a new acquisition"

232

RDM 28/6/83

Another UK group sells

112

Financial Reporter

ANOTHER overseas company is selling its investment in this country to a South African group

A consortium headed by W & A Investments, controlled by Mr Mannie Simchowitz, has bought an 86,3% stake in the British investment group Anglo-African Finance (AAF) for just under R20-million

AAF has effective control of five associated companies listed on the Johannesburg Stock Exchange — Williams Hunt, General Tire & Rubber, Aurochs Investments, Cap Auto Investments and Autolec

The consortium apparently does not intend making an offer to minority shareholders in those companies

● See Page 11

Hunt group control changes

232

RDM 28/6/83

By STEVE ELLIS

A CONSORTIUM headed by W&A Investments has bought an 86,3% stake in British investment group Anglo-African Finance — effective controller of five listed SA companies — for about R19 350 000.

W&A holds the controlling stake in the consortium, which includes New Bernica and British entrepreneur Mr Jack Dellal.

Although an offer is being extended to minorities of AAF, no offer is being made to the minority shareholders of the SA companies — Williams, Hunt SA, General Tire & Rubber, Aurochs Investments (SA), Cap Auto Investments and Autolec

If all the AAF minorities accept the offer, the cost to the consortium will be R22 500 000 (£13 500 000) If they do not, the London Stock Exchange-listed group will remain on the LSE boards

Senbank announced on behalf of the parties involved that there were no plans to change the management make-up of AAF The acquisition would have no immediate material effect on the earnings a share or net asset values of W&A or New Bernica.

Industry sources suggested that the consortium had paid a premium for the. AAF stake, especially in the light of the performances of the SA companies in the past year.

Williams, Hunt suffered a R5 060 000 loss in the year to February compared with a R4 780 000 profit the previous year — a result which dragged pyramid companies Cap Auto, Autolec and Aurochs into the red as well

However, W&A's financial director, Mr Martin Glatt, said he was happy with the purchase

He parried questions about details of the takeover, saying a circular was being prepared for shareholders and should be ready within a couple of weeks.

The 86,3% of AAF already under the consortium's wing represents the holdings of the Khazam and Yentob families

It is not clear why W&A chose to bring New Bernica and Mr Dellal — a wealthy relative of the previous owners of AAF — into the deal

Market speculation is that W&A, itself not enjoying the best of times, could not afford the cash to buy AAF as well as correct the financial positions of the SA companies, especially highly geared Williams, Hunt.

Mr Arnie Witkin, managing director of New Bernica and former investment manager of Legal & General Volkskas, is a personal friend of W&A's Mr Mannie Simchowitz and the two have joined forces several times

L&GV could have played a part — not only does it own 43% of New Bernica but after pyramid company Waicor, it is W&A's largest shareholder with 8,9%.

While W&A and New Bernica appear content with the purchase, the attitude of SA minorities to the deal will be the opposite.

Although they had been warned that no offer to minorities of the SA companies would be made if AAF were acquired, investors were optimistic that the Johannesburg Stock Exchange might force such an offer

The share prices of the five companies were therefore pushed up to 185% higher between January and June

Williams, Hunt's price rose from 140c to a high of 400c, Aurochs from 300c to 700c, Autolec 200c to 425c, Cap Auto from 140c to 280c, General Tire A shares from 700c to R12, and its B shares from 665c to R12.

But Mr Glatt confirmed that the JSE committee has sanctioned the deal.

The worst off is perhaps Unisec, which holds 18,8% of General Tire and 11,6% of Williams, Hunt.

However, all that Unisec managing director Mr Peter Thomas would say was. "We have an investment in the group and we'll monitor the position closely. We'll take whatever steps we think are necessary to protect that investment."

Investors appeared unconvinced that the announcement spelt the end of their hopes of an offer to minorities Indeed, the share prices of all except Autolec and Aurochs firmed marginally on the news that the W&A consortium had secured control

Mr Glatt said that not only would the management of AAF be unchanged after the takeover, but so would the managements of the SA companies

Industry sources were sceptical about the statement, saying that few companies invested more than R20-million in a losing concern and did nothing to try to turn it around.

Cape Times 30/6/83

232

Van der Horst resigns from Anglo board

By BRENDAN RYAN

JOHANNESBURG — The resignation of the chairman of the Old Mutual, Dr Jan van der Horst, from the board of Anglo American Corporation is seen as a further step in the polarization between these two huge investment groups

Dr van der Horst resigned at the beginning of last week Both he and the Old Mutual's managing director, Mr Frans Davin, are overseas and could not be reached for comment yesterday

An Anglo spokesman said yesterday that the chairman, Mr Gavin Relly, greatly regretted the resignation of Dr van der Horst

Mr Relly had nothing further to add to this comment and was not available to be interviewed

Dr van der Horst was invited to join the board of Anglo by then chairman, Mr Harry Oppenheimer, in August 1980

He was one of five "outside" directors invited onto the board with the purpose of bringing in people whose experience had been gained outside the immediate field of Anglo's operations

Shareholding

The Old Mutual holds seven percent of Anglo but this shareholding is not enough to command a seat on the board and no other Old Mutual appointee will take Dr van der Horst's place

The resignation is believed to be the end-result of a growing conflict of interest between the business of Anglo and Old Mutual

This may go back back to the deal which put control of major food company Tiger & Sugar Holdings firmly in the Barlow Rand camp

Old Mutual recently swopped its stake in Tiger & Suger for Barlow's shares taking its Barlow holding to 24,8 percent which compares with an Anglo holding in Barlows of 13,4 percent

Consortium

It is believed this is one of the factors which led to the deal in May this year whereby control of South Africa's other major food group Premier went to a consortium of JCI Anglo and Liberty Life

The consortium also put their combined stake in South African Breweries into the new Premier group and Anglo, through its direct 20 percent stake in Premier and indirect stake through 39 7 percent held JCI has moved well ahead of Old Mutual as the largest shareholder in SAB

Two aspects of this deal would have upset Old Mutual After JCI they were the largest shareholders in SAB but were left totally out of this deal while it also revealed the growing relationship between Anglo and the Liberty Life insurance group

Restricted

Knowledge of the negotiations that took place over the Premier deal was probably restricted to the executive committee of Anglo's board of directors of which Dr Van der Horst was not a member

This action by Anglo may have been a major factor leading to his resignation when added to the growing conflict of interest between Anglo and Old Mutual that the deal represented

Another factor which may have influenced him is the possibility of a link-up between Liberty Life and Anglo American Life which, should it take place, would create a formidable competitor for the Old Mutual in its own field of business

The negotiations through which Old Mutual bought control of Rennies from Jardine Matheson followed close on the heels of the Premier deal

Inflated price

Old Mutual paid what was generally seen as inflated price for the shares and further made a fundamental change to its business philosophy by going for control

Previously it was content to take minority holdings in its investments The insurance group's minority holdings extend throughout the Anglo group and include 4,7 percent of De Beers, 6,2 percent of Anamint which is a major shareholder in De Beers, seven percent of Anglo, 6,9 percent of Amcoal, 6,4 percent of JCI, 7,3 percent of LTA, three percent of Southvaal Holdings, 2 percent of Rustenburg Platinum and 1,7 percent of Vaal Reefs

At the time of Rennies deal it was suggested by some observers that other institutions were bidding keenly against Old Mutual and that one of them was Anglo which would also not help Old Mutual's relationship with the mining house

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by Godfrey Heynes

232

Argument on liquor break-up rages on

Talks are continuing between Government and the liquor industry on the far-reaching Competition Board proposals which would largely undo the 1979 restructuring.

A break-up of Cape Wine & Distillers would be required to implement the proposals.

SA Breweries and KWV would have to withdraw from Cape Wine leaving only Rembrandt in the company, which in turn would have to get rid of one of the subsidiaries — either Stellenbosch Farmers' Wineries or Oude Meester.

KWV POWERS

The board said it found it difficult to accept that a statutory body such as the KWV with powers over production and prices should integrate its activities with only a single marketer and processor of its products.

KWV's appointment of Henry Tayler and Ries, a Cape Wine subsidiary, as the sole wholesale distributor in South Africa of its products had already been an example of the kind of abuse which could follow, the board said in its report

However, the KWV rejected the proposal to dissolve Cape Wine in its present form as "extreme" and its own withdrawal from the group as "a total blunder".

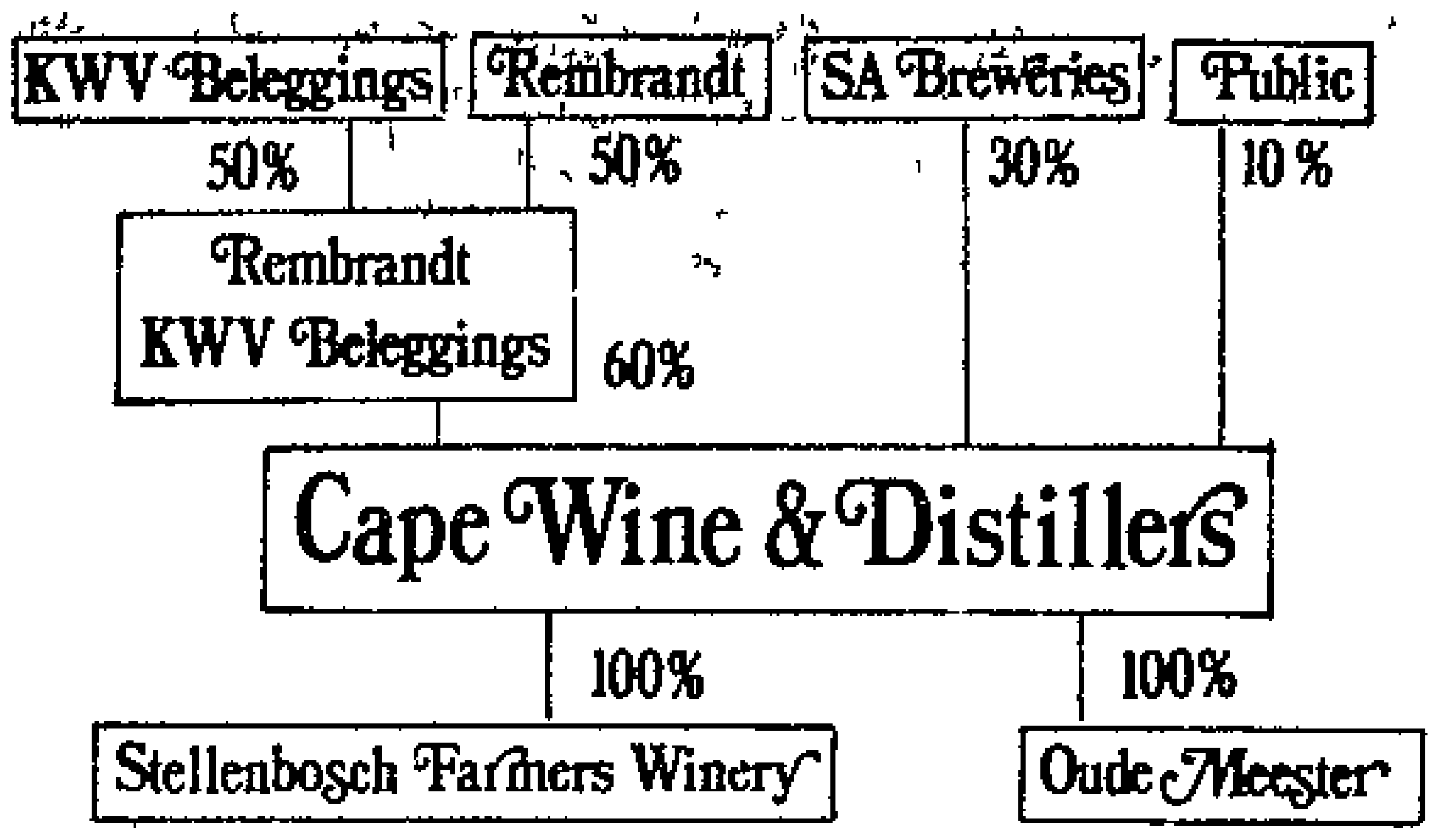
DOUBLE STANDARD

Cape Wine and KWV said that double standards had been applied by the board, which accepted SA Breweries' 100 percent monopoly in the beer market

SA Breweries has had no comment so far

However, proposals on grocers' licences could also affect its activities through its interest in OK Bazaars

Other proposals are as sensitive such as the sale of its Solly Kramer bottle stores within five years, instead of 12, as stipulated before.



The structure of Cape Wine and Distillers, now under Government scrutiny.

Examiners' Initials		

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

hand margin

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Anglo-Old Mutual rift widens

30/6/83

232

RDM

[illegible]

By BRENDAN RYAN

THE resignation of Dr Jan van der Horst, chairman of the Old Mutual, from the board of Anglo American Corporation is seen as a further widening in the rift between these two huge investment groups.

Dr Van der Horst resigned at the beginning of last week. Both he and the Old Mutual's managing director, Mr Frans Davin, are overseas and could not be reached for comment yesterday.

A spokesman said Anglo's chairman, Mr Gavin Relly, greatly regretted the resignation of Dr van der Horst

Mr Relly had nothing to add to this comment and was not available to be interviewed

Dr Van der Horst was invited to join the board of Anglo by Mr Harry Oppenheimer in August 1980

He was one of five outside directors invited on to the board The aim was to bring in people whose experience had been gained outside the immediate field of Anglo's operations

The Old Mutual holds 7% of Anglo, but this is not enough to command a seat on the board and no other Old Mutual appointee will take Dr Van der Horst's place

The resignation is the result of a growing conflict of interest between the business of Anglo and Old Mutual

This may go back back to the deal which put control of major food company Tiger & Sugar Holdings firmly in the Barlow Rand camp

Old Mutual recently swopped its stake in Tiger & Sugar for Barlows shares, taking its Barlows holding to 24,8%, which compares with an Anglo holding in Barlows of 13,4%

It is believed this is one of the factors which led to the deal in May this year whereby control of South Africa's other major food group, Premier, went to a consortium of JCI, Anglo and Liberty Life.

The consortium also put its combined stake in South African Breweries into the new Premier group and Anglo, through its direct 20% stake in Premier and indirect stake through 39,7%-held JCI, has moved well ahead of Old Mutual as the largest shareholder in SA Brews

Two aspects of this deal could have upset Old Mutual After JCI it was the largest shareholder in SA Brews, but was left out of this deal which also demonstrated the growing relationship between Anglo and the Liberty Life insurance group

Knowledge of the negotiations that took place over the Premier deal was probably restricted to the executive committee of Anglo's board, of which Dr Van der Horst was not a member

This action by Anglo may have been a major factor leading to his resignation when added to the growing conflict of interest between Anglo and Old Mutual that the deal represented

Another factor which may have influenced Dr Van der Horst is the possibility of a link-up between Liberty Life and Anglo American Life Should it take place, it would be a formidable competitor for the Old Mutual in its own field of business

The negotiations through which Old Mutual bought control of Rennies from Jardine Matheson followed close on the heels of the Premier deal

Old Mutual paid what was generally seen as inflated price for the shares and made a fundamental change to its business philosophy by going for control Previously it was content to take minority holdings in its investments

Old Mutual's minority holdings extend throughout the Anglo group and include 4,7% of De Beers, 6,2% of Anamint which is a major shareholder in De Beers, 7% of Anglo, 6,9% of Amcoal, 6,4% of JCI, 7,3% of LTA, 3% of Southvaal Holdings, 2% of Rustenburg Platinum and 1,7% of Vaal Reefs.

At the time of Rennies deal it was suggested by some observers that other institutions were bidding keenly against Old Mutual and that one of them was Anglo This would not have improved Old Mutual's relationship with Anglo

(232) 1/7/83

OLD MUTUAL/ANGLO AMERICAN

Drawing battle lines?

If Anglo American's directors were unaware of just how peeved the Old Mutual was over the Premier/SA Breweries deal (*Fox*, June 10), they have now been told in no uncertain terms Jan van der Horst, Old Mutual's chairman, has abruptly quit the Anglo board

Anglo was until very recently unaware of Van der Horst's intentions. In the latest directors' report, just published and dated June 28, it was said that though Van der Horst was retiring from the board by rotation, along with others, he was eligible for re-election Anglo's chairman Gavin Relly "greatly regrets" Van der Horst's resignation And in Van der Horst's absence in Zimbabwe there was no-one at Old Mutual's Pinelands headquarters to make any sensible comment One spokesman said that the insurance giant had no comment to make, but added that its chairman served on the Anglo board in his personal capacity, *not* as the Old Mutual's representative

Really?

Unless Old Mutual is planning on having another representative on the Anglo board, Van der Horst's resignation seems ridiculous The insurance group owns 7,2% of Anglo's equity, worth — at current prices — R400m. In addition, it has 4,7% of De Beers, worth R171m, 8% of Amcoal (R45m), 3,9% of Amic (R59m) and 6,2% of Anamint (R73m), as well as a swath of holdings in other industrial and mining companies in the Anglo stable With a representative on the main board, Old Mutual was well placed to be fully informed on the activities of companies forming a crucial part of its investment portfolio

Old Mutual has a responsibility towards its policyholders and that extends, in the view of many people, to being in close touch with the operations of its major investments Management of an investment the size of Old Mutual's in the greater Anglo group cannot be left to a clerk in the insurance company's investment research department

Could it be that Van der Horst's resignation is part of a deeper strategy? Old Mutual was not amused when it was told by Anglo that, if it did not like the Premier/SAB deal, it was free to change things by buying control of SAB on the market. A year or so ago it was strongly rumoured that Old Mutual was taking more than a passing interest in the Unisec/Sage row One of the aspects of that was Sage's attempt to have cross-holdings eliminated from voting control in the Unisec group Old Mutual's interest in the outcome of this court battle was indirect So, talk went at the time, the insurer reckoned that if cross holdings in the Unisec camp could be eliminated, so too could those in the Anglo/De Beers stable And that would leave control wide open

Off the board, Van der Horst has no obligation towards Anglo to tell its other directors if he is aware of major buying by Old Mutual

Perhaps this is placing too devious an interpretation on Van der Horst's move More simply, one can assume that he resents being outsmarted in the Premier/SAB deal After all, most of SAB's board members, including its MD Dick Goss, turned to Old Mutual for support when they threatened to resign if the 34% of SAB held by the Anglo/JCI/Liberty consortium was put into Premier

Furthermore, Old Mutual was probably doubly cheesed off that during the fight surrounding the Premier/SAB deal, it was not offered the opportunity of tossing its 11,7% of SAB into the communal pot

Now what?

There is plainly no chance of Old Mutual selling its shares in the greater Anglo group Along with most other insurance companies, it is hard pushed to find decent equity homes for its burgeoning cash flow. The fact that it was prepared to pay a surprisingly high R18,25 a share for a 52% controlling stake in Rennies underlines this

In any event, Old Mutual has bigger things to worry about. The association forged between arch-rival Liberty and Anglo during the Premier/SAB deal has longer-term implications which are far from attractive Anglo American Life has assets of R1,5 billion, while Liberty Life's are about R2,5 billion Together they are getting into the same ball park as the R5 billion-odd assets controlled by Old Mutual A merger of this size cou'd represent a major competitive threat.

The threat of a pitched battle between Old Mutual and Liberty was implicit, if not real, during the horse-trading which accompanied the Premier/SAB deal There can be little doubt that Old Mutual is now determined to give Liberty and Anglo American Life a run for their money If the competition for the insurance market becomes intense, don't be surprised if there is a spate of strategic mergers, particularly between the Anglo and Liberty camps

Jim Jones

Mutual's Van der Horst turns his back on Anglo's Relly

(232)

The Star/BUSIN

Now Dunswart is on the line

232

Star 1/7/83

By Duncan Collings

Dunswart Iron and Steel has joined the growing list of companies whose directors have warned shareholders of negotiations taking place which may affect the market price of shares

The company declines to say more at this stage other than to advise shareholders to be cautious in share dealing

Like other iron and steel producers, Dunswart has been severely affected by the local and international economic slump and, in the annual report for 1982, warned that 1983 would be a difficult year for the company.

It was forced to introduce short-time working during the last quarter of 1982 and the medium section mill was closed because of the severe recession in the steel industry which resulted in some lay-offs, black and white

The weak local and international markets were mostly responsible for a decline in sales to R84,7 million from R89,3 million and net results moved into a deficit of R2,9 million from a profit of R4,5 million the previous year

Plant utilisation was expected to be no more than 75 percent this year, but to improve in 1984-86

The one bright spot was the possibility of the company working with the German steel manufacturer Krupp in the installation of a Codir/Dunswart sponge iron plant at what would be one of the world's largest sponge iron producing facilities in the Philippines

At the year-end the consortium — which also includes Kawasaki and Marubeni — had a letter of intent for the 1,5 million tons a year plant, due for commissioning in 1985 If the order is confirmed it could significantly affect Dunswart, and it may be to this that today's announcement refers

Brokers told The Star today that trade in the stock had been fairly lethargic of late as "underlying fundamentals of the company are not good at the moment".

One broker said that at about 95c in April, the stock had been punted as a speculative recovery and had then risen to 120c, but "had now run out of steam "

232

NGLO AMERICAN

xpansion syndrome

tivities: *SA's largest mining house interests in mining, industry, and ance worldwide Apart from its own rating companies, the Anglo group trols JCI and has 30% of Consolidat- Gold Fields*

ntrol *De Beers has 38% of the equity, le effective control is held by the penheimer family through E Oppen- mer & Son*

irman: *G W H Relly, joint deputy rmen J Ogilvie Thompson and N F penheimer*

pital structure: *227m ords of 10c, 4 8m 6% cum pref stock, 40m red cum efs of R1 Market capitalisation. ,64 billion*

e market: *Price. 2 455c Yields 4,4% dividend, 11,4% on earnings, PE ra- , 8,8; cover, 2,6 1982-1983 high, 2 670c, , 885c Trading volume last quarter, shares*

Year to March 31

	'80	'81	'82	'83
ort-term (Rm)	4	12	11	11
ong-term (Rm)	1 718	1 637	1 370	1 724
ity ratio	0,32	0,25	0,27	0,21
holders interest	0,67	0,69	0,63	0,69
& leasing cover	7,9	7,1	5 7	4,9
cover	0,21	0,36	0,45	0,42

formance

	'80	'81	'82	'83
on cap (%)	5 3	7,3	10,5	7,5
nt profit (Rm)	436	712	867	925
(c)	233	384	341	284
(c)	70	110	110	110
asset value (R)	23,9	29 0	21 6	35 4

investors feel uncomfortable hold- Anglo's shares on current and near- prospective yields? After all, the e price is almost 2,7 times its level of a ago, the dividend yield is low, there is le likelihood of a significant dividend in- this year and earnings seem more ely to weaken this year than to engthen

ooked at this way, Anglo certainly ns expensive and the share could well in for some heavy selling pressure non-institutional investors when the as a whole comes off the boil The iculty with this sort of analysis is that, gh there are several major divisions in the group which are going through a h period, the group has lost none of its towards acquisitive growth

Apart from this, the market appears to ve decided that a low yield is acceptable the group sees a major improvement thin the next two years in those divisions which are currently laggards

Anglo ... deepening a wide range of interests

In many instances Anglo tends, for one reason or another, to hide its light under a bushel Take, by way of example, the recent purchase by a consortium comprised of Anglo, JCI and Liberty of 52% of Premier from Associated British Foods When this was followed by the injection of the consortium members' SA Breweries holdings and the up-coming formation of a new investment holding company by Premier, Anglo modestly pointed out that its interest in the consortium which controls Premier/SAB would not exceed 20%

In reality, of course, Anglo controls JCI, which in turn has a 40% interest in the consortium and no one is unaware where the real power lies For the moment, though, Anglo is happy to hold the reins relatively loosely But with its direct and indirect (through Amic) controlling interests in Tongaat-Hulett and the newly-acquired Premier stake, Anglo has effectively established itself as the major factor in SA's food industry

At the same time, the group has forged links (even if they are informal) with the Liberty insurance group, which could eventually result in a merger with Anglo's own insurance interests Such a development seems almost inevitable if only because any insurance group seeking to challenge the Old Mutual/Sanlam power bases probably needs to be larger than Liberty or the Anglo Insurance arms alone On the other side of the coin, control of Liberty would provide Anglo with a new source of capital

The Premier deal tends to overshadow the group's other major acquisitions Nevertheless, they were substantial last year Most important, perhaps, was the purchase of an additional 3,1% of De Beers, which lifted the Anglo group's holding to 34,2% Anglo may very well have felt compelled to top up its De Beers stake as another aggressive buyer was in the market and apparently threatening control Be that as it may, the incident did underline Anglo's ability to move decisively when necessary The same applies to the acquisition of the residual Chrysler holding in the troubled Sigma motor company and the increased investment in Samancor which further deepens Anglo's interests in the ferro-alloys industry

Outside SA similar moves were afoot Control of the North American interests has been tightened by the pooling of the US interests of Minorco and Hudbay, there is wide speculation that further moves are to be made on Consolidated Gold Fields by Minorco; Charter went on a buying spree, and Ambras increased its stake in the Brazilian bank Bozano Simonsen

There is always some risk in projecting current trends But Anglo appears to be firmly set on effecting a number of deals which consolidate or establish its position in carefully-chosen sectors. So it seems logical to assume that further moves along the acquisition and merger road will be made in the near future

While these developments are providing additional or alternative growth bases, the stage seems to be approaching at which many of the group's operations will start reversing the downward trends which have characterised recent profits Sigma is an obvious case in point Its new management promises a return to profits next year Highveld's recovery may be further ahead, as may be an end to the problems currently exercising Amcoal's management's mind. But the all-important diamond market is improving steadily, while, despite technical setbacks, gold is established in a bull trend.

The danger is that the rand will strengthen against the dollar as the gold price advances and limit any advantages the gold and diamond interests derive from improving markets If so, further deterioration in the group's industrial interests ahead of an economic recovery in this country could be large enough to cause another reduction in Anglo's attributable earnings which gold and diamonds will be unable to reverse If this is the case, the rate of recovery could well be little short of spectacular in financial 1985

232 210 FT 1/7/83

On balance, Anglo's share price seems to have moved ahead too fast — the market appears to have been over-enthusiastic in its expectations of recovery prospects within the group. This, though, is insufficient reason for medium-term holders not to sit tight. Earnings and dividends should be moving strongly ahead in the next financial year. Anyone thinking of buying, however, should consider whether better opportunities will arise when the present bull market loses its head of steam.

Jim Jones

232

A layman's guide to the

Big Busin Power Ga

2/7/82

THE resignation of Dr Jan van der Horst, chairman of Old Mutual, from the Anglo American board of directors, is the surface manifestation of a far deeper and far-reaching clash of the giants

An analogy can perhaps be drawn with the gunfighters of the Wild West, with An d Mutual reaching the Where South Africa big enough for both

There are obviousl participants in the show such as Sanlam, Rembrandt, Barlows and Liberty, but at the moment the focus is on Anglo and Old Mutual

Sanlam, through its control of Gencor, is already an established competitor of Anglo on the mining and industrial fronts, while Rembrandt, although it has strong ties in banking and insurance, through Volkskas and Legal & General, is a relative newcomer to the fight for control of industrial South Africa

Barlows is firmly in the Old Mutual camp, and is a head-on competitor with Anglo in areas such as mining (Rand Mines), food (Tiger), sugar (CG Smith) and heavy engineering

Liberty is probably the one company among the bigger groups that will feature prominently in the next round of the confrontation between Anglo and Mutual

Anglo American's life arm is way down on the list of major South African insurers, and Liberty, with assets of about R2 500-million is well short of the big two insurance companies — Mutual has assets of more than R5 000-million and Sanlam's assets total about R4 000-million.

A merger of Anglo's life business and that of Liberty would put the merged operation very much in the big league, probably edging out Sanlam and about R1 000-million short of Mutual in terms of total assets

While other areas of competition are obviously of concern to Anglo and Mutual, the insurance company must react directly to any intrusion on its own domain, so that if Anglo does do a deal with Liberty, there will be no possibility of a reconciliation between Mutual and Anglo

Long-time protagonists, the rift between Anglo and Old Mutual is indicative of the extent to which ownership of the South African investment cake has already been claimed

What is now happening is a desperate fight for the remaining slices

An observer remarked recently that there seemed little point in the big institutions gobbling up all the smaller companies, as the time would come when the authorities, in the form of the Monopolies Commission or the Competitions Board, would take their cue from the American anti-trust legislation and force the giants to dismantle their huge Lego sets.

DR JAN VAN DER HORST ... position untenable.

JOHN MULCAHY looks at the increasingly acrimonous struggle for superiority between the

The point, said a stockbroker, is that there will be even more money to be made when the huge groups are dismantled

It is commonly held that the links which bound Anglo American and Old Mutual really started feeling the strain when Mutual and Barlows restructured the shareholding of Tiger Oats, to give Barlows direct control of the food group and Mutual a bigger stake in Barlows

Anglo was undoubtedly upset about this deal, as its own aspirations in the food industry were no secret, and the subsequent deal on Premier gave Anglo the stake it had been after in the food industry

But the roots of the rift could stretch further back, into the middle of last year, when strong rumours were circulating on a possible outside bid for control of De Beers

At the time Rembrandt was rumoured to have designs on De Beers, and Mutual was said to be a willing ally

Although neither Anglo nor De Beers commented on the speculation at the time, it emerged late in October that Anglo had bought another 10-million De Beers shares, presumably to fend off unwanted predators, including Mutual and Rembrandt.

This would have been another thorn in Anglo's side, and a stern warning that Mutual should be regarded as a staunch competitor, and no longer an ally

In May this year, when control of The Premier Group was brought back to South Africa by a consortium comprising Anglo, Liberty and Johannesburg Consolidated Investments, it was said that the deal was concluded to bring back to South Africa a valuable and strategic asset

This was indeed true, and no-one can deny the inherent value of a controlling stake in one of the country's two food giants.

But it was the second leg of this deal, almost dismissed as an afterthought by the consortium at the time, that really set the cat among the pigeons, and threatened to widen the Anglo/Mutual rift to a chasm

Officially, the consortium gave the reason for it sion of South African eries in the second Premier deal as a option

By pooling their holdings in SAB, the tium ended up with 34% of the giant consumer group, the biggest individual holder, and effect troller of the group

But left on the was Old Mutual, wh the Premier deal was gest shareholder in SA JCI

There had been an ten agreement tual and the Anglo (which controls their shareholding in the effect that if

58 ~~238~~ ~~210~~

RDH 2/7/83

? Sth Sun

n's guide to the Business wer Game

... position untenable.

at the increasingly acrimonious struggle for superiority between the business giants of South Africa

when strong rumours were circulating on a possible outside bid for control of De Beers

At the time Rembrandt was rumoured to have designs on De Beers, and Mutual was said to be a willing ally

Although neither Anglo nor De Beers commented on the speculation at the time, it emerged late in October that Anglo had bought another 10-million De Beers shares, presumably to fend off unwanted predators, including Mutual and Rembrandt.

This would have been another thorn in Anglo's side, and a stern warning that Mutual should be regarded as a staunch competitor, and no longer an ally

In May this year, when control of The Premier Group was brought back to South Africa by a consortium comprising Anglo, Liberty and Johannesburg Consolidated Investments, it was said that the deal was concluded to bring back to South Africa a valuable and strategic asset.

This was indeed true, and no-one can deny the inherent value of a controlling stake in one of the country's two food giants

But it was the second leg of this deal, almost dismissed as an afterthought by the consortium at the time, that really set the cat among the pigeons, and threatened to widen the Anglo/Mutual rift to a chasm.

Officially, the consortium gave the reason for the inclusion of South African Breweries in the second leg of the Premier deal as a financing option

By pooling their respective holdings in SAB, the consortium ended up with about 34% of the giant liquor and consumer group, collectively the biggest individual shareholder, and effectively controller of the group

But left on the sidelines was Old Mutual, which before the Premier deal was the biggest shareholder in SAB after JCI

There had been an unwritten agreement between Mutual and the Anglo group (which controls JCI) over their shareholding in SAB, to the effect that if either party ever decided to dispose of its stake in SAB the other would have first option over the shares

How far this agreement actually stretched and to what extent it was legally binding is not generally known, but that Mutual treated the consortium's deal on SAB as a slap in the face is undoubted

The Mutual's deal with Hong Kong conglomerate Jardine Matheson, in which it bought control of Rennies, was said by some to have been a knee-jerk reaction to the Premier/SAB deal, but even if this was not the case, the price paid suggested some motive not immediately apparent.

Will Mutual use Rennies, and particularly Holiday Inn as a direct assault on SAB subsidiary Holiday Inn? Or will Mutual try to swop a stake in Holiday Inn for additional SAB shares?

Even the Rennies deal was not without some of the acrimony and distaste that seems to be a feature of the Anglo-Mutual relationship of late

The reason for Mutual having to pay what many regarded as an exorbitant price for Rennies was due to the appearance on the scene of a competitive bidder — as word has it, none other than the mighty Anglo/JCI

The battle lines are drawn at the top of Anglo and Mutual, but may take longer to unfold lower down the scale, because of the widespread crossholdings and alliances throughout industry

What is clear is that Dr Van der Horst found his position as a director of Anglo American untenable for a number of reasons

- Mutual's strong position in Barlows, especially after the deal on Tiger, must have made Dr Van der Horst's position on the Anglo board untenable
- The effective takeover of South African Breweries was engineered by the Anglo executive committee behind the board's back
- The strong possibility that Anglo and its connections pushed the Rennies price, forcing Old Mutual to pay a high price for the shares
- Anglo must have a natural desire to have the market leadership in any sector in which it operates, and this includes insurance A merger of Anglo American Insurance with Liberty would put Anglo/Liberty within range of Mutual's market leadership

For the future, most of the really big areas of South African business have been accounted for

Anglo is the biggest South African shareholder in Barclays — Mutual has a significant stake in Nedbank Standard Bank has been close to Liberty since its inception, Volkskas is close to Rembrandt and Trust Bank is owned by Sanlam

Anglo has Anglo American Insurance and a possible link with Liberty — Mutual is the country's biggest life assurer and then comes Sanlam

In engineering, Anglo has Amic — Mutual has Barlows

In food, Anglo has Premier — Mutual has Tiger

In hotels, Anglo has Southern Sun — Mutual has Holiday Inn.

In sugar, Anglo has Tongaat — Mutual has CG Smith

In paper, Anglo has Mondi, Sanlam, through Gencor, owns Sappi

Any major asset that becomes available in future is likely to be subject to a tooth-and-nail battle for control, and even companies that now pride themselves on their independence will find that everything has a price

This was underlined by the price Mutual paid for Rennies, and now that such parameters have been established, battles in future will be fought at high prices

3/7/83

S. Times

232

Another move in 'battle of banks'

By Julian Kraft

THE acquisition by Bank Holding Corporation of SA (Bankorp) of short-term insurance brokers Hoeveld Makelaars puts the spotlight on the back-door approach the group is applying in the fierce "battle of the banks"

Hoeveld is Bankorp's second such acquisition in the past 18 months It bought Plus Makelaars early last year, and brought it under the same umbrella as its own short-term broking company, Sancura.

The three companies serve numerous staff associations representing the public service, hospital personnel, the police, defence force and others — a total of 150 000 individual consumer members

The group has close links with several large independent short-term brokers.

Bankorp has adopted a relatively "soft sell" approach in wooing consumer money into Santambank and Trust Bank.

It applies a cross-marketing strategy through provision of a wide spectrum of financial services to consumers — incorporating insurance, life assurance, finance, banking and trust-company services

■ ■ ■

"We have gone a long way down the road of cross-marketing and are happy with the progress we have made," Stoffel Erasmus, managing director of Bankorp and chairman of its non-banking subsidiaries, tells Business Times

Short-term insurance is seen as the starting point from which customers are introduced to the other financial services of the group, including those offered by the banks

By this referral process Santambank, the group's main consumer bank, wins many new customers with minimum effort.

The profitability of this approach is further enhanced by Bankorp's concentration on broking concerns serving staff associations, thus enabling it to offer group schemes with the dual benefit of reduced rates to the consumers concerned and profitability on a par with other banks

"People identify with a group that can meet all their financial requirements," says Mr Erasmus.

"The bank has the benefit of lower marketing costs, and so gives preferential rates.

"The market for group schemes has expanded rapidly in the past 10 years as insurance people have realised the need to give people insurance at low rates."

Property portfolio now at R40-m

COMMERCIAL Union is fast expanding its property portfolio, which has now reached the R40-million mark.

The two latest and most important development projects on the drawing board for next year are worth nearly R30-million.

- **A R15-million office development financed by the institution on behalf of the advertising and PR company BBDO, which needs new headquarters in Sandton by 1984 with 11 000m^2 of office space.**

"This is probably the most ambitious office project for a sole tenancy now going up outside the CBD," says Commercial Union's Roger Wanless.

- **A R14-million office park is being constructed at Bedfordview's Pellmeadow Estate, which will come on stream in 1984 with 11 000m^2 of office space spread over three buildings.**

Truck tyr

comes und

SOUTH Africa's R240-million retail truck tyre market has been attacked by the world's leading tyre manufacturer, Michelin, which claims there is an abysmal lack of knowledge in the local repairing and retreading industry.

Michelin SA, part of Sigma Power, which imports the country's widest range of heavy truck steel belted radial tyres, is critical of the low standard of tyre maintenance throughout the country.

"Millions of rands are lost through sheer negligence," says the company's factory and technical manager, Bob Harrison.

"Sophisticated imported tyres, costing more than R500

Compact

By Julian Kraft

WITH clear signs that the hi-fi market is about to break out of the doldrums and move into an extended period of renewed growth as a result of the recent introduction of the compact disc, Bromain Holdings subsidiary Teltron is preparing for an aggressive attack in this area.

Teltron is one of the leading suppliers of sound systems in South Africa.

Tomorrow it will introduce a video recorder under the

Cape Times 4/7/83 232 ~~275~~ ~~784~~ ~~280~~

Gencor becomes biggest shareholder in Samanco

By JOHN MULCAHY

JOHANNESBURG — Gencor has become the biggest shareholder in Samancor and Iscor has acquired Hlobane Colliery and Dunswart Iron & Steel in a series of deals that have arisen out of the dispute between Iscor and Trans-Natal over coking coal supplies

The dispute, which culminated in an announcement by Trans-Natal 10 days ago of its intention to close the Hlobane colliery in three months, a statutory requirement, is believed to have centred on the price of coking coal supplied to Iscor from Hlobane.

Although neither Trans-Natal nor Iscor has been prepared to discuss in detail the reasons for the dispute, some industry sources have pointed to the high price charged by Trans-Natal for the Hlobane product, and the apparent inclusion of debt servicing and other controversial items in the basis for the mine's fixed costs

The wrangle came to a head when Iscor unilaterally refused to accept delivery of Gus seam coking coal from Hlobane, which in turn caused Trans-Natal to question the feasibility and extent of further deliveries of Dundas-seam coal

Gencor then entered the discussions, and as managers of Trans-Natal, arrived at the complicated settlement Apart from the transfer of various assets between Iscor, Gencor and Trans-Natal, the parties have agreed to waive all claims they may have had against each other arising from the dispute

Resolution of the dispute leaves Iscor with the mine and a guaranteed supply under its control, and Gencor with the valuable stake in Samancor, but the advantages to Trans-Natal are not as obvious

The notice given to the Minister of Mineral and Energy Affairs placed the jobs of almost 5 500 workers in jeopardy, and threatened further hardship for the depression-struck towns of Newcastle and Vryheid

In terms of the deal struck between Iscor and Gencor, the mining house will first acquire Hlobane colliery from Trans-Natal at net asset value, and then transfer that interest to Iscor

Iscor will also receive from Gencor its controlling interest in Dunswart Iron & Steel Works, and Gencor will acquire 50,25 percent of the issued capital of African Metals, whose sole asset is about 59 200 000 shares, equivalent to 39,6 percent, of Samancor

The total value of these transactions is R92 300 000, equivalent to 310c a Samancor share

In return for Hlobane, Trans-Natal will receive certain coal mining rights, now being exploited by Trans-Natal but owned by Gencor Gencor will also assume some of Trans-Natal's loan obligations

A value of R69 900 000 has been placed on the Trans-Natal leg of the transactions

Dunswart minorities will be offered 185c an ordinary share, 100c for every 10,5 percent redeemable cumulative preference share, 120c for every six percent cumulative preference share, 120c for every six percent second cumulative preference share and par value for all 14 percent unsecured debenture stock.

Gencor holds about 56 percent of Dunswart's ordinary share capital, and the Dunswart is valued at just over R20m in terms of the offer to minorities

Merchant banks Barclays, Senbank and Finansbank advised on the deal for the various parties

Mutual buys R1m Checkers prefs

CAPE TIMES 5/7/83 232

By PAUL DOLD
Financial Editor

THE Old Mutual unit trust has bought some R1m Checkers convertible prefs and appears to be taking the view that the worst may be over for this store group

While the latest acquisition was disclosed in the trust's June quarterly report, market analysts are not discounting that the Mutual may in fact have picked up more shares and could emerge with a sizeable stake in Checkers

Market value

There are no indications at this stage that a battle for control could emerge between the Mutual and the Kirsh camp The stake could merely be a long-term investment

The Mutual's quarterly report said that 300 000 prefs with a market value of R1 050 000 were bought in the past quarter — the first time that Checkers has appeared in the portfolio.

Signals

Checkers managing director, Mr Gordian Utian, who was unaware of the Mutual purchase said last night that Checkers was progressing very nicely and should do more than break even in the new financial year just started

"Trading conditions are still very tough but in the last three or four months there have been better signals on turnover with the group having stabilized."

Thus far Mr Utian who moved into Checkers 14 months ago has been cleaning up the operations and no new stores have been developed

The first new store opens at Emmarentia Johannesburg this week which in itself suggest a more encouraging phase is underway and another 10 stores are planned this year

"We are marketing, cleaning and pushing the company forward," Mr Utian says

Checkers has withdrawn from its Big D hypers which have been turned into Checkers hyper stores and sold most of the six convenience Check-In stores Most of the department stores have been sold

"We are trading nicely and well on the road to recovery The economy and particularly the drought are however making trading difficult. Costs are rising with margins under and competition is strong But I think we can claim to be leading now and not following

Key concern

"The bottom line is still a key concern but we are hoping to be in profit this financial year and we cannot at this stage see any reason why we should not be firmly in profit," Mr Utian says

Checkers' results for the year ending June will be available in August but the figures will be purely academic, reflecting the continued pruning in the past year

Mr Utian says it will still take some six months before all the skeletons are finally removed but nothing major is likely to be found

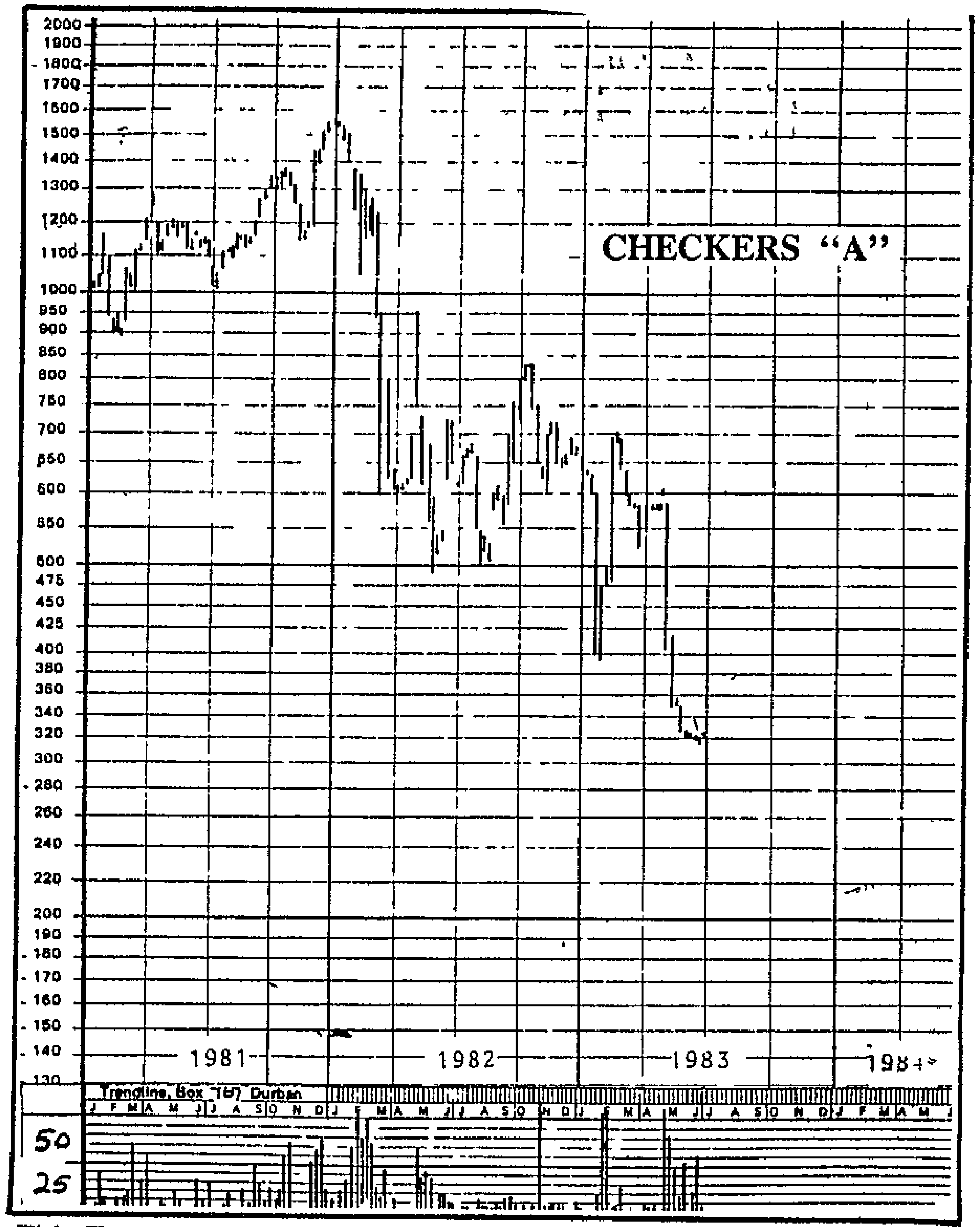
The pref shares are convertible into ordinaries at R3 a share in 1986

New acquisition

Another new acquisition for the Mutual unit trust was a parcel of Dorbyl with 28 000 shares at a market value of R210 000 being bought

At the end of the June quarter the fund had a portfolio value of R273,2m, well up on the March R234,7m, with the fund liquid — some 19 percent of funds or R50,4m is available for investment.

It was an active quarter for the fund with several holdings being increased but there were no sales These included Afrox (31 300 shares), Gefco 64 700, Volkskas 23 700, Sasol 72 700 Russels 38 700, Protea 57 500 Some 14 400 Metkor, 10 700 Placor, and 11 100 McCarthy were added Among the mining sector the holding in Angvaal was topped up by 1 500 (A's)



This Trendline graph shows the sharp fall in Checkers "A" shares over the past two years.

232

~~187~~

~~216~~

RDM

5/7/83

Gencor stymies Anglo

By BRENDAN RYAN
Mining Editor

GENCOR has pulled off a major coup in gaining control of SA Manganese Amcor (Samancor).

News of the development took Anglo American Corporation, previously the largest private shareholder in Samancor, by surprise.

The Anglo directors who sit on the board of Samancor yesterday held a meeting to assess the implications of the move which has ended any plans they might have had for gaining control of the manganese and ferroalloy producer

Anglo and General Mining were keen bidders in 1977 for Iscor's 40% stake in Samancor, but then Minister of Economic Affairs, Mr Chris Heunis, ruled that Samancor must remain under Iscor's control

They sought control of Samancor since then and Gencor has won through the deal announced at the weekend in which it traded Hlobane colliery and 70% of Dunswart Steel for 50,25% of Iscor subsidiary African Metals, which in turn holds 39,6% of Samancor

Gencor now has control over Iscor's 39,6% stake as well as a direct 7% holding in Samancor

In addition, a Gencor investment company, UC Investments, holds 1,4% of Samancor The Iscor pension fund has more than 2% to take the total percentage held by Gencor/Iscor to more than 50%

Mr Tom de Beer, Gencor's executive director for finance and Mr Floors Kotzee Iscor's managing director, said yesterday that the two corporations had an informal arrangement to maintain control of Samancor between them and this agreement had been in existence for several years

Asked whether Anglo knew of this arrangement, Mr de Beer said "I don't know"

An Anglo American spokesman refused to comment on the deal or its implications

The course of action followed by Anglo since its offer for Samancor in 1977 was overruled would indicate it did not know of the arrangement.

After the failure of the 1977 bid Anglo set about developing its own manganese mine, Middelplaats Manganese, which it then sold to Samancor at a book loss for 9-million Samancor shares

This brought Anglo's stake in Samancor to 24,6% which it increased by buying shares until it reached 29 8% at March 31 this year

Gencor has also been buying Samancor shares in the market over the past year, increasing its holdings from 8 774 000 at December 31, 1981, to 10 480 000 at December 31, 1982

Anglo has three directors on Samancor's board — Mr Graham Boustred, chairman of Amcoal and Amic: Mr Leslie Boyd, chairman of Highveld Steel, and Mr Alan McKerron, head of Anglo's new mining business division

Gencor will now appoint its own directors to the Samancor board

The deal had its roots in a dispute between Gencor and Iscor over reductions demanded by Iscor from Trans-Natal's Hlobane colliery near Vryheid

Gencor retaliated with the threat of a law suit over the supply contracts it held with Iscor

Mr de Beer said. "It was a very difficult situation Iscor needed the coal and they had to either take over the colliery or face a law suit.

"The Samancor holding was an obvious exchange asset and from our side Dunswart Steel is a small producer restricted by the controlled steel price and by lack of space for expansion.

"Iscor, however, gains more flexibility in its operations on the Reef through Dunswart."

Mr de Beer and Mr Kotzee said they were pleased with the deal and with avoiding legal action

COMMENT· Gencor is the clear winner in this deal, grabbing control of Samancor in exchange for a high production cost colliery whose fortunes were tied to Iscor and a steel producer with a restricted life

Samancor has good prospects when the benefits of the recovery in the Western economies come through' However, its current price of more than R3 a share reflects the fight between Anglo and Gencor for control and cannot be justified on fundamentals.

In the longer term Trans-Natal will be affected by the loss of earnings from Hlobane Any detrimental effects on Iscor will probably be met by the taxpayer

---

Dollar strong after M-1

LONDON. — Gold was little changed and the dollar rose in quiet markets yesterday.

Gold was fixed at $416 in London in the afternoon and the morning Friday's second fixing was $416,25

Hong Kong gold dropped 73c to close at $417 33 Trading was dominated by exchange-rate changes especially in US/HK dollar trading Chartists noted some resistance around $416,50

News of a $600-million increase in the US weekly M-1 money-supply figure against an expected fall meant there was no follow through in London to the rally in US futures late on Friday Markets had predicted a drop of up to $2 000-million in M-1

The dollar rose in New York on Friday and in the Far East and Europe as the M-1 figure took markets by surprise

Dealers are awaiting the reopening of US markets today before taking a view on the figures in relation to growing signs of a US economic recovery and forecasts of lower US prime rates by the end of the year

The dollar gained against the yen, closing in Tokyo at 240,15 after being traded at 240,80 at one point — nearly two yen to the dollar more than Friday's close of 238 95

Sterling firmed in London along with the dollar

Trans

By ALEX PETERSEN

CAPE TOWN — Trans Hex group's taxed income dropped to R1 548 000 in the year to March 31 from R1 607 000 in 1982

The directors say that in times of relatively depressed diamond prices policy is to continue with normal diamond mining and exploration, but to limit sales to finance operational requirements and to maintain dividends

Diamond stocks are R2 489 00 compared with R1 610 000 at the 1982 year-end

lower
on the
value.

Net
from
mine
ration
from
and tax
to R1
ferred
R820 000

The
on the
although
in the
will
lising

F
fi
e

By

has
32,5c
50c
yield
terday
R10,5
Net
year to
most
R1 908
the year
in the
The
reversal
possible
of
which
income
This
with a
from
share
1981-82
The
before
(R2 333
boost
from a

UK reserves

RDM 232

7/7/83

M&R buys R21m stake in Gillis-Mason

By STEVE ELLIS

IN AN effort to play a more dominant role in the heavy engineering sector, Murray & Roberts has bought 60% of the Gillis-Mason Civil Engineering group for R21-million

Settlement will be in cash and the deal became effective from the start of this month

M&R has bought the 14% in Gillis-Mason held by Volkskas Merchant Bank, and the other 46% from existing management Gillis-Mason's management will retain 40%

Volkskas says "the acquisition by M&R will not affect the position of any of the management of Gillis-Mason, who will continue to manage the group as in the past"

Gillis-Mason is active in power-station construction — last year it was awarded an R80-million contract to build part of Escom's Kendal power station — and has extensive interests in other heavy-engineering fields

Investments are also held in allied industries

Gillis-Mason's turnover totalled R83-million in the year to last December, on which operating profits were nearly R11-million Taxed profit was more than R6-million

If the acquisition had become effective from July 1982, M&R's earnings would have been 89c — 4,7% higher than the 85c a share achieved However, the group,net asset value would have been 7,6% lower at 715c (774c)

The chief executive of M&R's supplies and services division, Mr Andre van der Colff, said the R21-million price — it values the entire group at R31 500 000 — was not unduly high

He said the price might look expensive if compared to the R34-million total asset value But when compared with its earnings ability (the R6-million 1982 profit gives a P E of about 5,2 times) the price was fair

Mr Van der Colff said there were two main reasons M&R bought the company

- Gillis-Mason operated in a market in which M&R had not been dominant for the past couple of years, and M&R wanted to participate in large projects such as those offered by Escom
- Gillis-Mason had a "fairly substantial forward order book, standing at about R300-million for the next four or five year" M&R's order book had suffered from the sharp downturn in construction work and "it now stands at less than Gillis-Mason's"

The R21-million payment would be made from "normal facilities" and was not expected to cause any liquidity problems

COMMENT: Market observers thought that after M&R's previous venture into heavy engineering — the Amardah Shipyards joint venture with Darling & Hodgson — the group would have been happy to leave that side of the business alone

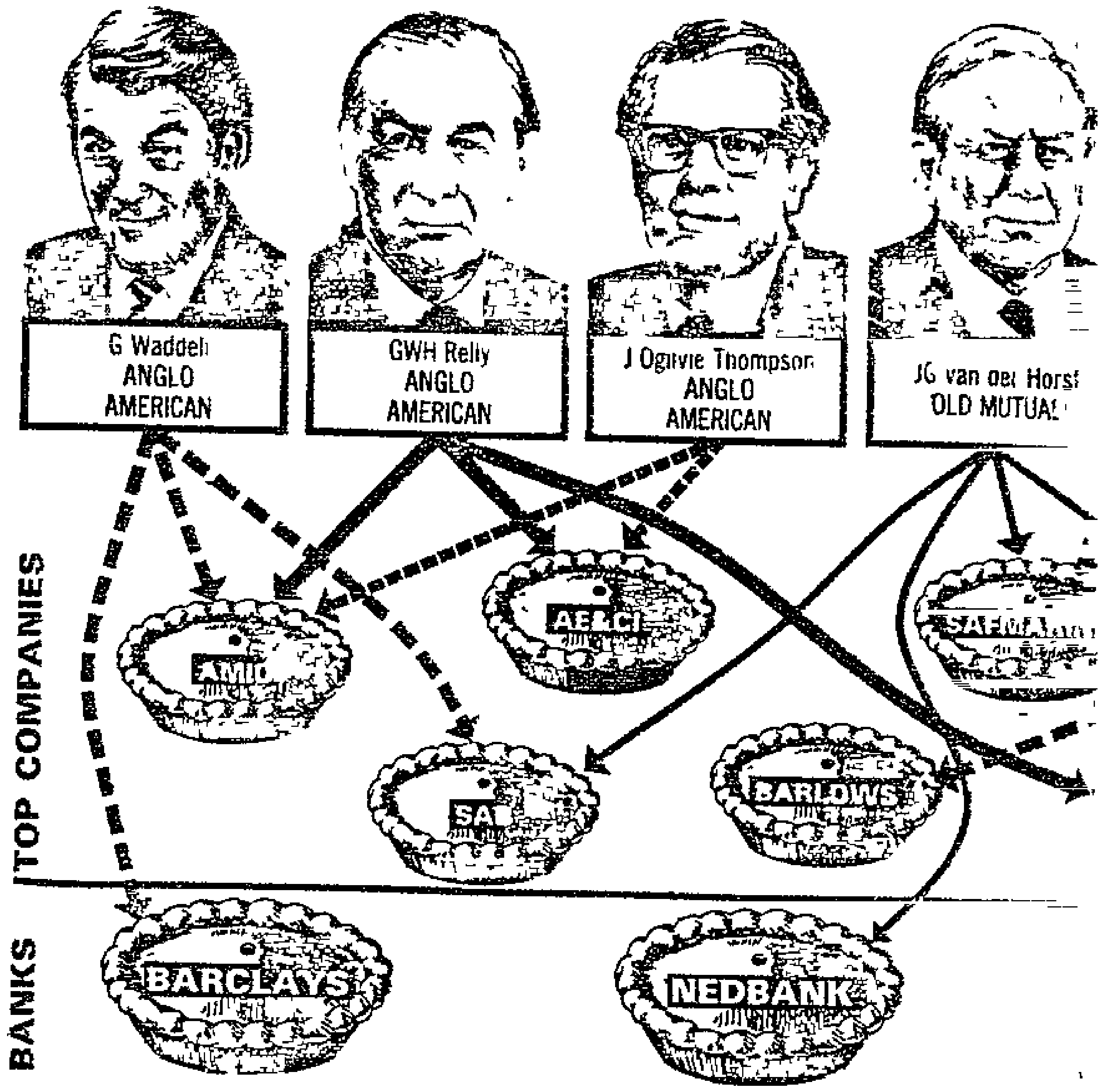
M&R has shown that that is not the case and the Gillis-Mason acquisition looks like a good deal — in spite of the hefty goodwill payment included in the price

Everybody knows that, nowadays, if you want something, you've got to pay for it Ask Old Mutual

232

How SA giants

THE LINKS IN A POWER CHAIN BINDING LOCAL INDUSTRIALISTS



INTERLOCKING directorships and cross-holdings of shares have welded South Africa's top corporations into a single industrial empire that ranks among the most powerful in the world

By [illegible] Business Editor

The extent of the concentration of power was disclosed this week by an article published in the influential Investment Analysts Journal.

It disclosed that five of the top 20 companies have three or more directors on the boards of one other company in the same select group.

Two have directors in two other companies in the top 20, and four have directors on the boards of three other top-20 companies.

"Control of most of the large industrial corporations in this country may be said to be concentrated in relatively few hands and the link between this controlling core and the financial institutions is strong," says author Fiona Halse, a lecturer at the University of Natal.

What is more, says Ms Halse, the mergers are getting bigger.

"The big fish are no longer chasing the minnows, they are eating one another."

Further research by the Sunday Express shows that, as expected, Anglo American Corporation has representatives on the boards of five of the top six industrial companies in the country.

It has one on the Barlows board (Gordon Waddell), one on SA Breweries (Gavin Relly, newly elected chairman of Anglo American), and one on Sasol (Julian Ogilvie-Thompson). It controls the board of Anglo American Industrial (Amic) and has two directors on the AECI board (Relly and Ogilvie-Thompson).

Another figure in the power rankings is Old Mutual's ubiquitous chairman, Dr J G van der Horst, who serves on the boards of no fewer than four of the top 12 — Barlows, Sasol, Tiger Oats and Safmarine.

Often regarded as purely an insurance vehicle, Old Mutual actually controls a cash flow of more than R2-million a working day and therefore wields enormous influence in the financial world.

However, while it has board representation on these, and other, companies it has not followed a policy of gaining control — unlike its main rival Sanlam which wields vast and direct power.

A more shadowy figure in the power elite is Mr George MacMillan, chief executive of Rio Tinto, who sits on the boards of Barlows, Sasol, the Natal sugar group CG Smith, and Safmarine.

While there appears to be no formal link between Barlows and Breweries, Barlows chief Mike Rosholt appears on the list of SAB directors and Breweries managing director Dick Goss sits on the Barlows board, along with three other joint directors (See table).

An interesting facet to emerge from investigation into this tangled web is the sharp division between the English and Afrikaans business sectors.

Sanlam is the predominant force in Afrikaans business, with both Dr A D Wassenaar and Dr Fred du Plessis appearing among the directors of Federale Volksbeleggings, a Sanlam subsidiary.

Mr Frans le Riche serves on the boards of both Sentrachem and Federale Volksbeleggings, both companies in the top 10.

Dr Wassenaar, who was chairman of Sanlam, has retired, but it is not known if he has relinquished his directorships.

The industrial giants are also closely linked to the banks. At least seven of the top 10 have directors on the boards of major banks.

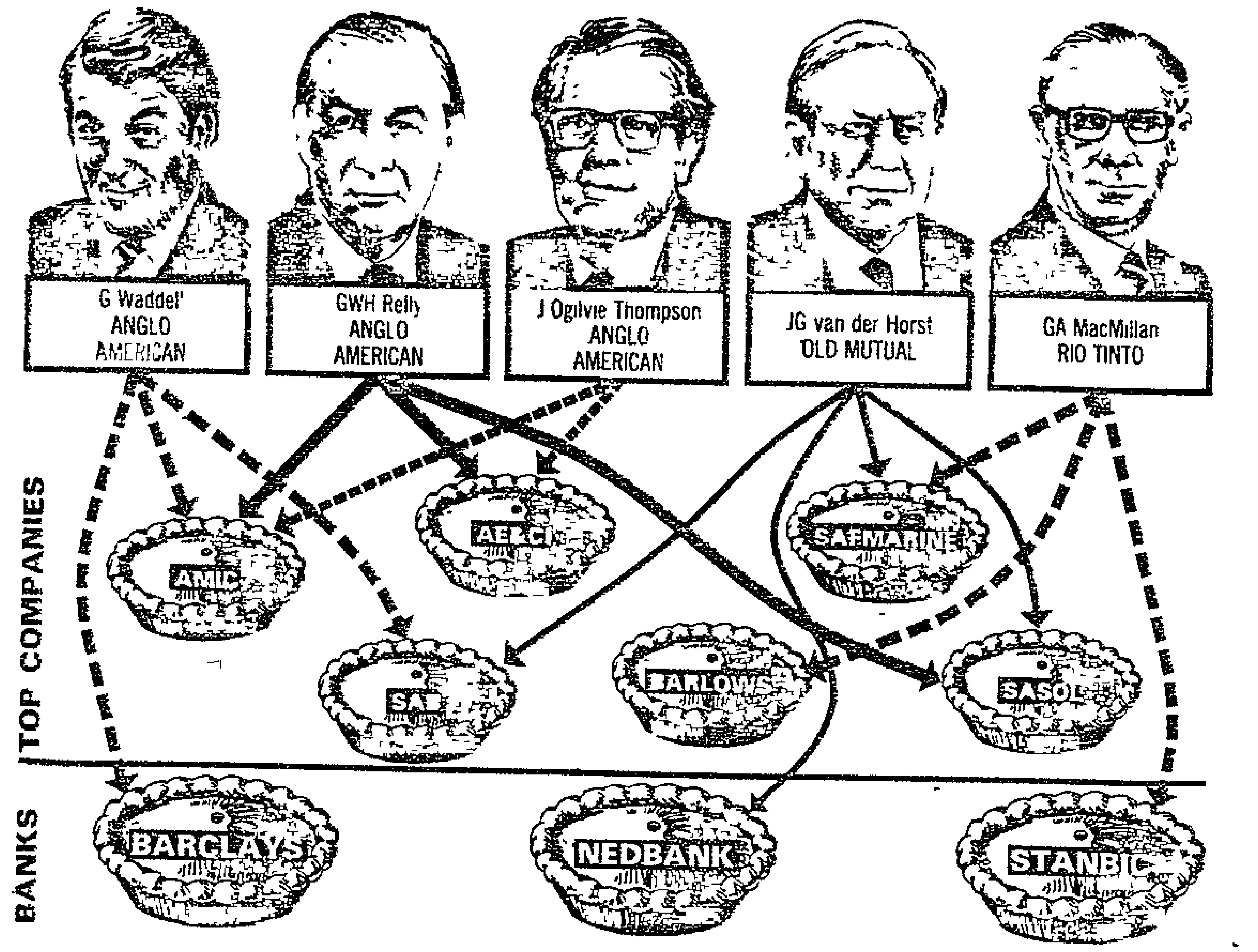
- ● Bankorp has Dr Wassenaar and Dr du Plessis, both of Sanlam, on its board
- ● Trust Bank has Dr du Plessis on its board
- ● Barclays has Julian Ogilvie-Thompson, Mr Nickolas Oppenheimer and Mr Gordon Waddell from the Anglo group, Mr Basil Hersov of Anglo Transvaal Industries and Mr Tony Bloom, chairman of 16th-ranked Premier Group
- ● Nedbank has as its chairman Dr Frans Cronje, who also sits on the Barlows and Breweries boards, Dick Goss of Breweries and Mutual's Dr van der Horst. Another Nedbank director Mr Len Abrahamse also sits with the Goldfields and CG Smith directors
- ● Standard Bank Investment Corporation (Stanbic) the holding company for the Standard Bank operations in South Africa, has Barlows' Mike Rosholt, George Mac-

Interlocking boards

SA Breweries	Barlows
Mr R J Goss	Mr R J Goss
Mr A M Rosholt	Mr A M Rosholt
Dr F J Cronje	Dr F J Cronje
Mr G Waddell	Mr G Waddell
(And 12 others)	(And 20 others)

1983

SA giants mesh



An interesting facet to emerge from investigation into this tangled web is the sharp division between the English and Afrikaans business sectors

Sanlam is the predominant force in Afrikaans business, with both Dr A D Wassenaar and Dr Fred du Plessis appearing among the directors of Federale Volksbeleggings, a Sanlam subsidiary

Mr Frans le Riche serves on the boards of both Sentrachem and Federale Volksbeleggings, both companies in the top 10

Dr Wassenaar, who was chairman of Sanlam, has retired, but it is not known if he has relinquished his directorships

The industrial giants are also closely linked to the banks At least seven of the top 10 have directors on the boards of major banks

- ● Bankorp has Dr Wassenaar and Dr du Plessis, both of Sanlam, on its board
- ● Trust Bank has Dr du Plessis on its board
- ● Barclays has Julian Ogilvie-Thompson, Mr Nickolas Oppenheimer and Mr Gordon Waddell from the Anglo group, Mr Basil Hersov of Anglo Transvaal Industries and Mr Tony Bloom, chairman of 16th-ranked Premier Group
- ● Nedbank has as its chairman Dr Frans Cronje, who also sits on the Barlows and Breweries boards, Dick Goss of Breweries and Mutual's Dr van der Horst. Another Nedbank director, Mr Len Abrahamse, also sits with the Goldfields and CG Smith directors
- ● Standard Bank Investment Corporation (Stanbic), the holding company for the Standard Bank operations in South Africa, has Barlows' Mike Rosholt, George MacMillan, of Barlows, Sasol, Safmarine, CG Smith and Rio Tinto, Goldfields chairman Robin Plumbridge and Anglo's Gavin Relly, Sir Albert Robinson and Chris Saunders, chairman of Tongaat.

Interlocking boards

SA Breweries	Barlows
Mr R J Goss	Mr R J Goss
Mr A M Rosholt	Mr A M Rosholt
Dr F J Cronje	Dr F J Cronje
Mr G Waddell	Mr G Waddell
(And 12 others)	(And 20 others)

While the pattern of inter linking directorships is fairly clear, that of shareholdings is not However the size of anonymous shareholdings does give some clues

Barlows states in its latest balance sheet that over 74% of its shares are held in groups of 100 000 or more — suggesting they are held by large corporations rather than 'smaller investors — while 37,5% are held by institutional investors

Premier says 35% of its shares are held by institutions and companies but does not name them. In addition, 86% of the shares in issue are held in lots of over 100 000

Sentrachem said in its last balance sheet that 45 7% of shares were held by nameless companies and institutions

But in most cases cross-investments are just not referred to

That the mining houses play an integral role in the power elite there is no doubt. However, their involvement is primarily through their own industrial companies and representation on the boards of directors

A result of the recent merger mania is that the top 20 companies account for over 60% of the market capitalisation of the top 100 companies

Says Ms Halse 'Another sign of the intense concentration of assets is the size of the parties in recent mergers Concentration is no longer the case of the take over of a small company by one of the large groups Instead it frequently means an amalgamation of one kind or another between two of the top 100 companies "

Ms Halse criticises the concentration of industrial and financial power in so few hands, saying the possibility of a conflict of interests may pose a threat to the interests of shareholders

"In fact, the higher the degree of interlocking directorships, the less time and specialised expertise a director is able to devote to each of his many concerns

"A significant number of South African directors sit on the board of at least six different companies operating in very diverse industries Many of them are represented on the board of one or more financial institutions

"The concensus of overseas sources is that this type of situation can too easily lead to a conflict of interests, competitive advantages for 'related' companies and distorted conditions for entry into an industry"

Taking in each other's washing

232 S. Tribune

That's the story with Standard and UBS

Finance Reporter 10/7/83

STANDARD Bank and the United Building Society are giving each other a powerful helping hand, despite Pretoria's refusal earlier this year to sanction a merger between the UBS and the Standard Building Society

Without fanfare, the UBS and Standard Bank last week became agents for each other's non-competing services

It is now possible to buy UBS tax-free shares or apply for a UBS mortgage through a branch of Standard Bank As a senior Standard man puts it "We're taking in each other's washing"

UBS senior managing director Piet Bandenhorst is now on Standard Bank of South Africa's board, while Stanbic managing director Henri de Villiers has been appointed a UBS director

According to one insider, UBS men even attend meetings these days of Standard's finance committee

The two groups, whose combined assets total more than R15 billion, appear to have found a way round their original plan for the UBS to take over the small Standard Building Society (SBS) SBS is quietly being allowed to die and the UBS is tightening its links with Standard Bank.

"We're going to push into the UBS whatever we pushed into Standard Building Society," says the Standard man

Although there are no plans yet for a formal merger of the two groups either in name or organisation, closer co-operation is a foregone conclusion

UBS and Standard (as well as Volkskas) have installed similar automated tellers Before long, it should be possible to transact UBS business at a Standard autobank and to draw money from a Standard account at a UBS Help-U machine

The UBS took its main bank account away from Barclays earlier this year, giving it to Standard The two companies insist that there was no behind-the-scenes deal and that the business went to Standard because it submitted the most competitive tender

Interestingly, two UBS directors also sit on the Barclays board

One of the unanswered questions in recent events is the role of the insurance giant, Liberty Life, and its chairman Donald Gordon, who also sits on the Stanbic and UBS boards

Gordon is widely believed to be the mastermind behind a plan to create South Africa's most powerful financial grouping, consisting of Liberty, Stanbic and the UBS, with close ties to Anglo American

Stanbic already owns 25 percent of Liberty Life and De Villiers is deputy chairman of the insurance company

Tribune Finance learns that Liberty is quietly picking up Stanbic shares

It has increased its stake in the banking group from around 6,5 percent to 7 percent in the past few months, while the interest of its rival, Old Mutual, has dipped slightly

While Old Mutual remains a larger shareholder (with about 20 percent), Liberty's ties are closer in other ways

In any case, Old Mutual is the largest single shareholder of Nedbank which appears to be its favourite banking son

Stanbic's controlling shareholder is Standard Chartered Bank of Britain Standard Chartered is unlikely to want to sell its entire 58 percent stake in Stanbic, which last year contributed more than a quarter of its income

But would it sell some of its shares to Liberty if the price was right?

Babcock seeks partner in SA

SIR JOHN KING "No question of disinvesting from South Africa"

232

Times 10/7/83

By David Carte

LISTING ON JSE MOOTED

BABCOCK International, the multi-billion-rand British boilermaker, is looking for a South African partner.

Babcock has been in SA for a century, has built one third of Escom's steam generating capacity and turns over between R200-million and R300-million a year in SA

The international chairman, Sir John King, told Business Times that Babcock would like to do a deal with a large SA engineering company or mining group to South Africanise itself further.

Sir John said Babcock would even consider a listing on the Johannesburg Stock Exchange to obtain South African participation in its burgeoning business here

Sir John is also chairman of British Airways and one of Britain's most eminent businessmen He was granted a peerage in the Queen's Birthday Honours list and enters the House of Lords soon

"There is no question of disinvesting from South Africa We also do not need the money that might arise from taking in a partner."

Sir John said Babcock's business in SA was growing and diversifying rapidly, and the local company now warranted a separate existence But the main incentive is further South Africanisation

Babcock's main rivals in tendering for Escom's lucrative business all have SA links

While Babcock is most interested in doing a deal with a large SA engineering company or mining house, it will consider floating off a parcel of its shares on the Johannesburg Stock Exchange

This would enable widerspread SA participation and would put it more in the limelight

Prudential Assurance of the UK followed this step, and it was not lost on Babcock International that this R25-million offer of blue-chip British scrip attracted R900-million in applications.

Because it serves Escom, which is expanding its generating capacity at 8% a year and which must replace power stations built more than 20 years ago, Babcock would enjoy blue-chip status on the JSE, although it would probably not be accorded the PE of 19 that it enjoys on the London Stock Exchange

Babcock's main rivals in tendering for Escom business are Steinmueller, Stein EVT and Combustion. Steinmueller enjoys participation by the Government-backed IDC

Stein EVT has links with General Erection, a local-listed engineering company, while Combustion is linked to Ical, which is part of JSE-listed Northern Engineering

Babcock does between R200-million and R300-million of business with Escom and other major SA industrial companies annually.

Its profits here are a secret, but at times the SA operations of Babcock have contributed up to 25% of Babcock International's total income

Babcock also does a large volume of business with mining houses, chemical, paper and sugar companies It has done much of its work in SA in collaboration with SA companies.

Babcock built the boilers for Escom's 3 600-mW Matla power station, which during the drought has attained more than its rated output for the first time and on its own generated 22% of Escom's output

232

10/7/83

5-Times

Samancor sale: Flak flies

THE manner in which Gencor this week snatched control of Samancor, the world's biggest chrome and manganese company, has stirred a hornets' nest in financial and political circles.

But the two main parties to the deal, Gencor and Iscor, insist that the transaction is fair and in the best interests of all — including the public

By DON ROBERTSON and DAVID CARTE

Critics, however, claim that, as Iscor is a State corporation, any sale of its assets should have been by tender to ensure that the best price was received

They are particularly concerned as the Government has stated its intention of "privatising" further State assets

Gencor gained control of Samancor by swapping its shares in Dunswart Steel and Hlobane Collieries.

For the purposes of the transaction, Samancor was valued at its market price of 310c, while Dunswart was valued at 185c Hlobane was valued at net asset value

This means that Samancor was valued 32% lower than its price in April, before shocking results because of the world steel crunch sent it reeling, while Dunswart was valued 80% higher than its level in April

Since it owns the biggest chrome and manganese reserves in the world, many feel that Samancor's long-term growth record and outlook are decidedly better than Dunswart's. Dunswart has had a chequered recent history

Few, even in Gencor, would dispute that control of Samancor passed on favourable terms

Samancor has been a prize cherished by other suitors over the years, including Anglo

Anglo six years ago, before a share split quintupled the number of shares in issue, offered 1 080c cash per share against a 900c offer by Gencor The Government blocked the deal

■ ■ ■

Anglo subsequently acquired 29,8% of the highly desirable company through the sale of its Middelplaats mine to Samancor for 9-million shares — and buying all available stock on the market

This it did in competition with Gencor, and it is believed that, had it been allowed to bid for the Samancor stake, it might have been prepared to offer more than the 310c a share paid by Gencor

Anglo remains quiet on the deal, but is undertood to be more than peeved

Floors Kotzee, managing director of Iscor, tells Business Times that the deal was so structured because of the dispute over supplies and the only way in which it could be resolved was for Iscor to acquire the colliery

To pay for this, it had to relinquish control of African Metals and hence Samancor

Had the dispute not been resolved, says Mr Kotzee, a court case involving about R120-million could have ensued

Referring to Dunswart, he says the company is expected to break-even in the current financial year, and points also to the strategic importance of Dunswart's sponge-iron plant

Barlows gets Metbox

232 VDM

12/7/83

UK parent nets R67m, keeps stake

By STEVE ELLIS

METAL BOX SA is to be carved up into two companies — packaging and industrial — and control of both will lie ultimately with industrial conglomerate Barlow Rand.

The 51,2%-controller of Metbox SA, British-based Metal Box PLC, will retain a 25% stake in each of the two companies, and will pocket R67-million in cash.

Metbox SA's packaging interests will merge with four Nampak divisions — liquid packaging, cores and tubes, flexible packaging and glass containers — to create a group with net assets of between R280-million and R300-million.

Nampak will receive R93-million for the four divisions, to be settled through the issue of 5 395 000 Metbox SA shares at R10,75c apiece, and R35-million in cash. The shares will give Nampak, a Barlow Rand subsidiary, a controlling 51,2% stake in Metbox (packaging) This group will retain the name and Johannesburg Stock Exchange listing of Metbox

The industrial interests of Metbox SA, comprising Metal Rolling & Tube Holdings (Pty), Aluminium Extrusion (Pty) and their subsidiaries, will be merged with three Barlow subsidiaries with similar activities to form Robor Industrial Holdings

The Barlow companies involved are Robor, Brollo Africa (Pty) and Monoweld Galvanisers (Pty)

Barlow will hold a 64,9% stake in Robor Industrial which, spokesmen for the groups say, will probably be listed in October or November

Both deals are effective from October

The offer to Metbox SA minorities is reportedly the same that was made to Metal Box PLC

Minorities are being offered R10,75 a share for 43% of their Metbox SA holding, and will also receive a pro-rata allocation of shares in Robor Industrial

Therefore, for every 100 Metbox SA shares held, minorities are being offered.

- 20 shares in Robor Industrial, and
- about 57 new Metbox shares, representing those shares Nampak is not offering to buy, and
- about R462 in cash, or receive Nampak shares at R14 a share for up to 65% of R462

If all minority shareholders accept the cash offer, Nampak will pay half the sum in cash and the other half in shares — the rights to which shares may be renounced in favour of another Barlow-subsidiary, C G Smith, for the R14 cash.

The two Barlow companies stand to distribute another R75-million in cash — on top of the R67-million already paid by Nampak to Metal Box PLC

If demand for the cash-only offer is such that C G Smith pays half, its holding in Nampak will rise from about 74% to 78,4% However, a Nampak spokesman said that institutions were likely to opt for the scrip, and demand for the cash-only option was expected to be minimal

Nampak's closing price on the JSE yesterday was the same as the offer price of R14

After all is done the shareholdings in the two companies will be

- In Metbox (packaging) Nampak 51,2%, Metal Box PLC 25%, Metbox SA minorities 23,8%
- Robor Industrial (industrial) Barlow 64,9%, Metal Box PLC 25%, Metbox SA minorities 10,1%

Metbox shareholders will receive both the 28c final dividend for the year to last March and an interim dividend this year of "not less than 17c" — the same half-way distribution as that paid in the 1982-83 trading period

However, Metbox shareholders who take Nampak shares in terms of the offer will not receive Nampak's final dividend for the year to September 1983

At a news conference yesterday, the chairman of Nampak and an executive director of Barlow, Mr Basil Kardol, said the deal was readily acceptable to the British controller of Metbox

Not only did it receive R67-million in cash, but the profit projections of the two new companies were such that Metal Box PLC did not expect any drop in earnings as a result of its diluted interest

Mr Kardol insisted that Metal Box PLC was not an eager seller and that it was not involved in negotiations until 10 days ago — a point which some found hard to believe.

The official British line is "These proposals will enable Metal Box PLC to retain a significant stake in a much-enlarged SA business through holdings that reflect a more appropriate balance for the spread of the Metal Box PLC group's activities worldwide, and will strengthen our financial position with an improvement in gearing and liquity"

It is difficult to gauge the value of the Robor Industrial shares to be alloted to Metbox SA minorities Not only is the dividend policy of the new company unknown, but the nominal value of the shares is also a mystery

However, there is no doubting the strength of the industrial holding company

If the deal had been tied up before the start of the year to March, the net asset value of the Robor group would have been more than R110-million, and the attributable profit R14 300 000

The number of shares to be issued by Robor Industrial is about 32-million

The effect of the deal on the net asset value and earnings of Metbox SA and Barlows is not expected to be material

However, "it is estimated that the effect of the disposal of certain of Nampak's packaging interests to Metbox, and the acquisition by Nampak of a controlling interest in the restructured Metbox, will marginally improve earnings and will result in a slight decrease in Nampak's net asset value", says a statement.

Before the transactions can be implemented, approval must be given by the minorities of Nampak and Metbox SA, and by the shareholders of Metal Box PLC The JSE must also consent to the Robor Industrial listing

The composition of the boards of the two companies has not been settled

However, Mr Kardol will be chairman of the new Metbox board and Mr P K Nanda, who chairs the board of Metal Box PLC's overseas division, will be his deputy. Mr P L Campbell, deputy managing director of Metbox SA, will become managing director

Mr John Maree, an executive director of Barlows, will head the board of Robor Industrial with Mr Nanda as his deputy, and Mr Derek Jacobs, the present managing director of Metbox SA, becoming managing director

DAILY DISPATCH, WEDNESDAY, JULY 13, 1983 — 11

2-32

Metal Box control goes to Barlow Rand

JOHANNESBURG — Metal Box SA is to be carved up into two companies — packaging and industrial — and control of both will ultimately lie with the industrial conglomerate, Barlow Rand

The previous 51,2 per cent controller of Met Box, British based Metal Box Plc, will retain a 25 per cent stake in each of the two new companies, and will pocket R67-million in cash as well

MetBox's packaging interests will merge with four Nampak divisions — liquid packaging, cores and tubes, flexible packaging and glass containers — to create a group with net assets of between R280-million and R300-million

Nampak's contribution will reap it R93-million, to be settled through the issue of 5 395- MetBox shares at R10,75c apiece, and R35-million in cash. The shares will give Nampak, a Barlow Rand subsidiary, a controlling 51,2 per cent stake in MetBox

The packaging group will retain the name, and Johannesburg Stock Exchange listing, of MetBox

The industrial interests of MetBox, comprising Metal Rolling and Tube Holdings (Pty), Aluminium Extrusion (Pty) and their subsidiaries, will be merged with three Barlow subsidiaries with similar activities to form Robor Industrial Holdings.

The Barlow companies involved are: Robnor , Brollo Africa (Pty) and Monoweld Galvanisers (Pty)

Barlow will hold a 64,9 per cent stake in Robor Industrial which, spokesmen for the groups say, will hopefully be listed in October or November

Both deals are effective from October

The offer to MetBox minorities is reportedly the same one that was made to Metal Box Plc

Minorities are being offered R10,75 a share for 43 per cent of their MetBox holding, and will also receive a pro-rata allocation of shares in Robor Industrial

Therefore, for every 100 MetBox shares held, minorities are being offered

1 20 shares in Robor Industrial and

2. about 57 MetBox shares (representing those shares Nampak is not offerin to buy), and

3 about R462 in cash; or receive Nampak shares at R14 a share for up to 65 per cent of that amount

If all minority shareholders accept the cash offer, Nampak will pay half the sum in cash and the other half in shares — the rights to which shares may be renounced to another Barlow-subsidiary, C G. Smith, for the R14 cash amount

The two Barlow companies therefore stand to distribute a further R75-million in cash — that, on top of the R67-million already paid by Nampak to Metal Box Plc

If demand for the solely-cash offer is such that C G. Smith pays half, its holding in Nampak will rise from about 74 to 78,4 per cent However, a Nampak spokesman said institutions were likely to opt for the scrip, and demand for the cash-only option was expected to be minimal.

After all is done, the shareholdings in the two companies will be —

MetBox (packaging) Nampak 51,2 per cent, Metal Box Plc 25 per cent, MetBox minorities 23,8 per cent

Robor Industrial (industrial): Barlow 64,9 per cent, Metal Box Plc 25 per cent, MetBox minorities 10,1 per cent — DDC

Cape Times 14/7/83 (232)

Kohler buys Xactics

By STEVE ELLIS

JOHANNESBURG — Restructuring of the packaging sector continues with the announcement yesterday that Kohler — with a little help from holding company Gencor — is to buy Xactics for about R35m

The move comes within days of Nampak's merger with the packaging interests of Metal Box SA and effectively eliminates any material competition to the subsidiaries of Barlow Rand and Gencor

To facilitate the takeover, Gencor is buying the 50 percent it does not already own in Xactics 67 percent parent company, Cortics, for about R12m It will then sell all of Cortics to Kohler

Gencor paid the equivalent of 175c a Xactics share for the Cortics stake, and will sell it to Kohler for the same amount

It has not yet been decided how much Kohler will pay Gencor for the 50 percent of Cortics it previously held but spokesmen for the companies say it will not be higher than 175c

The cost of the Cortics purchase could amount to as much as R24m

A 175c a share cash offer, will be made to Xactics minority shareholders which, if accepted in full, will add another R11 500 000 to the bill

A spokesman for Barclays Merchant Bank, which helped to put the deal together, said that Kohler hoped to end up with 100 percent of Xactics — in which case, Xactics would disappear from the Johannesburg Stock Exchange lists

Sharply lower operating margins, higher interest charges and a South American fiddle combined to cut attributable profits by 54,3 percent from R2 982 000 to R1 627 000, forcing the directors to pass final dividend

The total dividend payment for the year therefore remains at the 3c paid at the halfway mark, compared with 8c the previous year

Lifo earnings fell from 15,7c to 7,2c

Not included in the result is an extraordinary loss of R611 000

Group turnover rose 29,2 percent from R38 839 000 to R50 173 000 but difficult trading conditions nearly halved operating margins from 16,7 percent to 8,6 percent, leaving operating profits 33,3 percent lower at R4 337 000 (1981-82 R6 504 000)

The directors say that a "substantial increase in borrowings" which resulted from the group's increased capital expenditure programme caused financing charges to soar from R254 000 to R1 346 000

Interest cover dropped from 25,6 times to a marginal 3,2 times

The directors say the company might recover some of the losses and find a way to rebuild the market in South America but the investment of more than R1m has been written-off in full against the past year's profits

Xactics results were given a little push by a lenient taxman whose rate fell from 39,4 percent to 26,1 percent, but it was not enough to prevent a 41,7 percent slide in taxed profits from R3 787 000 to R2 209 000

Depreciation over-provided in previous years boosted profits by R200 000 which was wiped off by a R782 000 (R805 000) lifo stock adjustment

Looking ahead, the directors say that although much improved results have been posted in the first quarter of this year, "pre-tax income for the 1983-84 year is not expected to be substantially different from that recorded in the year under review"

Kohler pays R35m for Xactics

232

14/7/83 RDM

~~[illegible]~~

By STEVE ELLIS

RESTRUCTURING of the packaging sector continues with the announcement today that Kohler — with a little help from holding company Gencor — is to buy Xactics for about R35-million

The move comes within days of Nampak's merger with the packaging interests of Metal Box SA and effectively eliminates competition to the subsidiaries of Barlow Rand and Gencor

Gencor is buying the 50% it does not already own in Xactics 67% parent company, Cortics, for about R12-million It will then sell all of Cortics to Kohler

Gencor paid the equivalent of 175c a Xactics share for the Cortics stake, and will sell it to Kohler for the same amount.

It has not been decided how much Kohler will pay Gencor for the 50% of Cortics it previously held, but spokesmen say it will not be higher than 175c

The cost of the Cortics purchase could amount to R24-million

A 175c a share cash offer will be made to Xactics minority shareholders which, if accepted in full, will add R11 500 000 to the bill

A spokesman for Barclays Merchant Bank, which helped to put the deal together, said that Kohler hoped to end up with 100% of Xactics — in which case, Xactics would disappear from the Johannesburg Stock Exchange lists

If the results of Xactics performance in the year to February — also released yesterday — are anything to go by, shareholders would be unwise to ignore the 175c offer

Sharply lower operating margins, higher interest charges and a South American fiddle combined to cut attributable profits by 54,3% from R2 982 000 to R1 627 000, forcing the directors to pass the final dividend Total payment for the year is the 3c interim. The previous total was 8c

Lifo earnings fell from 15,7c to 7,2c

Not included in the result is an extraordinary loss of R611 000

Group turnover rose 29,2% from R38 839 000 to R50 173 000, but difficult trading conditions nearly halved operating margins from 16,7% to 8,6%, leaving operating profits 33,3% lower at R4 337 000 (1981-82 R6 504 000)

The directors say a "substantial increase in borrowings" which resulted from the group's capital expenditure programme caused financing charges to soar from R254 000 to R1 346 000

Interest cover dropped from 25,6 times to 3,2 times

The South American fiddle involved the "apparent misappropriation (there) of a substantial proportion of the funds remitted for working capital purposes", which also led to a collapse of the marketing and selling organisations

The company might recover some of the losses and find a way to rebuild the market in South America. But the investment of more than R1-million has been written-off against the past year's profits

"The establishment of the nature and amount of these losses contributed substantially to the delay in finalising results for the year"

The tax rate fell from 39,4% to 26,1%, but it was not enough to prevent a 41,7% slide in taxed profits from R3 787 000 to R2 209 000

Depreciation overprovided for in previous years boosted profits by R200 000, which was wiped out by a R782 000 (R805 000) lifo stock adjustment.

The directors say that although improved results have been posted in the first quarter of this year, "pre-tax income for the 1983-84 year is not expected to be substantially different from that recorded in the year under review"

1204 232

15/7/83

Rothmans looks around

By NEIL BEHRMANN

LONDON. — Rothmans International intends to extend its diversification programme into non-tobacco products

Sir David Nicholson, Rothmans chairman, told the Wall Street Journal "I hope to see us with 50% in non-tobacco within 10 years"

Rothmans net profits rose from £47 400 000 (R80-million) to £70 900 000 (R120-million) in the year to march 1983 Sales climbed 23% to £3 412-million

A £30-million gain from currency fluctuations contributed to the sharp improvement in operating profits But excluding non-recurring gains, underlying profits rose £18-million nearly 13%

Rothmans is 44% owned by Rembrandt Group and Philip Morris

The market has speculated that Philip Morris might increase its stake in Rothmans, but the company denies that its aware of any such plans

Tobacco accounts for 85% of Rothmans sales and 67% of operating profits before interest payments. Brewing, notably the Carling division in Canada, contributes 12% of sales and 27% of operating profits Brewing operating profits in the past year more than doubled from £16 500 000 in 1982 to £35 900 000

Rothmans says Carling boosted its market share by one percentage point to 25%. This year the company will upgrade its Western Canada breweries and market more of Philip Morris Miller brand beer in Canada

Earnings of Dunhill, Rothman lighter and luxury consumer goods division, rose 11% to £6 300 000

In April, Rothmans bought 20% of Cartier Monde, the jewellers, and suggested it might increase its stake Cartier's results will have an impact on this year's earnings

Rothmans cigarette sales volume declined .3%, but prices increases helped it to increase revenue The West German market was poor, but the United Kingdom gained slightly

The West German Monopolies Office recently challenged Rothmans link with Philip Morris. Rothmans concedes that there is a "remote chance" that the two companies might be forced to separate in West Germanv

PIPING PLOT ALLEGED

Industrial Week

232

By Priscilla Whyte

19/7/83

LOCAL large bore piping manufacturers have allegedly formed a "cartel" with the bigger merchants - now smaller merchants apparently are being forced out of business.

"I challenge them to an open discussion with the Board of Trade, the Competition Board and the newspapers," said John Howard, director of Supplicon.

Industrial Week discovered that Hall Longmore has applied for tariff protection for large bore piping (Government Gazette, no 8495 of 31 December 1982).

Howard has taken exception to Hall Longmore's application to the Board of Trade and Industries to increase duty on tube and pipes of iron or steel and blanks with an outside cross sectional dimension exceeding 219mm form 30% plus 0,22 per kg to 45% or R700 a ton, less 85% ad valorem.

"The R700 a ton, less 85% ad valorem tariff protection application, will give them an effective 45% advantage," claimed Howard, although he conceded: "I accept that the local industry should be protected against undue competition from abroad."

What concerns him is his belief that the protection given by way of quantitative import control measures appears to be administered in a way which encourages larger companies to create an apparent monopoly situation in the market.

This in turn has the effect of these larger companies dictating to Government when and how to allow import facilities

Howard said matters came to a head recently when a contract from Potchefstroom Municipality was awarded to Supplicon

"The tenders lodged by two local manufacturers of a substitute type of piping were about R140 000 more than the amount quoted by us (Supplicon)," he said

After consultation with import control an invitation was sent to both Hall Longmore and Steel Pipe Industries to quote again to avoid the unnecessary importation of piping. They quoted prices reduced by more than R100 000, which was still not sufficient to secure the tender for local piping "

Howard said Supplicon was then visited by an import control officer "to investigate whether my firm had sufficient storage facilities."

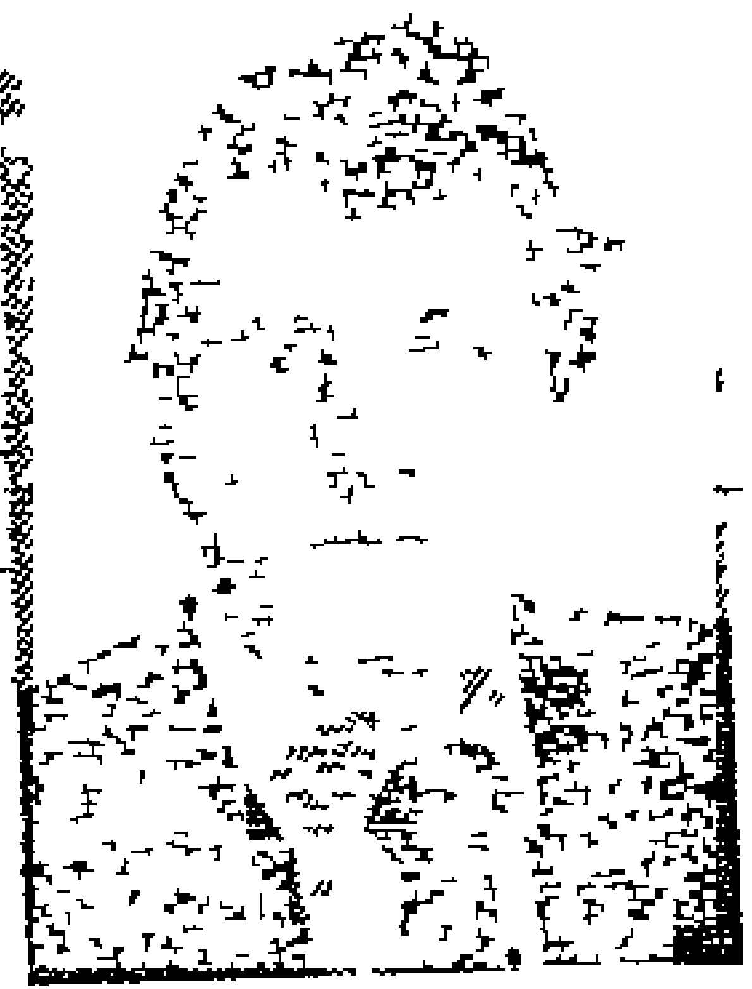
He said the officer was told the relevant facts and Customs and Excise issued an import permit to Supplicon.

"It is not my objective to import to the detriment of local industry, but merely to maintain my share in the market place," said Howard

"If local mills can manufacture AP15LX42 or AP1LX52 to the required standard and specification, with TUV quality control, I am more than willing to support them, provided their prices are not unreasonable "

Howard said pipe manufacturers asked merchants such as Supplicon to stock their products and then "did the dirty" on them by tendering against merchants for contracts.

"When large tenders are invited manufacturers decline to disclose who the contractors and merchants are, making out that they (manufacturers) are the only potential tenderers '



John Howard, director of Supplicon, has thrown down the gauntlet . . .

No local manufacturers could produce specification 15M03, IOCRM0910, X20CRMV121 and 13CRM044 in seamless "So why must end users, like Escom and power station contractors, pay excess duty on piping not manufactured in SA?,' said Howard

He estimated the large bore piping market to be worth R160-million (250mm upwards) and the SA consumption to be 150 000t a year

"Consumption is growing at 15% a year," he said

Ronnie Hobbs, MD of Hall Longmore declined to comment because the matter is still with the Board of Trade

---

Supplicon feels so strongly about the matter that it has placed an advertisement on Page 10.

Breweries boss quits, Sol wants more of Southern Sun

Goss, Kerzner shocks for SAB

232

RD4

23/7/83

By HOWARD PREECE and STEVE ELLIS

THE R2 000-million South African Breweries group was rocked by two major developments yesterday.

● Casino king Mr Sol Kerzner launched the biggest gamble of his career by announcing that he wanted a "larger stake" in his Southern Sun hotel chain, which is controlled by SAB

● Mr Dick Goss, 56, announced his [illegible] resignation as managing director and chief executive of SAB

No direct connection, however, was seen between the two events

Mr Goss was known to be bitterly unhappy over the deal in May in which effective control of SAB went to a consortium led by Anglo American and including the Premier Group and Liberty Life Assurance

An attempt by Mr Gavin Relly, the chairman of Anglo American, to pacify Mr Goss would appear to have failed — his resignation was announced at a special SAB board meeting yesterday morning

Mr Meyer Kahn, the 43-year-old chief executive of OK Bazaars and SAB's deputy managing director since May, is the new managing director

Mr Kahn said it was likely Mr Goss would also resign as deputy joint chairman of Premier Investments — the company created to hold Premier's 34% stake in SAB

The appointment to Premier Investments was part of the package by which the Anglo-led consortium hoped to appease Mr Goss and five other rebel directors who threatened to walk out after the Premier purchase

Later in yesterday's meeting, Mr Kerzner revealed that he was seeking a larger stake in Southern Suns, a move which prompted the immediate suspension of the hotel group's shares on the Johannesburg Stock Exchange

A SAB announcement said "Mr Kerzner has expressed his wish to participate financially to a greater extent in the Southern Sun group and the SAB board has agreed to enter into negotiations in this regard"

Mr Kerzner tendered his resignation from the SAB board to avoid any potential conflict

There was intense speculation in business circles last night about what Mr Kerzner may be intending Southern Suns is valued at over R300-million on the Stock Exchange

Mr Kerzner, who has about 10% of the group, would have to pay a minimum of R140-million (based on Southern Suns pre-suspension price) to secure control — something he could not possibly do on his own

One theory was that Old Mutual might be backing Mr Kerzner

There has been a major breakdown in relations between Anglo and Old Mutual since the consortium took control of SAB The sale of Southern Suns to an Old Mutual-backed Mr Kerzner might restore the traditional friendship between Anglo and the Old Mutual.

The Cape-based insurance giant already owns Holiday Inns through last month's purchase of Rennies

Mr Kerzner said "I obviously have confidence in the Southern Suns group and I want a bigger stake in the business" However, he would not disclose the extent to which he hoped to increase his holding

Negotiations with SAB had already begun and should be completed within "one or two weeks"

Mr Kahn said that an amicable Mr Kerzner had come to SAB "on commercial grounds' and added that if the scheme suited the brewery group, it would sell He did not detail the size of the SAB stake involved — indicating that control could well change hands if the price was right

The resignation of Mr Goss has been in the wind since the Premier deal was struck behind the back of the SAB board.

It was, perhaps, ironic that he stepped down at the same meeting which approved the appointments of Mr Tony Bloom, Premier's chairman, and Mr Michael Rapp, an executive director of Liberty Life, to the SAB board

Mr Goss said "it is in the best interests of the everyone" to resign after 16 years at SAB's helm because his total commitment to the job had begun to weaken

Mr Goss had not decided what he was going to do He was confident he would get back into "SA's exciting business world" However, he would hesitate before taking a position as onerous as the one he held at SAB

Commenting on reports that he would have to give up stock options worth about R1-million over 175 000 SAB shares Mr Goss said "I have not lost financially through the separation"

CAPE TIMES 23/7/83

232

~~SEN~~ shock at

new SA business shake-up

By GORDON KLING

DRAMATIC changes in the management of one of the biggest conglomerates in the Republic, the R2,5-billion South African Breweries group, yesterday set the scene for a battle for control of the vast Southern Suns Hotel chain.

The development could also have major implications for the retail sector of the economy in general

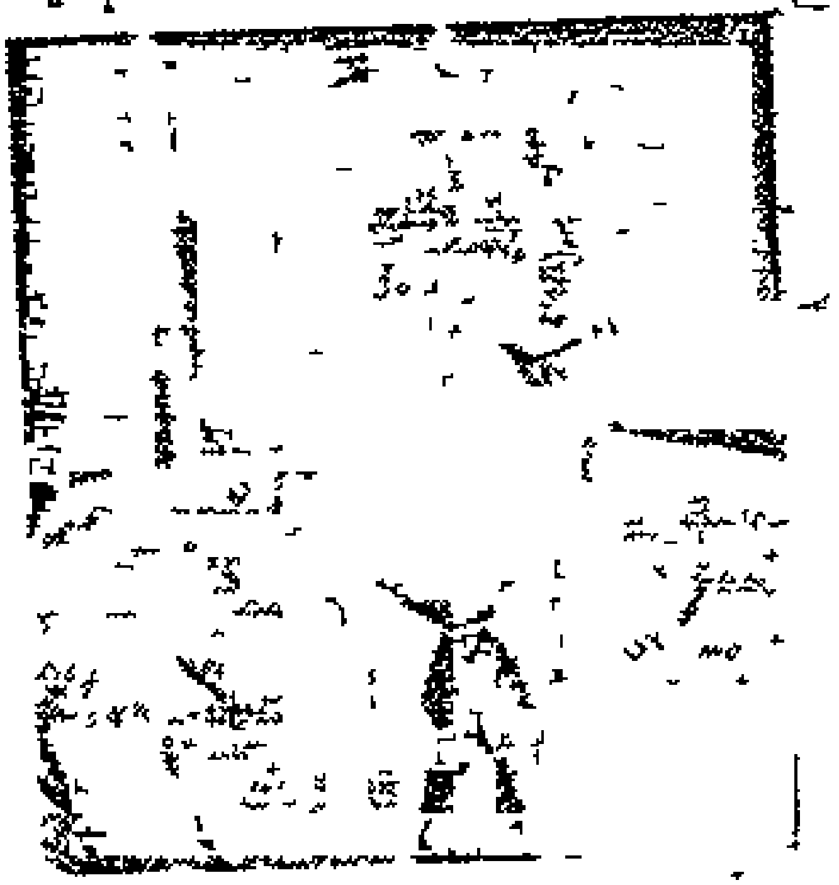
SAB's group managing director, Mr Dick Goss, announced his early retirement at a board meeting in Johannesburg yesterday at which another SAB director, hotel magnate Mr Sol Kerzner, also tendered his resignation

Both moves come less than two months after control of the huge consumer-goods empire was effectively gained by another major trading company, Premier Milling

Intense speculation in financial circles yesterday had it that a bid for control of Southern Suns by managing director Mr Kerzner, backed by the immense resources of the Old Mutual empire, was behind his shock resignation

Mr Goss and other senior executives of SAB were reported to have been on the verge of resignation following the Premier deal an

To page 2



Mr Dick Goss

Mr Sol Kerzner

der sheared off in heavy seas Her mayday calls were picked up by other vessels who relayed their pleas for help to the South African Navy

A South African Air Force Albatross was sent to locate the trawler which last night was being battered by heavy seas

Three of the crew members who were brought to safety spoke of their ordeal The cook, Lin Weu Chang, said in broken English that no-one aboard was seriously injured, but that the ship was almost completely submerged

The three, and a deaf and dumb teenager, were later brought to Port Elizabeth while six more rescued by the second helicopter were flown to Mossel Bay

At 6pm the Kuswag III was only 36 sea miles away from the trawler but because of the howling winds and mountainous seas it was estimated that it would not reach the stricken ship till late last night.

Feature

READ the special feature on a new, go-ahead contracting company in today's Cape Times.

S
t
ıms
cı-
ce-
ɔils
ıss-
ers
ere
the
ged
l to
nal
van
the
the
ere
ted
ıth
ew
ted
ıd
ın
be-
the
ıaid
day
ly a
hen
ıool
ıck-
ıt
ows
s by
s ın
llite
ıtest
ıent
ster
con-

CAPE TIMES 23/7/83 (232) ~~288~~

on speech zles PFP

ed
for,
Dr
a
st
orts
said
aine,
PFPs
yes-
com-
ton's
had
it, or

had spoken to Dr Paton himself

Dr Paton, famous for his novel "Cry the Beloved Country", is reported to have told children at Woodmead School that South Africa was changing for the better because the government was trying to dismount from a dangerous political course

He said the government was like a weak rider trying to dismount from a strong and dangerous tiger, but that it was as dangerous to get off the tiger as it was to ride it The tiger was rising black nationalism

"Those people who expect our politicians to get off the tiger immediately and say 'I love you tiger' and 'I am going to have one country with you tiger' are asking for the moon," Dr Paton said

The government was trying to do an "impossible thing" by making a constitution for "getting off a tiger"

Politicians were doing this for the security of their community, the desire to remain part of Western democracy, and to satisfy a conscience that was less able to tolerate the "wholesale decay in the rule of law"

He was not betraying his past and his friends by saying the country was changing for the better, he said

Most of all, he blamed the former prime minister, Mr John Vorster, for "the great harm that he did to my country and its peoples".

Dr Paton endorsed the school's belief that South Africa's problems would not be solved until different races learned to accept, understand and appreciate each other as members of one nation

Universal suffrage

These were "dreams of a world that has never been attained," but it was often by dreaming for the unattainable that people achieved anything at all, he said

Dr Paton, who said he would have been prepared to pay the penalty of death for his vision of universal suffrage in a unitary society, told pupils that their vision of an undivided country would lead some of them to devote their whole lives to building a better and more just society

"One reaches the point when, if the government says to you, 'You must stop being the kind of person you are or you are going to die', you must say 'I would rather die than become the kind of person you want me to be' "

ert to speak

al Correspondent

he Opposition, Dr Van Zyl Slabthe government's constitutional blic meeting in Sea Point on Mon-

of three Peninsula meetings Dr ress as part of the Progressive campaign to inform the public as the dangers of the govern-

at Monday night's meeting in the Point Civic Centre will be the PFP rliament and of the Provincial two constituencies

lin Eglin, who will speak on rent title, Mr Tian van der Merwe, opposition leader in the Provin-d Dr John Sonnenberg

meetings Dr Slabbert is to address Rondebosch Town Hall on August 1 emont Civic Centre on August 9

A •••• From page 1

nounced on May 27 which saw a consortium consisting of Anglo American Corporation, Johannesburg Consolidated Investment Company, better known as Johnnies or JCI, and Liberty Life Association of Africa purchase the 52 percent of Premier held by its British parent company

In terms of the deal, Premier gained effective control of SAB through the purchase of a 34 percent stake from the consortium in return for new shares in itself issued to the consortium

Mr Goss, tipped as successor to SAB chairman Mr Frans Cronje before the Premier deal which market speculation maintains pulled the carpet from under him, has confirmed that he believed there were "huge and serious problems having a major trading company holding a major interest in SAB".

'No harm'

The government, however, allowed the deal to go ahead after an investigation by the Competition Board found it would not harm the public interest

SAB is by far the largest consumer trading operation in the country, with holdings including its near-monopoly beer division, OK Bazaars, Edgars Stores, the Southern Sun hotel and time-sharing enterprise, and the Amrel retail furniture operation

The Premier Group is a huge miller, manufacturer and distributor of food products and has extensive outside interests, including books and records through Gallo and other subsidiaries

In an interview, Mr Goss said "it as in the best interests of the everyone" to resign after 16 years at SAB's helm because his total commitment to the job had begun to weaken

Had not lost

Premier's purchase "did nothing more than to precipitate more careful thought about my future"

He had not decided what he was going to do but was confident he would get back into "SA's exciting business world" He had not not lost financially through the separation

SAB's new group MD, Mr Meyer Kahn, told the Cape Times from Johannesburg yesterday that Mr Goss's early retirment "was met with great regret by all of us on the board"

He rejected speculation that the decision had been prompted by the possibility that the Premier Group and its chairman, Mr Tony Bloom, could now be seen as having moved from being a competitor to having a major direct hand in the management of SAB

Mr Bloom was appointed to the SAB board yesterday

'Pure ethics'

Mr Kahn said Mr Kerzner had to resign out of "total pure and clean ethics" which demanded that he should not sit on the SAB board while it was deliberating a bid for a purchase by him of its shares in the hotel group

SAB holds about 70 percent of the R330-million Southern Sun hotel due to open in the City-centre in October, while Mr Kerzner is estimated already to hold about 12,5 percent.

Mr Kerzner said yesterday "I obviously have confidence in the Southern Suns group and I want a bigger stake in the business" He would not disclose the extent to which he hoped to increase his holding

Alleged robber shot dead

Crime Reporter

A MAN was shot dead during an alleged robbery attempt on an off-duty police sergeant in Lenton Road, Bishop Lavis, last night.

A police liaison officer for the Western Cape, Captain Jan Calitz, said Sergeant J R Pietersen, had been confronted by two men while he was walking home about 9 45pm "They threatened him with knives and went through his pockets"

The men, both in their early 20s, allegedly then tried to take Sergeant Pietersen's privately-owned ... pulled away

Ger Seb 'da to S

Own C

PORT El
Ciskei's
of Police
Madolo,
day in
lodged w
Suprem
Lieuter
Charles
detaine
Major-Ge
Minnaar
tent on
endang
keian St
He pl
vit with
ply to
applicat
lease of
son, and
The app
heard o

From
applica
Mrs No
the ge
emerge
Sebe fa
to blow
times,
mother
during
the fa
dent L
Lieut
Sebe

Mrs
Sebe a
davit
dent's
son
fought
occasi
this u
feud"

'Liv

Mrs
lieved
husba
in da

Her
called
ate
which
ernm
sione
Priso
cause
they
lease

Alt
calle
charg
reaso
and
their
Sebe
they
to le
A

Weekend Argus July 23 1983 3

W/E ARGUS 23/7/83

SAB reeling after its top stars resign

(232)

Weekend Argus Correspondent

JOHANNESBURG — TWO of the top men in South African Breweries have quit

Out goes managing director, Mr Dick Goss

Out goes Mr Sol Kerzner, managing director of Southern Sun

In comes Mr Meyer Kahn, in a meteoric rise to take over one of the biggest jobs in South African business vacated by Mr Goss

The R2 100 million group is today reeling under the double blow dealt it yesterday afternoon when two of its stars announced their impending departure.

Both Mr Goss and Mr Kerzner are generally acknowledged as having been instrumental in the giant group's sparkling performance in recent years

Mr Goss is taking "early retirement" and Mr Kerzner has indicated a wish to participate financially to a greater extent in SAB's Southern Sun group and has resigned from SAB to avoid a clash of interests.

Rumours abounded on the Johannesburg Stock Exchange yesterday that the two men would embark on a joint operation

Mr Meyer Kahn was elevated to the No 2 spot at SAB only months ago after a highly successful spell as head of OK Bazaars

SAB has agreed to enter into negotiations with Mr Kerzner.

Mr Goss's departure is not unexpected after the complicated deal in June which left Premier Milling a 34 percent shareholder of SAB. At that time it was widely known that Mr Goss was unhappy about the deal.

Speculation in financial circles is that the Old Mutual, with its immense financial resources, is behind Mr Kerzner's bid to gain control of Southern Sun.

Ethics, Mr Kahn said, demanded Mr Kerzner should not sit on the SAB board while it considered his bid to buy its shares in the hotel group

Kerzner asks Goss to remain as Suthsun chairman

232

Cpe. Tims 26/7/83

By JOHN MULCAHY

JOHANNESBURG — Mr Dick Goss, former managing director of South African Breweries, has been asked by Mr Sol Kerzner to stay on as chairman of Southern Sun

This followed the surprise announcement on Friday from SAB to the effect that Mr Goss had resigned, and in a supposedly unrelated development Mr Kerzner also presented his resignation to the SAB board

Speculation mounted yesterday on a possible purchase of control of Southern Sun by Mr Kerzner and insurance giant Old Mutual

Mr Kerzner said he wanted a "larger stake" in Southern Sun, to be negotiated with SAB, and felt he could not remain as a director of SAB while at the same time negotiating with the company on Southern Sun

Although Mr Kerzner would not comment on the possibility of a takeover yesterday he said "Whatever increased stake I am looking for I would obviously have to have the finance"

Asked about his relationship with Mr Goss he said "Dick Goss has been associated with Southern Sun for many years and while this has not been in an executive position his services have been invaluable"

Subsidiary

Mr Goss's continued chairmanship of Southern Sun supports the suggestion that control of the hotel group is about to change, as SAB holds 71 percent of the hotel chain, and it was his tenure as chief executive of SAB that gave Mr Goss the chairmanship of Southern Sun, as well as other companies in the group

Traditionally, resignation from the board of a holding company is followed by resignations in any of that company's subsidiary, and while Mr Goss said yesterday he would be resigning his other SAB-related directorships, that of Southern Sun had not yet been decided

"My situation relative to Southern Sun has not yet been settled it hasn't been finalized"

Mr Goss also said he had spoken to Mr Kerzner yesterday, although he did not disclose the nature of their discussion

Mr Kerzner said negotiations with SAB were in progress "I would hope conclusion of the deal would not go beyond a couple of weeks"

Formal discussions

Earlier yesterday it had been thought that formal discussions between Mr Kerzner and SAB would be delayed by a week until the return of SAB's new chief executive, Mr Meyer Kahn

Mr Kahn is holidaying with his family in the Eastern Transvaal, a break that a SAB spokesman said yesterday had been arranged some time ago

But Mr Kerzner said although Mr Kahn would have to be present at the conclusion of the deal, for the time being talks would continue and details worked out

"Meyer doesn't have to look over our shoulders all the time — if a deal is struck while he is away he will come back to preside over the conclusion"

Investment experts were yesterday of the opinion that broad agreement had already been reached, and negotiations would revolve around price and other details

Meanwhile, the SAB share price fell to 750c from 765c on the Johannesburg Stock Exchange yesterday, in continued reaction to Friday's board resignations

232

Industrial Week

26/7/83

'THREAT TO FREE TRADE

CONCERN is mounting over the increasing degree of concentration of ownership and control in the "limited" SA economy which will further foster inflationary tendencies.

While feeling the need for industry to be further freed from Government control, business commentators told Industrial Week that the Competitions Board is hamstrung, through no fault of its own, to effectively counter excessive economic concentration which stifles competition.

By Lynn Carlisle

A paradox of situations as to what is "in the public interest" exists free enterprise should operate unhindered by Government controls and foreign exchange restrictions, while Government is expected to foster competition and prevent business conglomerates from becoming increasingly beaurocratic

Four years ago it was calculated that 15 concerns controlled 70% of the Johannesburg Stock Exchange's capitalisation Today, 72,8% is controlled by three companies - Anglo American, Sanlam and Barlow Rand

"This must make South Africa the laughing stock of the world," said Robin MacGregor, compiler of Who Owns Whom

Moreover, he pointed out, Anglo American now owns 14% of the Barlow Rand equity while Sanlam holds a 3,5% stake in Barlow Rand

Without a leg-up from politicians it is questionable whether the conglomerates could have mustered all their market power through open competition in a free and fair system, some believe

David Samson . . . alarming level of concentration.

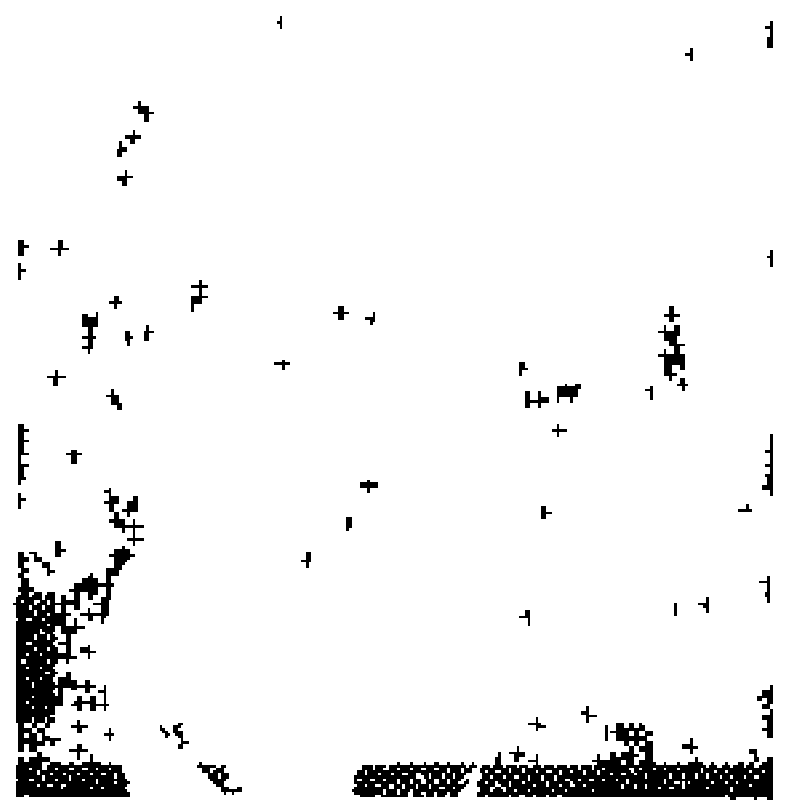
Lobbying from vested interests increases the pressure on Dr Dawie de Villiers, Minister of Industries and Commerce

MacGregor cites the packaging industry as being wrapped up by Barlows and Sanlam, the latter having control of Kohler Bros which recently bought DRG and Xactics (which owns Kroft Packaging Industries)

Barlows owns Nampac, which has taken over Metal Box and its subsidiary, Independent Packaging

"They own everything now except for a few tiny independent businesses This will mean more inflationary prices,' MacGregor predicted

David Samson, president of the Chartered Institute of Secretaries there are certain businesses which, by their nature, should be in the hands of the multinationals and conglomerates as they require significant financial backing.



Dr Ben Vosloo . . . call for amendment.

But they must also ensure that they look at their own development and leave the ground fertile for new and small business to grow on

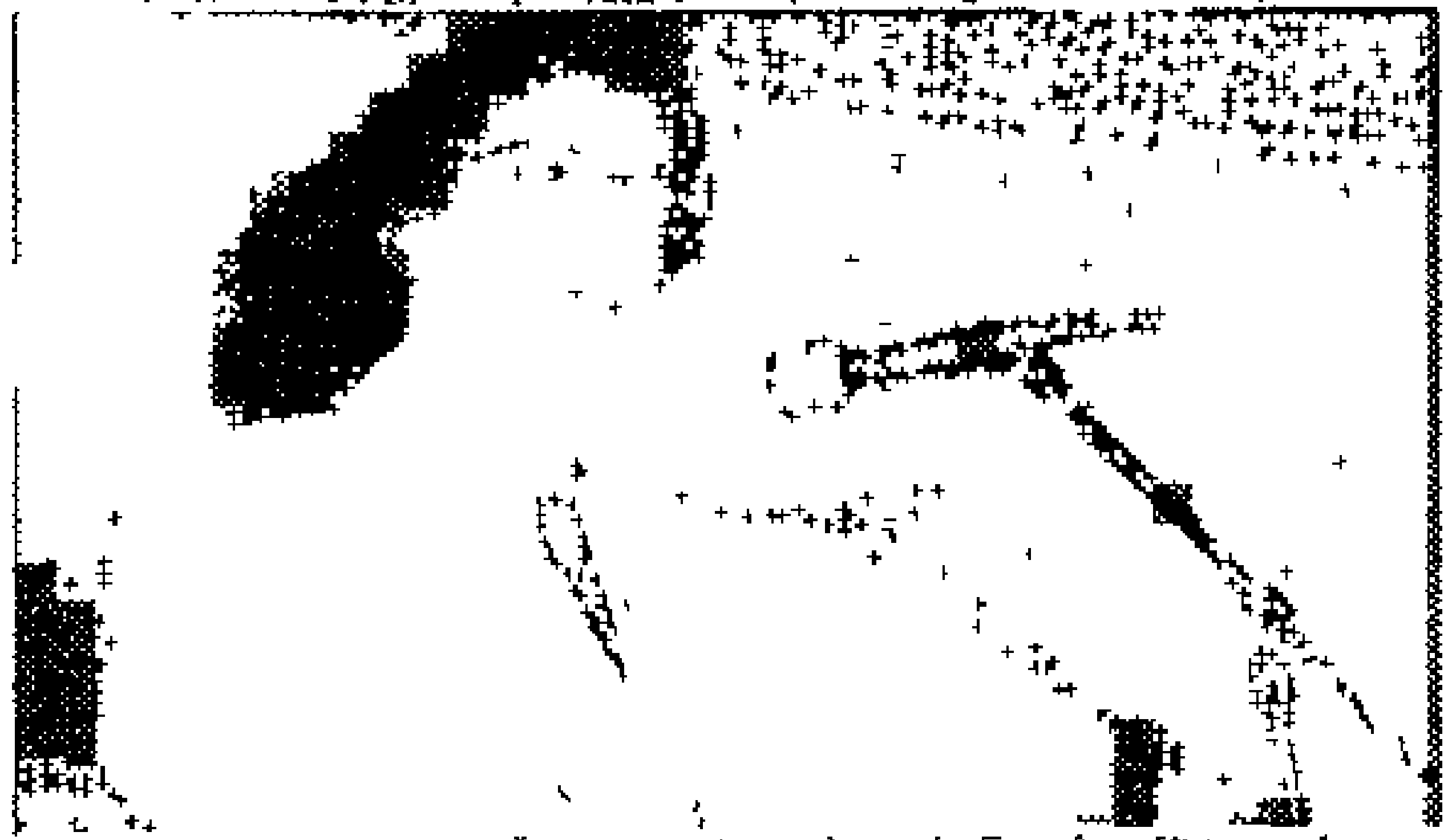
"If the conglomerates do not manipulate their managements then I see the benefits," said Samson

Big business often grows because it had "political clout', although this sometimes could be a chicken-and-egg situation, he said

"I would say that in certain industries there is an alarming level of concentration, such as is occurring in construction but this is natural in SA when realignments of business takes place," said Samson

Asked what effect relaxation of exchange-control was playing, Sam-

To Page 2



Leon Louw . . . wants massive decontrol.

232

Mercury 29/7/82

'Competition Board should be given further powers'

Finance Reporter

THE legislation controlling the concentration of monopoly power needs to be revised and the Competition Board should be given new direction and further powers, a Durban academic said last night

Addressing the Natal branch of the Institute of Cost and Management Accountants, Mr John Tregenna-Pigott criticised the Competition Board and the Maintenance and Promotion of Competition Act

He called for a more rigorous Act with a bias against acquisitions, unless they are proved to be in the public interest, and stating the levels at which monopolies should be investigated

'We should follow the trend set by other Western economies, where legislation controlling acquisitions and monopolies is being tightened,' he said

Mr Tregenna-Pigott is a senior lecturer in economics at the University of Natal

He said the board's credibility had been seriously lessened by the Government's overruling its decision concerning the Cape liquor distributors, probably due to political pressure

Mr Tregenna-Pigott said the trend in South Africa is moving towards the increase in conglomerate power rather than expansion in a particular industry, but with interlocking directors, the situation can be understated

He recommended that 'controlling interest' be defined by the board, but admitted this is difficult.

'If a minority shareholding of 20 percent is held by a company like Anglo American, it could have a vast impact on company policy and decisions. This could influence output and pricing,' he said

He suggested that, as in the British system, companies be investigated by the board at a level of 25 percent shareholding

Financial institutions are currently excluded from the provisions of the Act, unless the Minister gives his approval for investigation But, as they control more funds and 'become more involved in acquistions,' this will become a greater weakness of the system, he said

'If the free market system is to work, a certain amount of interference in the market mechanism is necessary The growth of monopolies has to be controlled,' he said

With the move towards disinvestment by British and American firms, the concentration of power is increasing in South Africa, as the larger local companies buy up firms Mr Tregenna-Pigott said this situation would continue unless the legislation was changed and the board's influence increased

Dawie backs Samancor deal

In the national interest, he says

23d

RDM 1/8/83

By BRENDAN RYAN
Mining Editor

DR DAWIE de Villiers, the Minister of Industries, Commerce and Tourism, has come out in support of the deal through which Iscor sold control of its stake in SA Manganese Amcor to Gencor.

"I have no doubt that the transactions are in the interest of Iscor and the country as a whole for that matter," he said in reply to questions telexed to him by Business Mail

Iscor traded 50,25% of its subsidiary, African Metals, which holds 39,6% of Samancor, for Gencor's Hlobane colliery and Gencor's controlling share of Dunswart Steel

The deal was the culmination of a dispute between Gencor and Iscor over supplies of coking coal from Gencor's Hlobane colliery near Vryheid

Iscor wanted to enforce production reductions at the colliery because of the drop in its market for iron and steel caused by South Africa's recession

Gencor retaliated with the threat of a law suit over supply contracts and gave three months' notice of closure of the colliery

The terms of the settlement surprised mining circles because it gave effective control of Samancor to Gencor

It was disclosed that Gencor and Iscor had established an informal agreement to maintain control of Samancor between them, ending any hopes Anglo American Corporation had for obtaining control of Samancor

General Mining, Anglo American, and Rand Mines were keen bidders for Iscor's stake in Samancor when it was to be sold in 1977

The highest bid came from Anglo, but the then Minister of Economic Affairs, Mr Chris Heunis, ruled that Samancor must remain under Iscor's control

This was seen as a move intended to keep Samancor out of Anglo American's control

Last month's deal raised comments that the transactions were not in the public interest and Iscor's Samancor stake should have been put out to public tender

It is also believed by many people that Gencor got by far the better of the deal

Hlobane is a high-cost producer Gencor has said Dunswart is a small producer and is limited by lack of space for expansion

Business Mail's questions and Dr de Villiers' replies are

Was the Government consulted by Iscor before it agreed to this deal with Gencor?

"The Iscor board has full authority to decide on normal business issues However, the Government was consulted on this particular transaction as it also dealt with the problem of the Hlobane colliery and the possible redundancy of thousands of workers"

Assuming the answer to question one is yes, why has the Government now agreed to this deal when Mr Chris Heunis, Minister of Economic Affairs in 1977, vetoed an offer by Anglo American Corporation on the grounds that the strategic nature of Samancor's operations meant control should be kept by Iscor?

"It is incorrect to state that Minister Heunis vetoed any of the offers submitted to Iscor at the time His advice to Iscor was based on the particular set of circumstances at the time, which differed materially from the present situation"

Do you feel the best interests of Iscor and of the private mining sector of the economy have been served by this deal and what are the reasons for your answer

"I have no doubt that the transactions are in the interest of Iscor, and the country as a whole for that matter

"The activities of Dunswart Steel and Hlobane Colliery are much more closely related to Iscor's business of producing steel than its interests in Samancor

"The transactions are in line with Government's policy for Iscor to divest itself of interests that are not strictly in accordance with its main objective

"Iscor management is of the opinion that the acquisitions will have a major favourable impact on the control of their input costs, mainly metallurgical coal from Hlobane and sponge iron from Dunswart, and their ability to compete in the market place

"Furthermore, the closure of the Hlobane Colliery has been avoided and approximately 4 400 jobs were saved

"A very serious dispute over the supply of coal was satisfactorily settled The closure of Hlobane would have had serious negative economic and social consequences for Northern Natal

"I do not think it is correct for me to speculate on the economic implications of the deal for the various private sector mining houses involved It would be better to consult them direct

"I have, however, been informed that rationalisation possibilities exist and that these could have favourable implications for the country's mineral exports"

Plate Gl, Pilkington talking

RDM
2/8/83

By JOHN MULCAHY

PLATE Glass and Pilkington Brothers are on the point of an agreement which is believed will lead to a merger of Plate Glass with Pilkington's South African operations.

No spokesmen for Plate Glass and Pilkington were available late yesterday, but industry sources said agreement was imminent

An announcement on the discussions is expected in a few days

Representatives of PG and Pilkington are believed to have been locked in negotiations for at least the past week, and were close to agreement at the end of last week

Pilkington SA is wholly owned by its UK parent and is unlisted It is SA's biggest glass-maker

PG's glass division, Solaglass International, splits its SA activities into three arms — PG Glass, Shatterprufe and Frederick Sage

For the year to March 31 Solaglass sales amounted to R378-million, of which SA operations accounted for R231-million Overall operating profit was R45 700 000, of which SA contributed R39 800 000

An overview of Solaglass activities for the year, presented in Plate Glass & Shatterprufe Industries recent annual report, shows that the SA divisions exceeded budget and profit was a record

The chief executive, Mr Ronnie Lubner, warned that conditions were expected to remain depressed throughout the current year and profit would be difficult to maintain

PG Glass covers the supply and fitting of glass, windscreens, mirrors and related products Shatterprufe mkes laminated windscreens, safety and security glass and Frederick Sage contracts for the fabrication of window walls, shopfittings and interiors

The automotive glass market is worth about R50-million a year, and is now dominated by Plate Glass and Pilkington A newcomer, Wesglas, is due to begin production in the middle of next year

Wesglas is a joint venture to which Wesco — Toyota's holding company — Messina (Datsun's parent) and Amic (Sigma) are contributing It will produce laminated and tempered glass for the automotive industry at a factory in GaRankuwa

It is significant that all the companies involved in Wesglas are connected in some way with Anglo American

Johannesburg Consolidated Investments is the biggest shareholder in Toyota after Wesco, Messina is controlled by African Finance, in which Anglo has a significant shareholding, and the third is Anglo subsidiary Amic

It is too early to speculate on whether Anglo might decide to move into other areas of glass manufacture and face PG head on

An alliance between PG and Pilkington could be the two groups' means of heading off Anglo

Pilkington has the patent for the float process of glass manufacture, and Solaglass is its biggest customer in SA

PG's annual report shows that new building products provided 41% of Solaglass's SA business, building replacement another 21%, new automobiles 10%, replacement automobiles 20%, and furniture and other 8%

The directors say the PG Glass outlook for the current year is a consolidation of market share as well as a rationalisation of the distribution structure and systems

"Performance is expected to mirror the South African economy in general, with a decrease in real activity for the second year in succession It is unlikely that profits will equal those of 1982-83"

In Shatterprufe's case, the directors say sales of building glass are expected to decline in real terms in spite of a full order book at July 5

The outlook presented for the motor industry is a decline, although prospects for autoglass are firm provided there is no change in the petrol price or vehicle use

The directors say Frederick Sage entered the current year with a full contracting order book, although a fall in activity is expected in the second half of the year

232 Star

The Star/Bl

2/8/83

Pilkington SA, Plate Glass merger details

By Trevor Walker

Pilkington Glass of Britain has agreed to merge its South African glass interests with Plate Glass and Shatterprufe Industries in a deal which will place control of this strategic industry in South African hands.

The combined assets of Plate Glass's Solaglas International division and Pilkington SA — about R300 million — are to be merged into a new company, Glass South Africa.

No money will leave this country, and Plate Glass and Pilkington will each own 48,4 percent and the Old Mutual the 3,2 percent balance

The Competition Board has approved the merger and Mr Ronnie Lubner, joint executive chairman of Plate Glass, will be chairman of the new company, with Mr Sol Kay, an executive director of Pilkington, as deputy chairman.

Glass SA has entered management agreements with Solaglas for merchanting and contracting, and with Pilkington for flat and safety glass.

The merger affects only Pilkington's SA operations and the new firm will employ 3 400 at 13 factories and 150 wholesale and retail outlets Based on figures for the past year, gross assets top R300 million and operating profits exceed R68 million

Mr Lubner said "putting the two SA operations together is not expected to increase profits in the short-term, but will improve the quality of earnings through the creation of a fully-integrated business."

In the medium-term there should be significant benefits through Glass SA's ability to step up efficiency, improve service and introduce new products

The group had relatively cheap borrowing facilities and it was not considered opportune to float off one of the divisions as mentioned in the annual report

Pilkington, only manufacturer of flat glass in SA and with no processing or distribution divisions, will gain a smaller but more profitable slice of the glass market

Mr Ronnie Lubner, interviewed by The Star recently, said the company did not intend to diversify its interests in this country to meet competition expected from Wesglas

Wesglas is a joint venture by the controlling companies of Toyota, Datsun and Sigma to gain a share of the R50 million automotive glass industry which Plate Glass dominates

Today's announcement wraps up SA's glass industry for Plate Glass, leaving it free to continue its overseas expansion plans

In an overview of Solaglas in the annual report for the year to end-March, sales were R377,5 million of which SA contributed R230,6 million, while operating profit was R45,7 million of which SA contributed R39,8 million

Total turnover of the Plate Glass was R560 million, with group income of R58,9 million Total assets were R400,2 million.

Mr Ronnie Lubner said in the annual report that after five years of rapid growth during which turnover trebled, activity peaked in 1982-83, in keeping with the SA economy and earnings fell 20,8 percent to 231,4c Clearly the group hopes its overseas expansion will allow it to smooth out the cyclical nature of its business in SA The annual report said dividend cover would be varied to facilitate distribution of dividends year.

Picture NOEL WSATSON

2/8/83 232 RNDM

Biscuit monopoly as Premier sells to Bakers

By PAT SIDLEY
Consumer Mail

PREMIER GROUP has sold its biscuit manufacturing division to the Durban-based Anglo-Transvaal subsidiary, Bakers Ltd, ensuring a virtual biscuit monopoly for Bakers

The deal was approved by the Competitions Board, but yesterday it declined to comment on the transaction However, a spokesman for Premier said the deal had been approved by the board

Brand names which will disappear from the Premier fold are Pyotts (the factory had already closed with the loss of 400 jobs), Three Rings, Westerns, Mosmarks and Homaco

Retailers estimate that Bakers will now control about 90% of the industry Premier estimated that it had previously had about 15%

About 40 000 tons of biscuits were manufactured in 1982 in South Africa with a value of at least R100-million About 35 000 tons of flour are used in the manufacture of biscuits annually

In the six months to the end of December 1982, Bakers made a profit after tax of R4 763 000 and their turnover in that six-month period was as high as R84-million

Confirming the sale yesterday, Mr Peter Wrighton of Premier would not reveal the value of the deal He said shareholders would be informed "in due course"

He said the division had been sold to save the remaining (600-odd) jobs in the factories as the division had for some years been losing money About 400 jobs had been lost when Premier closed its Springs plant earlier this year

The 1983 annual report of the Premier Group said "The losses in this division have been gradually reduced over the past three years Profitability was however adversely affected by the delayed implementation of a selling price increase which was justified by additional costs of materials and labour "

Ms Peta Lomberg, spokesman for a major supermarket chain, said last night she was "horrified by this further example of concentration in the food industry It will inevitably lead to increased prices through lack of competition

"We would like to hear the explanation of the Competitions Board as to how they could allow this concentration to take place," she added

Witness describes shooting

Court Reporter

A POLICE detective who shot dead a burglar while the man was crawling through the bathroom window, pleaded not guilty to a charge of murder in the Rand Supreme Court yesterday

Mr Christiaan Dydelief van Jaarsveld, 46, of Kempton Park, appeared before Mr Justice T T Spoelstra charged with murdering Mr Kombula Mafiri at Birch Acres on February 2, 1982

Miss M Spinks testified she saw two black men prowl about an empty neighbouring house When they opened a bathroom window and one of them entered the house, she called the police

Shortly after Mr Van Jaarsveld came around the back of the house and positioned himself behind a wall

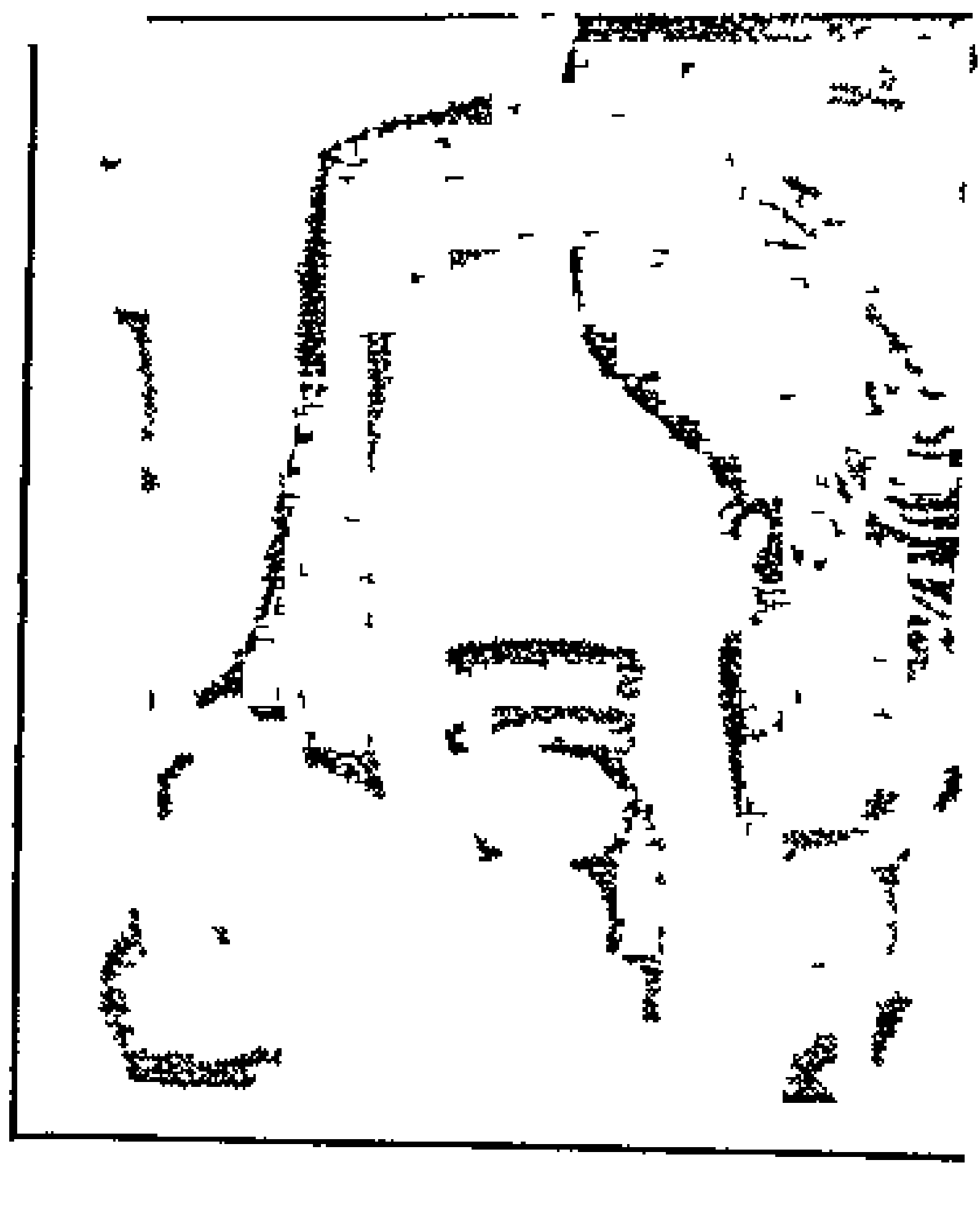
Miss Spinks said she saw Mr Mafiri peep out of the bathroom window and start crawling out Mr Van Jaarsveld fired three shots when Mr Mafiri's head and shoulders were showing

She said Mr Van Jaarsveld did not give Mr Mafiri, who was unarmed, any warning before firing Mr Mafiri fell back into the house after the third shot

Mr Van Jaarsveld told the court in his defence that he shouted at Mr Mafiri and fired a warning shot when his head appeared in the window

It seemed to him that Mr Mafiri was armed and he feared for his life He then fired two shots He later ascertained Mr Mafiri was not armed, but had a camera in his hand

The hearing continues today



Private funeral for actor David Niven

Mail Correspondent

GENEVA — A private funeral service will be held for actor David Niven this afternoon at the small Anglican church he attended near his Swiss Alpine chalet, a family friend said

Niven, who was 73, died early on Friday after months of suffering from a rare muscle-wasting illness

The friend said the service would be taken by Scottish Pastor Arnot Morrison, a close friend of Niven's

"It will be for his close friends and family — Niven was a very private man and the service will be in keeping with his wishes," the friend said

Violinist Yehudi Menuhin said he and seven of his students would play the Andante from Mendlessohn's string octet at the service

"I admired him enormously — he was an incredibly courageous man and talented artist and author," Menuhin said

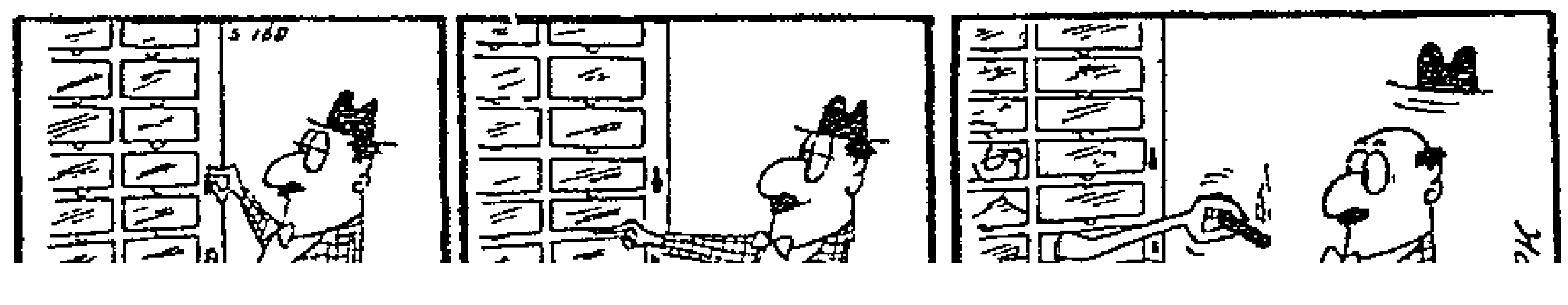
Earlier Niven's family said they would hold the service in a bigger church, but then decided against this

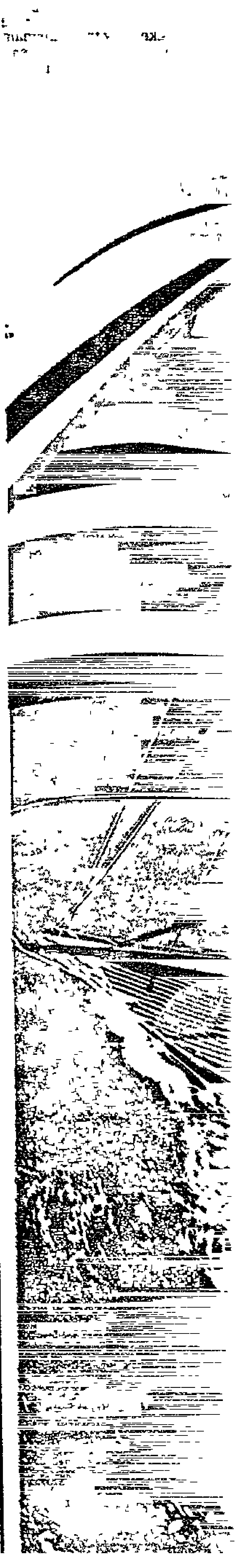
"They wanted to have it in the church Niven knew and where his two daughters were christened," the family friend said

Niven's two sons by his first marriage arrived over the weekend from the United States to join his Swedish widow, Hjordis, and her two adopted daughters

Memorial services are also planned in London and Hollywood later this year

WHATSITSNAME





Mr Ronnie Lubner, chairman and chief executive of Solaglass International

Pilkington name, R25m expansion plan to continue

[illegible] 232 [illegible]

3/8/83 RDM

By JOHN MULCAHY

THE merger of Pilkington Brothers SA with various Plate Glass divisions does not herald the withdrawal of the Pilkington name from South Africa

Mr Derek Cook, chairman of Pilkington SA said yesterday the company was committed to a R25-million expansion programme, due to be completed in 1985, and the merger with PG would free Pilkington to pursue a number of high-technology developments in the glass industry in SA

These developments included high-technology defence equipment as well as glass for solar heating applications

Plate Glass's subsidiary Solaglas International has merged its safety glass, merchanting and contracting operations with Pilkington's flat, safety glass and glass insulator businesses to form a new company, Glass South Africa

The new company has gross assets of about R300-million and gross profit last year of more than R68-million

PG and Pilkington each have a 48,4% stake in Glass SA and SA Mutual the remaining 3,2%

Before the merger PG had a holding of 8% in Pilkington SA as did Old Mutual

Plate Glass is South Africa's biggest glass merchant while Pilkington has the country's only flat glass manufacturing facility, at Springs

There will be no money changing hands as the two groups' assets to be contributed to the merged operation fortuitously match

Heading Glass SA will be Mr Ronnie Lubner, joint executive chairman of PGSI, and Mr Sol Kay, an executive director of Pilkington, will be deputy chairman

Glass SA will employ 8 400 people at 13 factories and 150 wholesale and retail outlets throughout SA

The new company has a management agreement with Solaglas in respect of merchanting and contracting, and with Pilkington for for flat and safety glass

It will have access to technology from Pilkington, which spends about R35-million a year on research and development

According to Mr Antony Pilkington, chairman of Pilkington Brothers, the merger strengthens Pilkington in SA and is a major move into the value-added sector

"We are delighted that we have been able to achieve this with SA's largest and most experienced glass merchanting and processing group"

The two parties emphasise that the merger does not amount to a disinvestment from South Africa

According to Mr Lubner "Unlike many transactions between South Africans and companies overseas, Pilkington is not withdrawing from SA and no money is leaving the country

"Pilkington has operated here for 50 years — nearly as long as the 85 years our roots go back It is a merger of two strong, compatible organisations"

Questioned on the rationale behind the merger, Mr Cook said yesterday Pilkington and PG had a close relationship going back to the turn of the century

Until recently, however, PG's business had been a conglomeration of glass, timber and aluminium, and it was only since the restructuring — into Solaglas and PG Industries — that PG's glass business was clearly defined

At the same time, Pilkington had adopted a new business philosophy — the first commitment to which was one of decentralisation, and the second to develop the group's value-added business

An adjunct to the second element of the new policy was a determination to vertically integrate Pilkington's business into wholesaling and retailing

For these reasons the timing of the merger was ideal, as it successfully implemented Pilkington's newly expressed ideals

From PG's viewpoint, there were synergistic benefits in a closer link with a major raw material supplier

Not the least of these is the real threat of increased competition in a number of areas in the glass industry

Anglo, through Huletts, has been making ever-increasing strides into areas traditionally the domain of PG and its associates, and with as associate LTA and further down the line Anglo American Property Services it is possible for the group to inflict real damage on the existing participants in the glass business

Murray & Roberts has also established a presence in the building glass sector, and through its construction and development divisions M&R also has the ability to make its presence felt in the glass market

The establishment of Wesglas will make substantial inroads into PG's and Pilkington's dominant share of the new automobile market — estimated at well over 90% — but Mr Lubner does not believe Glass SA will lose all of its auto business

Although Wesglas through its direct connections will corner the business at least from Toyota, Datsun and Sigma, as well as some of the other new business, Mr Lubner believes the established network of replacement windscreen outlets will ensure that Glass SA maintains the major part of the replacement market

The competition from Wesglas — due to come on stream by the middle of 19[illegible] — will not result in idle capacity at the existing safety glass plants

While the export market is still under pressure because of recessionary conditions abroad, the process for manufacturing safety glass for vehicles is similar to that for building cladding, and this is seen as a major growth area

Mr Lubner said the merger would not increase earnings in the short term, but it would improve the quality of earnings through the creation of a fully integrated business

"In the medium term there should be significant benefits through Glass SA's ability to improve efficiencies, to provide superior service to customers, and to introduce new products"

2-32

SOUTHERN SUN

Prolonged wrangling

As the full board of Southern Sun gathered for a dusk meeting at the group's headquarters on Wednesday evening uncertainty was mounting as to the future of SA Breweries' (SAB) controlling stake in the profitable hotel group One thing is certain, however, and that is that the meeting is likely to develop into a full-blown wrangle

Having taken time to mull over its hasty decision to reduce its Southern Sun holdings, SAB may now be having serious second thoughts In addition, SAB's board is clearly pressed for time in any negotiations which may now take place The JSE Committee is known to be unhappy about the prolonged suspension of Southern Sun's shares and a certain amount of arm twisting has been going on behind the scenes The JSE was not expecting the share to be suspended for longer than a week and it feels strongly that the entire issue has already dragged out for longer than is desirable

Speculation is now rife that Southern Sun's MD Sol Kerzner will be facing some tougher bargaining than he may originally have anticipated Opinion is hardening that SAB would come to regret a decision to turn over a controlling interest to Kerzner and sources close to the negotiations say he may instead be offered a chance to buy out Sun City That, however, seems unlikely to satisfy the ambitious Kerzner, who is plainly excited at the prospect of grabbing control of the group he helped to build

Ripples of uncertainty have already begun to affect other counters on the market as speculation mounts Rennies' share price fell 425c on Monday to 1 225c on thin trade of only 2 000 shares The share recovered later in the week, but market sources report that Monday's decline was in response to rumours that Old Mutual was contemplating spinning off Rennies' Holiday Inn as a prelude to a proposed rationalisation with Southern Sun Even so, the share's reaction seems hard to justify, since Rennies' shareholders could surely expect a *quid pro quo* if Holiday Inn was floated off from the larger group

Following an afternoon meeting of the SAB board, the key players trooped over to Southern Sun's offices, where the press was initially told an announcement could be expected Kerzner later appeared with the news that negotiations were to be prolonged and that no announcement would be forthcoming before Thursday

JSE listings manager Doug Gair, who showed up expecting a firm conclusion to the negotiations, was told there would be no proposal for the JSE to approve or disapprove. Meanwhile, all the parties involved in the negotiations are playing their cards very close to the chest

Southern Sun's Kerzner ... not talking — yet

Whatever is decided tonight may well have far-reaching ramifications And the sooner the entire issue is resolved, the better The question now uppermost in investors' minds must be what will happen when Southern Sun is finally relisted?

Chris Wilson and Peter Farley

232

PLATE GLASS/PILKINGTON

Reinforced position

The merger by Plate Glass (PGSI) and Pilkington UK of their SA glass operations effectively ties up the lion's share of domestic manufacture, distribution and marketing of glass for industrial and motor useage It also places control of domestic glass manufacturing firmly in SA for the first time

FT COMEBACK

London's *Financial Times* will soon be back on the streets A settlement was reached on Wednesday, ending a labour dispute which halted publication of the *FT* for over two months

Each of the two companies will have effective 48 4% in the new holding compan of the merged operation Glass SA, wi Old Mutual holding the 3,2% balanc Mutual s stake is derived from its prev 8% stake in Pilkington SA's (PBSA) glass subsidiary Glass SA will be co trolled by pyramid Salanc, in which PG and PBUK will each hold 50%

The combined Mutual/PGSI stake in holding company gives SA a controll 51,6% holding In addition, it gives Mutual strategic stake in the local glass indust which could fuel further antagonism tween the insurance giant and Ang American Anglo companies are prov the backbone for the recently form Wesglas operation — a joint venture tween Sigma, Toyota and Datsun

Chairman of the new Glass SA, R Lubner, says the merger evolved as a res of the long-standing business relat between the two companies PGSI is by PBSA's biggest customer While there be some longer-term rationalisation fits, he says that the merger will prov better short-term efficiencies and harmonious long-term planning on sides

Reading between the lines, it is prob these talks had been going on for time It would be extremely unlikely if subject had not been broached before Ho ever, Lubner says serious discussions took place over the past three months it appears the bulk of these centred finalising details with PBSA's UK paren

PBSA chairman Derek Cook says the new company gives Pilkington the portunity to become involved in the stream aspects of the glass industry expansion options open to Pilkington in country were obviously limited and ther fore a tie-up with the market leader on distribution side seemed a logical choice would have been both uneconomical and, a large extent, impractical for PBSA to to go it alone in competition to PGSI

No cash has changed hands as a result the deal The turnover, assets and profi bility of PBSA are almost identical to th generated by the SA activities of PG Solaglas subsidiary A straight merger therefore the simplest solution

Lubner says there were no specific ex nal factors which prompted the mer but adds that the new company will be far stronger position to counter the petition which may arise from Wes Wesglas will initially concentrate on autoglass, which last year accounted only 10% of Solaglas's sales Last year more-lucrative replacement sales re

Fm 5/8/83

1

2-32

SOUTHERN SUN

Prolonged wrangling

As the full board of Southern Sun gathered for a dusk meeting at the group's headquarters on Wednesday evening, uncertainty was mounting as to the future of SA Breweries' (SAB) controlling stake in the profitable hotel group One thing is certain, however, and that is that the meeting is likely to develop into a full-blown wrangle

Having taken time to mull over its hasty decision to reduce its Southern Sun holdings, SAB may now be having serious second thoughts. In addition, SAB's board is clearly pressed for time in any negotiations which may now take place The JSE Committee is known to be unhappy about the prolonged suspension of Southern Sun's shares and a certain amount of arm twisting has been going on behind the scenes The JSE was not expecting the share to be suspended for longer than a week and it feels strongly that the entire issue has already dragged out for longer than is desirable.

Speculation is now rife that Southern Sun's MD Sol Kerzner will be facing some tougher bargaining than he may originally have anticipated. Opinion is hardening that SAB would come to regret a decision to turn over a controlling interest to Kerzner and sources close to the negotiations say he may instead be offered a chance to buy out Sun City. That, however, seems unlikely to satisfy the ambitious Kerzner, who is plainly excited at the prospect of grabbing control of the group he helped to build.

Ripples of uncertainty have already begun to affect other counters on the market as speculation mounts Rennies' share price fell 425c on Monday to 1 225c on thin trade of only 2 000 shares. The share recovered later in the week, but market sources report that Monday's decline was in response to rumours that Old Mutual was contemplating spinning off Rennies' Holiday Inn as a prelude to a proposed rationalisation with Southern Sun Even so, the share's reaction seems hard to justify, since Rennies' shareholders could surely expect a *quid pro quo* if Holiday Inn was floated off from the larger group.

Following an afternoon meeting of the SAB board, the key players trooped over to Southern Sun's offices, where the press was initially told an announcement could be expected Kerzner later appeared with the news that negotiations were to be prolonged and that no announcement would be forthcoming before Thursday

JSE listings manager Doug Gair, who showed up expecting a firm conclusion to the negotiations, was told there would be no proposal for the JSE to approve or disapprove. Meanwhile, all the parties involved in the negotiations are playing their cards very close to the chest.

Southern Sun's Kerzner . . . not talking — yet

Whatever is decided tonight may well have far-reaching ramifications. And the sooner the entire issue is resolved, the better. The question now uppermost in investors' minds must be: what will happen when Southern Sun is finally relisted?

Chris Wilson and Peter Farley

232

PLATE GLASS/PILKINGTON

Reinforced position

The merger by Plate Glass (PGSI) and Pilkington UK of their SA glass operations effectively ties up the lion's share of domestic manufacture, distribution and marketing of glass for industrial and motor useage It also places control of domestic glass manufacturing firmly in SA for the first time

FT COMEBACK

London's *Financial Times* will soon be back on the streets. A settlement was reached on Wednesday, ending a labour dispute which halted publication of the *FT* for over two months

Each of the two companies will have an effective 48,4% in the new holding company of the merged operation, Glass SA, with Old Mutual holding the 3,2% balance Mutual's stake is derived from its previous 8% stake in Pilkington SA's (PBSA) float glass subsidiary Glass SA will be controlled by pyramid Salanc, in which PGSI and PBUK will each hold 50%

The combined Mutual/PGSI stake in the holding company gives SA a controlling 51,6% holding. In addition, it gives Mutual a strategic stake in the local glass industry, which could fuel further antagonism between the insurance giant and Anglo American. Anglo companies are providing the backbone for the recently formed Wesglas operation — a joint venture between Sigma, Toyota and Datsun

Chairman of the new Glass SA, Ronnie Lubner, says the merger evolved as a result of the long-standing business relationship between the two companies. PGSI is by far PBSA's biggest customer. While there will be some longer-term rationalisation benefits, he says that the merger will produce better short-term efficiencies and more harmonious long-term planning on both sides.

Reading between the lines, it is probable these talks had been going on for some time. It would be extremely unlikely if the subject had not been broached before However, Lubner says serious discussions only took place over the past three months and it appears the bulk of these centred on finalising details with PBSA's UK parent

PBSA chairman Derek Cook says that the new company gives Pilkington the opportunity to become involved in the downstream aspects of the glass industry. The expansion options open to Pilkington in this country were obviously limited and therefore a tie-up with the market leader on the distribution side seemed a logical choice It would have been both uneconomical and, to a large extent, impractical for PBSA to try to go it alone in competition to PGSI

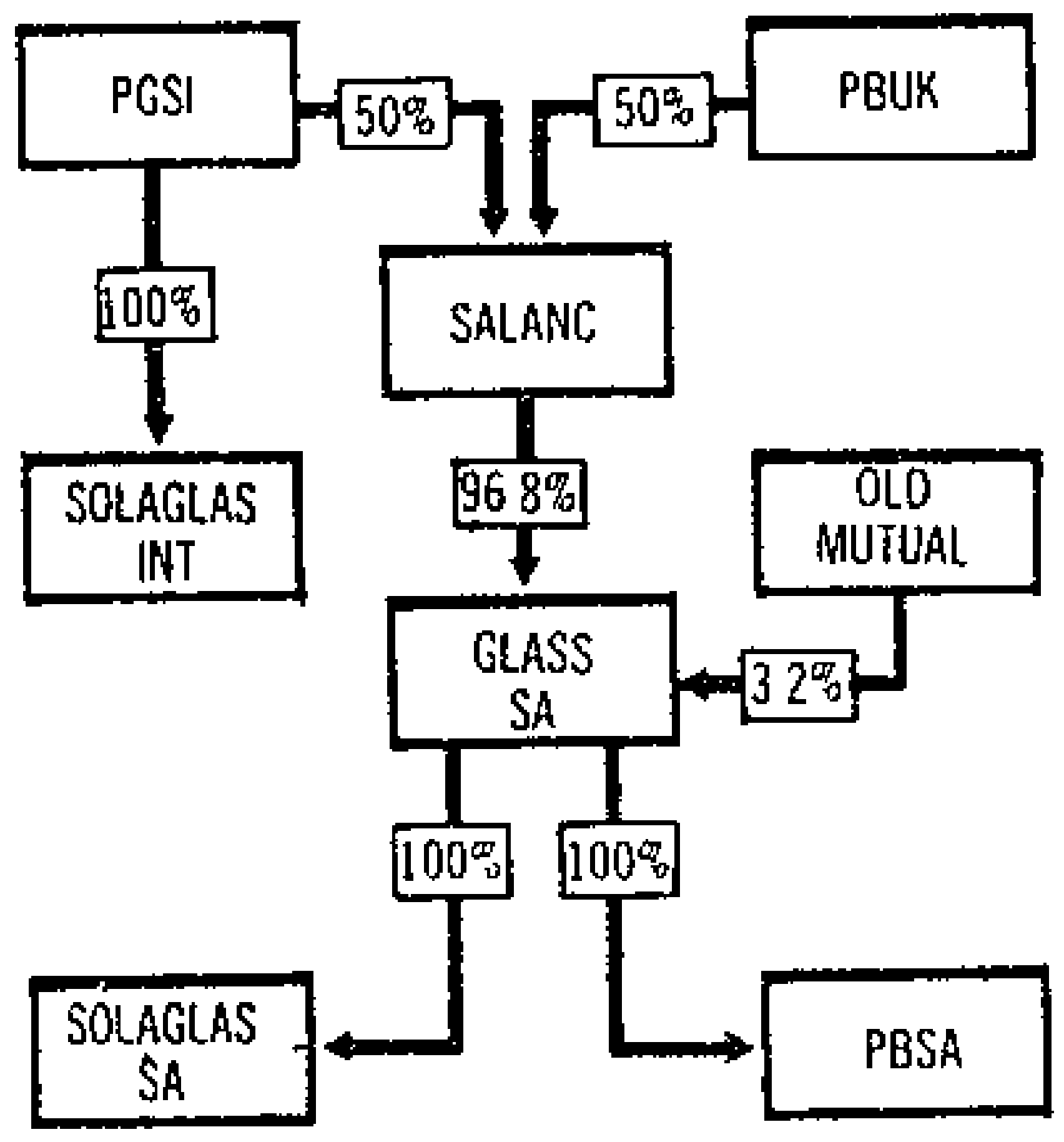
No cash has changed hands as a result of the deal. The turnover, assets and profitability of PBSA are almost identical to those generated by the SA activities of PGSI's Solaglas subsidiary A straight merger was therefore the simplest solution

Lubner says there were no specific external factors which prompted the merger, but adds that the new company will be in a far stronger position to counter the competition which may arise from Wesglas Wesglas will initially concentrate on new autoglass, which last year accounted for only 10% of Solaglas's sales. Last year the more-lucrative replacement sales repre-

FM 5/8/83

(232) FM 5\8\63

SHATTERPROOF COMBINATION



sented some 20% of turnover — an area in which it will take Wesglas some time to become established

Lubner adds that the new company will, apart from consolidating its domestic market share, be seeking to increase its existing export sales base If Glass SA had been operating in the year ended February 28, sales would have totalled some R350m, of which over R25m would have been from exports While the ability to export is determined by the volume of local demand, Lubner says he hopes that export sales can be increased this year If they can, it will prove of enormous benefit, as there is unlikely to be much growth in domestic demand

Pilkington produces around 90% of local glass requirements and Cook says that, even with the merger, it is unlikely to make much of an inroad into the 10% currently imported He says this portion represents the more specialist requirements that would be uneconomical to produce here due to the small volumes

Pricing policies

On the local scene, Cook says Glass SA has agreed with the Competition Board that the existing PBSA pricing and marketing policies will remain. He says that this will preclude any beneficial contractual arrangements with Solaglas as a result of the merger He adds that it would not be in the company's longer-term interests to give preferential treatment to Solaglas at the expense of its other customers

Lubner says he does not expect much of an increase in profitability this year — Glass SA would have earned a net R35m last year — but is looking for an exciting growth phase thereafter He says, however, there are no immediate plans to seek a listing for the new company, but that it may be considered at a later stage If this step were taken, he says that it would not affect PGSI's longer-term plans to seek separate listings for its glass and industrial operations

The new Glass SA is certainly starting life with a firm base and should it eventually come to market, it will offer some interesting investment potential In the meantime, however, its contribution to PGSI's earnings will probably be negligible in the short-term, but should provide a healthy return thereafter

Peter Farley

august 5 1983

Financial Mail

232

BIG BUSINESS

We might need large companies

Even in our capitalist society, only a few will easily accept that big business could be benign. It is much easier, especially when inflation is rife, to champion the small company as the innovative upholder of competition.

The merger of certain Plate Glass and Pilkington interests this week highlights the issue yet again. It comes on the heels of the JCI-Liberty Life purchase of Premier and the absorption of SA Breweries. It draws attention again to the ubiquitous Old Mutual's chagrin at being excluded (see *Fox*), and its subsequent reaction.

Of course, it is not size alone that creates fears of inefficiency and reducing competition. They flow, too, from the belief that it is easier for large companies to collude over price. Some merely assume it as a fact of business life

But size is also the consequence of superior efficiency and profits, while collusion is associated in practice more with low-profit industries. And we know from experience in the US that anti-trust regulations can inhibit competition.

Taking yet another perspective, it might be that we in SA are beginning to need large business formations so that we can compete more efficiently abroad.

We have reached the stage now where import replacement has gone about as far as it can go. The country is self-sufficient in most manufactured essentials. The next step must be to increase our manufacturing efficiency so that we can export surplus production profitably.

Of course, our self-sufficiency was brought about expensively by protection and many other laws and regulations have distorted competition. It is easy, therefore, to assume that the inevitable outcome is the present trend towards a greater concentration of ownership.

Indeed, that may be one reason But superior efficiency of large companies in the private sector may also be a factor which we ignore at some peril.

There is no escaping, however, that we do have an unusually large concentration of ownership. The three large banks in West Germany have only 10% of that market, whereas our Big Three have more than 60% of ours.

We have to keep that in mind when formulating economic policy and taking steps that we hope will encourage healthy competition. But in doing so, we must be careful not to reject size *per se* as being contrary to our interest or necessarily evident of inefficiency and collusion.

Magnate nets Southern Sun gems

Sol Kerzner in R30m casino coup

RDM (232) [illegible] 5/8/83

By JOHN MULCAHY

THE suspense is over. Mr Sol Kerzner has bought control of the gems in Southern Sun's portfolio — the hotel-casinos — for just over R30-million.

After 10 days of tough and relentless horsetrading, the ebullient hotel magnate has concluded a deal with South African Breweries that not only gives him the independent say over Sun City, Mmabatho Sun, Amatola Sun in the Ciskei, and three hotels in Mauritius, but also R7-million in cash.

A delighted, if exhausted, Mr Sol Kerzner, and SAB's Mr Meyer Kahn and Mr Peter Bacon, faced newsmen at the Landdrost Hotel, Johannesburg, yesterday afternoon and told of the deal reached after negotiations that Mr Kahn said required "every ounce of stamina, fortitude, and courage we had"

"Forget about all the friendly, amicable stuff you read about in the papers This was rough stuff, fought every inch of the way"

Mr Kahn emphasised that at no stage was overall control of Southern Sun negotiable "It (Southern Sun) is an integral part of SAB and we would not consider selling it — we saw the first prize as a deal that was satisfactory both to us and to Sol"

Mr Bacon, until now director of Southern Sun's hotel operations, has been appointed managing director of the group in succession to Mr Kerzner His appointment becomes effective on October 1

A new company, whose working title for the moment will be "Newco" is to be formed to encompass ownership

Southern Sun, in which SAB had an interest of 71% until yesterday, has been restructured, and the main elements of the deal are:

- ● Mr Kerzner sells 10% of Southern Sun — 5 500 000 shares — to SAB for R34 560 000
- ● Mr Kerzner pays Southern Sun R30 160 000 for a 51% stake in "Newco" which will control the Bophuthatswana, Ciskei, and Mauritius operations Southern Sun holds the remaining 49%
- ● Southern Sun pays Mr Kerzner R2 750 000 in terms of restraint of trade agreement.
- ● Mr Dick Goss, former SAB managing director, resigns as chairman of Southern Sun from September 30 He has been invited by Mr Kerzner to take the chairmanship of "Newco"
- ● Mr Kahn, new SAB managing director, is likely to succeed Mr Goss as Southern Sun managing director
- ● Southern Sun minority shareholders offered 80 SAB shares for every 100 Southern Sun shares they own

According to Mr Kahn the deal, which was finally concluded at 2 30am on Thursday, was satisfactory to SAB, Southern Sun's external directors — they include Mr Marmion Marsh, managing director of Safmarine and Mr Louis Shill, managing director of Sage Holdings — and Mr Kerzner

It seems, however, that if anyone was a winner, it is Sol Kerzner's number that came up in this particular spin of the wheel

For R30-million Mr Kerzner is getting control of 1 311 hotel rooms, including 624 at the high-occupancy Sun City

The deal puts a total value of about R59-million on the casino-hotel operations, or R45 000 a room

It has been recently estimated that a "greenfields" hotel in South Africa now would cost at least R100 000 a room

Mr Kerzner said the deal had yet to be approved by the relevant homeland governments, but he was confident their approval would be given

Referring to earlier speculation on his intentions, Mr Kerzner stressed that at no stage was the Old Mutual involved in his efforts to strike a deal

He did not, however, deny the possible involvement of any other financial institution.

problems for the Bank of Portugal earlier this year — Reuter

year will earn R15m for exports of synthetic yarns, and the company recently received a Safto award for exports

CT Times 6/8/83

232

$ still soaring

LONDON — The United States dollar soared to new records yesterday but fell back slightly when eight State banks intervened on foreign exchanges

The dollar still closed the week at all-time highs against the beleaguered French franc and Italian lira, and was at nine-year peaks against the West German mark and the Dutch guilder

Foreign exchange specialists said the Central Banks of Austria, Belgium, France, Italy, Japan, West Germany, the Netherlands and Switzerland were selling dollars throughout the day in an attempt to halt the currency's inexorable rise

There was no indication, however, that the Federal Reserve system was in the market as it was on Monday and Tuesday

Nor was there any sign that the Bank of England made other than token sales of dollars to bolster the British pound which eased further against the dollar but rallied against European currencies

The Board buys stake in UK investment house

THE BOARD of EXECUTORS has taken a major step towards enhancing its international investment capabilities by acquiring a stake in the newly-formed, London-based Global Investment Management Co

Its partner in this venture is a well-established international investment management house, with many billions of dollars under its management.

Global presently offers its investment management expertise to UK and European pension funds and institutions who see South Africa as an attractive investment area

Furthermore, if exchange control relaxation permits South Africans to make investments in international equities, Global will be in an ideal position to manage these funds

The managing director of The Board of Executors, Mr Bill McAdam, has been appointed chairman of Global, while the London-based chief executive is Mr Robert van Maasdijk, formerly the managing director of Ivory & Sime, one of Scotland's top performing international investment management houses

Mr Ronald Armist of The Board of Executors investment division has been seconded to London as Global's investment manager

Global has recently been appointed investment adviser to First Southern Investment Co Ltd, which has assets of $40m comprising investment in South African industrial shares It has also secured management contracts for other specialist South African equity funds which will materially increase its assets under administration

Commenting on the development, Mr McAdam said "This is an exciting step for The Board Since exchange control was relaxed for non-residents we have seen some major disinvestments from South Africa However, international fund managers will continue to recognize the longer-term merits of investment in South Africa An added plus in their eyes is the increased flexibility which has occurred due to the abolition of the financial rand

"Global is in a unique position to provide the necessary research for these investors and to assess the relative attractions of South African equities vis-à-vis other international shares

"Although we do not anticipate an imminent relaxation of exchange control which will allow South African investors to move funds abroad for equity investment, The Board of Executors, through Global, will be well placed if this does come about"

Portfolio management is a major service offered by The Board At its year-end in March it managed assets of R350m at historical values with market values well in excess of this figure

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by Godfrey Heynes

---

Board bans July 15 Scope

THE July 15 edition of Scope, published by Republican Press, Durban, has been banned by the Publications Appeal Board

The Directorate of Publications announced in Cape Town yesterday that the board had ruled this edition undesirable and had set aside a committee decision that it was not undesirable

A committee had on review decided that "The Front Runner", by Patricia Nell Warren and "The Attorney", by Harold Q Masur, were not undesirable

The Publications Appeal Board had set

Reunert move to become R800-m electronics giant

ARGUS 9/8/83 ~~(100)~~ (232)

JOHANNESBURG — Reunert Limited is buying high technology companies from its Barlow Rand parent that will transform it into the largest electronics and power engineering company listed on the Johannesburg Stock Exchange, the company announced here

It will have gross assets of R450-million, sales of R800-million a year and operating profits in excess of R65-million a year, a statement said

More than 80 percent of earnings will come from electronics, telecommunications and power engineering, with the balance being produced by industrial engineering activities that are increasingly harnessing advanced technologies such as robotics

The new Reunert will employ 14 000 people at factories and distribution outlets across the country and have long-term know-how agreements with leading companies in the United States, Japan, Europe and Britain

HIGH GROWTH

It brings together major high technology companies in the Barlows group, thus turning Reunert into Barlow Rand's listed vehicle for its electronics, telecommunications, power and industrial engineering interests

As a result application is being made to transfer Reunert's listing to the electronics section of the JSE

The transformation raises Barlow's stake in Reunert from 63,8 to 89,49 per- cent, but Reunert said it is currently investigating potential acquisitions which would reduce this percentage

"We will concentrate on areas of high growth and profit potential, and develop businesses of strategic importance to the country as well as to Reunert," said Mr Derek Cooper, chairman of Barlows' electronics and general engineering division, who now also becomes chief executive of the enlarged Reunert

To clear the way for the conversion of Reunert into an electronics-based company, its motor retailing interests are reverting to Barlows

Reunert will acquire from Barlows its holdings in a number of high technology companies The interests to be acquired have a net asset value of R117-million and are expected to produce earnings attributable to Barlow Rand of R24,6-million in the year ending next month

They are valued at R179,3-million — equivalent to 7,3 times earnings

The purchase price will be settled by Reunert in the form of the motor division, which has been valued at net asset value of R33,3-million and the issue of 19 468 000 Reunert shares at 750c each

GREAT POTENTIAL

The interests to be acquired by Reunert include

Barlow Communications, Barlowdata, Barlows Heavy Engineering, Barmarc Holdings, Fuchs Electronics, GEC South Africa, Heinemann Electric and Telarama-Rediffusion

"We are creating a truly South African company with great potential," Mr Cooper said

"By bringing together under the Reunert umbrella companies with complementary technologies and skills, we will be able to tackle projects which may previously have been too large for individual companies or which may have fallen outside the specific activities of any one company

LEADING EDGE

"We will now be able to co-ordinate increased expenditure on research and development In addition, the new Reunert will have long-term know-how agreements that give us access to leading-edge technologies employed by some of the most innovative and successful companies in North America, Europe and the Far East — Sapa

Barlows sets up high-tech group

232

RDM

9/8/83

Mr Derek Cooper, head of Barlow Rand's electronics and general engineering division, becomes Reunert's chief executive

BARLOW Rand is setting up a R800-million a year electronic and power engineering group through the injection of various divisions into subsidiary Reunert

By JOHN MULCAHY

The agreement, to take effect from October 1, entails the sale to Reunert of several wholly and partly owned Barlow companies for R179 300 000 in exchange for 19 468 000 new Reunert shares and Reunert's motor division

The motor division is being transferred at net asset value of R33 300 000 and Reunert shares will be issued at 750c each

Barlow's share of Reunert will rise to 89,49% from 63,97% now

Calculated on a pro forma basis, if the restructuring had been in place for the financial year to September 30, earnings would have increased to 98c a share from the expected 68c

About 37% of earnings would have come from electronics and telecommunications, 50% from power engineering and 13% from industrial engineering

Net asset value would have fallen to 593c a share from 987c

According to yesterday's statement "the objective and rationale of the transaction is to create in Reunert a high-technology-based, strategically compatible and integrated group of businesses operating in the electronics, telecommunications, power and industrial engineering fields, which would provide a base for further development and acquisitions"

Mr Mike Reunert, who remains Reunert's chairman, said yesterday that the company expected earnings of 68c a share for the year to September 30

It had been a difficult year, with trading conditions the worst since the Second World War

Mr Derek Cooper, chairman of Barlow's electronics and general engineering division, who becomes chief executive of Reunert, said Barlow's large stake in Reunert left a lot of room for acquisitions that could be financed with paper

He disclosed that discussions were in progress with several parties with a view to acquisition, and "there are likely to be some interesting announcements within the next six months"

The new Reunert will have gross assets of R450-million, annual sales of R800-million and operating profits of more than R65-million a year

Application is being made to the Johannesburg Stock Exchange to transfer Reunert's listing to the electronics sector from engineering

Mr Cooper described the restructured Reunert as a "today" company, with high growth potential in high-technology areas of telecommunication, power engineering, computers, industrial engineering and advanced technologies, such as robotics

"We will concentrate on areas of high growth and profit potential, and develop businesses of strategic importance to the country as well as to Reunert"

The new Reunert would impart a much clearer image of the various divisions for investors as well as for employees and prospective employees

The Barlow companies to be moved into Reunert are Barlow Communications (Pty), Barmarc Holdings (Pty) and GEC South Africa (Pty)

These companies have been valued at R179 300 000 for the deal with a net asset value of about R117-million and attributable earnings of R24 600 000 for the year to September 30

Mr Cooper agreed that the Barlow companies had been conservatively valued at an earnings multiple of 7,3, but this was intentional as it was hoped to enhance the value of Reunert paper in the market

Reunert's motor division comprises Armstrong Motors (Pty), Holmes Motor Company; Nagington Motors (Pty), Etom Motors (Pty), Nagington Leasing Services (Pty), Natal Motor Industries, Auto Atlantic BMW (Pty), Garden City Motors (Pty) and John Roderick & Company

The properties from which the motor companies operate will also be transferred to Barlow

Mr Cooper said that by bringing together under the Reunert umbrella companies with complementary technologies and skills "we will be able to tackle projects which may previously have been too large for individual companies or which may have fallen outside the specific activities of any one company"

Apart from possible acquisitions there would be internal development on increasing local content in turbine generators and the expansion of the group's capability in the area of high-voltage transformers

"We will now be able to coordinate increased expenditure on research and development In addition, the new Reunert will have long-term know-how agreements that give us access to leading-edge technologies employed by some of the most innovative and successful companies in North America, Europe and the Far East'

Deficit cut

PARIS — France's balance of payments deficit narrowed sharply in the second quarter of this year says the

---

72 UCI for 100 Sentrust

Mining Editor

SENTRUST shareholders will receive 72 UCI ordinary shares for every 100 Sentrust shares they hold in terms of the merger of the two Gencor-controlled investment companies

The shareholders will also receive the the final dividend of 50c declared by Sentrust for the year to June

UCI's vearend will be changed to June 30 and UCI shareholders will receive the interim dividend of 50c declared by UCI last month

UCI shareholders will also receive a special dividend of 20c a share as compensation for the disparity between UCI's interim and final dividend payout ratios as compared with Sentrust's

The proposals to merge the companies are subject to approval by the Johannesburg and London stock exchanges and shareholders

If approved, the merger will be effective from July 1 this year Sentrust will become a wholly owned subsidiary of UCI and its listing on the JSE and LSE will be dropped

---

Vogels at

Mining Editor

VOGELSTRUISBULT Metal Holdings rights offer is being pitched at 300c a share compared with Friday's close of 320c a share

Shareholders registered on August 12 will be allowed to subscribe for 20 shares for every 100 held

The company will issue

BIS se

high-tech group

9/8/83

By JOHN MULCAHY

BARLOW Rand is setting up a R800-million a year electronic and power engineering group through the injection of various divisions into subsidiary Reunert.

The agreement, to take effect from October 1, entails the sale to Reunert of several wholly and partly owned Barlow companies for R179 300 000 in exchange for 19 468 000 new Reunert shares and Reunert's motor division

The motor division is being transferred at net asset value of R33 300 000 and Reunert shares will be issued at 750c each

Barlow's share of Reunert will rise to 89,49% from 63,97% now

Calculated on a pro forma basis, if the restructuring had been in place for the financial year to September 30, earnings would have increased to 98c a share from the expected 68c

About 37% of earnings would have come from electronics and telecommunications, 50% from power engineering and 13% from industrial engineering

Net asset value would have fallen to 593c a share from 987c

According to yesterday's statement "the objective and rationale of the transaction is to create in Reunert a high-technology-based, strategically compatible and integrated group of businesses operating in the electronics, telecommunications, power and industrial engineering fields, which would provide a base for further development and acquisitions"

Mr Mike Reunert, who remains Reunert's chairman, said yesterday that the company expected earnings of 68c a share for the year to September 30

It had been a difficult year, with trading conditions the worst since the Second World War

Mr Derek Cooper, chairman of Barlow's electronics and general engineering division, who becomes chief executive of Reunert, said Barlow's large stake in Reunert left a lot of room for acquisitions that could be financed with paper

He disclosed that discussions were in progress with several parties with a view to acquisition, and "there are likely to be some interesting announcements within the next six months"

The new Reunert will have gross assets of R450-million, annual sales of R800-million and operating profits of more than R65-million a year

Application is being made to the Johannesburg Stock Exchange to transfer Reunert's listing to the electronics sector from engineering

Mr Cooper described the restructured Reunert as a "today" company, with high growth potential in high-technology areas of telecommunication, power engineering, computers, industrial engineering and advanced technologies, such as robotics

"We will concentrate on areas of high growth and profit potential, and develop businesses of strategic importance to the country as well as to Reunert"

The new Reunert would impart a much clearer image of the various divisions for investors as well as for employees and prospective employees

The Barlow companies to be moved into Reunert are Barlow Communications (Pty), Fuchs Electronics (Pty), Telerama-Rediffusion Holdings (Pty), Impectron Sales (Pty), HESA (Pty), Barlow Heavy Engineering and Werat (Pty)

The partly owned Barlow companies involved in the deal are Heinemann Electric (South Africa), Barlow Data (Pty), Barmarc Holdings (Pty) and GEC South Africa (Pty)

These companies have been valued at R179 300 000 for the deal with a net asset value of about R117-million and attributable earnings of R24 600 000 for the year to September 30

Mr Cooper agreed that the Barlow companies had been conservatively valued at an earnings multiple of 7,3, but this was intentional as it was hoped to enhance the value of Reunert paper in the market

Reunert's motor division comprises Armstrong Motors (Pty), Holmes Motor Company, Nagington Motors (Pty), Etom Motors (Pty), Nagington Leasing Services (Pty), Natal Motor Industries, Auto Atlantic BMW (Pty), Garden City Motors (Pty) and John Roderick & Company

The properties from which the motor companies operate will also be transferred to Barlow

Mr Cooper said that by bringing together under the Reunert umbrella companies with complementary technologies and skills "we will be able to tackle projects which may previously have been too large for individual companies or which may have fallen outside the specific activities of any one company"

Apart from possible acquisitions there would be internal development on increasing local content in turbine generators and the expansion of the group's capability in the area of high-voltage transformers

"We will now be able to coordinate increased expenditure on research and development In addition, the new Reunert will have long-term know-how agreements that give us access to leading-edge technologies employed by some of the most innovative and successful companies in North America, Europe and the Far East."

Among the overseas links Reunert would have access to were Hitachi main-frame computers, which Mr Cooper said were making significant inroads into the SA market, GEC and Marconi in the UK, and Heinemann of the US

Expenditure on research and development by Barlow's electronics division now amounts to about 8% of annual sales The new Reunert will spend about 5% of sales, directly and indirectly, on research and development.

Mr Derek Cooper, head of Barlow Rand's electronics and general engineering division, becomes Reunert's chief executive

Deficit cut

PARIS — France's balance of payments deficit narrowed sharply in the second quarter of this year, says the Economics Minister, Mr Jacques Delors

On the basis of data for April and estimates for May and June, the second-quarter deficit would not exceed 5 000-million francs ($625-million) compared with a record shortfall of $3 600-million in the first quarter

72 UCI for 100 Sentrust

Mining Editor

SENTRUST shareholders will receive 72 UCI ordinary shares for every 100 Sentrust shares they hold in terms of the merger of the two Gencor-controlled investment companies

The shareholders will also receive the the final dividend of 50c declared by Sentrust for the year to June

UCI's yearend will be changed to June 30 and UCI shareholders will receive the interim dividend of 50c declared by UCI last month

UCI shareholders will also receive a special dividend of 20c a share as compensation for the disparity between UCI's interim and final dividend payout ratios as compared with Sentrust s

The proposals to merge the companies are subject to approval by the Johannesburg and London stock exchanges and shareholders

If approved, the merger will be effective from July 1 this year Sentrust will become a wholly owned subsidiary of UCI and its listing on the JSE and LSE will be dropped

Vogels at

Mining Editor

VOGELSTRUISBULT Metal Holdings rights offer is being pitched at 300c a share compared with Friday's close of 320c a share

Shareholders registered on August 12 will be allowed to subscribe for 20 shares for every 100 held

The company will issue

BIS se Portu

By NEIL BEHRMANN

LONDON — The Ban for International Set tlements is believed t have sold 30 tons o gold it received fron Portugal in paymen for a $400-million loa

Lisbon banking sourc say Portugal was forced

8. COUNSELLING

Star 10/8/83

232

Publisher claims the 'biggest scrap is yet to come'

SA giants scramble for economic control

Seven giant corporations control nearly all of South Africa's vast business wealth.

A spate of takeovers and mergers has left them in control of companies that account for 80 percent of the total value of Johannesburg Stock Exchange shares

Some experts believe it is inhibiting job creation and aiding inflation

Dominating the power pyramid, Anglo American Corporation alone now controls a string of listed companies which between them represent no less than 56 percent of the R90 000 million value of all JSE shares

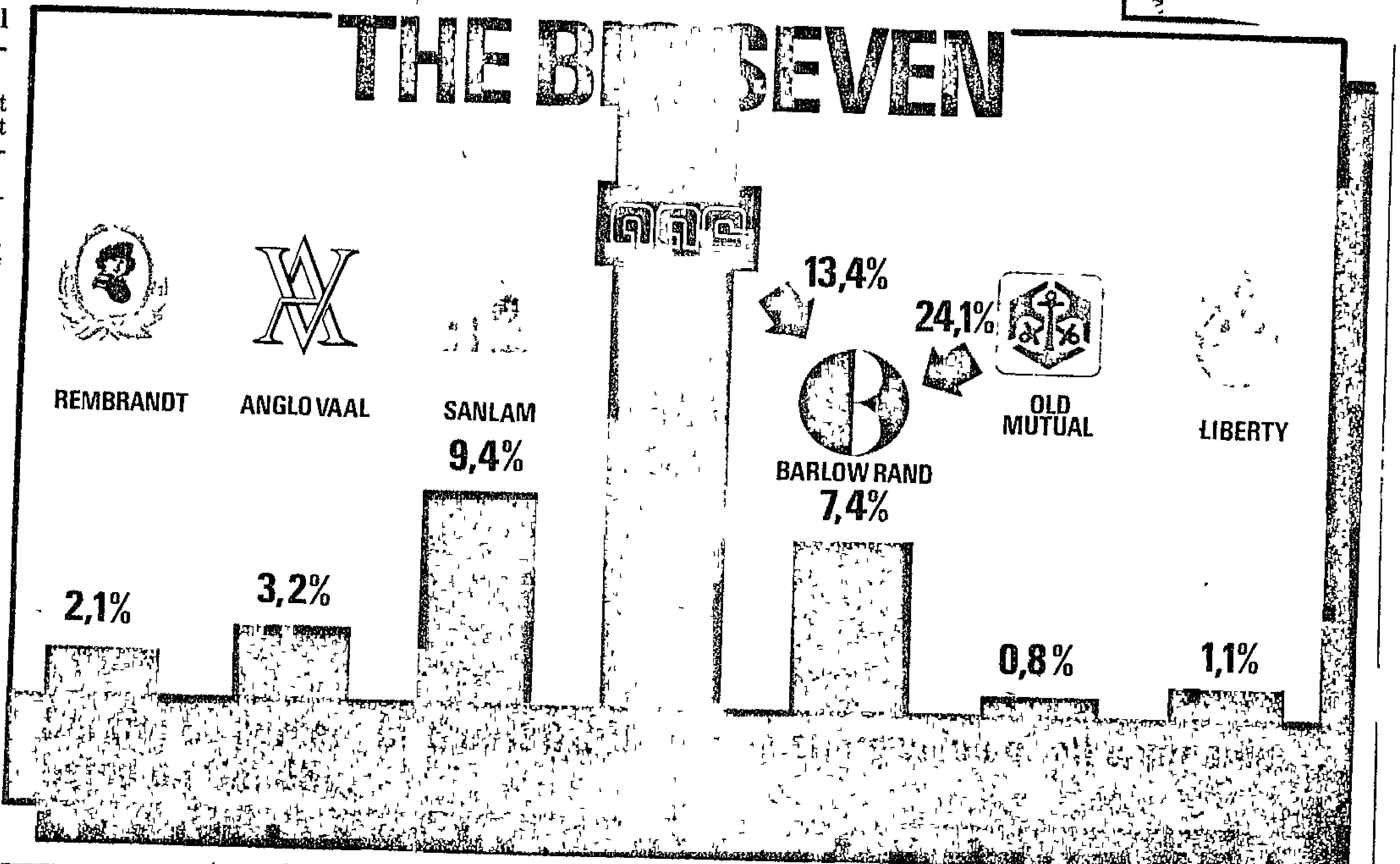
The investment web showed insurance giant Sanlam controlling 9,4 percent of the market, Barlow Rand 7,4 percent, Anglo Vaal 3,2 percent, Dr Anton Rupert's Rembrandt group 2,1 percent, Mr Donny Gordon's Liberty insurance group 1,1 percent and Old Mutual 0,8 percent Even the Old Mutual's relatively small share represents around R750 million

Power pattern

Mr Robin McGregor, author of "Who Owns Whom", the publication which monitors the JSE, revealed the power pattern at a Manpower and Management Foundation investment conference in Cape Town

With only three groups — Anglo American, Sanlam and Barlow Rand — in control of almost 73 percent of the whole JSE, South Africa was now "riddled with monopolies and cartels", he said

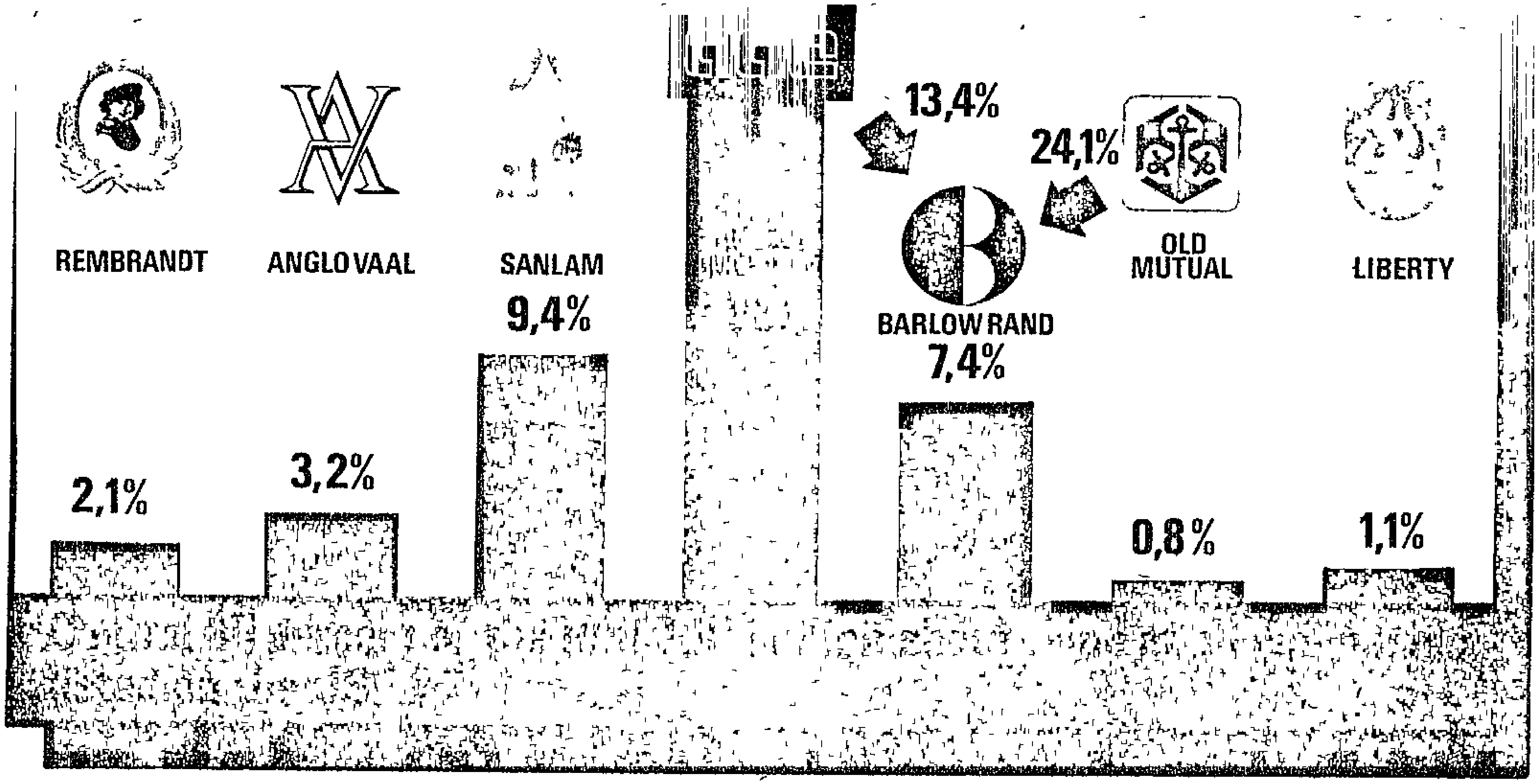
Nor has the run of takeover battles ended He considered it only a question of time before fighting broke out between the titans with Anglo Ameri-can



An academic expert on economics says that although the Government talks of its support

"It's way past time that the leaders of our country got their priorities ri ht While

Mr McGregor saw no prospect of monopolies and cartels



Some experts believe it is inhibiting job creation and aiding inflation

Dominating the power pyramid, Anglo American Corporation alone now controls a string of listed companies which between them represent no less than 56 percent of the R90 000 million value of all JSE shares

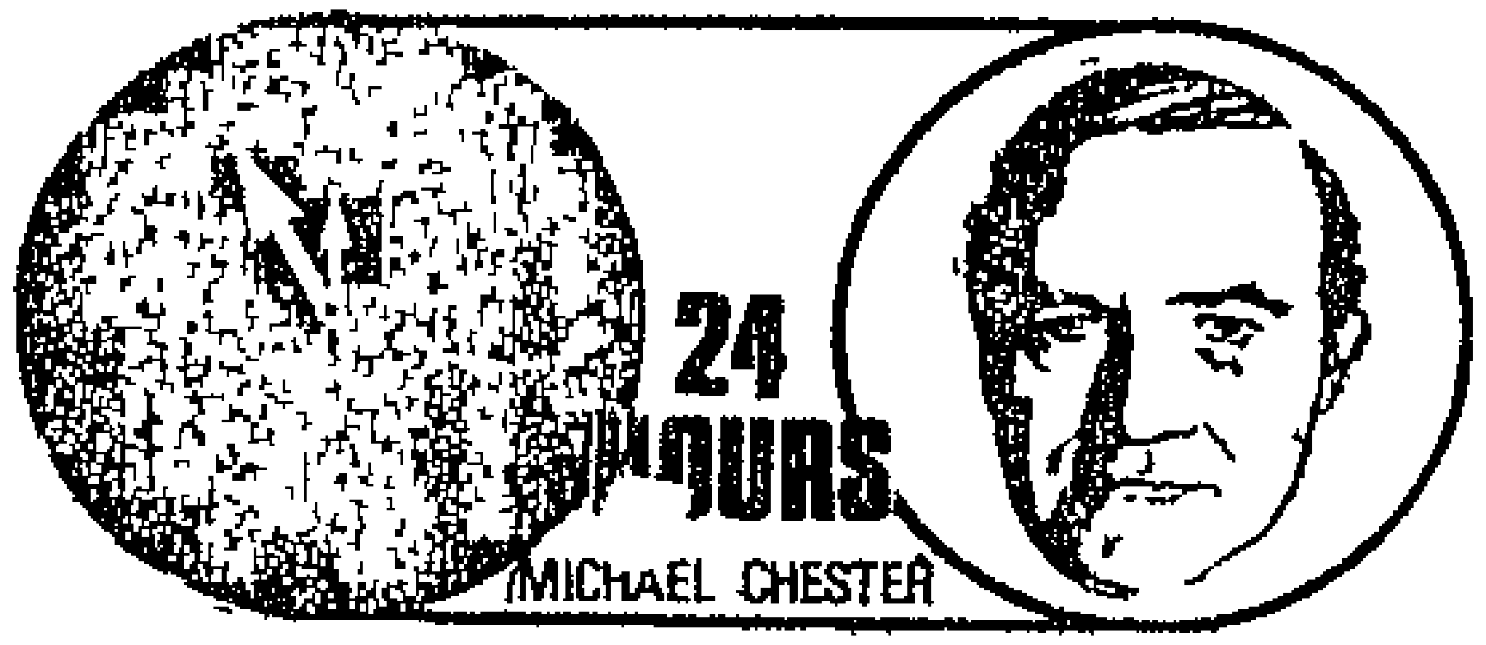
The investment web showed insurance giant Sanlam controlling 9,4 percent of the market, Barlow Rand 7,4 percent, Anglo Vaal 3,2 percent, Dr Anton Rupert's Rembrandt group 2,1 percent, Mr Donny Gordon's Liberty insurance group 1,1 percent and Old Mutual 0,8 percent Even the Old Mutual's relatively small share represents around R750 million

Power pattern

Mr Robin McGregor, author of "Who Owns Whom", the publication which monitors the JSE, revealed the power pattern at a Manpower and Management Foundation investment conference in Cape Town

With only three groups — Anglo American, Sanlam and Barlow Rand — in control of almost 73 percent of the whole JSE, South Africa was now "riddled with monopolies and cartels", he said.

Nor has the run of takeover battles ended He considered it only a question of time before fighting broke out between the titans with Anglo American and Old Mutual wrestling for control of Barlow Rand, which would be the biggest scrap yet among the giants



It had become essential for the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, who is in charge of the Competition Board, to take a tough and inflexible stand on monopoly issues, he said

A Government spokesman said the big financial groups were sensitive and did not like the term monopoly applied to them "But big companies have the seeds of their own destruction within themselves," he said

Mr McGregor believed that while the State mollycoddled the economy with trade measures ("I'm sure no country outside Russia is so over-protected"), the Government allowed monopolies and cartels to grow at an alarming rate.

An academic expert on economics says that although the Government talks of its support for private enterprise, the State holds 50 percent of the nation's fixed investment

Mr McGregor said South Africa must now stand unique with so much economic control in so few hands

It had become the laughing stock of most Western countries by the way the authorities had allowed and even encouraged the trend

"All this is happening while our Cabinet spends most of its time shuffling blacks around the country — to every thinking person's embarrassment, seemingly to no one's advantage and at enormous expense.

"It's way past time that the leaders of our country got their priorities right While they get involved in petty politics among the various brethren, they seem to be unaware that their own economic backyard has become a playground for conglomerates — against all the principles of free enterprise

"The Prime Minister had to hire the Carlton Centre in 1979 for his conference with our leaders of industry Three months ago he could have conducted it comfortably round his dining-room table

"He could now do it round a card table. And if takeovers continue at their present rate, he will soon be able to do it in a loveseat "

Mr McGregor saw no prospect of monopolies and cartels increasing efficiency by economies of scale All that happened, he argued, was that huge conglomerates got bigger and became weighed down by the private sector's bureaucratic inefficiencies

"The lines of communication between the shareholder and operator become so long that when the shareholder expects tin cans to be made he might well be financing gambling — and not even know it"

Yet public and private controls still allowed even inflated returns to shareholders because managements were able to raise prices — leaving the consum-

● To Page 2

232.

McGregor found out who owned whom because he needed to buy

Mr Robin McGregor recalls that the real start of the exercise to launch his now well-known publication "Who Owns Whom" began in the late 1960s when he was managing director of the giant Lonrho group's Glendale Sugar Company and cast around for ways to expand

He wanted a bigger stake in the South African sugar industry through the acquisition of C G Smith, the big sweetener now in the Barlow Rand fold

"All my efforts were thwarted, mainly because I couldn't find out who the ultimate owners were and so didn't know with whom I needed to deal"

In 1972 he moved to Rainbow Chickens and an early task was to find a second site for operations

He decided that a merger with Kanhym would be ideal "But I ran into the identical problem of finding out who owned what"

In the late 1970s he became general manager of Apple Producers, of Elgin Co-op, and soon discovered the financial significance of the 3 million packaging cartons needed every year

It was his probing into the complexities of the paper and packing business that provided the final nudge to compile the first volume of "Who Owns Whom" in March 1980

"At first there were a number of disputes about the precise details." he says, "but by bringing in computer research, combing all the company annual reports, and digging and digging even deeper, the picture is forming in sharp perspective

"I still want to unearth more details about the crucial role of nominee companies that are often used to confuse But it's all coming together at last"

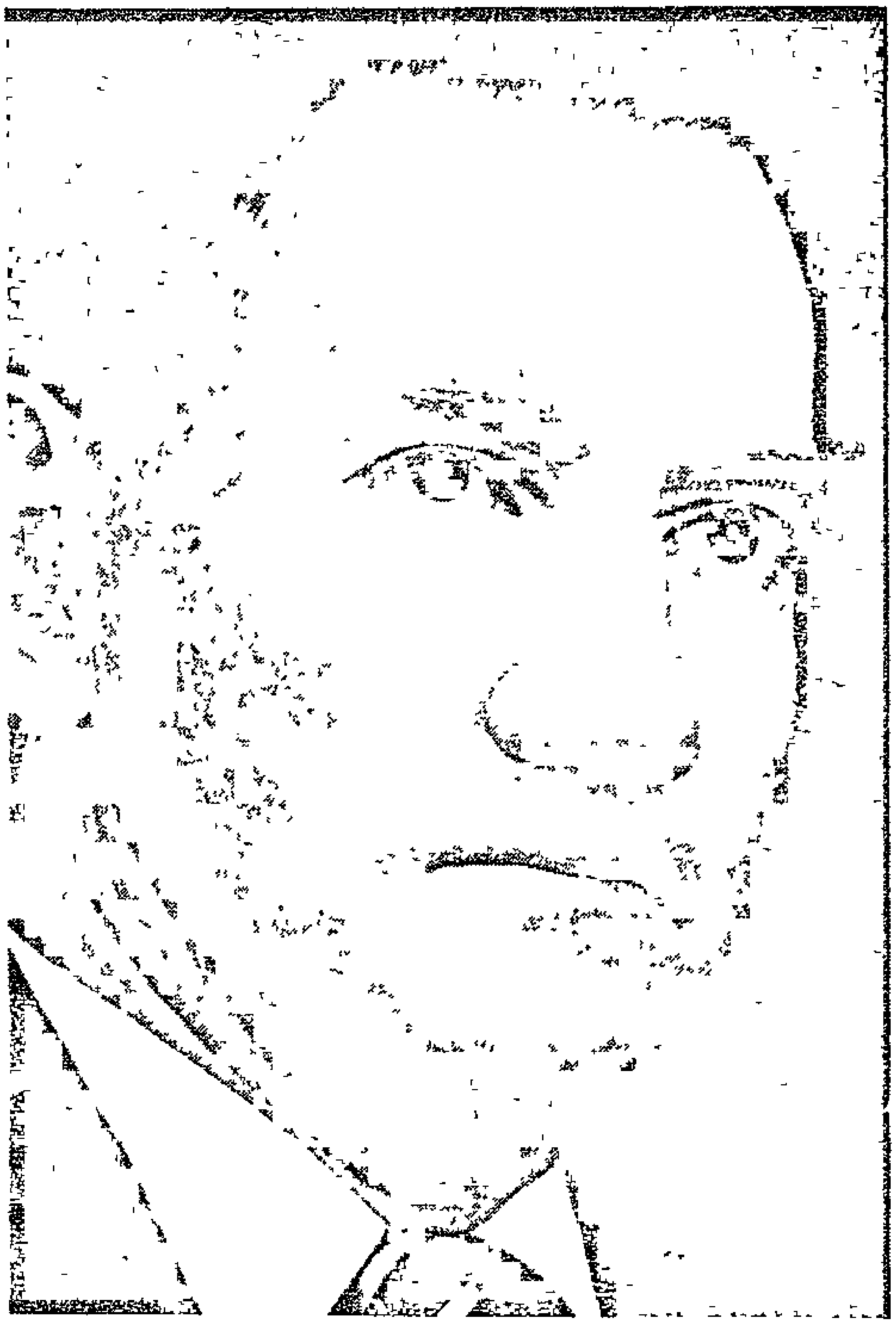
Mr McGregor counts among the most significant results of the tracking exercise the discovery that as much as half of the Anglo American Corporation stake in JSE investments has been secured by silent nominees with names such as Fermain, Dido, Petard and Taurus

When he made a deeper search into the roots of shareholdings in Southvaal Holdings in 1981, for instance, he found that 55 percent of all the shares were in the hands of eight nominee companies — all of which he traced back to the head office address of Anglo American at 44 Main Street

A further eight percent of the shares were found to be in the hands of two other nominee companies — traced back to Sanlam

Mr McGregor bundles a thick wad of documents back into a briefcase and makes ready to drive back to his quiet retreat south-east of Worcester where he has set up home and office

"There's fresh material to put into the computer every day," he says



Mr Robin McGregor . . . after several of his efforts were thwarted because nobody knew who owned what, he decided to do something about it.

Anglo urged to demand black skills training that could cost R1-bn a year

The vast Anglo American Corporation was today urged to use its influence to drive a hard bargain with the Prime Minister on a radical masterplan to trigger a new approach to training thousands of black workers in basic job skills

Mr Robin McGregor, a well-known stock market analyst, suggested at a Cape Town investment seminar that Mr Gavin Relly, chairman of Anglo American, should sit down with Mr P W Botha and ask the State to 'put its money where its mouth is" on training issues

He considered it time to find an alternative to 'pussy-footing with so-called training perks compensating industrialists for what they would have to do anyway, or even planning utility companies for training — both of which smacked of lip service or bureaucratic blueprints

"Isn't it now time", he asked conference delegates, "for Anglo, with its enormous resources of cash, entrepreneurial and other skills, to turn our black people from 'die swart gevaar' to an almost bottomless reservoir of potential generators of wealth?

"It's no good kidding ourselves that anyone is going to train for the good of the country, because that's hogwash

"The only way we are going to get training done on the massive scale that we need is on a free enterprise basis — to pay and pay well for measurable results"

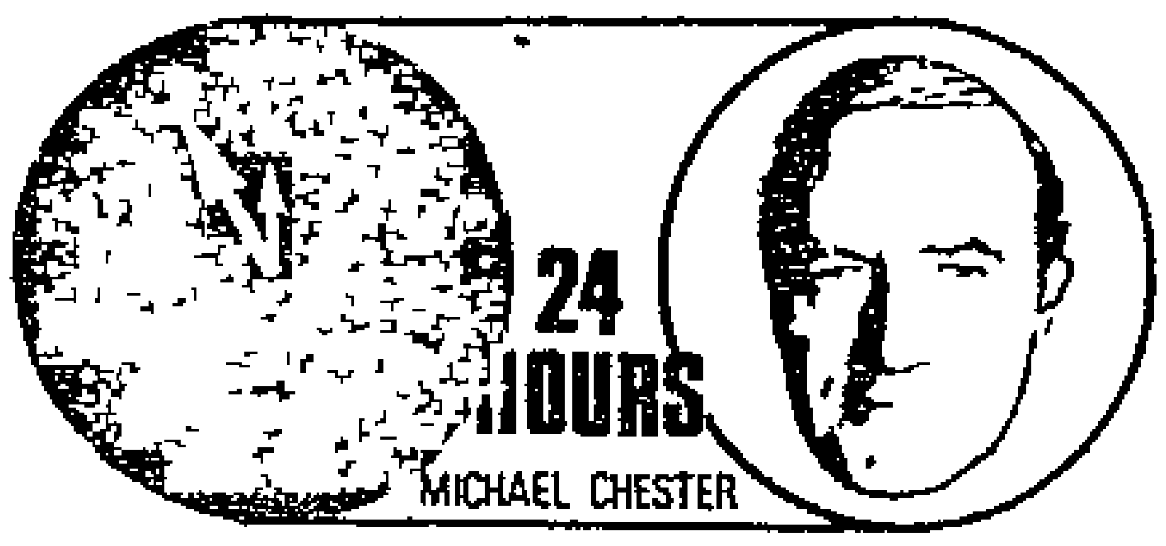
A first prerequisite was that training schemes were seen to promise good returns on capital

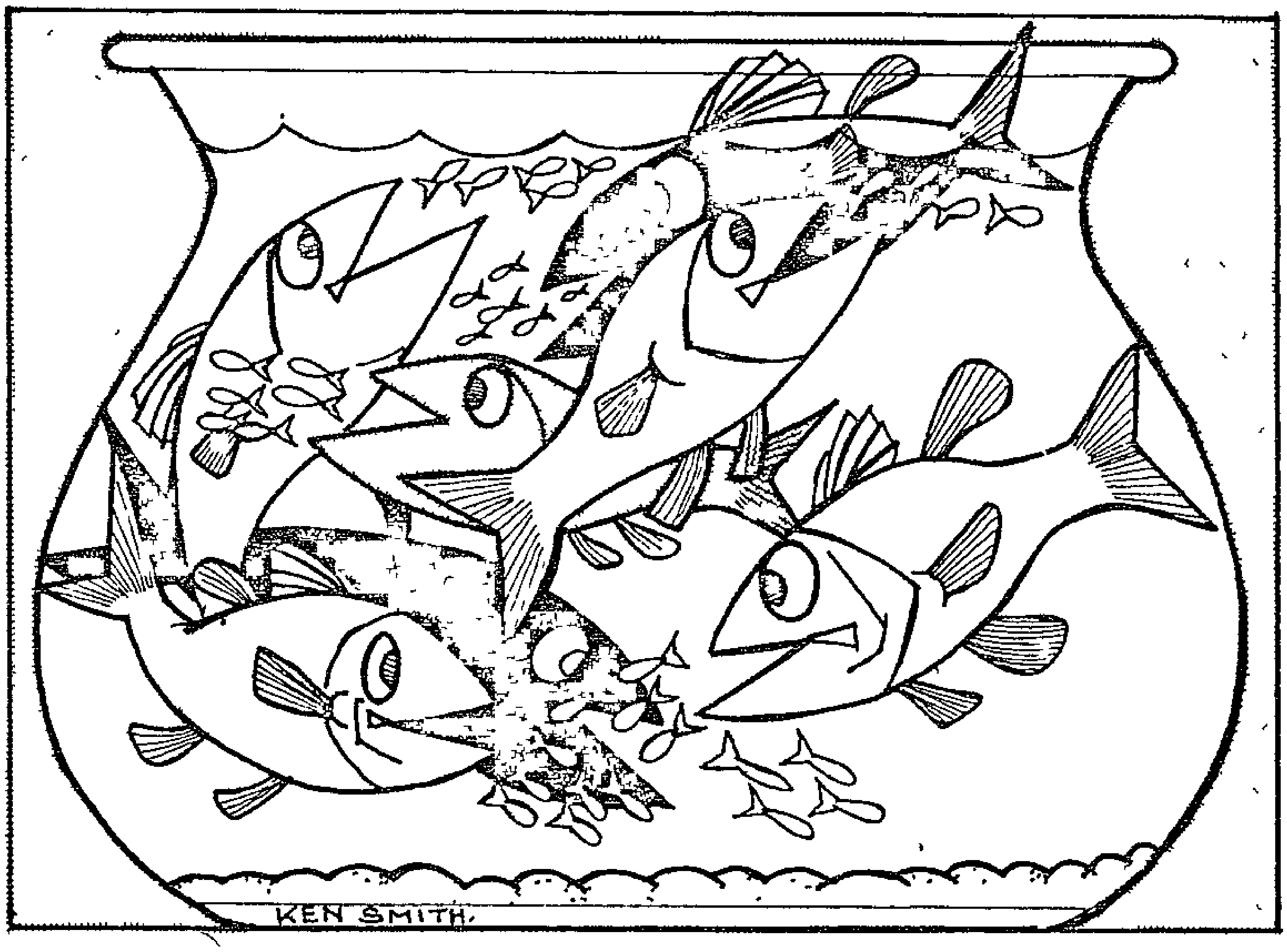
The necessary funds — perhaps R1 000 million a year — could not be found from existing State revenue But they could be found from higher taxes, a short-term loan levy or from a tax moratorium after the introduction of new skilled and semi-skilled labour into the real labour force

'Can you imagine the tremendous ripple effect this would have on our total economy — not to mention the potential stabilising of our sociological imbalances? It could well escalate black buying power to levels not presently envisaged for decades to come"

Ultimately, however, the funds required to train more blacks before they became productive should come not from loan levies or tax moratoria but from the non-inflationary source of higher taxes from a privileged white population he said

Expert urges tough Govt action over monopolies





"Still the big fish continue gorging themselves on smaller fish."

The Competition Board, created four years ago to monitor monopolies and trade restrictions, was asked yesterday to take tough action to stem the tide of company takeovers and mergers

"Who Owns Whom" publisher Mr Robin McGregor made the appeal at a Manpower and Management Foundation investment conference in Cape Town

Companies hurt by monopolies and cartels were told to give information to the Minister of Industries and Commerce, Mr Dawie de Villiers, who is in charge of board operations

"It's no good just bemoaning one's fate when faced with an obvious case of collusion One must document it and present it to the Minister concerned, who must ensure there is no victimisation

"We have a Minister who has shown his courage and leadership on the rugby field Let's now give him a chance and the ammunition to use the provisions of legislation to create the competition needed by free enterprise"

Mr McGregor said he was not too optimistic about results, judging by the failure to break liquor or biscuit industry monopolies

Monopolies and cartels — along with inadequate labour training — were among the reasons why inflation was so high

Oratory on monopolies was peppered with fiction

SA Breweries — now taken over in the recent deal between Anglo American, Premier and Liberty Holdings — had stated it did not mind competition and in fact welcomed it.

"Why then have they bought up every bit of competition in sight during the past 10 years — Alrode, Carling, Colt, Culembourg, Drie Krone Brouerye, Heidelberg, Intercontinental and so on?

"They are now in a position that any competition would have to spend a fortune in a capital industry, as well as a fortune on promotion, to establish any kind of market share," Mr McGregor said

"They should have been stopped years ago — before it was too late The board should now get into that industry and insist on disinvestment for a change — particularly now it is under the control of Anglo American with its limitless funds"

Tomorrow 24 Hours examines the role of both the public and private sectors in the trend towards monopolies, with a profile of the JSE giant — the Anglo American Corporation — and of how State monopolies enter the picture.

Mr McGregor said proof of the alarming rate of takeovers and mergers was exposed by statistics

In 1971 there were only 39 company takeovers, involving a modest R334 million A decade later, in 1981, fuelled by a boom generated by record gold prices acquisitions swallowed 74 companies in deals valued as high as R2 806 million

"Of course, several of our titans can argue they are dwarfed in size against the asset values of scores of global corporations, such as Royal Dutch Shell, Exxon, General Motors and IBM

"The arguments hold no water if they are trying to compare relative economic power What makes South Africa unique in the Western world is the sheer dimension of the proportion of the national economy held in so few hands.

"The dwindling competition facing the power concentrations in South Africa has become a danger to the whole economic system

"A few titans will own almost the whole country unless there is a formula for sanity It could kill the economy cold dead, with inflation going mad and productivity going to hell

"Experience overseas has shown corporations can become so obese they simply cannot remain efficient any more There comes a limit to how much a company can digest," Mr McGregor said

"The shortage of enough elite talent is even more critical in South Africa — but still the business big fish go on gorging on the smaller fish

'The US found solutions in its anti-trust laws that put the brakes on monopolies The UK has a tough monopolies panel that monitors takeovers South Africa must find a formula too — the sooner the better" was the need to conserve fuel

A nervous Chris Smith, lbw to the first ball he faced

● See Page 3

ıritones ɔod for ı encore

The Star Bureau

,DON — Girls look- for a sexy boyfriend ıld ask the men in r lives to sing "Ole n River"

or, the deeper the e the sexier the man, a survey just pub- d in Britain

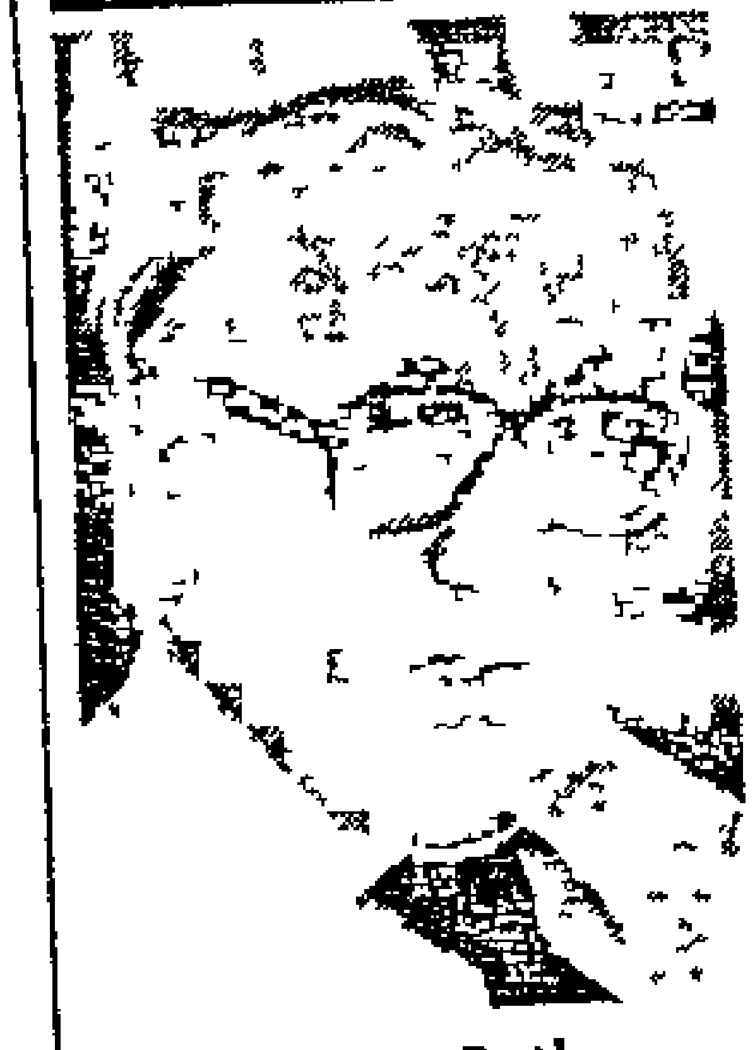
aritones, for instance, ve a higher sex drive ause they have more the sex hormone, tes- terone, says a report New Scientist Maga-

Tenors have more fe- le sex hormones and t makes them less at- active to women, say researchers

Apart from having a igher sex drive, men th deep voices are, on verage, 0,4 m taller than enors

And tenors are alleged be "too much in love th themselves" to be- me involved with hers

---


Professor Botha

INSIDE TODAY

The 24 Hours team looks at how the conglomerates dominate the SA business scene — focusing on the Anglo American Corporation — Page 11.

TOMORROW'S FOCUS

The part played by the giant insurance companies in the scramble for economic power.

24 HOURS

Star 11/8/83

(232)

State keeps its firm grip

The Government appears to be indifferent to monopoly control and private enterprise principles, says a leading business academic

Professor D J J Botha, head of the Department of Economics at the University of the Witwatersrand, says that although the Government had on many occasions publicly declared its support for a private enterprise economy, it still controlled some 300 companies

These included giants such as Iscor, Escom, Sasol and Safmarine — all enterprises that could be equally well run (or perhaps more efficiently) by the private sector, he said

"But there is no sign the Government would be willing to surrender any of its interests to private enterprise

"The huge transport services, for example, are run strictly on business principles, yet it has to report annually to Parliament Why, it has been asked, is this necessary?"

He said some 50 percent of the annual fixed investment in South Africa was in respect of the Government sector, and this occurred in an economy that openly advocated a system of private enterprise

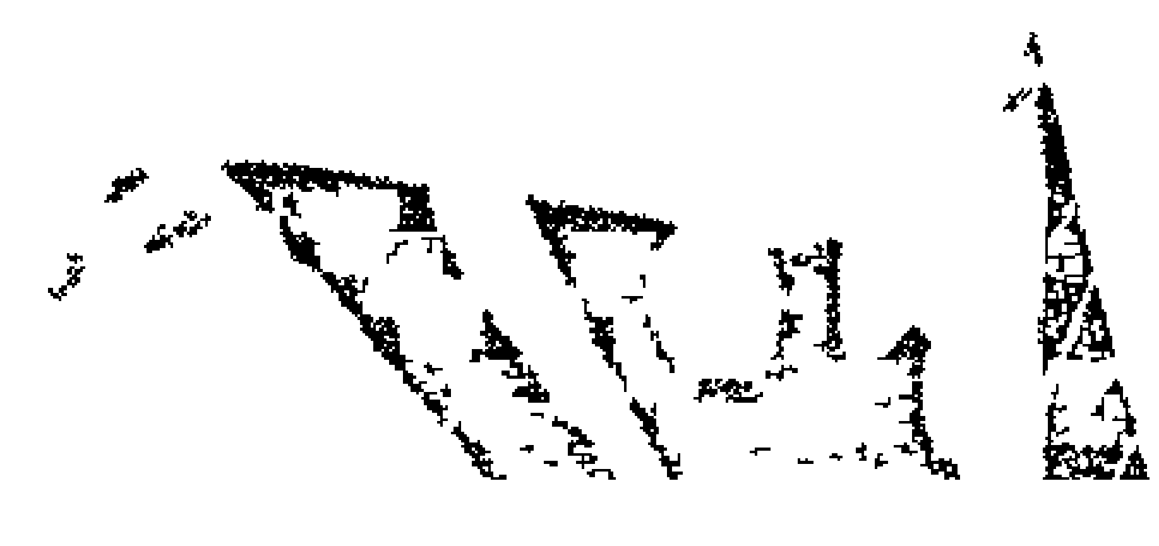
"The Government, it is claimed, plays far too large a role in the production process of the South African economy

"This is not to imply that Government activity is stifling private activities On the contrary, the Government is doing much to encourage private firms, especially at growth points and with regard to exports

"Government and private enterprise are virtually in partnership in many respects which is perhaps an ideal platform to foster economic growth and development in a young country

"But it cannot be denied that the Government in South Africa possesses very great economic power — more perhaps than is necessary to provide the framework and the climate conducive to the promotion of private enterprise," he said

---


ıng smiles all round as Liz Taylor hugs hubby-to-be number — Victor Gonzales Luna Ex-husband Richard Burton and his new wife, Sally, were at the engagement party

Sally Hay, whom he married Las Vegas last month.

Liz and Luna said they had decided to marry long before Burton and Sally exchanged vows

The Post said Miss Taylor told her friends at the party that the marriage would have to wait until the end of the year.

WCC call for SA embargo

Star 11/8/83

ɪNCOUVER — The World uncil of Churches (WCC) ded its governing assem- y last night with over- ıelming votes condemning policy in Central Ameri- , praising the government Nicaragua and calling for onomic sanctions against uth Africa

The motion included a ggestion by Bishop Des- ond Tutu, general secre- ry of the South African ouncil of Churches, that it ıould express "love and ıre" for white South Afri- ans

The delegates voted To renew their denunica- on against apartheid

---

US troops erect huge 'tent city'

COMAYAGUA — American troops have swiftly erected a city of tents near this northern Honduran town, headquarters for the largest military manoeuvres held in Central America

"We have set up a little city here," said a sergeant in the vanguard of the more than 5 000 ground troops which will take part in the war games

"This is the fastest we've ever had to erect a camp like this," Sergeant Larry Jackson said yesterday

Rows of 10-man tents, festooned with pictures of girlfriends and family, are pitched at Comayagua Air Base, some 80 km north of the Honduran capital Tegucigalpha.

Pine II," are a display of military power in the face of what President Reagan sees as growing Soviet influence in Central America

The exercises are also designed to show rapid deployment capability and to put pressure on the leftist government of Nicaragua which President Reagan has accused of exporting its own brand of Marxist revolution to neighbouring countries — Reuter

---

Troop alert in Santiago

---

contraceptive

Larry Ewing, a professor of repı University, has applied to the F permission to conduct clinical ture of the hormones testosterone reau

Soviet nuclear sul

NEW YORK — A Soviet nuclear aboard sank in the North Pacific night It quoted Pentagon intel learned of the sinking after dete scene, off the Kamchatka penin

Irish kidnap victi

DUBLIN — A wealthy Irish the British royal family was ing after being held captive for holding a man under the Irish Associated Press

Mrs Thatcher's i

LONDON — British Prime M was given the green light by for a holiday in Switzerland Denis, would leave tomorrow Reuter

Surprise flood h

LAS VEGAS — Drivers had their lives when a flash fl bling city of Las Vegas, no Some people took to boats police said. Firemen are anyone was trapped in them

[illegible]

Star
(232)
11/8/83

The private sector of the South African economy is virtually owned by three huge conglomerates — Sanlam Old Mutual and Anglo American

That is the opinion of Professor D J J Botha, head of the Department of Economics at the University of the Witwatersrand

Together they are believed to control a staggering total of nearly 5 000 other companies in the country, he says

"Is such a situation to be condemned outright?" he asked

"There are two sides to this complex question On the one hand it cannot be denied that some concentration of power is beneficial in so far as strong companies can venture into activities requiring high capital outlays more readily than smaller firms

'A natural monopoly is a logical development in restricted markets and should be tolerated, provided its pricing and output policies are regularly subjected to scrutiny — which of course has never been done in this country

"On the other hand a concentration of economic power which is not the result of natural monopolies could strongly inhibit the growth of private enterprise

"Natural monopolies apart, the small firm constitutes the lifeblood of the free enterprise system, and as a group is also likely to employ the largest percentage of the workforce"

But there were indications that many a small firm was fighting for its existence he said

Small and medium-sized firms that found themselves competing with the giants could easily be put in an invidious position if they should experience a cash-flow problem at a time when a big firm manipulated the market by, for example, temporarily depressing prices in order to weaken the smaller operator

This simple technique had often been used to take over small firms, and this had significantly contributed to the growth of big enterprises

"It is a deplorable practice which firms indulge in with impunity

"There is no way in which it can be stopped,
for there is no legislation ag
which the authorities apparent
of rationalising an industry — a
may not be the case

"In recent years the Govern
monopolies to be formed follo
decision of the Cabinet

"So long as this is the view t
orities the movement towards
economic power will not be sto

Professor Botha added "E
arrive at a situation in which vi
economy is in the hands of a fe
dozen — very powerful and
individuals

"The line between a system
socialism is a very thin one
"Monopolies have a proud

**"In Western Germany no-one can join the boards of more
companies Although this does not eliminate the disadvant
interlocking directorships completely, it does promote co
and shows that the authorities are in earnest about promo
competition. But in South Africa we must take the authori
word for it." — Professor D J J Botha.**

The golden, shy co

Gold and diamonds remain the foundations of the Anglo American Corporation — a rambling, complex empire that straddles the globe.

But astronomical investments have been poured into virtually all kinds of mining operations — uranium, coal, copper, nickel, oil and gas, platinum, tin, potash, iron ore, vanadium, lead, zinc, manganese

By Russell Gault

The mining and exploration operations continue in North and South America, Australia, the South Pacific, Fiji, New Zealand and throughout Africa

Control — by new chairman Mr Gavin Relly with the omnipresent Mr Harry Oppenheimer in the background — stretches further to such industrial giants as Sigma Motor Corporation, one of South Africa's largest vehicle producers, African Explosives and Chemical Industries, the largest chemicals complex in Africa, Mondi Paper Mills, Highveld Steel Works, LTA Construction, Carlton Centre, South African Breweries, Johannesburg Consolidated Investments and numerous other prominent firms

And, of course, to the great De Beers Consolidated Mines which Mr Oppenheimer still heads as chairman De Beers holds 38 percent of the equity in Anglo while effective control is held by the Oppenheimer family through the firm of E Oppenheimer and Son

Recent purchases have given Anglo American a big stake in the food industry

But, as with so many of its investments, the corporation tries to disguise its interests

Recently, together with JCI and Liberty Life, Anglo bought 52 percent of the Premier group

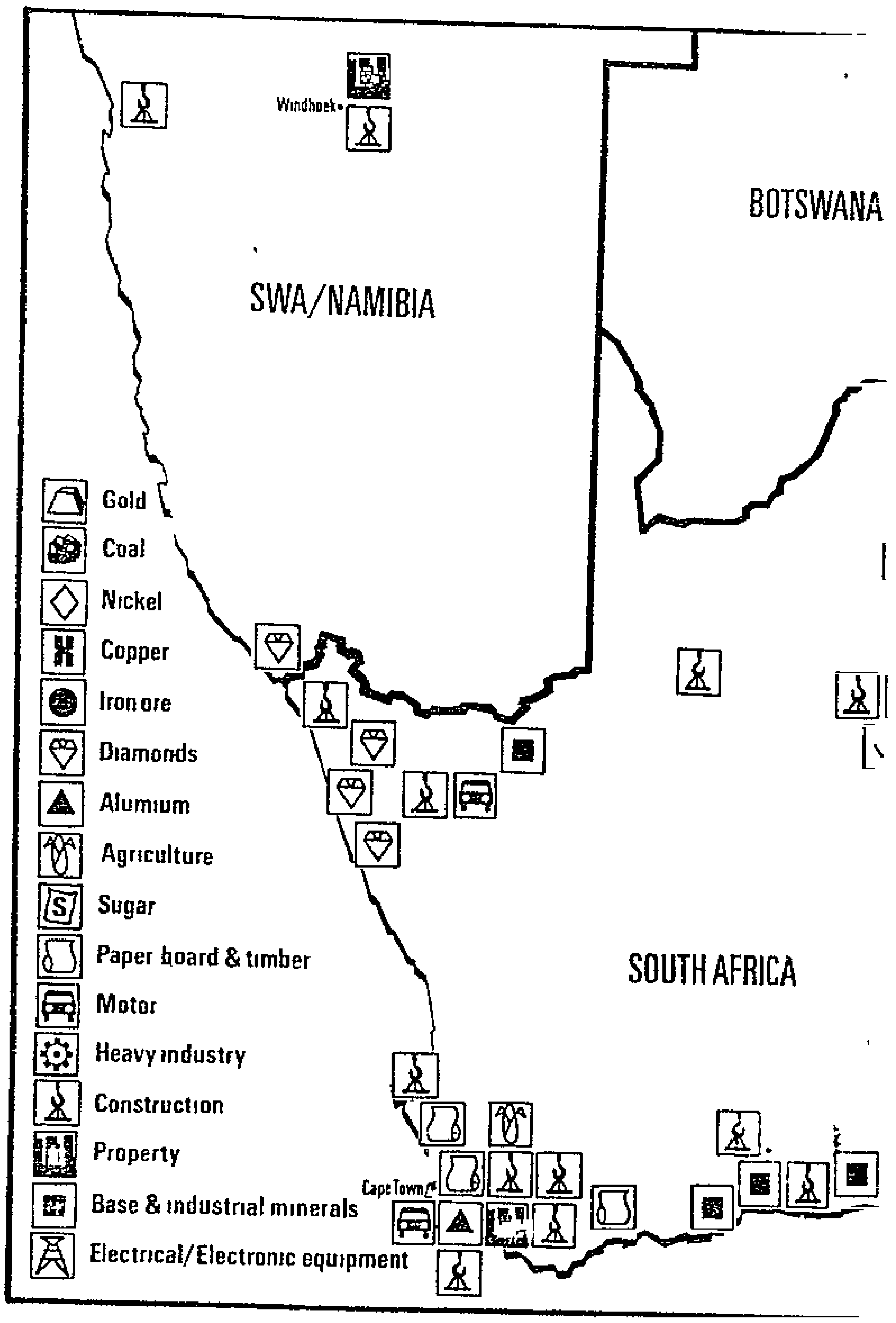
Anglo said that its interest in the consortium which controlled SA Breweries and Premier would not exceed 20 percent — but the reality is different as Anglo controls JCI which has a 40 percent stake in the consortium

Elsewhere in the food industry the Tongaat-Hulett combine is controlled by Anglo as well as extensive and varied interests in food which come under another Anglo offshoot, Amic (Anglo American Industrial Corporation)

Overseas, Anglo American controls many investments through Minerals and Resources Corporation (Minorco), a Bermuda-based finance and investment company

It has huge investments in international commodity trading, industry, copper mining, chemicals, base metals and oil exploration

Anglo American Corporation — South Africa's biggest group.
Direct assets — R10 700 million.
Assets of companies owned and administered by



The tentacles of the Anglo American Corporation reach

24 HOURS

...S A's private sector – Professor

Africa During the Dutch period the monopoly of the meat and wine trades was firmly held by the Honourable Company

"Today there is again a monopoly in the wine trade We have added another one in beer and the situation as far as meat is concerned is so complex and rigidly regulated in the interests of a few individuals that no researchers have succeeded in unravelling it

"This is one reason why the price of meat could rise by 40 percent during 1980 and no one be able to anything about it

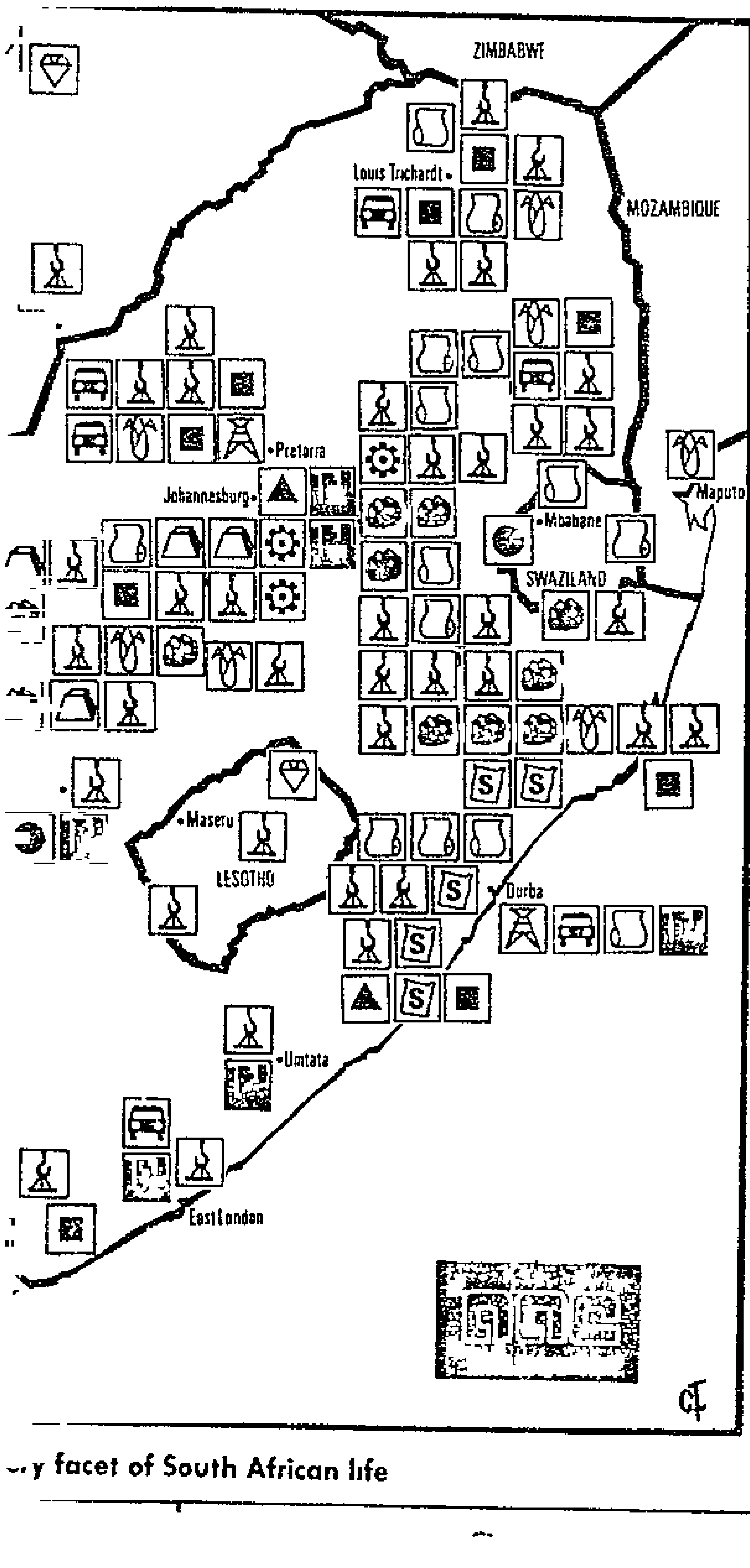
The extent of monopoly power in South Africa is partly concealed by the system of interlocking directorships which binds companies together in an unobtrusive and personal manner "

It was a system that limited competition and facilitated price agreements that were not calculated to benefit the consumer, he said

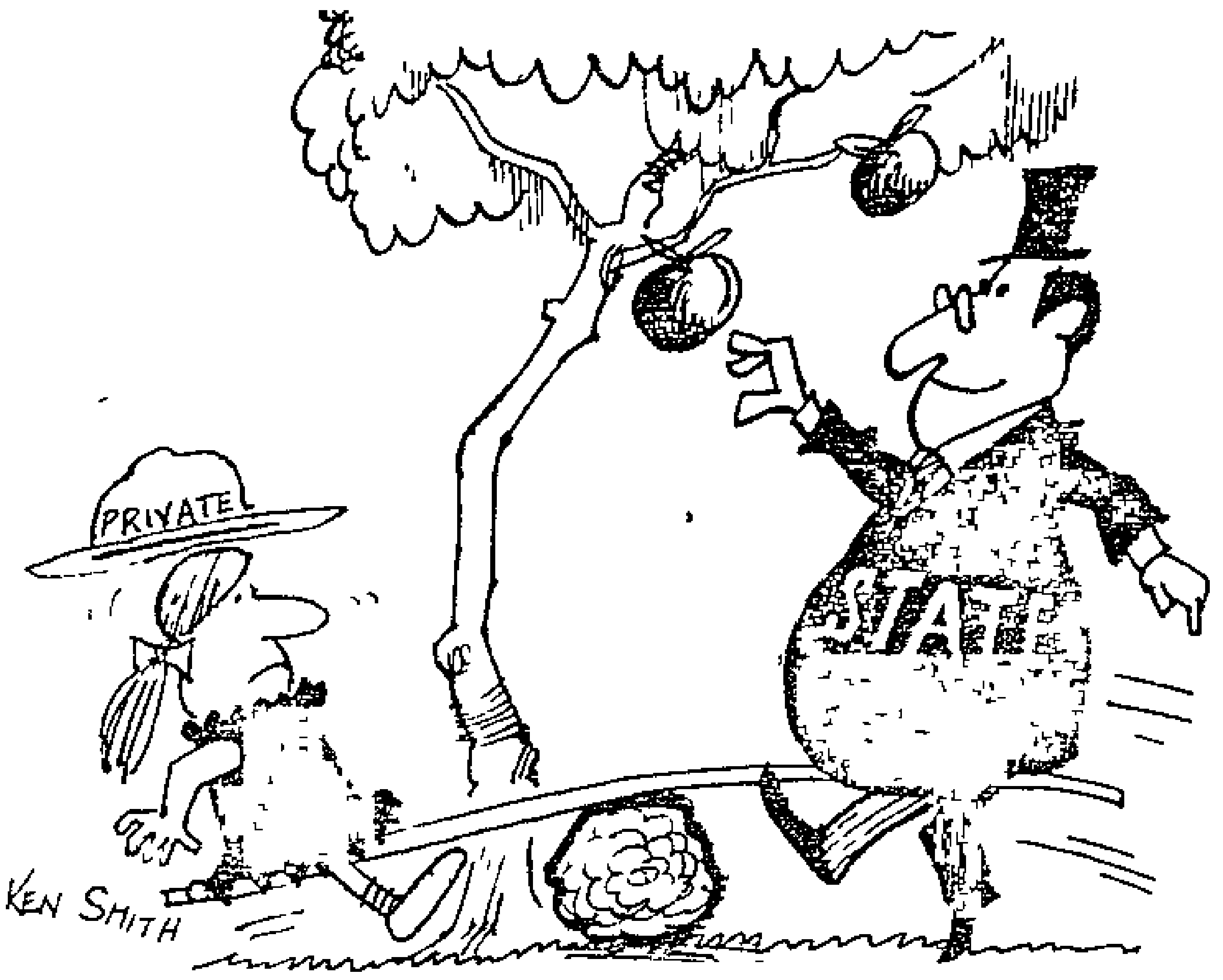
The big companies often appointed as directors people whose knowledge of business was just about nil but whose influence in certain quarters was important

"An example is the Old Mutual which for years had as a director the Moderator of the Dutch Reformed Church — a man whose influence could be important in many ways," he said

SSUS



...y facet of South African life



Giant groups pose corruption risks, board chief warns

Takeovers and mergers must be scrutinised closely because of their inherent dangers, says the chairman of the Competition Board in Pretoria, Dr D J Mouton

"Power corrupts and unless there is close control consolidation of industrial and commercial interests could get out of hand

"But huge companies inevitably got untidy around the edges and began to fall victim to new, more aggressive competitors So while we must be watchful about monopolies we must not overreact

"I don't believe we have reached the stage where we have anything to fear

"Imagine what would have happened during the recession if some of the big groups had not existed with their massive reserves

"There would have been more unemployment Many small businesses do not survive difficult times but these big companies have helped the economy weather the bad times

"Just look at their profitability In some cases it has not grown as it should have There is good and bad about monopoly"

Dr Mouton said South Africa had a history of monopoly business, starting with Jan van Riebeeck and the East India Company, which lasted 200 years

"It was not until the 1820 English settlers arrived that private enterprise got its start"

Because the nation's wealth was founded on mining and the investment even in those times was necessarily very big, industry had always been large, he added

"But these days what does a group do with its capital reserves? They must be re-invested

"The main concern is abuse of power There certainly is abuse, with interlocking directorships Directors do favour their affiliates even though they deny it and claim they hold those affiliates at arm's length

"I hear it all the time But these big groups are very sensitive They don't like being called monopolists"

He said he was not unduly pessimistic about the biggest groups being whittled down to two or three and wielding enormous control and power

"I've seen many big ones disappear and new ones come up Take the motor industry a few years ago Who would have thought General Motors and Ford would not have continued to dominate the industry?

"That's an example of how business is never static. It changes very quickly. Big groups have the seeds of their own destruction within them They eventually become complacent and inefficient

"I'm an optimist The business world is hard If you don't make the grade you're destroyed"

owers SA's private sector — Professor

re than 10
vantages of
competition
omoting
norities'

against take-overs,
rently see as a means
y — although this often

vernment has allowed
following a deliberate

view taken by the auth-
wards concentration of
be stopped"

"Eventually we may
ch virtually the whole
of a few — say, half a
and well-to-do private

ystem of that kind and
indeed
proud history in South Africa During the Dutch period the monopoly of the meat and wine trades was firmly held by the Honourable Company

"Today there is again a monopoly in the wine trade We have added another one in beer and the situation as far as meat is concerned is so complex and rigidly regulated in the interests of a few individuals that no researchers have succeeded in unravelling it

"This is one reason why the price of meat could rise by 40 percent during 1980 and no one be able to anything about it

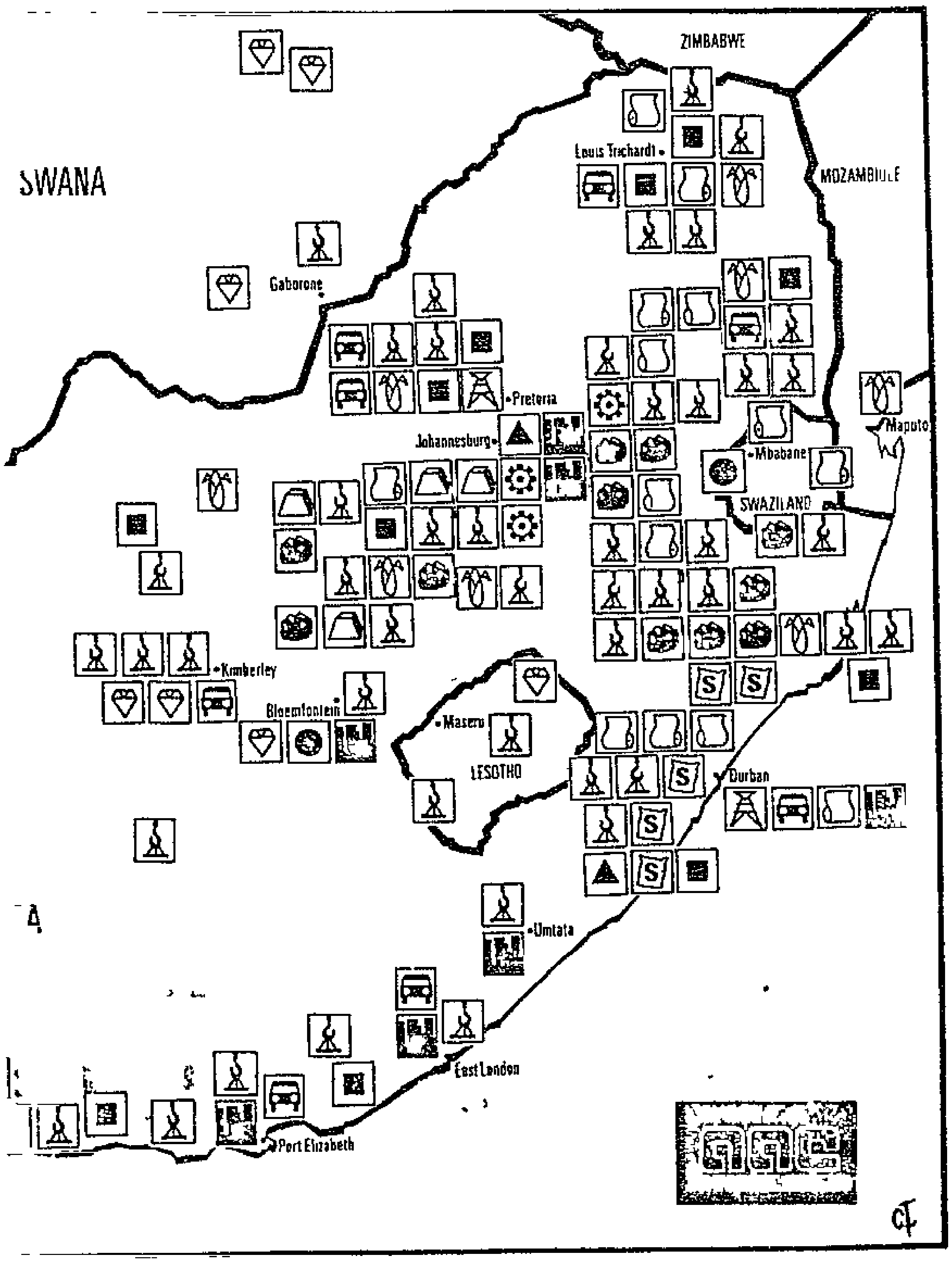
"The extent of monopoly power in South Africa is partly concealed by the system of interlocking directorships which binds companies together in an unobtrusive and personal manner'

It was a system that limited competition and facilitated price agreements that were not calculated to benefit the consumer, he said

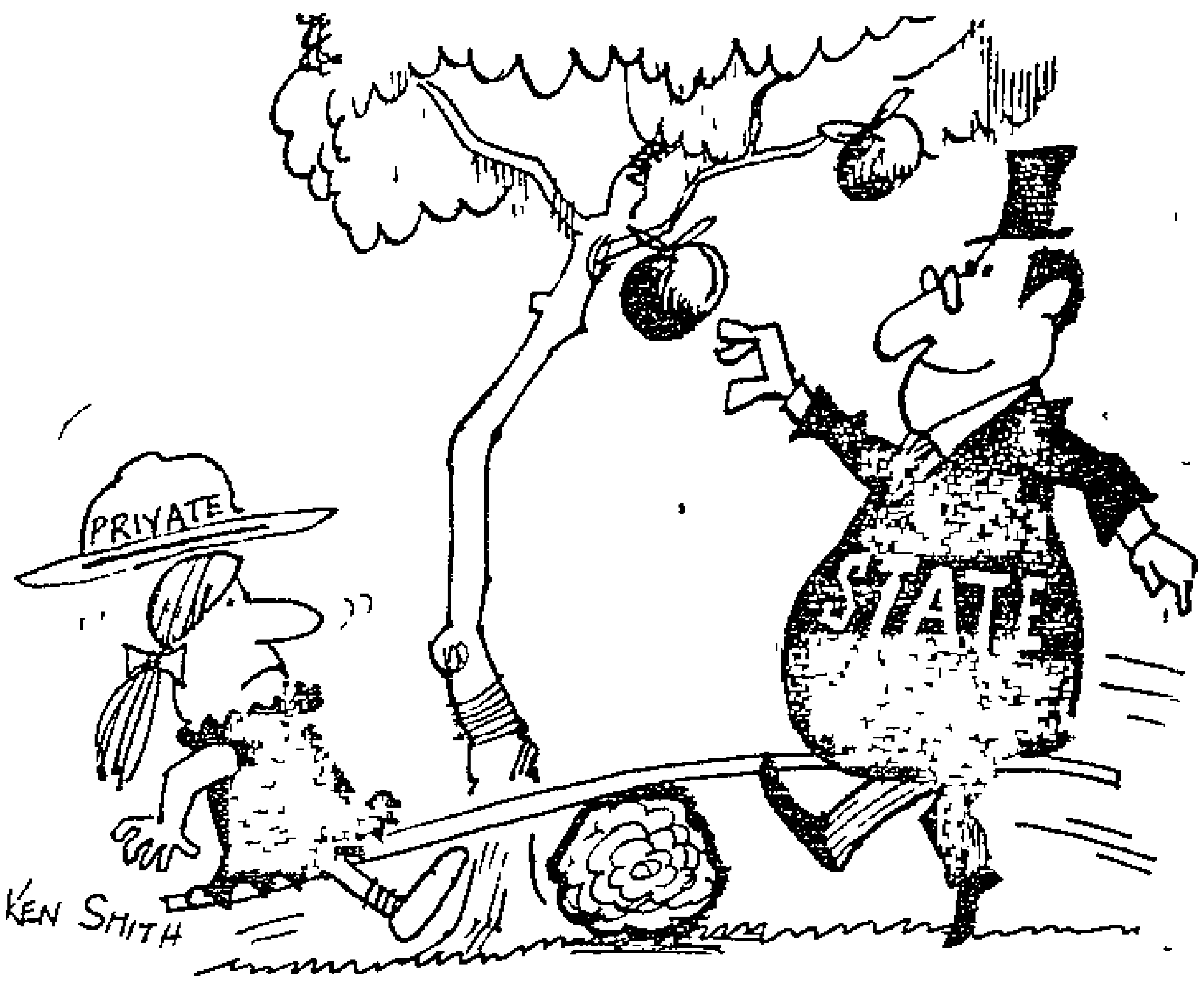
The big companies often appointed as directors people whose knowledge of business was just about nil but whose influence in certain quarters was important

"An example is the Old Mutual which for years had as a director the Moderator of the Dutch Reformed Church — a man whose influence could be important in many ways," he said

olossus



ion reach into almost every facet of South African life



Giant groups pose corruption risks, board chief warns

Takeovers and mergers must be scrutinised closely because of their inherent dangers, says the chairman of the Competition Board in Pretoria, Dr D J Mouton

"Power corrupts and unless there is close control consolidation of industrial and commercial interests could get out of hand

"But huge companies inevitably got untidy around the edges and began to fall victim to new, more aggressive competitors So while we must be watchful about monopolies we must not overreact

"I don't believe we have reached the stage where we have anything to fear

"Imagine what would have happened during the recession if some of the big groups had not existed with their massive reserves

"There would have, been more unemployment Many small businesses do not survive difficult times but these big companies have helped the economy weather the bad times

"Just look at their profitability In some cases it has not grown as it should have There is good and bad about monopoly"

Dr Mouton said South Africa had a history of monopoly business, starting with Jan van Riebeeck and the East India Company, which lasted 200 years

"It was not until the 1820 English settlers arrived that private enterprise got its start"

Because the nation's wea was founded on mining and investment even in those was necessarily very big, dustry had always been la he added

"But these days what does group do with its capital serves? They must be r vested

"The main concern is of power There certainly abuse, with interlocking torships Directors do fav their affiliates even thou they deny it and claim hold those affiliates at arm length

"I hear it all the time these big groups are very sitive They don't like be called monopolists"

He said he was not pessimistic about the bigg groups being whittled down two or three and wielding mous control and power

"I've seen many big ones appear and new ones come Take the motor industry a years ago Who would ha thought General Motors Ford would not have to dominate the industry?

"That's an example of business is never static. changes very quickly. groups have the seeds of own destruction within th They eventually become placent and inefficient

"I'm an optimist. The ness world is hard If you make the grade you're troyed"

The mining and exploration operations continue in North and South America, Australia, the South Pacific, Fiji, New Zealand and throughout Africa.

Control — by new chairman Mr Gavin Relly with the omnipresent Mr Harry Oppenheimer in the background — stretches further to such industrial giants as Sigma Motor Corporation, one of South Africa's largest vehicle producers, African Explosives and Chemical Industries, the largest chemicals complex in Africa, Mondi Paper Mills, Highveld Steel Works, LTA Construction, Carlton Centre, South African Breweries, Johannesburg Consolidated Investments and numerous other prominent firms

And, of course, to the great De Beers Consolidated Mines which Mr Oppenheimer still heads as chairman. De Beers holds 38 percent of the equity in Anglo while effective control is held by the Oppenheimer family through the firm of E Oppenheimer and Son.

Recent purchases have given Anglo American a big stake in the food industry

But, as with so many of its investments, the corporation tries to disguise its interests

By Russell Gault

Recently, together with JCI and Liberty Life, Anglo bought 52 percent of the Premier group

Anglo said that its interest in the consortium which controlled SA Breweries and Premier would not exceed 20 percent — but the reality is different as Anglo controls JCI which has a 40 percent stake in the consortium

Elsewhere in the food industry the Tongaat-Hulett combine is controlled by Anglo as well as extensive and varied interests in food which come under another Anglo offshoot, Amic (Anglo American Industrial Corporation)

Overseas, Anglo American controls many investments through Minerals and Resources Corporation (Minorco), a Bermuda-based finance and investment company

It has huge investments in international commodity trading, industry, copper mining, chemicals, base metals and oil exploration

Anglo American Corporation — South Africa's biggest group.
Direct assets — R10 700 million.
Assets of companies owned and administered by Anglo — R17 000 million
Indirect assets — Unable to be determined.
Profit before tax — R738 million
Profit after tax — R616 million
Employees — 256 000
Companies within Anglo American Corporation's sphere of influence — Unable to be accurately determined but not fewer than 2 000.
Market value of shares of 63 companies listed on the Johannesburg Stock Exchange and controlled by Anglo — R49 946 million.

Anglo American not prepared to discuss it

The Anglo American Corporation was not prepared to discuss the subject of Who Owns South Africa

Efforts were made to discuss the group with the empire's chief, Mr Harry Oppenheimer, the chairman, Mr Gavin Relly, and executive committee board member Mr Julian Ogilvie Thompson

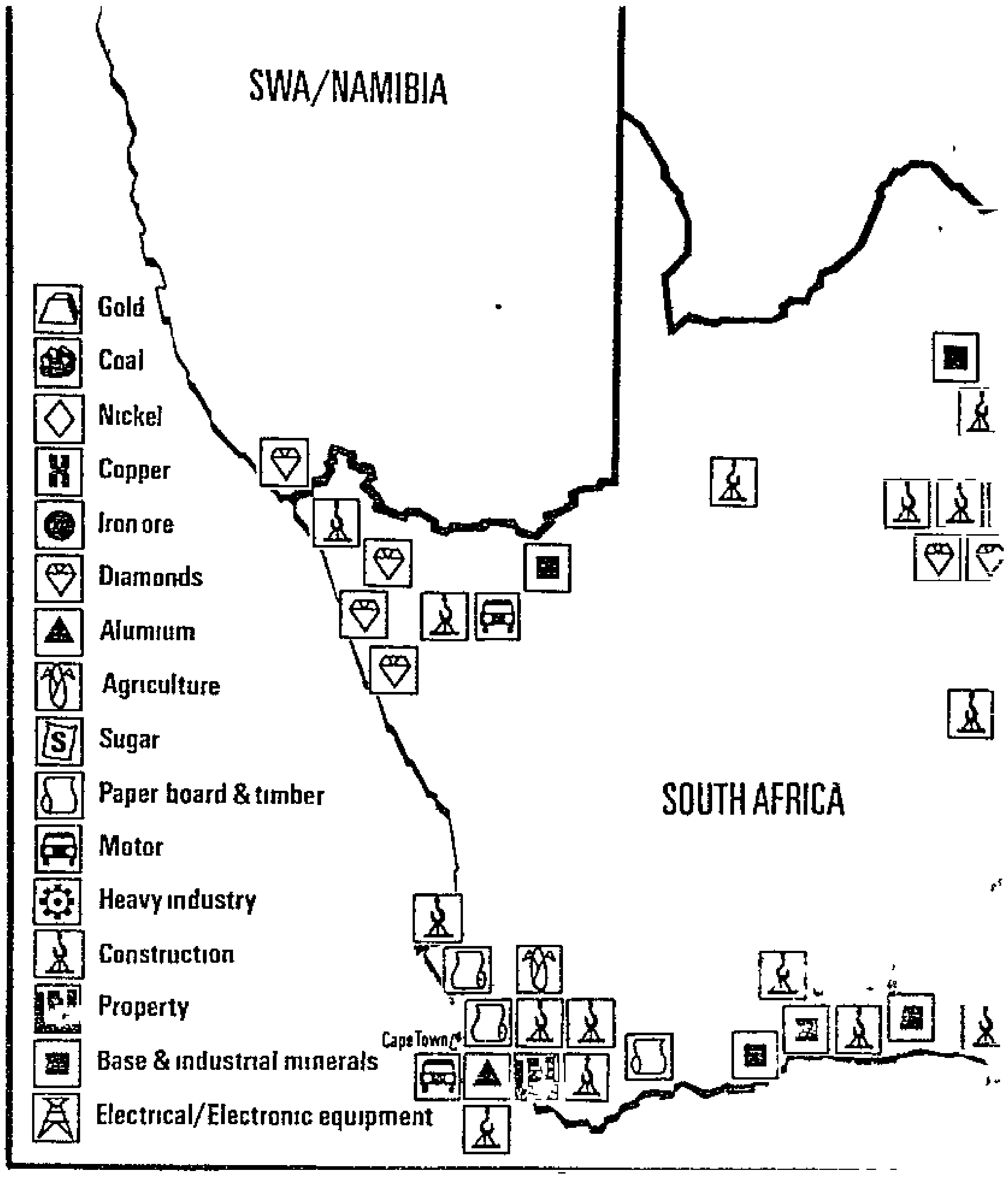
A prepared list of questions was sent to Anglo American's public relations officer, Mr Ivor Sander in advance of an expected interview with Mr Ogilvie Thompson.

This was prepared after it was made clear that Mr Oppenheimer would not be available because, it was claimed, he was no longer the power behind Anglo, and after Mr Relly was said to be unavailable because of an overseas trip

The Star offered to have a bureau representative in London or America interview him but was told he had no spare time

A few days after the questions disappeared into the conglomerate's offices at 42 Marshall Street, 24 Hours was told they would not be answered in any form and that no interviews would be considered

The Star made the point that other groups had cooperated and did not seem to be embarrassed by the questions but the public relations department insisted that Anglo American would not take part in the series



The tentacles of the Anglo American Corporation reach into

24 HOURS
The team that wraps up the news

Where Oppenheimer leads, business follows

Harry Oppenheimer is one of the most influential business leaders in the world and certainly the most powerful in South Africa.

He and his directors would be equally at home with the leaders of one party states in South America and Africa, with the Russians or the Americans and the British Such is the extent of the group's operations

Indeed, Mr Gordon Waddell was a guest at the Russian Ballet in Moscow a year or so ago

The power centre of Mr Oppenheimer's vast industrial interests is De Beers Consolidated Mines, in which he has a huge shareholding But De Beers in turn is controlled by Anglo American, in which Mr Oppenheimer also has a huge shareholding

When he retired as chairman of Anglo American last year he retained his chairmanship of De Beers — and his commanding position of the entire conglomerate

As a conservative radical he has fought apartheid, used his finances to improve the conditions of all races and guided his South African-based company into a position as one of the biggest, strongest and most financially healthy in the world

Mr Harry Oppenheimer retired from Anglo American, but retains his commanding position

SA 'riddled' with cartels, monopolies

232

ARGUS 11/8/83

Financial Editor

A CALL for the Competition Board to insist on the large corporations selling off some of their investments was made at the Manpower and Management Foundation investment conference in Cape Town

Mr Robin McGregor, publisher of Who Owns Whom, said the two main reasons why the inflation rate was not coming down significantly were the existence of monopolies and cartels in the private sector and the lack of adequate training

"With only three groups — Anglo American, Sanlam and Barlow Rand — controlling almost 73 percent of the Johannesburg Stock Exchange, the country must be, and is, riddled with monopolies and cartels

RECENT TAKEOVERS

"The claim has not got to be proved, it is self-evident"

Referring to the recent takeovers on the Johannesburg Stock Exchange, Mr McGregor said that in 1979 the Prime Minister had to hire the Carlton Centre to talk to the leaders of industry

Three months ago he could have conducted the conference comfortably around his diningroom table He could now do it around a card table

Mr McGregor attacked the idea that monopolies and cartels increased efficiencies through economies of scale

"All that happens is that huge conglomerates get bigger and one sees the rapid development of bureaucratic inefficiency in the private sector"

INEFFICIENCIES

In spite of these inefficiencies the companies still showed adequate and even inflated returns because public and private sector controls allowed management to raise their prices

"Thus the victim is the consumer and worse, a spiralling inflation is the inevitable result"

Only 4,1 percent of the shares on the Johannesburg Stock Exchange were controlled by directors who were also major shareholders, compared with 44 percent in the United States and 54 percent in Britain

Therefore in South Africa "hired help" controlled much of the R80-billion of investments on the Johannesburg Stock Exchange

BUREAUCRACY

"That's fine if we have a high calibre of employee and if they are in competition to ensure optimum performance

"But when they are protected by controls either public or private — but invariably both — I don't believe the efficiency of the majority of them and therefore of their employees can be much higher than public sector bureaucracy"

SA Breweries had stated it did not mind competition and that it would welcome it

He pointed out that it was now in a situation where a competitor would have to spend a fortune to establish a market share of any kind

DISINVESTMENT

"They should have been stopped years ago before it was too late and I would suggest that the Comepetition Board should now get into that industry and insist on disinvestment for a change"

On the subject of training Mr McGregor suggested that the State should help Anglo American, which had enormous resources of cash and entrepreneurial and other skills, to train blacks in basic skills on a large scale

tacular rise of Afrikaner capitalism

Sanlam, one of the two giants of the insurance business, has come a long way since its humble beginnings in 1917. A commitment to policyholders and a 'safe' policy of investment are two reasons for the group's success, says Sanlam chief Dr Fred du Plessis.

ss that can be totally
its policies
mutual fund may not
as such but we have
policyholders, all of
ed to attend our an-
ngs and take us to
e cannot even hold an
rum of at least 40 —
pe for being secretive
ons
mobilise the savings of
k out investment stra-
them a profit and
keep abreast of infla-

basic rules about
as rules that insist
all pension funds and
ance income must go
and quasi-Government

the best returns come
and it is our job to
nt returns — within
f course
ment in a particular
it's because we see it
ent It does not mean
hority
keep a close watch on our investments, but our normal policy is not to interfere if the managements are performing well Naturally if we see our investment in danger we move in and ask for a few answers

"There seems little evidence of dangers of monopolies here Most of the big groups are conglomerates and face lots of competition The industrial structure of South Africa compares well on an international basis," said Dr du Plessis

"One needs to keep size in perspective Iscor, for instance, appears to be a giant inside South Africa But it is only a fraction of the size of United Steel in the US or the British Steel Corporation

"Anyway, size is sometimes important to reap the benefits of economies of scale — especially when Iscor has to fight it out with huge competitors in the international market

"The name of the game is efficiency If an operation looks efficient and likely to remain efficient, we feel it our duty to policyholders to make an investment

"At the end of the day the benefits are spread over a vast proportion of the entire population," he said.

SANLAM AND AFFILIATES

CONTROLLED AND MANAGED BY SANLAM

LOUIS LEIPOLDT MEDICAL CENTRE
MULTIDATA SERVICE ORGANISATION
NGF UNIT TRUST
SANBES HOLDING COMPANY
SANLAM EIENDOMS TRUST
BESTUURD HOLDING CO
SANLAM LIFE ASSURANCE
SANLAM TRUST UNIT TRUST
SANLAND PROPERTY TRUST
SANMED MEDICAL SCHEME
SANSO PROPERTY
SANTAMGROEI UNIT TRUST
SATS UNIT TRUST
TRUSTGROEI UNIT TRUST
SATBEL RECREATION
TRUST BANK BANKING
W M SPILHAUS AGRICULTURAL EQUIPMENT DEALER

ASSOCIATES CONTROLLED BY SANLAM ALONE OR IN PARTNERSHIP

BANKORP HOLDING COMPANY
METROPOLITAN HOMES TRUST INSURANCE
SANFA AND SANTRUST BROKERS
SANTAM BANKING
SANTAMTRUST TRUST COMPANY
SENBANK BANKING

LARGE SHAREHOLDING BY SANLAM

ASSURA HOLDING COMPANY
FEDERALE KUNSMIS
FEDFOOD INVESTMENT CO IN FISH AND FOODS
FEDMECH HOLDINGS AGRICULTURAL EQUIPMENT
FMB MINING FINANCE
FVB INDUSTRIAL FINANCING CO
GEFCO ASBESTOS FIBRES
GENERAL MINING MINING FINANCE
PHILIPS ELECTRONICS TELEVISION RADIO ETC
SANTAM INSURANCE
SENTRACHEM CHEMICAL INDUSTRY
SENTRUST INVESTMENT CO IN MINING
SUPERCLA MANUFACTURE OF CEMENT AND ASBESTOS PIPES
TELECTRA FURNITURE COMPANY
TRANS NATAL HOLDING CO COAL MINES
TREK INVESTMENTS PETROLEUM PRODUCTS
UNION CORP MINE FINANCING
UNITED TRANSPORT PASSENGERS AND FREIGHT SERVICES

The meticulous touch brings pots of gold to insurance giant's life

Liberty Life chairman Donald Gordon is a most meticulous man in all aspects of his life. And it is a characteristic he has applied to his business, taking it from a humble initial investment of R100 000 in 1958 to more than R2 000 million today.

The immaculate tie-knot and neatly clipped sideburns supply the first clues that Liberty Life group chairman Mr Donald Gordon is a most meticulous businessman

In fact, so meticulous that in his own words "It drives my colleagues crazy and uses a lot of time which could probably be more beneficially employed" But could it?

The financial results of the group since its birth 25 years ago suggest that Mr Gordon's precision may have been the most important factor in lifting total assets from under R100 000 in 1958 to well over R2 000 million at a recent count.

MAJOR

The success formula adopted by Mr Gordon is based on four major points efficiency, low expense ratios, good marketing — and top-class investment performance

It was the formula from the start, when in a first full financial year total premium income amounted to R26 000 while expenses were kept to a surprisingly low R7 000 — including the chairman's salary of R1 800

There were many takeovers in the early stages, mainly of property companies which fitted in with the Liberty strategy Next came a spate of bankruptcies of smaller insurance companies — and Liberty cast about for a partner with muscle

The result, in 1964, was that the controlling interest passed to the Guardian Royal Exchange in London Four years on, Liberty combined with Guardian Assurance of South Africa to form Liberty Holdings

Its flotation on the Johannesburg Stock Exchange was a sensation the R9 million issue was oversubscribed 40 times over with applications running as high as R370 million

Next came the absorption of the South Africa wing of Manufacturers Life and the Sun Life of Canada, to be followed by a controlling interest in Fugit, the largest investment trust in the country

Mr Donald Gordon chairman of Liberty Life.

But it is 1978 that stands out so vividly for Mr Gordon — the year he formed a consortium with Standard Bank and Mr Michael Rapp to "re-South Africanise" the operation

And still there was more to come

Mr Gordon abounds with energy — up between 5am and 6am, work at the breakfast table, making the office hum by 8 30am, and not back home until 11 hours later If you want to stay at the top you've got to be prepared to put in extraordinary effort," he said

'The personal application becomes increasingly tougher and more demanding as the business grows

"But, for myself, I have tremendous fun doing my job

"You find you have to move on and expand — or else be trampled in the rush

"Already several insurance companies are in the billion rand class — with Liberty Life in the middle of the scrum "

RECORD

Mr Gordon is on record as advocating that the giant corporations should be allowed — by exchange control changes — to develop into multinational companies with more investments overseas because South Africa by itself did not present adequate investment opportunities

"If we are as good as we say we are then we would not be scared of competing with other multinationals

Besides the development of multinationals based in South Africa would help to break down this country's isolation," he said

(~~[illegible]~~ \ 212)

Sanlam — vast symbol of the specta

Mr Fred du Plessis chairman of Sanlam

The huge Sanlam Centre in Johannesburg and the Golden Acre complex in Cape Town are perhaps the two most prominent symbols on public view that demonstrate the rise of Afrikaner capitalism

The small band of entrepreneurs which planted the seed of Sanlam in 1917, with the bold ambition of bringing the Afrikaners into the commercial and industrial mainstream of South Africa, had little notion of what spectacular successes lay ahead

Sanlam today ranks as one of the two biggest giants in the insurance business It commands assets of more than R4 000 million and an empire that controls the massive General Mining/Union Corporation, a network of banks, the Federale Volksbeleggings industrial sprawl, a clutch of unit trusts and an investment portfolio that sweeps from fishing to furniture

When Mr Robin McGregor unfolded the growth of the Big Seven who control a major slice of the entire economy, Sanlam came out a powerful No 2 — in control of companies accounting for almost 10 percent of the R90 000 million valuation on all shares listed on the Johannesburg Stock Exchange

Yet the man in command, Dr Fred du Plessis, projects an image of being more of an academic than a business tycoon

He was born in Klerksdorp in 1931 and collected a string of degrees at Potchefstroom University and a doctorate in economics at Amsterdam University Dr du Plessis remained an academician until 1971 — first as lecturer and later as professor of banking at Pretoria University

It was his sparkle in economic and monetary affairs that landed him a seat on the Sanlam board of directors in 1971 — and the start of a career that has been crowned with the chairmanship of the insurance giant

But the academic reserve remains, evidenced by a firm refusal to discuss personal affairs and a reputation for staying behind the scenes rather than following the public spotlights

None of it detracts from the strength of the hand that controls the Sanlam empire from its head office in Cape Town

But if he holds power, he insists none of it is abused

"Any attempt to use economic power with non-acceptable business practices cannot last for long

"In many ways I have less power than a one-man business that dictatorial about its p

"Sanlam as a mutual have shareholders as to answer to our poli whom are entitled to nual general meetings task if need be We ca AGM without a quorum so there is little scope fo in business operations

"Our job is to mo the public and work out tegies that promise chance at least to keep tion," he said

"We have to follow taking risks — such as that 53 percent of all 33 percent of insurance into Government and stock

"For the rest, the from shareholdings and maximise investment safe parameters, of co

"If our investment company runs high, it's as a good investment we want to seek autho

"Obviously we keep

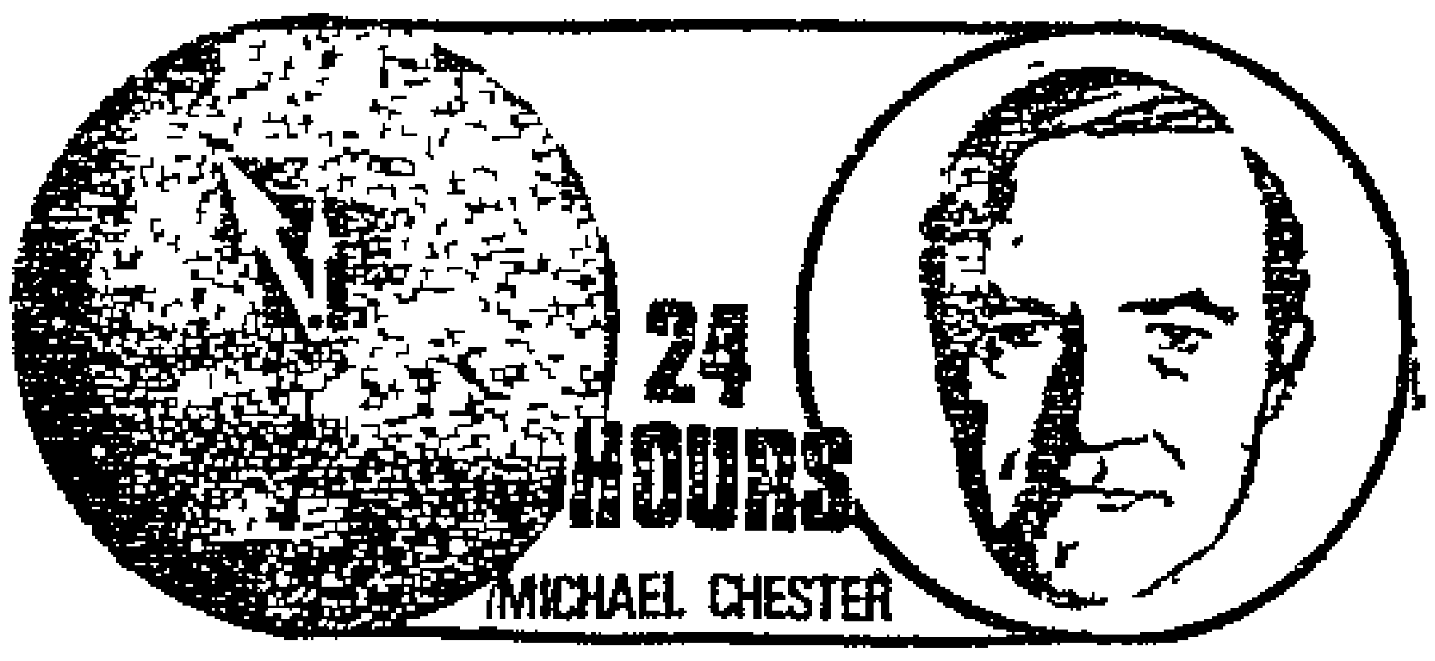
How insurance giants straddle the economy

The growing influence of the insurance companies and pension funds over the entire economy is underscored by an analysis by the Life Offices Association showing how their combined stake in shares and unit trusts has broken all records, to soar over R4 000 million.

The total increased as much as 27 percent in 1982 alone as premium and investment profits grew by R5 246 million in the 12 months and pushed overall funds above the R18 000 million level

The big institutions have also become a growing power in the property market, where investments now stand at R3 174 million.

Even when benefits have been paid out, and running expenses and taxation taken into account, the amount of cash on hand for new investments grows at the phenomenal rate of R12,7 million every single working day



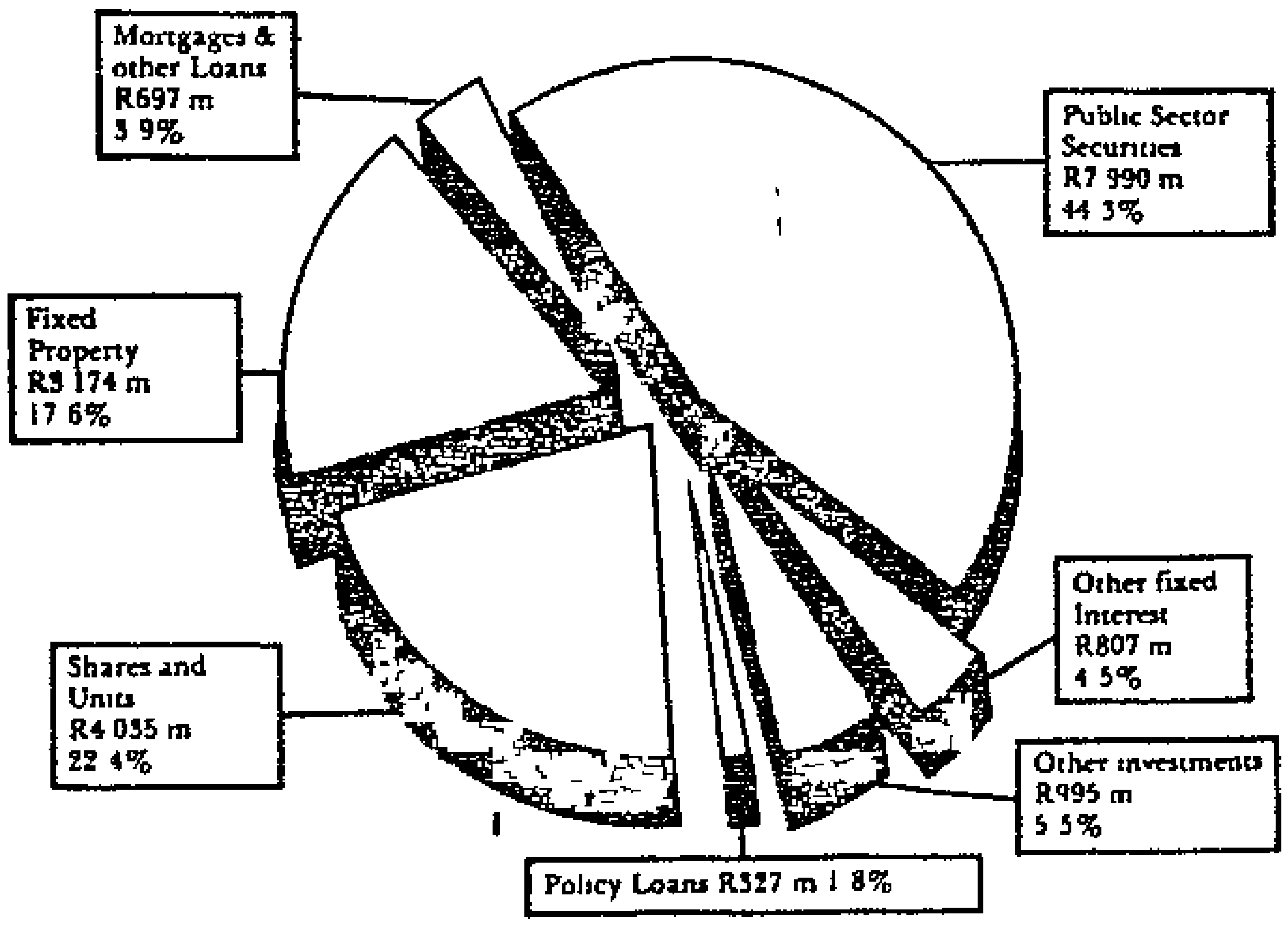
It is the size of the cash tide that has led Mr Robin McGregor, author of "Who Owns Whom', to discover that three of the insurance companies — Sanlam, Old Mutual and Liberty — rank among the Big Seven corporate giants

These between them control a string of companies that represent no less than 80 percent

dled with monopolies and cartels" and urged the Government to intervene to halt and reverse the trend

Mr F J Davin, chairman of the association, said it was thought at times that as the insurance industry controlled large amounts of cash the authorities should harness more of those resources to finance

Insurance companies investments---1982



increased from R60 million in 1981 to R130 million in 1982 "

Also, the institutions were financing many of the infrastucture projects around the country — roads, schools, dams, power stations, hospitals, housing — by the heavy investments that legislation forces them to make in government and semi-government

ed large amounts to finance such special projects as housing for the lower-income groups.

"The role of the industry in private sector investments is well known Among these, investments in fixed property have provided an important service in making available new commercial, industrial

The
the
Gor
his
of
be
ago
tota
R1
R2
by
ma
It
cia
cor
of
T
in
ted
gy
rup
cle
T
the
to

gor, author of "Who Owns Whom", to discover that three of the insurance companies — Sanlam, Old Mutual and Liberty — rank among the Big Seven corporate giants.

These between them control a string of companies that represent no less than 80 percent of the R90 000 million value of all the shares on the Johannesburg Stock Exchange.

Mr McGregor began a nationwide controversy when he addressed an investment conference in Cape Town at midweek

He sounded the warning that South Africa had become "rid-

ment to intervene to halt and reverse the trend

Mr F J Davin, chairman of the association, said it was thought at times that as the insurance industry controlled large amounts of cash the authorities should harness more of those resources to finance projects of national interest

"It is important that the role of the insurance industry in the financing of such projects be seen in the right perspective.

"Like any other industry or commercial undertaking, the insurance industry contributes its share through the payment of taxation, which, incidentally,

also, the institutions were financing many of the infrastucture projects around the country — roads, schools, dams, power stations, hospitals, housing — by the heavy investments that legislation forces them to make in government and semi-government stocks

Nearly R8 000 million of investment cash was locked in public sector securities — at interest rates which the institutions consider to be below real market rates

Moreover, says Mr Davin, the insurance industry by its own volition had also provid-

groups

"The role of the industry in private sector investments is well known Among these, investments in fixed property have provided an important service in making available new commercial, industrial and private accommodation

"This has also assisted the development of growth points throughout the Republic

"Finally, the life insurance industry alleviates a responsibility which might otherwise fall on the shoulders of the State — the provision of all-embracing social security"

Old Mutual's considerable clout growing despite its quiet style

Old Mutual's policy is to keep a low profile in the investment arena. It prefers not to take over control of companies, but has developed powerful investment muscle. However, Old Mutual may decide to become more aggressive in its future deals.

Mr Jan van der Horst . . chairman of Old Mutual.

Although the Old Mutual appears at first glance to be the smallest of the Big Seven corporate giants, as measured by the financial clout of the JSE companies they control, it ranks far higher in real investment muscle

In fact it is the largest of all three insurance empires listed in the Big Seven league constructed by Mr Robin McGregor, who runs "Who Owns Whom"

Its low placing in the league is a reflection of the enormous differences in the strategies followed by the big institutions.

Sanlam, ranking second only to the Anglo American Corporation in the league table, does not disguise its appetite for taking open control

This was demonstrated several months ago when Sanlam had a big public row with Dr Anton Rupert, of Rembrandt, who tried to dilute the insurance company's power in the running of General Mining.

Liberty Life, with Mr Donald Gordon at the helm, has also been in full public view in takeover seasons — such as in its key role in the SA Breweries takeover of Edgars Stores and in the more recent takeover of SA Breweries itself in a deal worked out with Anglo American and the Premier group

Old Mutual has traditionally preferred a low profile in the investment arena — fatter with funds but normally inclined to stay clear of taking over actual control It instead holds its stakes in outside companies nearer to a modest 15 percent

But its clout is considerable, even though silent. For example Old Mutual holds as much as 24 percent of Barlow Rand

27 percent holding in Nedbank

Now, however, Mr McGregor forecasts that Old Mutual — smarting because it was left out in the cold in the SA Breweries takeover — may be preparing to show more aggression

Its takeover of Rennies, which brought the Holiday Inns chain with it, was one of the first exercises which seemed out of character

Next, says Mr McGregor, it is likely to go into a battle royal with Anglo American for real control of Barlow Rand

There is also conjecture that Old Mutual, with Holiday Inns now in its stable, may strike a major deal with Mr Sol Kerzner and his Southern Sun hotel/casino operation

Even so, it is unlikely that Old Mutual will undertake major surgery on its conservative image

"To me," says Mr Jan van der Horst, the chairman who keeps a personal low profile that matches the company's, "growth only has meaning if

ciency

"In an inflationary era, growth has been necessary in order to take up the inevitable cost rises which accompany inflation

"In many cases, strong trends towards concentration have merely reflected market forces searching for economies of scale and have not resulted in less effective competition

"The anti-trust tradition has always been very powerful in the United States

"Yet even the Reagan Administration, with its philosophical commitment to free enterprise, has approved a series of mergers and takeovers involving very large companies — because these are seen as manifestations of the working of effective market forces and not harmful to competition

'South African industry is very probably more concentrated than in most Western economies

"However, the principal reason for this is the size of our domestic market — relatively

mies of scale inherent in modern production methods

"If we are to compete effectively in domestic and overseas markets then we must be in a position to take advantage of these economies of scale — and this may necessitate having some industries being dominated by a small number of companies

"Two large companies dominating an industry may well compete at least as effectively, or even more so, than a large number of small companies

"It is important to remember, too, that in a country which has relatively little import protection, all industries face actual or potential competition from the international market — which in many cases is more effective and fierce than domestic competition

"Another important cause of economic concentration in South Africa is our potential vulnerability to sanctions, and therefore our need to be self-sufficient in strategic industries

"This should not be an excuse for undue monopoly, but it is primarily up to the vigilance of the authorities to monitor and prevent this

"All Western economies have tended to go through phases of intense take-over and merger activity from time to time

"But the evidence suggests that in the long term this has not led to any undue concentration of power, since new firms and new industries constantly spring up to replace the bloated and inefficient or to meet new opportunities not grasped by existing companies

'South Africa is probably going through one of these

1771

1819

1898

1905

1914

1938

1962

1964

1969

1972

1974

1976

TOD

TOD

Six giants to rule SA business by 1990 — Gordon

Star 12/8/83

232 [illegible]

By Michael Chester

Mr Donald Gordon, chairman of the huge Liberty Life insurance group, forecasts that the South African economy will be dominated by no more than six corporate giants within the next few years — "by 1990 or even sooner".

Mr Gordon, though reluctant to name the super six, hints that three will be insurance companies — Old Mutual, Sanlam and his own Liberty Holdings.

If Mr Robin McGregor, author of "Who Owns Whom", proves correct, the other three will be the Anglo American Corporation, Anglo Vaal, and Dr Anton Rupert's Rembrandt,

on trends towards increasing business power centres inside big business and the possible dangers of growing tendencies towards monopolies and cartels

"I don't believe it is necessarily a good thing that there will be such a concentration of power inside the private business sector," he said "But I am convinced it's inevitable. There is nothing to say the individuals in command now and in the future will not abuse their powers

"Unhappily, in many respects, the top companies are under almost intolerable pressure to keep on growing — or face the risk of being trampled underfoot

"Much of the blame rests on

The Tobacco Enigma — from to

232

Star 13/8/83

By David Braun

Rembrandt, a giant of commerce even by global standards, is as enigmatic as its founder and master, Dr Anton Rupert

Said to be the fourth largest cigarette manufacturer in the world, the group owns 70 factories in 30 countries, markets its products to 180 nations and has assets worth more than R9 000 million It is one of the biggest international distillers, and it has a stake in an overseas brewing group with 10 breweries

In South Africa, — in addition to its vast tobacco and liquor operations — Rembrandt has interests in mining, insurance, banking, manufacturing, trade, chemicals, oil, clothing manufacture, coffee, tea and printing and packaging

The entire empire is run by Dr Rupert and his minions from the group's modest head office at Stellenbosch

The group's style has traditionally been to keep the lowest profile possible, shunning press interviews, saying only what it wants to say, and managing to produce its annual report in all of 20 pages No illustrations No product list

Dr Rupert has given only one press interview about his business to an American financial magazine two years ago It has been suggested that the reason for his shyness is that some parts of the Rupert empire have been concealed, notably in places like Malaysia, Singapore and Jamaica, where South Africa's racial policies are anathema

Yet if Dr Rupert and Rembrandt prefer the shadows this does not mean that their presence is not felt on the South African business scene Dr Rupert was an Afrikaans business pioneer, albeit with substantial financial assistance from the Broederbond He is still a local business colossus whose iron grip is felt on scores of companies

He controls the group through a complex structure of pyramid companies, enabling him to direct operations with an effective stake of between five and eight percent of the equity The secret of his success is his philosophy of full and equal industrial partnership

"Industrial partnership is the only morally just principle in the business world," he once told a gathering of the group's executives in Rotterdam.

This philosophy spurred him to making the claim that Rembrandt was in fact the world's first truly multinational company — a globe-encircling partnership of industrial companies in which at least 50 percent of the shares of each separate member company were held locally by the nationals of the host country, and where the chairman and majority of the board members in each country were citizens of that country

What is the basis of this philosophy? Dr Rupert believes that he who covets all loses all Survival is ensured only when one is prepared to share and by realising that self-interest does not mean selfishness

As an Afrikaner who had to break into South Africa's English-dominated business, he knew what it felt like to work for a company that was not owned by his countrymen

By giving local people a share and full partnership there is pride of ownership and prosperity for all, he says

True, he says, to trust is risky But to mistrust is even riskier.

Dr Ruperts's thinking on the power of big conglomerates was revealed in his book Priorities for Coexistence, in which he said "Large enterprises can learn good lessons from the development of smaller businesses

"The efforts of large undertakings to diversify are often unsuccessful because entrepreneurial talent is scarce in the large enterprise, practical experience is often lacking to steer the venture from its inception until it enters the market, there is an absence of the philosophical climate inherent in the management of a small business, too much specialised knowledge is often brought in, and with it, red tape, the management style may be too formal, leading to organisational rigidity "

He believes the economy needs less control by institutions such as Sanlam and the mining houses, not more.

His battle with Sanlam last spring underscores this view On the surface the fight between him and the giant assurer was over the manner of control of Gencor, the mining group controlled by Sanlam but in which Rembrandt had a large stake

However, the real fight was said to be over something which ran much deeper. It is claimed that Dr Rupert's concern was to prevent the creation of a precedent which allowed a controlling company to run the controlled company in a way which was prejudicial to other shareholders

It had to do with the limiting of power and the preservation of the rights of minorities.

It may be argued that Dr Rupert himself controls his empire through his quadruple pyramid in such a way that the minorities don't get too near the power Ironically, Sanlam, which owns 10 percent of Rembrandt, has not been allowed a seat on the board

Yet Dr Rupert rejects this interpretation, saying that Rembrandt is increasingly an investment trust, with the tobacco and liquor operations contributing only 45 percent of group revenue

Even when he held 44 percent of the British-based Rothmans International (before selling half that share to Philip Morris for R385 million), no Rembrandt director was on the Rothmans board

Rembrandt prefers to retain the full and equal partnership system, giving the local board and chairman maximum leeway

It is difficult to determine Dr Rupert's management style Many of his employees are psycophants who have built an impenetrable wall around him. They and the shareholders are nonetheless fanatical in their enthusiasm for him.

He once gave a lecture to the Institute for Business Administration at the University of Pretoria in which he outlined the components of a constructive leader.

His views were an excellent description of himself.

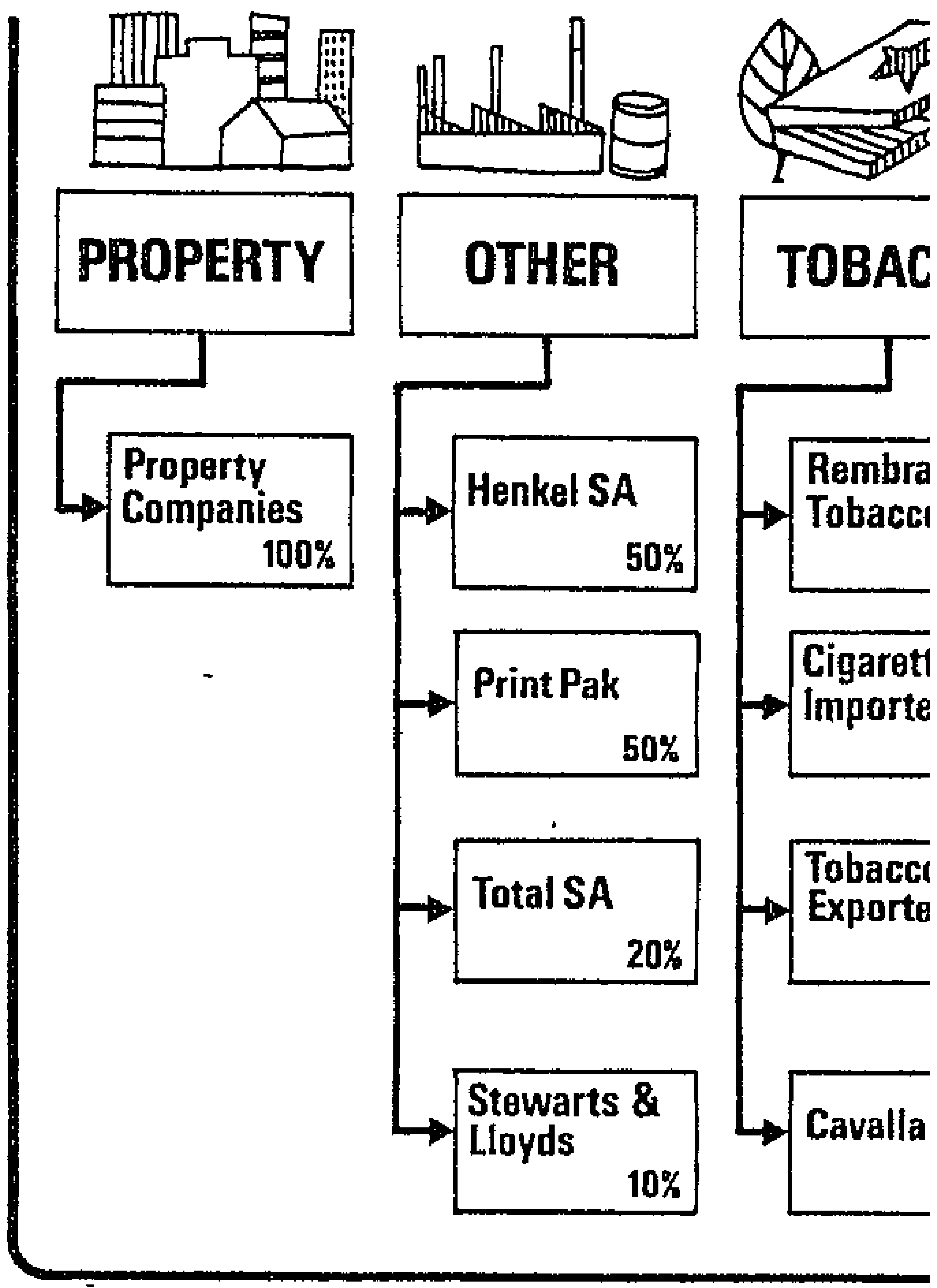
He said that in free competition it was always the most recent performance that counted

"The constructive business leader needs a sound philosophy of life and a sound theor functions of business

"He must be a man v lises that prosperity is gious — one cannot tra paupers

"He must strive not m be successful but to be a value For the successful a person who gets more life than he gives, wher man of value gives mo

Rembrandt in South



232

Enigma — from top to bottom

Star 13/8/83

of ownership and prosperi-
all, he says
ıe, he says, to trust is risky.
o mistrust is even riskier.
Ruperts's thinking on the
r of big conglomerates was
led in his book Priorities
'oexistence, in which he
"Large enterprises can
good lessons from the de-
ment of smaller busin-

ıe efforts of large under-
gs to diversify are often
cessful because entrepre-
al talent is scarce in the
enterprise; practical ex-
nce is often lacking to
the venture from its incep-
ntil it enters the market,
is an absence of the philo-

'al climate inherent in the
gement of a small busi-
too much specialised
edge is often brought in,
'ith it, red tape; the man-
nt style may be too for-
leading to organisational
y"
believes the economy
less control by institutions
ıs Sanlam and the mining
, not more
battle with Sanlam last
underscores this view On
ırface the fight between
nd the giant assurer was
he manner of control of
r, the mining group con-
by Sanlam but in which

Rembrandt had a large stake

However, the real fight was said to be over something which ran much deeper It is claimed that Dr Rupert's concern was to prevent the creation of a precedent which allowed a controlling company to run the controlled company in a way which was prejudicial to other shareholders.

It had to do with the limiting of power and the preservation of the rights of minorities

It may be argued that Dr Rupert himself controls his empire through his quadruple pyramid in such a way that the minorities don't get too near the power Ironically, Sanlam, which owns 10 percent of Rembrandt, has not been allowed a seat on the board

Yet Dr Rupert rejects this interpretation, saying that Rembrandt is increasingly an investment trust, with the tobacco and liquor operations contributing only 45 percent of group revenue

Even when he held 44 percent of the British-based Rothmans International (before selling half that share to Philip Morris for R385 million), no Rembrandt director was on the Rothmans board

Rembrandt prefers to retain the full and equal partnership system, giving the local board and chairman maximum leeway

It is difficult to determine Dr Rupert's management style. Many of his employees are psycophants who have built an impenetrable wall around him. They and the shareholders are nonetheless fanatical in their enthusiasm for him.

He once gave a lecture to the Institute for Business Administration at the University of Pretoria in which he outlined the components of a constructive leader

His views were an excellent description of himself

He said that in free competition it was always the most recent performance that counted

"The constructive business leader needs a sound philosophy of life and a sound theory of the functions of business

"He must be a man who realises that prosperity is contagious — one cannot trade with paupers

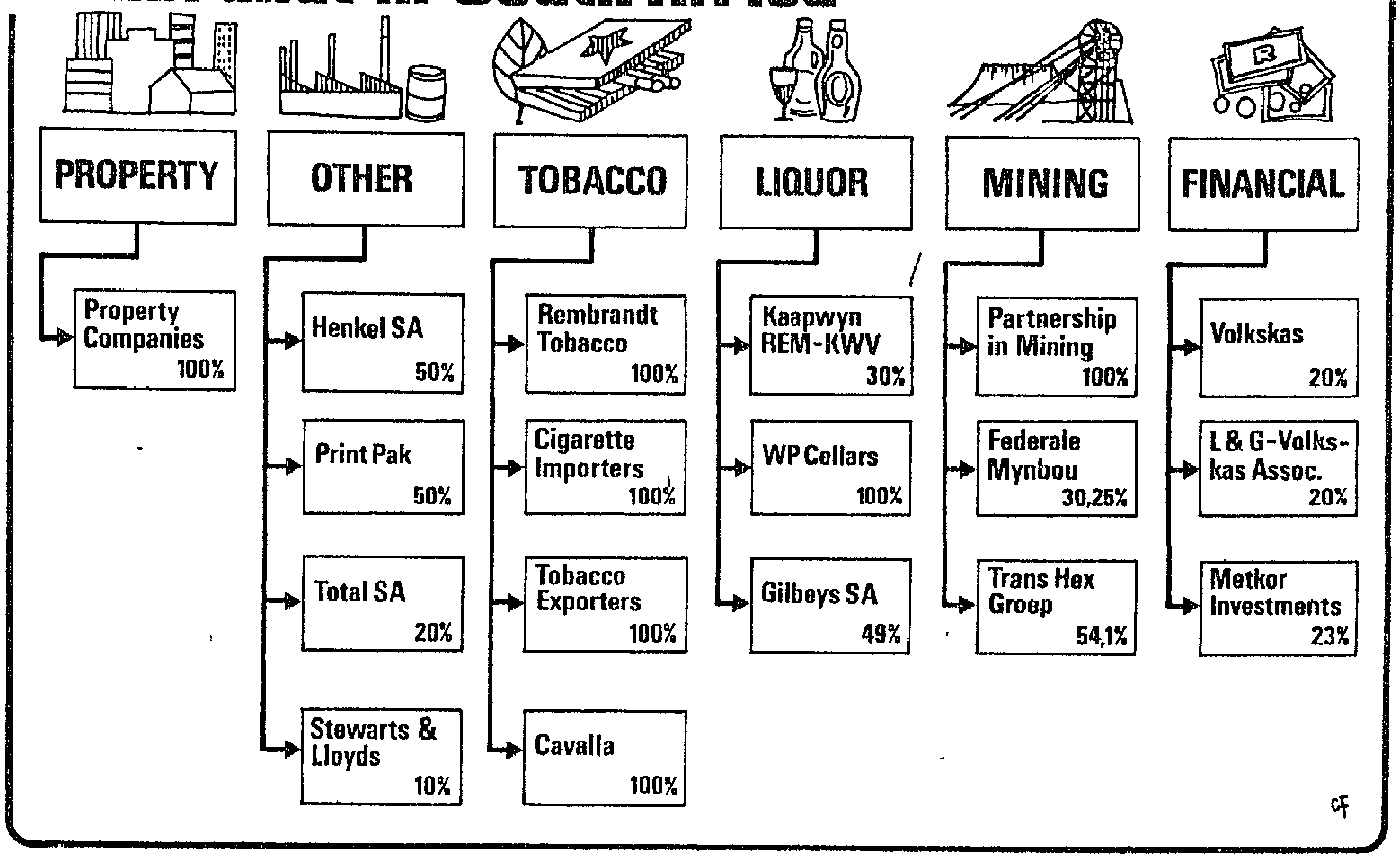
"He must strive not merely to be successful but to be a man of value For the successful man is a person who gets more out of life than he gives, whereas the man of value gives more than he receives

"A requirement for the constructive leader is that he should have a leitmotif, something worthwhile to strive for — a noble cause to which he is dedicated The greater cause, the greater the man

Dr Rupert appears to have made that the leitmotif of his life He is a man who constantly strives for perfection. He has surrounded himself with intensely loyal men and women He has endeavoured to put back some measure of what he has received, as evidenced by his numerous nature, art and music foundations

In Dr Rupert the ability the delegate, as witnessed by his philosophy of full and equal industrial partnership and trust, is supremely developed

Rembrandt in South Africa



cf

Six men could control economy, professor warns

W/t Argus bus 13/8/83

232

IF THE Government does not stop the growing concentration of economic power, South Africa could arrive at a situation in which virtually the whole economy was in the hands of half a dozen rich and powerful men.

Weekend Argus Correspondent, Johannesburg.

That is the opinion of Professor D J J Botha, head of the department of economics at the University of the Witwatersrand

He was commenting on the statement this week by Mr Robin McGregor, publisher of Who Owns Whom, that South Africa's private sector is virtually owned by three huge conglomerates — Sanlam, Old Mutual and Anglo American

Professor Botha said together these three were believed to control a staggering total of nearly 5 000 other companies in the country

"Is such a situation to be condemned outright ?" he asked,

"There are two sides to this complex question

"On the one hand it cannot be denied that some concentration of power is beneficial in so far as strong companies can venture into activities requiring high capital outlays more readily than smaller firms

"A natural monopoly is a logical development in restricted markets and should be tolerated, provided its pricing and output policies are regularly subjected to scrutiny — which of course has never been done in this country

"On the other hand a concentration of economic power which is not the result of natural monopolies could strongly inhibit the growth of private enterprise.

"Natural monopolies apart, the small firm constitutes the lifeblood of the free enterprise system, and as a group is also likely to employ the largest percentage of the workforce."

But there were indications that many a small firm was fighting for its existence

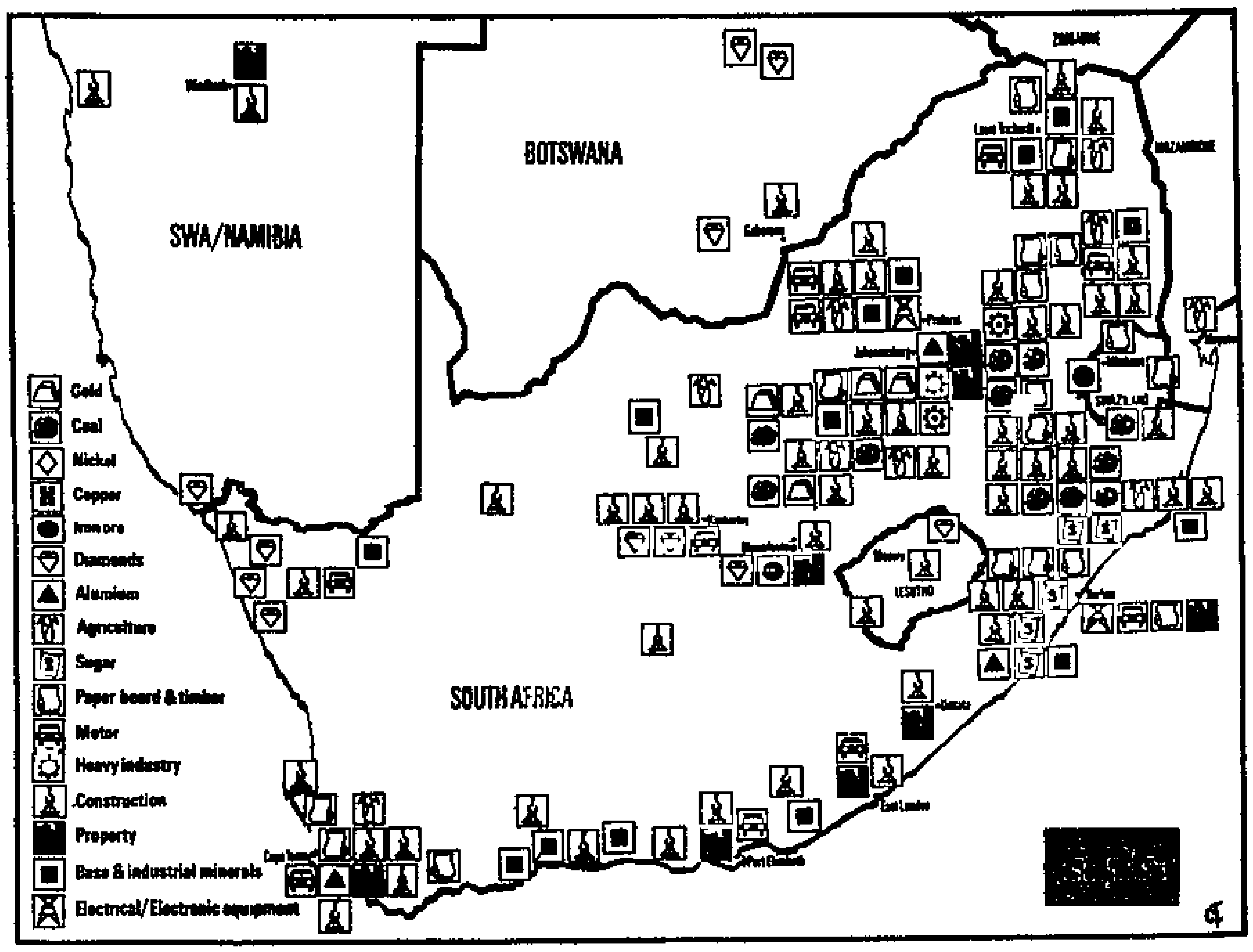
Cash problem

Small and medium-sized firms that found themselves competing with the giants could easily be put in an invidious position if they should experience a cash flow problem at a time when a big firm manipulated the market by, for example, temporarily depressing prices to weaken the smaller operator

This simple technique had often been used to take over small firms, and this had significantly contributed to the growth of big enterprises

"It is a deplorable practice which firms indulge in with impunity

To Page 3



THE interests of the Anglo American Corporation reach into almost every facet of South African life.

W/e Argus bus 13/8/83 (232)

From Page 1.

Professor's warning

"There is no way in which it can be stopped, for there is no legislation against takeovers, which the authorities apparently see as a means of rationalising an industry, although this often may not be the case

"In recent years the Government has allowed monopolies to be formed following a deliberate decision of the Cabinet

"So long as this is the view taken by the authorities, the movement towards concentration of economic power will not be stopped

"Eventually we may arrive at a situation in which virtually the whole economy is in the hands of a few — say, half a dozen — very powerful and well-to-do private individuals

"The line between a system of that kind and socialism is a very thin one indeed

"Monopolies have a proud history in South Africa During the Dutch period the monopoly of the meat and wine trades was firmly held by the Honourable Company

"Today there is again a monopoly in the wine trade We have added another one in beer and the situation for meat is so complex and rigidly regulated in the interests of a few individuals that no researchers have succeeded in unravelling it

"This is one reason why the price of meat could rise by 40 percent in 1980 and no one be able to anything about it

"The extent of monopoly power in South Africa is partly concealed by the system of interlocking directorships which binds companies together in an unobtrusive and personal manner"

It was a system that limited competition and facilitated price agreements that were not calculated to benefit the consumer, he said

● The Anglo American Corporation was not prepared to discuss the subject of who owns South Africa

Efforts were made to discuss the group with the empire's chief, Mr Harry Oppenheimer, the chairman, Mr Gavin Relly, and executive committee member Mr Julian Ogilvie Thompson

A list of questions was sent to Anglo American's public relations officer, Mr Ivor Sander, in advance of an expected interview with Mr Ogilvie Thompson

A few days after the questions disappeared into the conglomerate's offices in Johannesburg the correspondent was told they would not be answered in any form and that no interviews would be considered.

Competition Board chief: 'We must not overreact'

W/E ARGUS BUS 13/8/83

(232)

Weekend Argus Correspondent

PRETORIA — Takeovers and mergers must be scrutinised closely because of their inherent dangers, says the chairman of the Competition Board, Dr D J Mouton

He said "Power corrupts and unless there is close control, consolidation of industrial and commercial interest could get out of hand

"But huge companies inevitably get untidy around the edges and begin to fall victim to new, more aggressive competitors So while we must be watchful about monopolies we must not overreact

"I don't believe we have reached the stage where we have anything to fear.

"Imagine what would have happened during the recession if some of the big groups had not existed with their massive reserves

"There would have been more unemployment Many small businesses do not survive difficult times but these big companies have helped the economy weather the bad times

"Just look at their profitability In some cases it has not grown as it should have There is good and bad about monopoly.

"The main concern is abuse of power There certainly is abuse, with interlocking directorships Directors do favour their affiliates even though they deny it and claim they hold those affiliates at arm's length

He said he was not unduly pessimistic about the biggest groups being whittled down to two or three and wielding enormous control and power

"I've seen many big ones disappear and new ones come up Take the motor industry A few years ago, who would have thought General Motors and Ford would not have continued to dominate the industry ?"

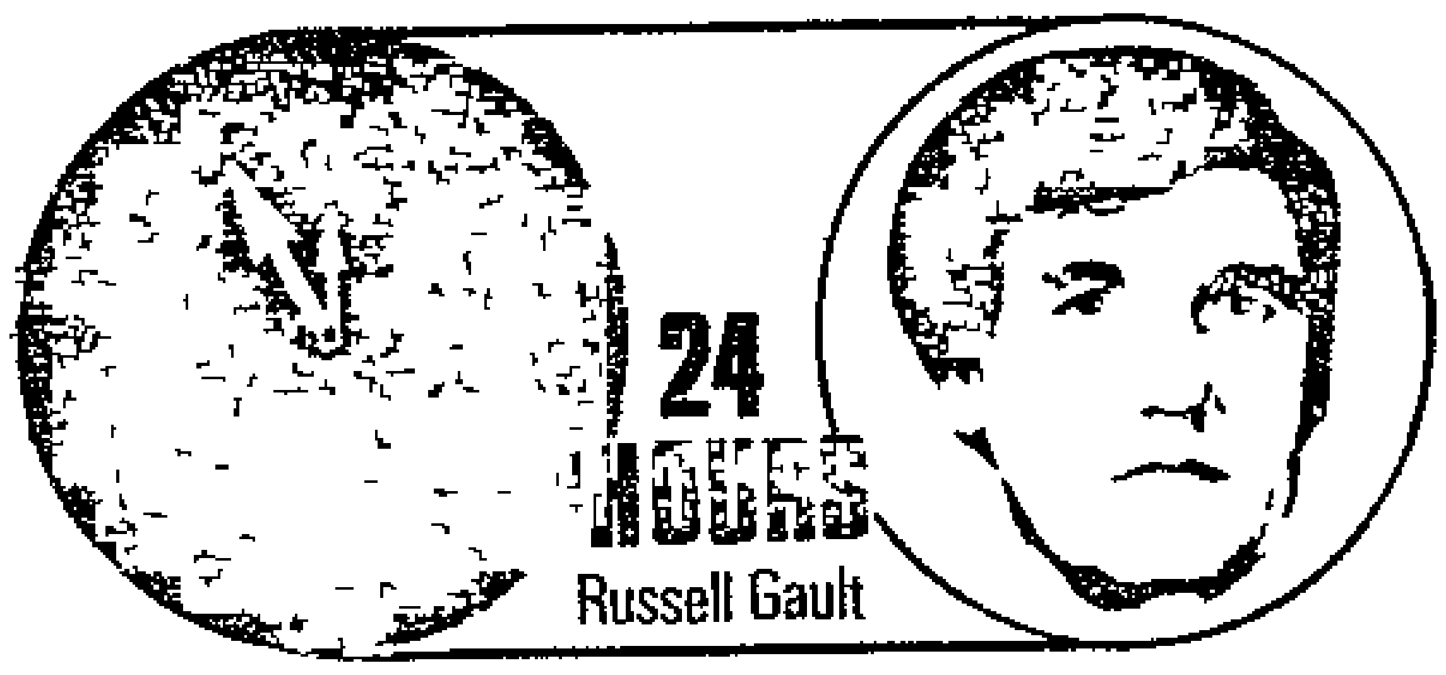
232

13|8|82

Mike Rosholt, top businessman and full-time achiever

Mr Mike Rosholt — whose company may be next on the corporate takeover line, according to business expert Mr Robin McGregor — tends to excel Whether as head of Barlow Rand, now the third biggest group in South Africa, or as a sportsman, he has been an achiever He has been a top squash, cricket, hockey and baseball player and he is now a keen deep-sea fisherman and golfer. Last year he was elected chancellor of the University of the Witwatersrand When he joined Thos Barlow in 1960 he left a senior partnership in an accountancy firm Three years later he became a full-time executive director Among other directorships is that of South African Breweries, recently taken over by Anglo American, which holds 13,4 percent of Barlow Rand

Mr Mike Rosholt



This is the 5th in our series examining the Big Seven companies which dominate South Africa's private economy.

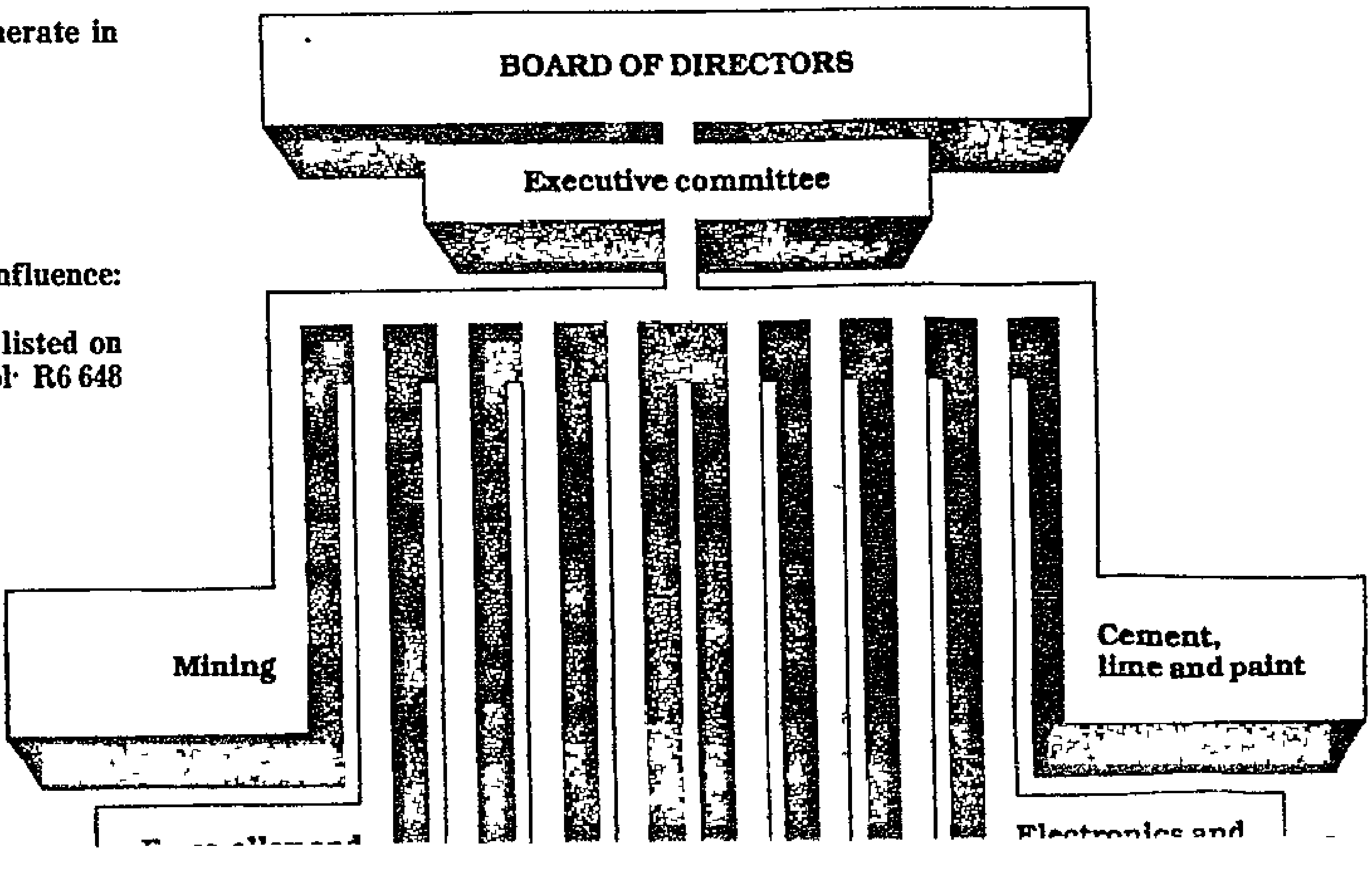
We don't have and don't want a clear field — Dyer

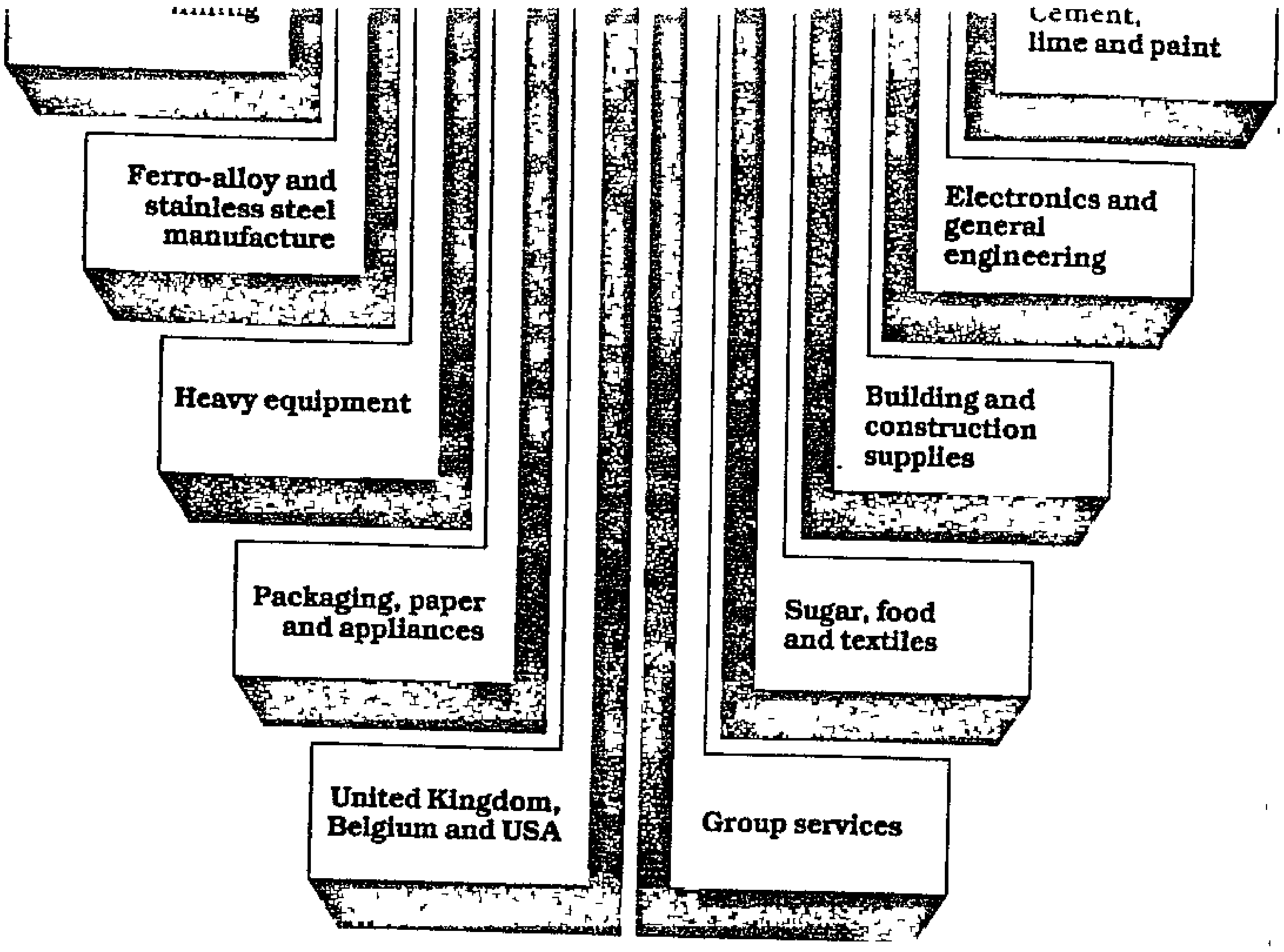
Barlow Rand. Biggest industrial conglomerate in South Africa.
Assets· R6 800 million.
Turnover: R8 800 million.
Before-tax profit: R1 130 million.
After-tax profit: R664 million.
Employees: 236 266
Companies within Barlow's sphere of influence: About 600.
Market value of shares of 25 companies listed on the JSE over which Barlows has control· R6 648 million.

Big and getting bigger is an inevitable situation for South African corporations

"Where else can we find growth and invest our money?" asks Barlow Rand's deputy chairman, Mr D W Dyer

"The country's currency and exchange regulations have traditionally inhibited business





chairman, Mr D W Dyer

"The country's currency and exchange regulations have traditionally inhibited business from investing and diversifying overseas. The result is that firms like Barlows have needed to concentrate in South Africa — and in doing so they continue to get bigger

"But that doesn't make them a danger or a threat to the free enterprise system "

He said he thought there might be a change in the overseas investment rules by the Government which would give more flexibility to corporate reinvestment oppportunities

He admitted that there were fewer medium-size companies available today which big groups could look at without becoming too dominant in the marketplace

"At this stage there are three things we can do to continue growing look for suitable acquisitions, start grass-roots operations or expand existing ones At this stage the latter ones become the main options," he said

"Because of the lack of incentives blacks have not been encouraged into business

"This has meant there is a tremendous vacuum at the bottom layer of business enterprise where new businesses should be on their way up."

Barlow Rand was involved in educating and training blacks to start their own businesses and it had established a company to provide guidance to all small business people The group also helped blacks find finance for their ventures, he said

"The more blacks involved in business the better for the economy and for the country We want blacks to believe in private enterprise and reap the benefits from it "

He said small business played a big part in job creation. This was one of the most important areas of development in South Africa

"Big groups like ours spend a lot of money on development. But such expenditure doesn't provide the work that small job creation schemes can and do."

Mr Dyer scoffed at the suggestion that too much economic power was concentrated in too few hands

"There is plenty of competition in this country and plenty of people with power I don't accept that there is a concentration of power in the hands of just a few men "

He agreed that with cross-directorships which saw directors from competing companies sitting on the boards of one another's subsidiaries, critical observers might suspect business at the top was not as free and independent as it could be

He added "Yes, there was inevitably some degree of cross interests on boards of directors particularly in some of the larger groups "

He believed most directors did their job honestly and in the interests of the company and shareholders they represent

"The directors of the big groups don't aspire to influence or control the community politically but would hope to play their part in an economic issue

"Of course we speak our minds We encourage that at Barlow Rand But as for political influence I can only say we have very little

"Economically we want to remain healthy and strong. After all we have a quarter of a million workers and a million family dependants who rely on this company for their way of life "

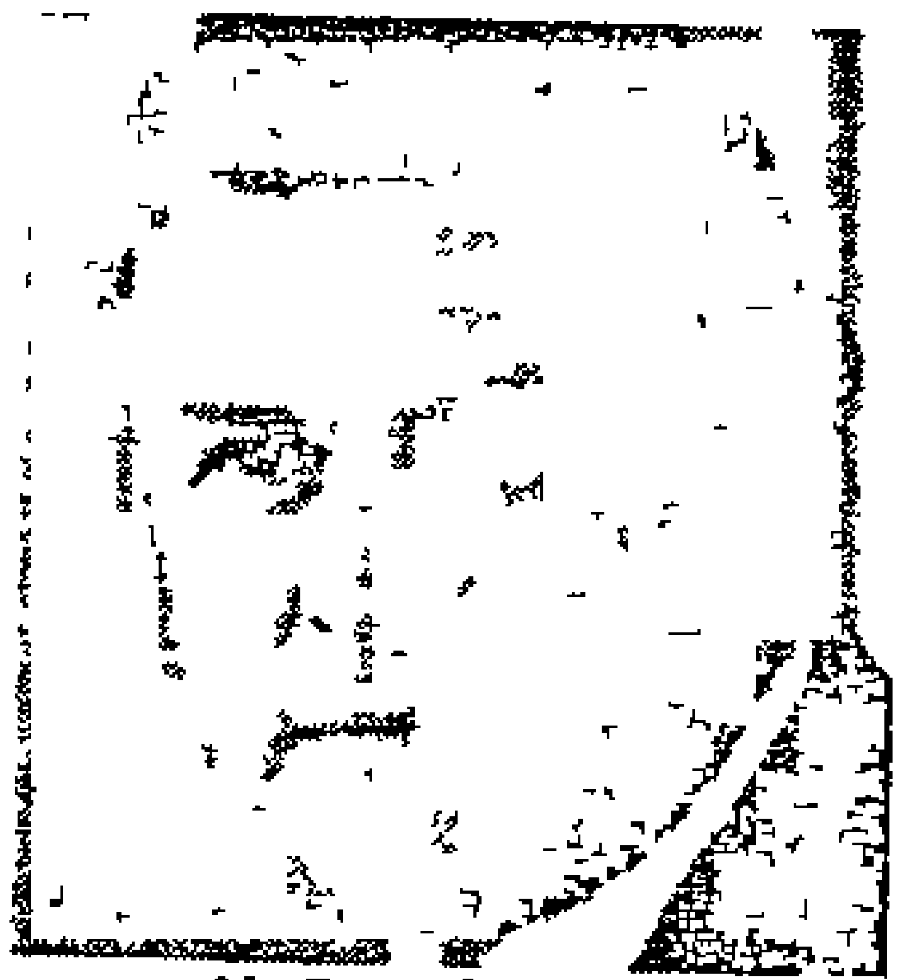
Mr Dyer claimed that every company in each of the group's eight divisions faced competition. "We don't have a clear field by any means And we don't want a clear field "

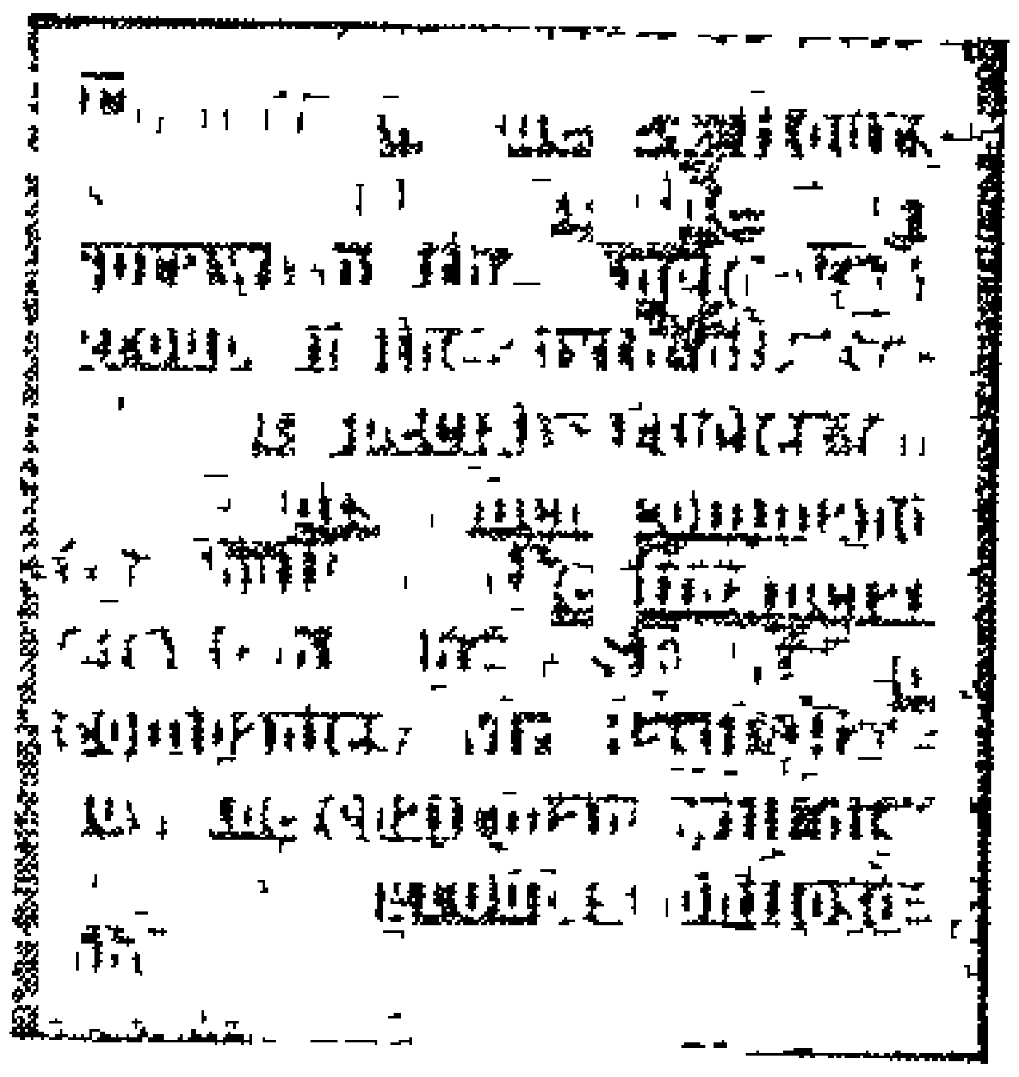
He said that while South African companies were probably big in relation to the size of the country he did not think that proportionately they were much bigger than 25 years ago

"Look at Japan where a few huge trading houses dominate the economy, and similar situations exist in some other countries Barlow Rand doesn't even begin to be part of that league

"There is nothing for South Africans to be afraid of as far as the size and influence of Barlow Rand are concerned.

"We are very aware of our responsibilities and at all times endeavour to do the best we can for shareholders, staff, the economy and our country," he said.


Mr Derrick Dyer.



Target for takeover?

Barlow Rand, ranking third among the Big Seven, may itself become the target of an attempted takeover, according to Mr Robin McGregor — author of "Who Owns Whom" He forecasts the bidders in the battle royal will be the Anglo American Corporation, which at present holds a 13,4 percent stake in the group, and Old Mutual, the insurance giant which owns an even bigger 24,1 percent shareholding

Barlow Rand markets hundreds of products

With its commercial and industrial interests enmeshing the economy in a net, Barlow Rand is represented in all sectors

It has seven divisions mining; cement, lime and paint, electronics and general engineering, heavy equipment, building and construction supplies, packaging, paper and appliances, sugar, food and textiles

Some of the household names that come under the Barlow Rand banner include Pretoria Portland Cement, Witbank Colliery, Telerama-Rediffusion, GEC South Africa, Fuchs Electrical Industries, Hyster Africa, C G Smith Ltd, Nampak, Tiger Oats Dairy Maid Ice-Cream, Imperial Cold Storage, Fattis and Monis Industries, Steinbro Eggs, Premier Paper Printpak, National Panasonic, Insulpan, Plascon-Evans Paints, Polycell Products, Natal Motor Industries

There are hundreds more.

Barlow Rand is into mining gold, and coal and chrome production It makes ice-cream, cars, breakfast cereals, television sets, electric kettles, computers, rope and twine, tissue paper, timber products, stoves, drugs, floorcoverings and dump-trucks

The chances of going to the local hypermarket and buying a dozen items without purchasing something marketed by the Barlow Rand group are negligible.

237 Std 16/8/83

Evidence points to giants growing stronger — Wits professor

24 HOURS

By Michael Chester

New disclosures of business power concentrations pointed to increasing dangers of monopolies and cartels, Professor Joubert Botha, head of the department of economics at Witwatersrand University, said yesterday

"It has become the talking point of the whole campus and our students are eager to see more of the documentation and study the matter in more depth"

Mr Robin McGregor, author of "Who Owns Whom", whose analysis suggests that seven corporations control 80 percent of the market value of quoted shares in South Africa, has been invited to address economics students at Wits University.

Professor Botha congratulated The Star on the way its 24 Hours team had projected the issue in a series of special articles The series ends today with a profile of the Anglovaal mining and industrial empire, which was listed among the Big Seven (See Page 8).

How serious is the threat of monopolies to private enterprise in South Africa?

The Star's 24 Hours team tried to get the seven biggest private corporations in South Africa to answer questions on the subject, such as.

- Does too much economic power now rest in too few hands?
- Is growth — by takeovers, mergers and investment — the main objective of these giants, or what is the ultimate ambition?
- Is there a danger that big business is becoming too monopolistic?
- What active encouragement or assistance does it give to the development of black enterprise?
- What influence does each group hold or would each like to hold over the entire socio-political as well as the economic structure of the country?
- The United States Government has been breaking up monopolies, yet South Africa appears to be doing the opposite. Why is this?
- If concentration of power is desirable in South Africa, why is this?
- Is there concern over the influence of interlocking directorships between the giants?

Focus on Anglovaal — See Page 8

The response of the corporations can be summarised under the following points·

- The Anglo American Corporation, biggest of all, declined to respond Its chairman was overseas and its public relations team excused all its leading executives from interviews
- Dr Anton Rupert, whose vast Rembrandt group was prominent in the pyramid, also declined to answer the set of questions, but his business philosophy was summed up in The Star on Saturday from his published statements on the issue.
- Mr Donald Gordon, chairman of Liberty Holdings, forecast that the Big Seven would shrink to the Big Six by 1990 — or even sooner — if trends were not halted or reversed
- Dr Fred du Plessis, chairman of Sanlam, and Mr Jan van der Horst, chairman of Old Mutual, both defended the concept that economies of size were vital to the economic future of South African industries
- Mr Basil Hersov, chairman of Anglovaal, believes that the Press is fermenting public antagonism against the arguments in favour of monopolies under certain circumstances.
- Mr Derrick Dyer, deputy chairman of Barlow Rand, asks "Where else can we find growth and invest our money? There is nothing for South Africans to be afraid of as far as the size and influence of Barlow Rand is concerned"

Barlow Rand, the largest industrial conglomerate, had itself become a possible target of a takeover, according to Mr McGregor.

232

Mr Basil Hersov

Basil Hersov is seeking a better deal — for all races

Basil Hersov applies himself as energetically to fighting apartheid as he does to making a rand. This year that energy helped make more than a hundred million

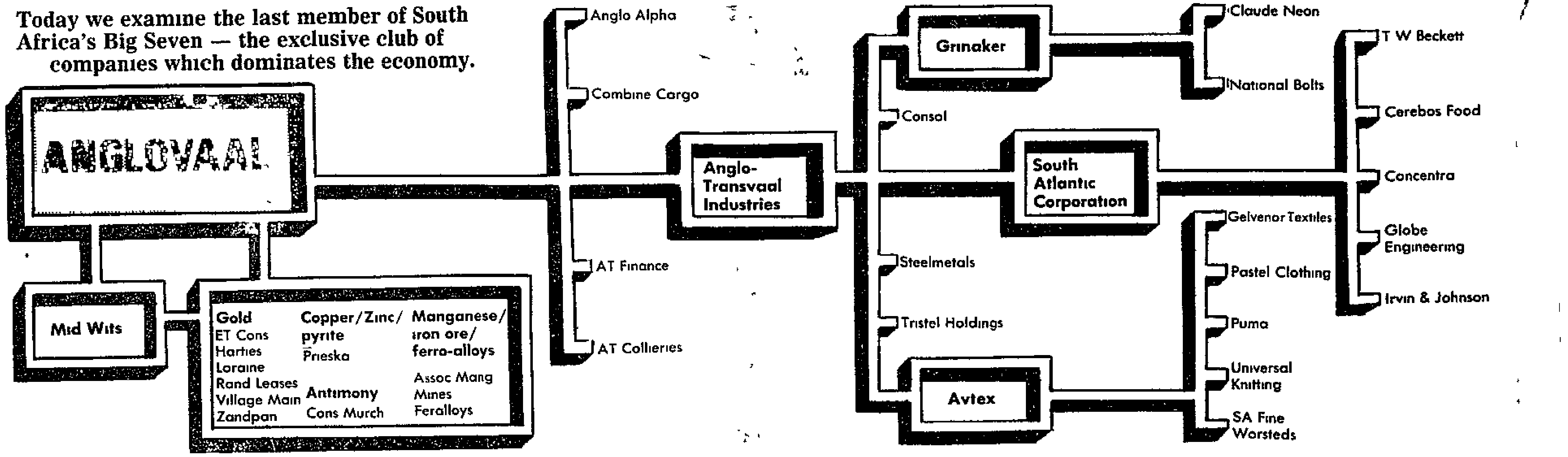
Magazines have portrayed him as something of an international playboy. But the man who has contributed so much to building up Anglovaal has always used his influence to get a better deal for all races.

He welcomed the Government's turnaround when it called for private sector involvement in black housing. He has called for the protection of Press freedom to maintain South Africa's credibility

He said businessmen were leaders of change and were alert to the needs of the times They had already caused change and would continue to do so.

Despite his opposition to apartheid and the labour laws the Government has awarded him South Africa's highest civilian award, the Decoration for Meritorious Service

Today we examine the last member of South Africa's Big Seven — the exclusive club of companies which dominates the economy.



Anglovaal has steered clear of monopolistic image

Anglovaal offers a less monopolistic image than its colleagues among the Big Seven

This persists although chairman Mr Basil Hersov has a commanding influence in industrial and commercial life in South Africa through his variety of directorships

These include the chairmanship of Barclays National Bank and membership of the Anglo American Gold Investment Company board.

In spite of its size and area of influence Anglovaal does not have the same overwhelming presence as its two mighty industrial competitors — Anglo American and Barlow Rand

It has stayed clear of major takeover and merger controversy — apart from its recent purchase by Bakers of the Premier Group biscuit interest which in turn created a virtual monopoly in the manufacture of biscuits.

Chairman Hersov said that in this case profitability was the major reason for Premier getting rid of the subsidiary. It was a sell or close-down situation, a genuine rationalisation minimising unemployment

Anglovaal: Third largest industrial conglomerate in SA.
Consolidated assets, direct and indirect: R1 339 million
Profit before tax: R172 million.
Profit after tax: R118 million.
Employees: 85 000.
Companies within Anglovaal's sphere of influence: About 200.
Anglovaal also controls 24 companies listed on the JSE which among them have a market value of R2 860 million.

Asked whether too much economic power rested in too few hands, Mr Hersov said "I suppose it depends on what one does with that power. But really, I don't think so

"The way is always open for entrepreneurs to come in and try to pick out the eyes of any large operation.

"It is happening all the time, even to the biggest groups So-called monopolists are in fact extremely vulnerable and often carry the seeds of their own destruction"

Mr Hersov said growth for growth's sake was not the name of the corporate game

"Our aim at Anglovaal is increased profits and dividends with long-term security We have a pyramid structure where we try to keep to the same lines of business

"We don't want business operations everywhere simply because we want investments."

He was adamant that the apparent "big is better" trend did not threaten small and medium-size businesses

"There is always scope for people to start businesses and do well There's a continuous process of growth," he said

"There are many small private companies getting big and many that have become very big

"These are private firms not quoted on the stock exchange I often meet men who are running multimillion-rand companies that no one knows much about because they are privately owned

"I'm only guessing but I would say they could account for about 30 percent of the value of all companies in South Africa"

Mr Hersov said Anglovaal did a lot of training of blacks in industry and supported the Urban Foundation financially, as well as other organisations dedicated to improving the education and business opportunities of blacks

"We are planning to establish an industrial park offering all services under a single roof

"We hope to have it in a black urban area The park will offer sophisticated services and all types of assistance to the black wanting to get started in business"

He said socio-political or economic power was not one of his group's aims but, like other firms, "we would like more input into political decisions because they affect us so much.

"We have had little influence in the past But there has been more liaison between the Government and industry in recent times

"We have managed to get laws modified be-

Americans had apparently decided all monopolies were bad

"There are good and bad. If South Africa had not been such a closed society there would have been more investment overseas Money here is searching for a home."

Mr Hersov said every overseas-owned company bought out by a South African company meant a diminished interest in the country by overseas investors.

"I don't believe that's healthy. We have seen a few British firms selling up here because they are so short of cash. It may be that we should be investing in these firms in

effect on the economy and social order."

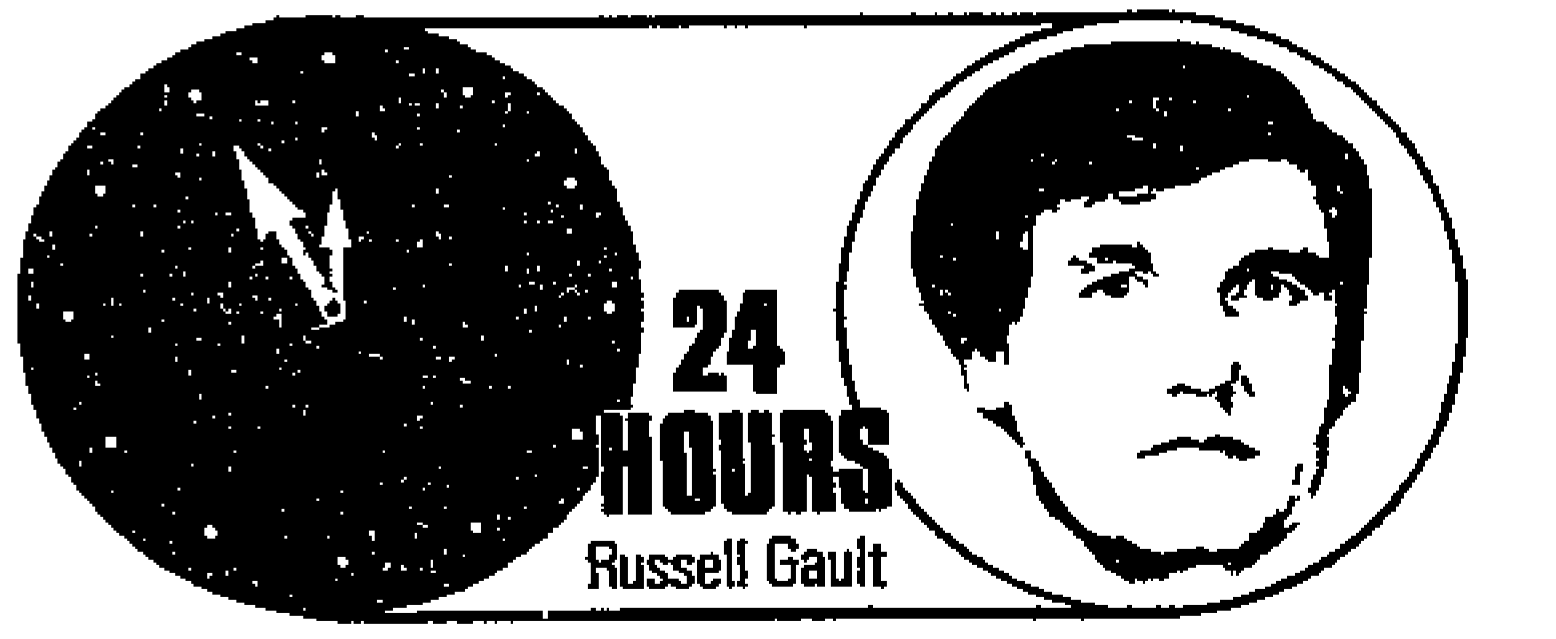
Asked to comment on why South Africa was not following the American lead and insisting on the break-up of monopolies, Mr Hersov said the

their interest in SA."

Mr Hersov said he had no partciular views on the existence of a Competition Board, but added that he was against Government involvement in commerce and industry

Corporation and Irvin and Johnson.

These are the tip of the Anglovaal investment iceberg — with control and influence extending to more than 200 further companies.



Vast range of goods

Investments — listed and unlisted — held by Anglovaal cover a vast range of goods produced and services offered in South Africa

They range from clothing and food to engineering and electronics, from finance and construction services to mining of an array of metals

The majority of its mining activities as far as listed companies are concerned concentrate on gold production.

Anglovaal's investments include Eastern Transvaal Consolidated Mines (gold), Prieska Copper Mines, Associated Manganese Mines, Anglo Transvaal Industries, Grinaker Holdings, Claude Neon Lights, National Bolts, SA Fine

Food

---

unionists and the 10 committee members elected to negotiate with Mr Kaiser before any decision was made on the

before our wounds are healed," said Mdantsane resident Alfred Ranuka.

"We can't board those buses while we are still mourning our dead."

found him at about 5 30am

The regional chief of the Railway Police, Colonel Johan Sydow, said it had come as complete surprise when the hospital informed them Mr Sekeni was

8M The Star Friday August 19 1983 **The Star**

232

Two giant hotel groups strike deal

Kerzner controls all casinos in Southern Africa

By Trevor Walker

Mr Sol Kerzner, in a deal with the Old Mutual subsidiary Rennies Consolidated, has gained control of all the casinos in Southern Africa and by early 1985 could well take over all Holiday Inns operation in South Africa

If a Sun-Holiday Inns company were floated on the stock market, Mr Kerzner would within 18 months have left this country's biggest hotel group, Southern Sun, for an even bigger operation

Mr Kerzner told The Star early today that under the 18-month restraint of trade clause with SA Breweries he would be free to conduct hotel operations in South Africa again after this period

He said it was still too soon to comment on the proposed kwaNdedele casino that Holiday Inns was proposing to build, or how soon the advertising and promotional campaign for the new hotel-casino chain would begin

He said a news conference today would provide further details of the merger of Southern Sun and Holiday Inns casino and hotel resorts outside South Africa

Under the latest deal Newco, which was formed on August 4 and bought 51 percent of the Southern Sun hotel-resort interests in Bophuthatswana, Ciskei and Mauritius, has now acquired the hotel interests of Holiday Innss in Botswana, Lesotho, Mauritius, Swaziland, Transkei and Venda

Safmarine — one of the orginal investors in Southern Sun — will subscribe in cash for shares equivalent to 49,9 percent of the 37,5 percent which the Kerzner group will have in the now expanded Newco

After the exercise in April next year of the nine percent option that the Kerzner group had in Newco, the final breakdown of this company will be Safmarine and Kerzner group 37,5 percent, Rennies 37,5 percent and Southern Sun 25 percent

Safmarine and the Kerzner group and Rennies will hold their combined 75 percent interest through a joint company, SunRennie

The merger will bring together the considerable resources of Rennies, Holiday Inns, Safmarine, Southern Sun and Mr Kerzner, significantly benefiting the country's tourist industry

Mr Kerzner said he had an agreement with SA Breweries for the use of "Sun" in the title of the new operating company

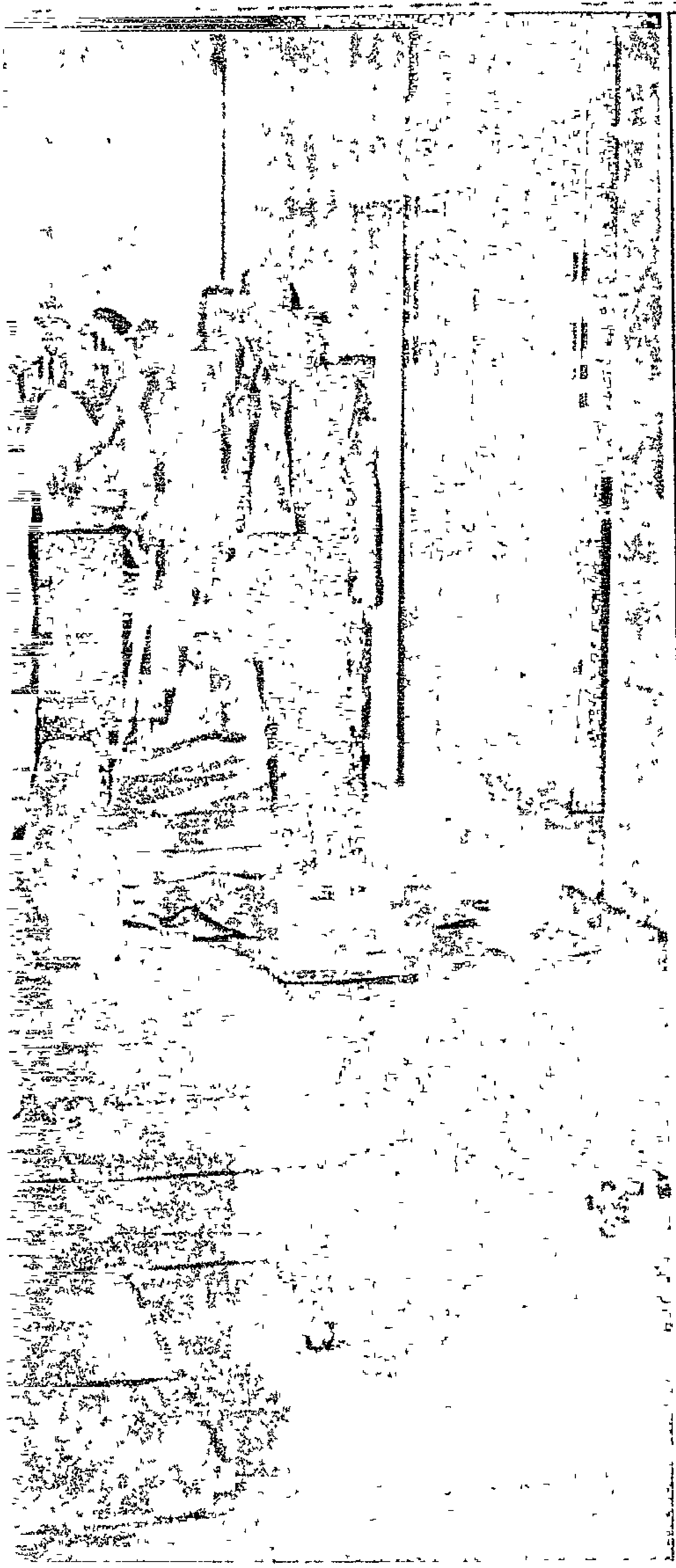
Mr Marmion Marsh, chief executive of Safmarine, told The Star the company had a long interest in international tourism and its shipping and airline interests would fit well with new operations now envisaged

Mr Kerzner said Safmarine had a long association with Southern Sun in this country and it was natural for it to play a leading role in the new operation

Mr Dick Goss, former MD of SA Breweries, will be chairman of the new company, Mr Charles Fiddian-Green, chief executive of Rennies, deputy chairman and Mr Kerzner chief executive Mr Kerzner will enter a service contact with Newco

Other initial board members will be Mr Peter Bacon, Mr Selwyn MacFarlane, Mr Marmion Marsh, Mr Nigel Matthews and Mr Ted Steyn

The transaction will increase Safmarine earnings by 3c to June 30 1984, but will not affect net asset value The deal will have no appreciable impact on current earnings of Southern Sun and Rennies



robber was shot dead yesterday after an attempted hold-up in a
g clothing store. Mr Frazer Murray, on the far right, gave chase as
: the shop where his mother, Mrs Avril Murray, was working

Page 2

Picture FAUL BOSMAN

kicks 4 out in
ke of gilt probe

JOHN MULCAHY

members of the Johan- Exchange and an employee the wake of an investi- in the South African

issued last night, the named the four men expelled

Mr Hamman and Mr Henning have indicated they do not agree with the findings of the committee and intend taking the decision on review to the Rand Supreme Court

The JSE investigation also heard evidence from former employees of broking firms, over which the JSE committee has no jurisdiction.

Rennies in a Big 5 merger

RDM

232

19/8/83

A MERGER that will bring together Rennies Holiday Inns, Safmarine, Southern Sun and Mr Sol Kerzner was announced yesterday by Finansbank

This follows the announcement on August 3 that the Kerzner Group of Mr Kerzner and associates would acquire a 51% interest in a new holding company, Newco, which would be formed to acquire, with effect from October 1, the hotel-resort interests of Southern Sun in Bophuthatswana, Ciskei and Mauritius and to take responsibility for their management

It was also announced then that the Kerzner Group had an option to acquire a further 9% of Newco on April 1 next year

Yesterday's announcement said Union Acceptances on behalf of Safmarine, Southern Sun and Mr Sol Kerzner and Finansbank on behalf of Rennies had agreed that

- The shareholders of Newco will be Safmarine Rennies the Kerzner Group and Southern Sun
- Safmarine will subscribe in cash for shares equivalent to 49,9% of the ultimate interest of 37 5% which the Kerzner Group will have in Newco
- Rennies, Safmarine the Kerzner Group and Southern Sun have agreed that Newco will acquire for R35,48-million, by the issue of new shares in Newco, the hotel-resort interests of Rennies, held through its wholly-owned subsidiary Holiday Inns Limited, in Botswana, Lesotho, Mauritius, Swaziland Transkei and Venda with effect from October 1

Newco will have responsibility for the management of the resorts

The Kerzner Group will exercise the 9% option on April 1 next year which will result in effective interests in Newco being Safmarine and the Kerzner Group — 37,5%, Rennies 37,5% and Southern Sun 25%

Safmarine and the Kerzner Group and Rennies will hold their combined 75% interest through a joint company "Sun Rennie"

Mr R J Goss will be the chairman of Newco and Mr C W Fiddian-Green the deputy chairman Mr Kerzner will be the chief executive and will enter into a service contract with Newco

Other initial board members of Newco, representing the shareholders, will be Mr P D Bacon, Mr W S MacFarlane, Mr M de W Marsh, Mr I N Matthews and Mr E Steyn — Sapa

Chop for the

Fake notes into SA eco

Can you spot the difference? The false note o printed on softer paper than the real note o

By EMIELIA JAROSCHEK
Crime Reporter

THE R20 note forgery racket — which police began investigating nine months ago — has grown into a R750 000 industry with forged notes pouring into southern African monetary systems daily it was disclosed to the Rand Daily Mail yesterday

The racket has spilt over into Zambia and Swaziland Police have also seized notes in Bophuthatswana

More forgeries are turning up in South Africa each day, police said at Pretoria police headquarters yesterday

All the notes discovered have only two serial numbers — D/90 782188 and D93/318159

Brigadier Izak van der Vyver head of South A Crime Prevention a Commercial Branch, factory which churns notes had not yet beer in spite of 10 coun arrests

He warned the publ on the aler and that the forged note from the real curren following ways

- The paper is softer crisp than that of t note
- The forged note is narrower and 1mm
- The forged note have the subtle tin green orange and pur the real note has
- The forged note d have a silver thread through it

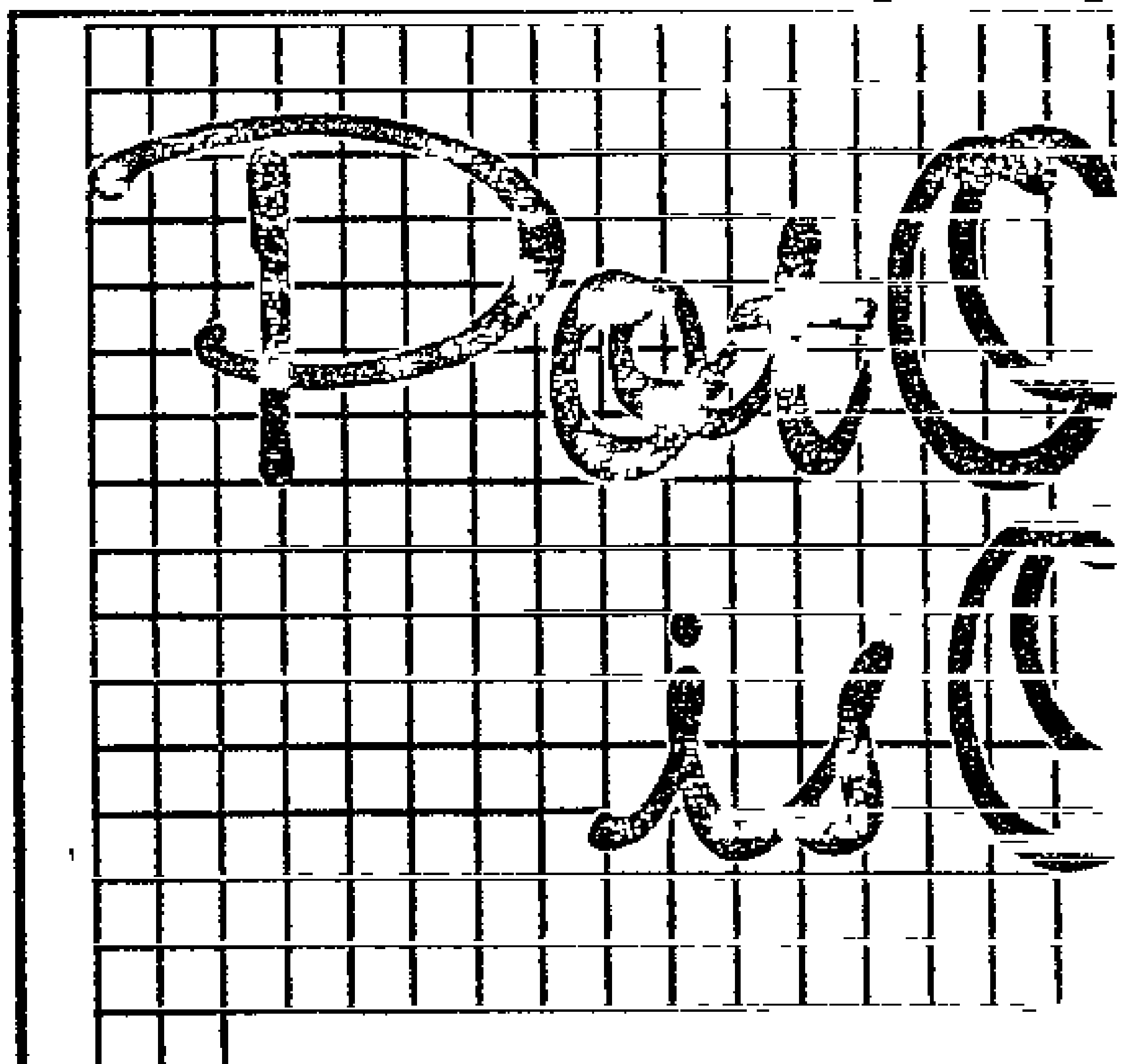
This week four

Top white shot gives bl

KRUGERSDORP — A security man has been selected to give black Krugersdorp businessmen shooting lessons — at R2 a lesson — before they apply for firearm licences

A meeting of the K dorp African C Commerce yesterday ed to appoint a Mr D who trains security give the businessmen

The meeting was



s 4 after
e probe

Mr Sussman has reserved his rights to deal fully with the committee's decision and verdict and Messrs Hamman and Henning indicated they did not agree with the committee's findings and that they intended taking the decision on review to the Supreme Court

The committee resolved in the case of two other employees that no action be taken against them

The statement said the Registrar of Financial Institutions was represented on the committee throughout the investigation — Sapa

---

ent
ited

A J Aaron M B Glatt

ended	Year ended
1983	30 June 1982
	(Audited)
000	R16 695 000
000	3 815 000
000	12 880 000
000	2 398 000
000	10 482 000
000	811 000
000	R 9 671 000
087	4 820 087
150	201
60	60
2,5	3 4

Exchange

ent Company (SA)

estments Limited

South Africa Limited

Tire & Rubber Company

have no immediate the earnings or net However the acqui- the capital base of the ged capital base will board for future expan-

ST

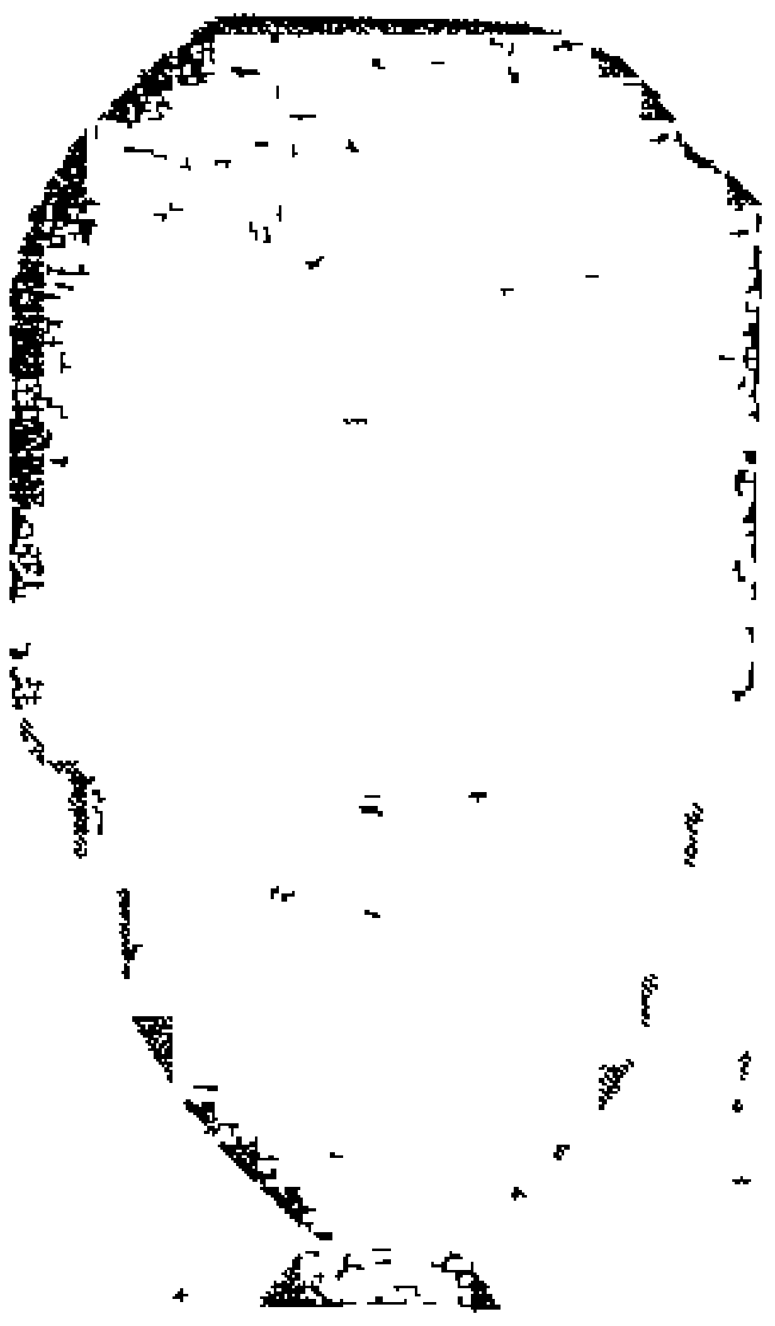
budgeting to at least and dividends for the though the Directors that the economic cycle ied

---

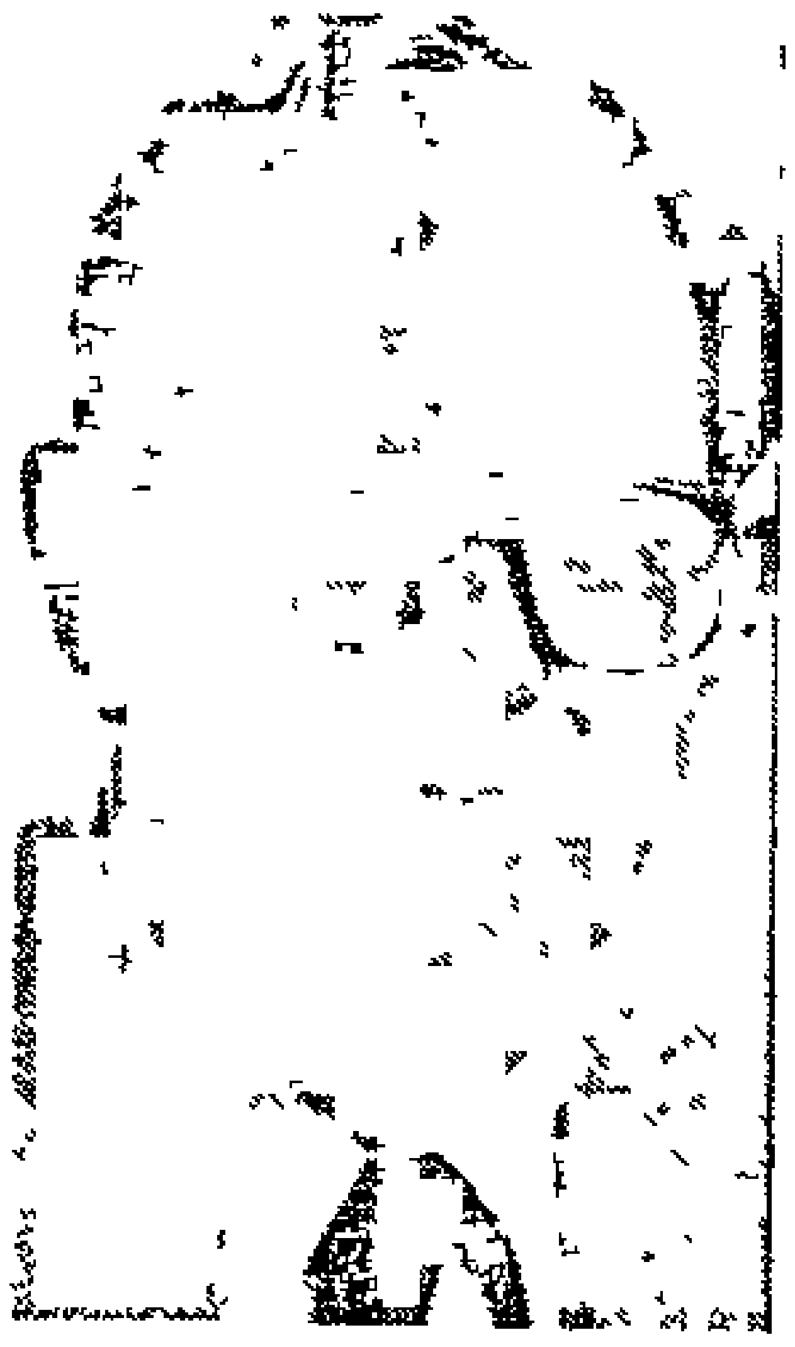
Rennies to get 37,5 pc of Newco

Argus 17/8/83

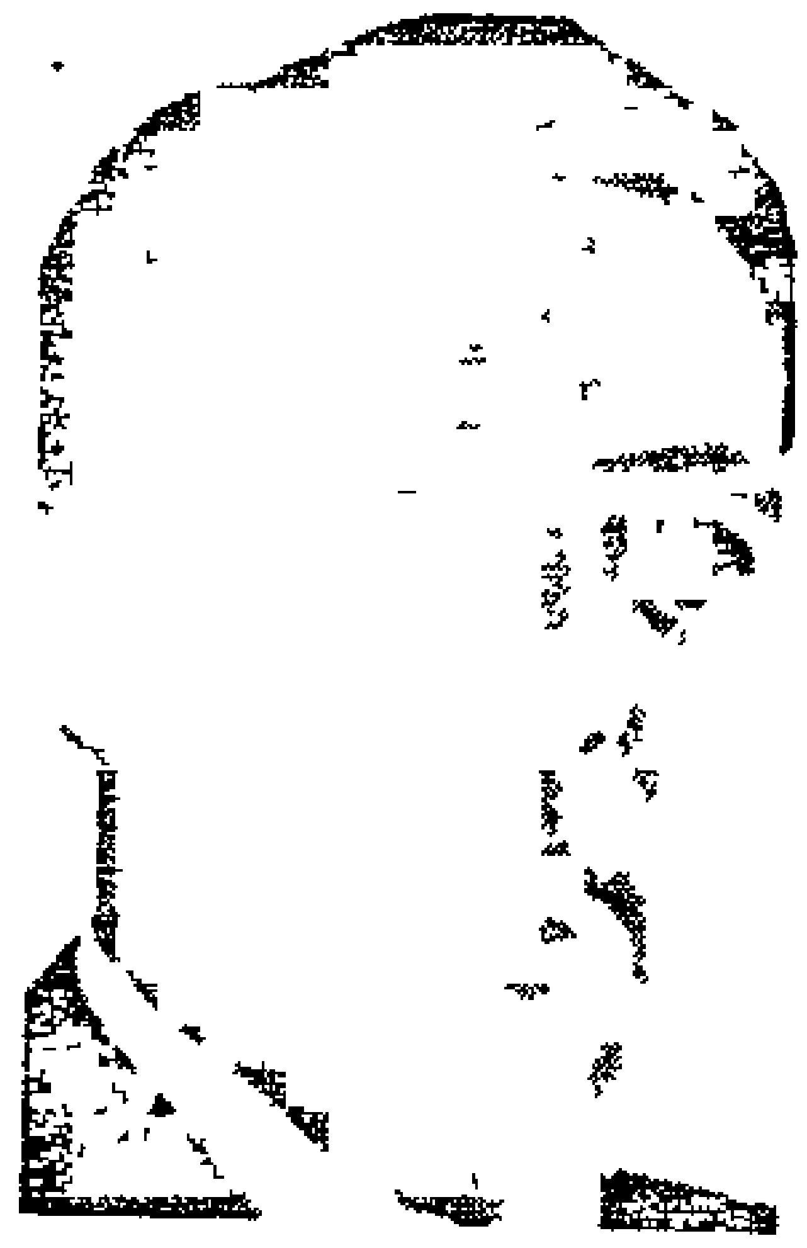
232 ~~[illegible]~~



Mr Sol Kerzner



Mr Dick Goss



Mr Charles Fiddian-Green

RENNIES, whose shares were relisted on the Johannesburg Stock Exchange today after a three-day suspension, will end up with a 37,5 percent stake in Mr Sol Kerzner's Newco

This will follow Rennies' injection of its casino Holiday Inn interests in Newco, the holding company formed earlier this month by Mr Sol Kerzner and Southern Sun Hotel Holdings.

Safmarine will pay cash for 49,9 percent of Kerzner's ultimate stake of 37,5 percent in the group, which is still to be known for the time being as Newco, Reuter reports

In return for Newco shares Rennies will inject its Holiday Inn interests in Botswana, Lesotho, Mauritius, Swaziland, Transkei, and Venda

SHARE OPTION

The other shareholders after Mr Kerzner has exercised an option to buy a further nine percent stake in Newco next April will be Safmarine-Kerzner 37,5 percent and Southern Sun 25 percent

The injection of the Rennies hotels, which will also be managed by Newco, will take effect from October 1, the same date as the origial Newco deal is to become effective

Union Acceptances says the deal will not materialy affect the earning or net asset value of Southern Sun as outlined in the originaal deal, nor will it materially change Rennies' trading profit in 1983

However, Rennies will reap a non-trading profit which will boost net asset value by 75c a share or 16 percent.

Safmarine's earnings a share will be boosted by 3c for the period to next June 30, but its net assset value will be unchanged

Goss to be Newco chairman

TOP men at Newco will be:

Chief executive Mr Sol Kerzner

Chairman Mr Dick Goss, who retired early as chief executive of South African Breweries last month

Deputy chairman Mr Charles Fiddian-Green, who is chairman and chief executive of Rennies

Other board members of Newco, representing the shareholders, will initially be:

Mr Marmion Marsh, chairman of Safmarine and a director of Southern Sun

Mr P D Bacon and Mr W S MacFarlane of Southern Sun

Mr I N Matthews and Mr E Steyn from Rennies

Gold at $419,10

GOLD was fixed at $419,10 an ounce in London today, below yesterday's closing figure of $421,50, Reuter reports

It closed 50 cents lower on the day in New York yesterday at $420,50 as a result of the stronger dollar and declines in the silver, bond and stock markets

Dealers said a forecast by Mr Henry Kaufman, chief economist of Salomon Brothers, of continued US economic growth, a strong dollar and rising interest rates was negative for gold but came too late to affect the market yesterday

London gold fixings were:

	Dollars an ounce	Rands a kg
Today 10 30 am	419,10	14 921,90
Yesterday 3.00 pm	421,50	15 007 36

Montays raises turnover 21,4 pc

IN SPITE of the recession, Montay's furniture division has lifted turnover for the year to June by 21,4 percent and profits by 24,3 percent

Earnings have risen to 38,43c a share compared with 10,3c last year

A final dividend of 6c makes a total of 13c for the year Last year the total dividend was 5c

The managing director, Mr Ivan Hammerschlag, said the improved results were due partly to getting rid of the unprofitable mail order business.

But they were also due to increased profitability by the furniture division in spite of the fact that margins had been cut

This had been achieved by hard work and aggressive marketing, which had enabled Montay's to capture a larger share of the market

"In the last six months we have been very successful in the Western Cape, in sales to coloured people

"But I must admit that we have noticed a tightening since June"

There had been no rise in repossessions. "We are very strict about checking creditworthiness," Mr Hammerschlag said.

Audrey d'Angelo

Cape Times 19/8/83

Tramways still seeks bus fares increase

232

Political Reporter

CITY TRAMWAYS has decided not to withdraw its application for a 8,5 percent increase in cash bus fares following the announcement of a fuel price reduction

A spokesman for the company said yesterday that the effects of the fuel price reduction would be "very carefully considered" by the Local Road Transportation Board in deciding the fare increase.

City Tramways applied last month to the board for the increase — the second this year — but a date for the hearing has still to be set

The spokesman said that as soon as the reduction was announced, the company took up the matter with the Department of Transport "with a view to passing on direct benefits" to passengers from September 1

Reluctant to speculate

The department endorsed the view that the board would definately consider the effects of the government's move on the company's general operating accounts.

City Tramways was reluctant to speculate as to what extent, if any, the application might be modified by the board

The spokesman emphasized that fuel was only one of their many cost items and that other increases had "made it necessary for the company to apply for a tariff adjustment"

Also reacting to the fuel price reduction yesterday, Associated Bus Holdings, which operates the Mitchells Plain and Atlantis routes, said in a statement that the cost advantage would have a definate positive effect on the company's operating account and its general financial position

The reduction meant that the rapid increase in operating costs could be slowed down

Economic fare

The result was that the economic fare could be kept at the same level for a longer period

Clarifying an announcement in Parliament on Wednesday that increased subsidies had been granted for the Mitchells Plain and Atlantis services, a spokesman for Associated Bus Holdings said the subsidies had been implemented with the May fare increases of between 18 and 22 percent.

The increased subsidies represented increases of between 25 cents and two rand Subsidies on two of the 12 routes remained unchanged

● Two city councillors, Mr Sam Gross and Mrs Eulalie Stott, beat this week's deadline for objections to the City Tramways fare application

In a written submission to the board, the councillors said they opposed the application in their personal capacities as well as representatives of Ward 3 and Ward 14 respectively

Their objection was on the grounds that the proposed increase was not in the interests of the citizens and ratepayers in their wards

Cape Times 19/8/83

232

2881

Sol Kerzner in big merger

JOHANNESBURG — A merger that will bring together Rennies, Holiday Inns, Safmarine, Southern Sun and Mr Sol Kerzner, was announced yesterday by Finansbank

This follows the announcement on August 3, that the Kerzner Group of Mr Kerzner and associates would acquire a 51 percent interest in a new holding company, Newco, which would be formed to acquire with effect from October 1, the hotel/resort interests of Southern Sun in Bophuthatswana, Ciskei and Mauritius and to take responsibility for their management

It was also announced then that the Kerzner Group had an option to acquire a further nine percent of Newco on April 1 next year

Yesterday's announcement said that Union Acceptances on behalf of Safmarine, Southern Sun and Mr Kerzner and Finansbank on behalf of Rennies had agreed

- The shareholders of Newco will be Safmarine, Rennies, the Kerzner Group and Southern Sun
- Safmarine will subscribe in cash for shares equivalent to 49,9 percent of the ultimate interest of 37,5 percent which the Kerzner Group will have in Newco
- Rennies, Safmarine, the Kerzner Group and Southern Sun have agreed that Newco will acquire for R35,48m, by the issue of new shares in Newco, the hotel/resort interests of Rennies, held through its wholly-ownerd subsidiary Holiday Inns Ltd, "Holiday Inns", in Botswana, Lesotho, Mauritius, Swaziland, Transkei and Venda with effect from October 1 Newco will have responsibility for the management of the resorts

The Kerzner Group will exercise the nine percent option on April 1 next year which will result in effective interests in Newco being Safmariune and the Kerzner Group 37,5 percent, Rennies 37,5 percent and Southern Sun 25 percent

Safmarine and the Kerzner Group and Rennies will hold their combined 75 percent interest through a joint company, "Sun Rennie"

"This merger will bring together in Newco the considerable resources and expertise of Rennies, Holiday Inns, Safmarine, Southern Sun and Mr Kerzner, which will significantly benefit tourism in Southern Africa and open up new opportunities for international expansion," Finansbank said in the statement

Mr R J Goss will be the chairman of Newco and Mr C W Fiddian-Green the deputy chairman Mr Kerzner will be the chief executive and will enter into a service contract with Newco

Other initial board members of Newco, representing the shareholders will be Mr P D Bacon Mr W S MacFarlane, Mr M de W Marsh, Mr I N Matthews and Mr E Steyn

- The merger will not change in any material way the effect on the earnings or net asset value of Southern Sun as announced to shareholders on August 4, Finansbank said

Nor would the transaction have a material effect on Rennies attributable profits from trading for the year to December 31

There will, however, be a non-trading profit which will result in an increase in net asset value of 75c a Rennies share, equivalent to 16 percent

The effect on Safmarine shareholders will be to increase earnings by 3c a Safmarine ordinary share for the period to June 30, 1984 There will be no effect on Safmarine's net asset value

The transactions are subject to certain conditions precedent

Circulars to the shareholders of Rennies and Safmarine with details of the transactions will be circulated as soon as possible, the statement said — Sapa

NIGEL MATTHEWS

232

~~288~~

~~[illegible]~~

How the Inns found a place in the Sun

RDM

20/8/83

By GEOFFREY ALLEN

THE chips in the Southern African casino war were put on the table at least two years ago, when the Holiday Inns group of hotels — headed by Mr Nigel Matthews — and Mr Sol Kerzner's Southern Sun hotels clashed head-on over the possibility that the former might build a massive casino within 60 minutes drive of Johannesburg

But at the time Holiday Inns senior executives said that they did not have the financial firepower to take a full blast at the Southern Sun jewel — Sun City

- They had the perfect weapon a casino concession granted to them by Mr Simon Skosana, Chief Councellor of KwaNdebele, only an hour's drive from Johannesburg where they could build a casino/resort to rival Sun City
- They had the plans for a R30-million Holiday Inns casino two hours closer to the centre of Johannesburg than Mr Kerzner's volcano-situated pleasure dome

But Holiday Inns had a problem

"We haven't got the financial firepower," Mr Nigel Matthews told me at the time

The reason was that, in Hong Kong, Jardine Matheson — the company which held Rennie's South Africa, which in turn holds Holiday Inns — had cash flow problems after a venture into the property market

Since then, Rennie's has been bought by the Old Mutual and the prospect of the KwaNdebele casino loomed as a real possibility.

By that time Mr Kerzner was planning his raid on South African Breweries to buy a major stake in Southern Sun a raid which succeeded with him getting control of the group's casinos

With the prospect of the KwaNdebele casino the two companies engaged in "rationalisation talks," which, according to Mr Matthews earlier this year, were complicated and involved "numerous facotors, not just a division of casinos"

The extent of those talks, and the plotting behind scenes, is only now becoming clear

Holiday Inns were at first happy to agree to carve up the country, leaving the Inns with its traditional casinos on the coast and, more particularly, in Swaziland, while Southern Sun relied heavily on its Indian Ocean operations and Sun City

The Holiday Inn board was in fact presented with a diagram explaining the concept and the growth of the casino business in Southern Africa since the advent of Sun City

But at the back of Southern Sun's mind was the ever-present threat of KwaNdebele

Trying to get on that bandwagon were discount king Mr Tony Factor who, by mid-1981, was committed to the discount travel business, and a local businessman, Mr Ami Artzi, who has shares in Frank Sinatra's Dunes Hotel in Las Vegas

"The Dunes would come in with their expertise to run the operation," Mr Artzi said

Whether or not those plans were ever seriously discussed with Holiday Inns is not clear, but what is clear is that Holiday Inns were fairly happy with the status quo but itching for a go at KwaNdebele and, through it, a crack at breaking the power of Sun City

"We were simply astonished when Sun City opened," Mr Matthews said

"We had been concerned about what it would do to our operations in Swaziland and Lesotho

"But, incredibly, both had a boom year during Sun City's first year of operation

"The market potential is massive and there is no reason to believe that it will fall off But, clearly, one day it will be saturated The thing is determined by population densities

"The over-border casinos are designed to cater for the large South African cities," Mr Matthews said

On that basis, he and his team argued that the Witwatersrand would be saturated once the KwaNdebele casino was built

252

The glass giant

THE relationship of Pilkington Brothers to South Africa has been more in the interests of this country than in the interests of the multinational glass maker itself, says Professor Theo Barker of the University of London

Professor Barker, a professor of economic history, has written two histories of Pilkington for the company, covering its history to 1939

Started in the Lancashire town of St Helens by two sons of a medical doctor in 1826, Pilkington has grown into an international company with assets of about £1,76-billion (R3-billion)

It was very much a family business until it went public in 1970 and is still a family company to the extent that Mr Antony Pilkington is the present chairman

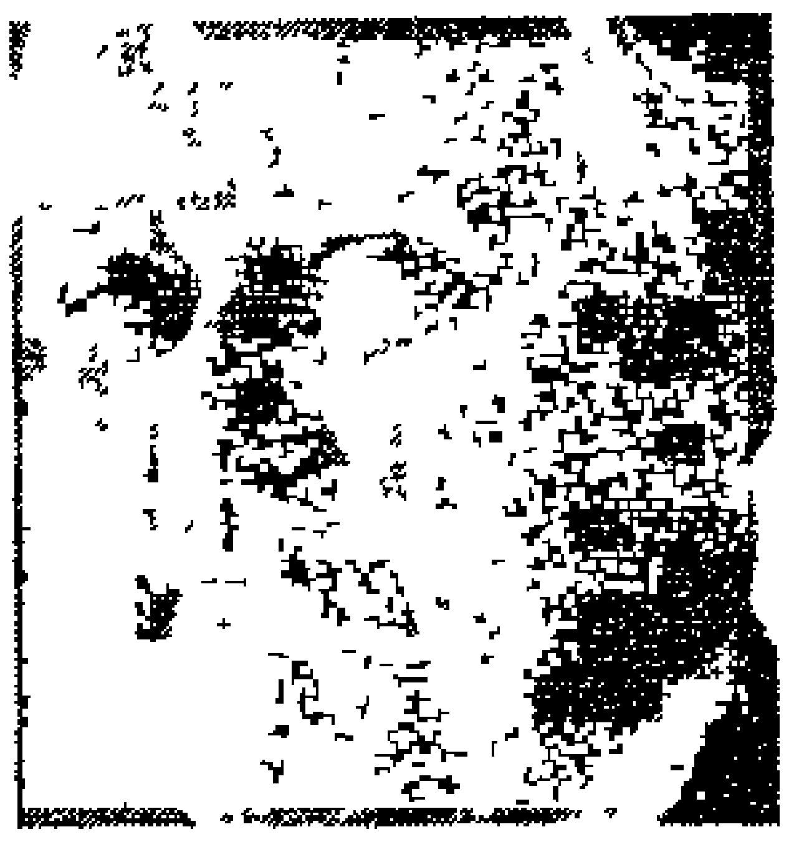
Villains

Professor Barker, who is in Cape Town as a visiting lecturer at UCT, said multinational companies were often seen as villains, exploiting people in different parts of the world

"But it was not in the interests of Pilkington to start up as glass manufacturers in South Africa The more they could load their machines in Lancashire and export, the more profitable their business was likely to be

"Manufacturing here meant a loss of exports from Britain and large capital investment

"But the South African government did not want to be dependent on imports from Britain It said that if Pilkington did not put up a factory, somebody else would and the company would lose its market entirely"



THE recently announced merger of Pilkington and Plate Glass in the new company Glass SA has created a giant glass manufacturer and distributer in South Africa In this interview with Professor Theo Barker, above, an authority on Pilkington, DAVID BLEAZARD looks at the history of Pilkington and its South African links.

The result was the establishment of a modern sheet glass factory in Springs in 1951, at a cost of £750 000

"It was a very successful business The profits were ploughed back into it and the sheet glass works expanded

"In 1977, Pilkington built a float glass plant at Springs This means South Africa has one of the most up to date glass making facilities in the world"

Professor Barker said Pilkington had always worked closely with South African merchants, and particularly the Brodie family in Cape Town

"In 1922 the Brodie family had hired Morris Lubner, a young man of 21, as their agent in Johannesburg

"He started riding around on a pushbike, selling Pilkington glass imported and sold by the Brodies

"The Transvaal end grew very quickly and Plate Glass and Shatterprufe Industries became very much a Lubner as well as a Brodie concern

"By 1965, PGSI had expanded so fast and gobbled up so many of its competitors in glass distribution that Pilkington decided it should merge forces with it

"An arrangement was made whereby Pilkington had a big share in Plate Glass and Plate Glass had a big share in Armourplate SA, which was the Pilkington safety glass business in South Africa

Conscientious

"So the recent merger in Glass SA is the logical outcome of events in 1965"

It made no difference to their respective financial stakes in the business, which was on a 50-50 basis Each holds 48,4 percent of the new company, with the majority capital holding being in South Africa through the 3,2 percent held by Old Mutual

Professor Barker said the 1965 arrangement had also been a closer linking of two families with a similar outlook on business

Both the Pilkington and Lubner families were "enormously conscientious" and felt a sense of responsibility for an important industry

The tobacco enigma

By DAVID BRAUN, Weekend Argus Correspondent

REMBRANDT — a giant of commerce even by global standards — is as enigmatic as its founder and master, Dr Anton Rupert.

Said to be the fourth largest cigarette manufacturer in the world, the group owns 70 factories in 30 countries, markets its products to 180 nations and has assets worth more than R9 000-million

Also, it is one of the biggest international distillers and has a stake in an overseas brewing group with 10 breweries.

In South Africa — in addition to its vast tobacco and liquor operations - Rembrandt has interests in mining, insurance, banking, manufacturing, trade, chemicals, oil, clothing manufacture, coffee, tea and printing and packaging.

Low profile

The entire empire is run by Dr Rupert and his minions from the group's modest head office at Stellenbosch

The Group's style has traditionally been to keep the lowest profile possible, shunning Press interviews, saying only what it wants to say, and managing to produce its annual report in all of 20 pages. No illustrations No product list

Dr Rupert has given only one Press interview about his business, to an American financial magazine two years ago

It has been suggested that the reason for his shyness, is that some parts of the Rupert empire have been concealed, notably in places like Malaysia, Singapore and Jamaica, where South Africa's racial policies are anathema

Iron grip

Yet if Dr Rupert and Rembrandt prefer the shadows this does not mean that their presence is not felt on the South African business scene

Dr Rupert was an Afrikaans business pioneer, albeit with substantial financial assistance from the Broederbond He is still a local business colussus whose iron grip is felt on scores of companies

Morally just

He controls the group through a complex structure of pyramid companies, enabling him to direct operations with an effective stake of between 5 and 8 percent of the equity The secret of his success is his philosophy of full and equal industrial partnership.

"Industrial partnership is the only morally just principle in the business world," he once told a gathering of the group's executives in Rotterdam

This philosophy spurred him to making the claim that Rambrandt was in fact the world's first truly multinational company — a globe-encircling partnership of industrial companies in which at least 50 percent of the shares of each separate member company were held locally by the nationals of the host country, and where the chairman and majority of the board members in each country were citizens of that country

"What is the basis of this philosophy? Dr Rupert believes that he who covets all loses all Survival is endured only when one is prepared to share and by realising that self-interest does not mean selfishness

Good lessons

As an Afrikaner who had to break into South Africa's English-dominated business, he knew what it felt like to work for a company that was not owned by his countrymen

By giving local people a share and full partnership there is pride of ownership and prosperity for all, he says

True, he says, to trust is risky But to mistrust is even riskier

Dr Rupert's thinking on the power of big conglomerates was revealed in his book Priorities For Coexistence, in which he said "Large enterprises can learn good lessons from the development of smaller businesses.

Less control

"The efforts of a large undertaking to diversify are often unsuccessful because entrepreneurial talent is scarce in the large enterprise, practical experience is often lacking to steer the venture from its inception until it enters the market; there is an absence of the philosophical climate inherent in the management of a small business; too much specialised knowledge is often brought in, and with it, red tape, the management style may be too formal, leading to organisational rigidity"

He believes the economy needs less control by institutions such as Sanlam and the mining houses, not more

His battle with Sanlam last spring underscores this view

On the surface the fight between him and the giant assurer was over the manner of control of Gencor, the mining group controlled by Sanlam but in which Rembrandt had a large stake

However, the real fight was said to be over something which ran much deeper

It is claimed that Dr Rupert's concern was to prevent the creation of a precedent which allowed a controlling company to run the controlled company in a way which was prejudicial to other shareholders

Minorities

It had to do with the limiting of power and the preservation of the rights of minorities

It may be argued that Dr Rupert himself controls his empire through his quadruple pyramid in such a way that the minorities don't get too near the power. Ironically, Sanlam, which owns 10 percent of Rembrandt, has not been allowed a seat on the board

Yet Dr Rupert rejects this interpretation, saying that Rembrandt is increasingly an investment trust, with the tobacco and liquor operations contributing only 45 percent of group revenue

Fanatical

Even when he held 44 percent of the British-based Rothmans International (before selling half that share to Philip Morris for R385-million), no Rembrandt director was on the Rothmans board

Rembrandt prefers to retain the full and equal partnership system, giving the local board and chairman maximun leeway

It is difficult to determine Dr Rupert's management style Many of his employees are psycophants who have built an impenetrable wall around him They and the shareholders are nonetheless fanatical in their enthusiasm for him

Constructive leader

He once gave a lecture to the Institute for Business Administration at the University of Pretoria in which he outlined the components of a constructive leader

His views were an excellent description of himself.

He said that in free competition it was always the most recent performance that counted.

"The constructive business leader needs a sound philosophy of life and a sound theory of the functions of business

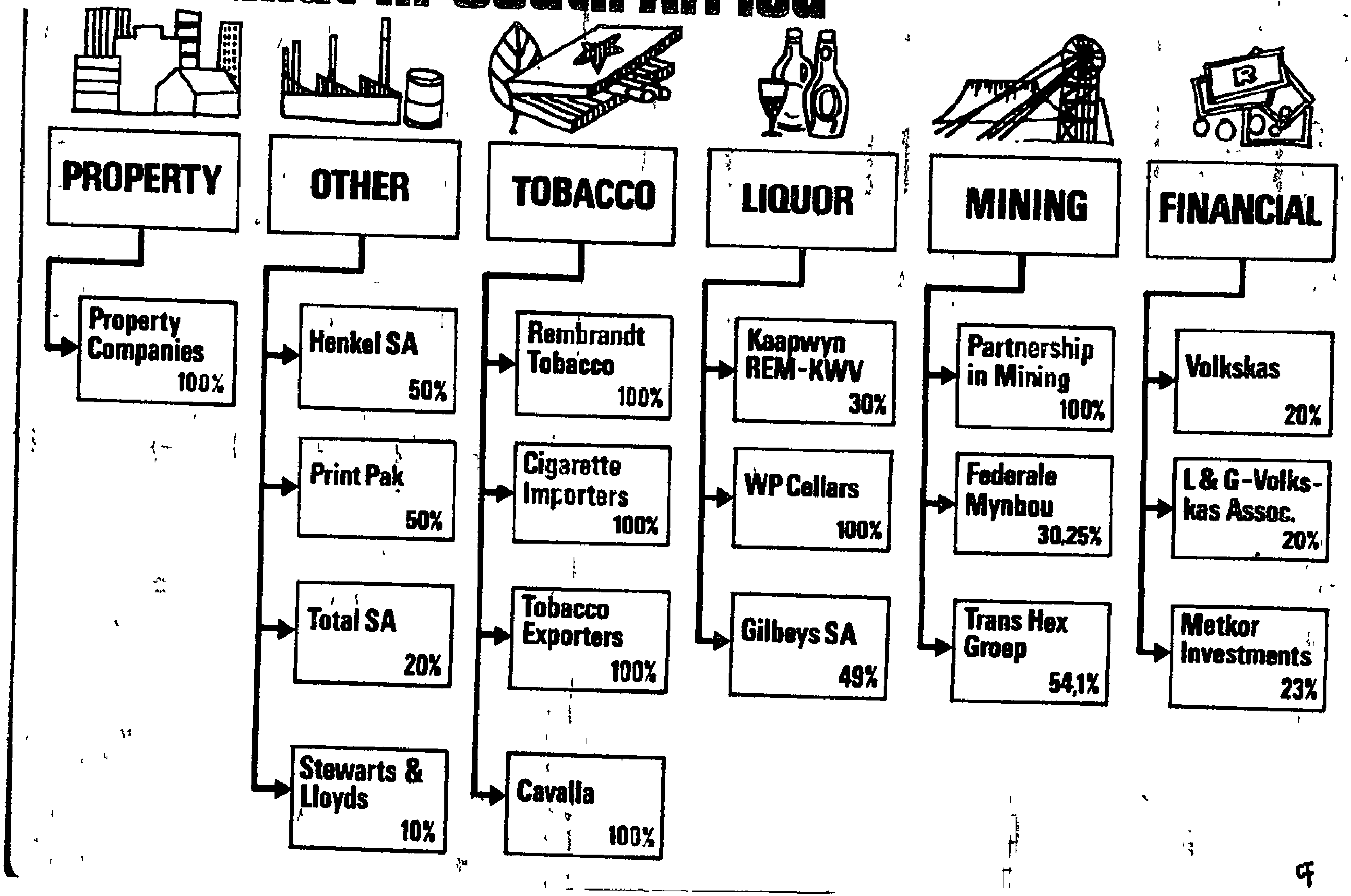
"He must be a man who realises that prosperity is contagious — one cannot trade with paupers

Noble cause

"He must strive not merely to be successful but to be a man of value For the successful man is a person who gets more out of life than he gives, whereas the man of value gives more than he receives

"A requirement for the constructive leader is that he should have a leitmotif, something worthwhile to strive for — a noble cause to which he is dedicated The greater cause, the greater the man" w/E ARGUS 20/8/83 232

Rembrandt in South Africa



- **PROPERTY**
  - Property Companies 100%
- **OTHER**
  - Henkel SA 50%
  - Print Pak 50%
  - Total SA 20%
  - Stewarts & Lloyds 10%
- **TOBACCO**
  - Rembrandt Tobacco 100%
  - Cigarette Importers 100%
  - Tobacco Exporters 100%
  - Cavalla 100%
- **LIQUOR**
  - Kaapwyn REM-KWV 30%
  - WP Cellars 100%
  - Gilbeys SA 49%
- **MINING**
  - Partnership in Mining 100%
  - Federale Mynbou 30,25%
  - Trans Hex Groep 54,1%
- **FINANCIAL**
  - Volkskas 20%
  - L & G-Volkskas Assoc. 20%
  - Metkor Investments 23%

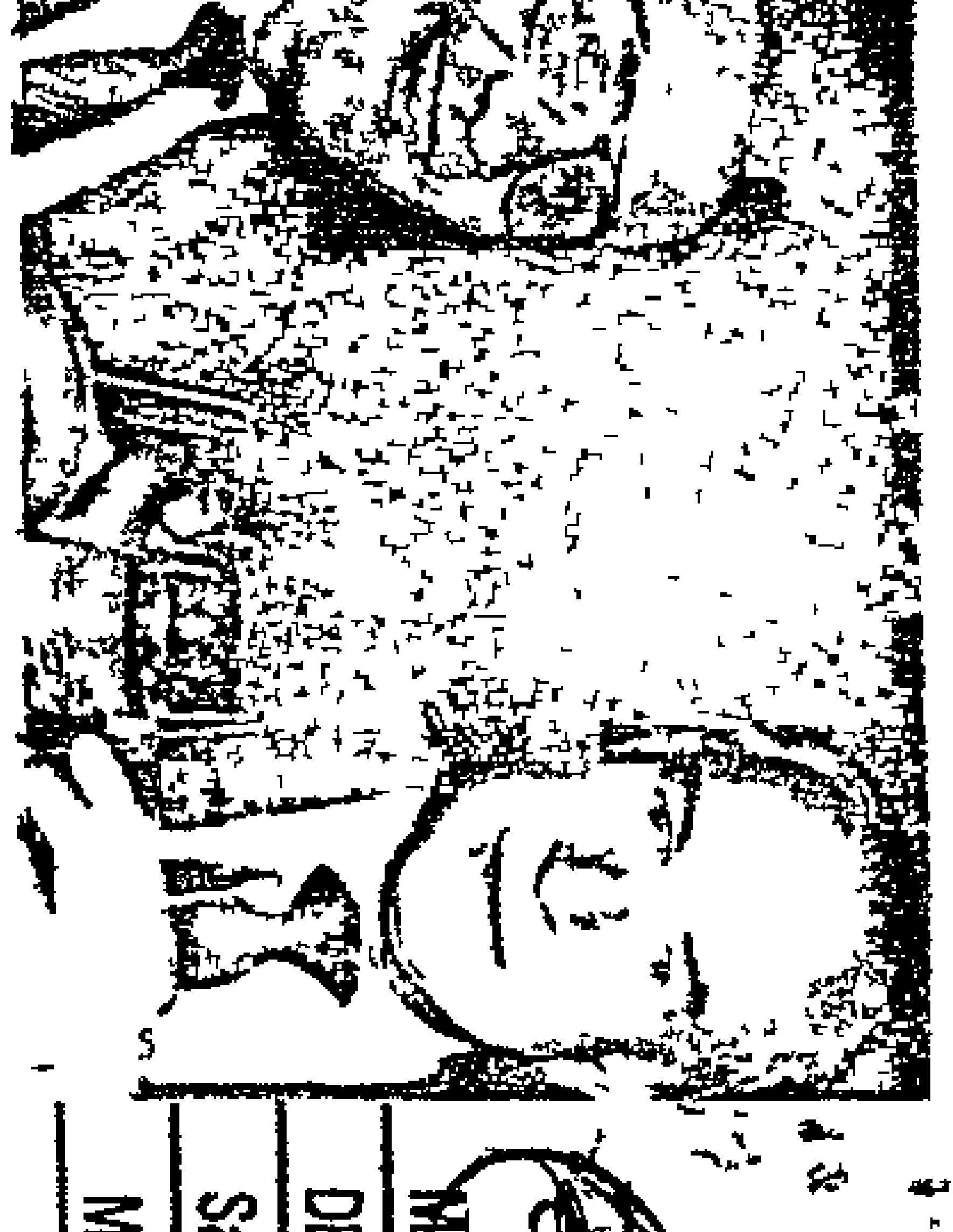
Deal with Sol gives the Government a stake in gambling, then Minister orders an urgent inquiry

STATE IN CASINO SHOC

S7/1/ves
21/8/83

232

BY BRIAN POTTINGER, DAVID FORRET and DOUGLAS GORDON



MOMENT
DEAL ...
Safmarine
Marsh

K.

HE Government has been en to find itself with a jor stake in Mr Sol erzner's new gambling pire.

It has ordered an urgent inquiry, this week's Kerzner-Holiday deal

Through its interest in Safmarine, the has become in effect a partner in deal which will put all but one of the resorts in Southern Africa under umbrella

Yesterday, the Minister of Industry Commerce, Dr Dawie de Villiers, "It has implications about which m not happy"

A "surprised" Mr Kerzner declined to on the Minister's statement.

Disquiet

Safmarine, shipping arm of the Gov-controlled Industrial Develop- Corporation, has taken a share of 18 percent in Mr Sol Kerzner's group which will control all the of Southern Sun and Rennies' liday Inns

The major Afrikaans churches wing politicians were quick to ex- disquiet at the State's involve- with gambling and indicated pres- would be brought to bear on the overnment

The Cabinet, sensitive to opposition among its supporters towards anything which smacks of gambling, appears to have been taken by surprise by its sudden participation in roulette and blackjack

As it is, Ministers have faced bruising criticism from churches and political groups over the Bonus Bond scheme

The casino deal, announced with much fanfare on Friday, has been put together as follows

SOL'S GOLDEN CHAIN: Page 2

Safmarine (in which the IDC holds a stake of at least 50 percent) will, in a joint venture with casino king Mr Kerzner, acquire a 37,5 percent interest in Newco, which will operate 13 casino resorts in neighbouring states and Mauritius

Rennies Consolidated Holdings, controlling company of Holiday Inns SA, will also acquire 37,5 percent, while Southern Sun, controlled by SA Breweries, will have a 25 percent interest.

Mr Kerzner, with 50,1 percent, will control the Safmarine-Kerzner holding and, as chief executive of Newco, will be effective boss of the casino chain

Implications

The gambling group expects to make profits of between R25-million and R30-million in its first year on a turnover more than R150-million

In a statement issued yesterday, Dr de Villiers, an ordained NGK minister, said the Safmarine interest was "a purely business transaction and was not submitted to the Government or the board of the IDC for approval"

He added "Safmarine operates as an independent public company and the interests of the IDC in this group are represented by two directors.

"The details which have thus far come to me through Press reports have implications about which I am not happy.

"The involvement in casino activities of a group in which the IDC has a substantial interest cannot nearly be accepted

"I have therefore urgently called for the details and am giving the matter my urgent attention"

Mr Kerzner said from Cape Town yesterday he had no comment on the decisions of the Safmarine board

He was surprised by the Minister's statement as he saw the deal as a major stimulus for the Southern African tourism industry

But Mr Kerzner had no comment on the text when it was read to him

"The deal we concluded this week — which I see as an exciting grouping of hotels for the future — represents a

☐ To Page 2

(234)

g mecca

Southern Sun since the latter's inception 14 years ago, and it was only natural, say Messrs Marsh and Kerzner, that they should act together now Hotels and ships belong side by side

The parties to this week's deal were anxious to play down talk of monopoly, but with the Hilton Hotel's Maseru casino the only one south of the Limpopo not in the stable, that is what they have.

■ ■ ■

The parties did not consult the Competition Board because all the casinos are outside SA, and they say the board therefore has no jurisdiction.

"We don't have the monopoly," says Mr Fiddian Green, "the governments do"

But the homeland governments that do not yet have casinos, such as KwaZulu and KwaNdebele, will now have only one strong suitor for the right to operate in their territories

It is probable that any casino in KwaNdebele will now be smaller than might have been the case had it been competing directly against Sun City

Negotiations for the pooling of Newco and Rennies casino interests took only six days This required a lot of trust and complete faith in accounting between the parties

Newco and Holiday Inns pooled their assets and took shares in the merged operation according to the profits generated by the respective assets

Newco is 25 percent owned by Southern Sun and 75 percent by Sun Rennie Sun Rennie is owned 50 percent by Rennies and Holiday Inns, and 50 percent by Mr Kerzner and Safmarine. Mr Kerzner is chief executive and Mr Dick Goss, former chief executive of SA Breweries, chairman

Mr Fiddian Green is deputy chairman The other directors are Mr Peter Bacon, managing director of Southern Sun, Mr Selwyn MacFarlane, of SAB, Mr Marsh, Mr Nigel Matthews, MD of Holiday Inns, and Mr Ted Steyn, of Rennies.

[illegible]

☐ From Page 1

strong thrust into the overseas market

"It pools the major resources involved in tourism — which would have the capacity to make a significant impact in the international marketplace, thus stimulating foreign exchange earnings," he said.

The present annual turnover from overseas tourism in Southern Africa was roughly R500-million, said Mr Kerzner.

A substantial force, properly directed at the international market, should yield returns of around the R2-billion mark by the end of this decade, he added.

The intention of the Newco group's recent moves in the Southern African market was to develop the entire tourism industry, of which the gaming aspect was merely a part, he said.

At a Press conference on Friday, Mr Marmion Marsh, chief executive of Safmarine, said he could see nothing contradictory about his company's participation in gambling

Gambling

"There was gambling on the Union Castle liners we took over years ago and no-one made any fuss," he said.

"If we have to provide gambling facilities to attract tourists, we provide to meet the demand."

Influential leaders of the three major Afrikaans churches yesterday reiterated their total opposition to gambling and said they would look into the implications of the latest deal.

"It is possible that we may make representations to the Government if we are unhappy with the situation," said Professor Bart Oberholzer, chairman of the General Assembly of the Nederduitsch Hervormde Kerk (NHK)

"Generally speaking we are quite perturbed at the growth of casinos on our borders," he added.

The Rev Kobus Potgieter, chairman of the Plenary Executive of the Nederduitse Gereformeerde Kerke (NGK), said if the Government was in any way involved in the deal, the church's repeated condemnation of gambling would be valid.

"We cannot excuse any-

Fireworks not likely from UN's Mr Plod

S Times 21/8/83

By BRIAN POTTINGER in Cape Town and MICHAEL LITTLEJOHNS in New York

SOUTH AFRICA is gearing itself for the first visit of a United Nations Secretary-General in 10 years with hopes of some new impetus for the SWA/Namibia negotiations, but no major breakthrough is expected.

Mr PIK BOTHA
Easier to talk to

Dr Javier Perez de Cuellar, UN Secretary-General, and an 11-man entourage left New York last night for a whistle-stop tour that will take in South Africa, SWA and Angola.

They arrive in Cape Town on Monday.

Five years ago the Security Council unanimously approved a Western-drafted plan to lead SWA to statehood but the scheme remains unimplemented.

On May 31 the council directed Dr Perez de Cuellar to try to break the deadlock and he must report back on his efforts by August 31.

Unlike his predecessor, Dr Kurt Waldheim, who missed few opportunities to lambast South Africa's internal and SWA policies, Dr Perez de Cuellar has made few criticisms, apparently in the belief that it is not the Secretary-General's function to damn member states.

Secretary-General's visit was in the balance because of queries over the agenda facing him when he arrived Clarifications from the South African side apparently smoothed the path.

It is expected discussions between Dr Perez de Cuellar and the South African Government will focus mainly on the outstanding issues concerning the United Nations Transitional Assistance Group (UNTAG) and the proposed electoral procedures for a post-independence constituent assembly.

Impartiality

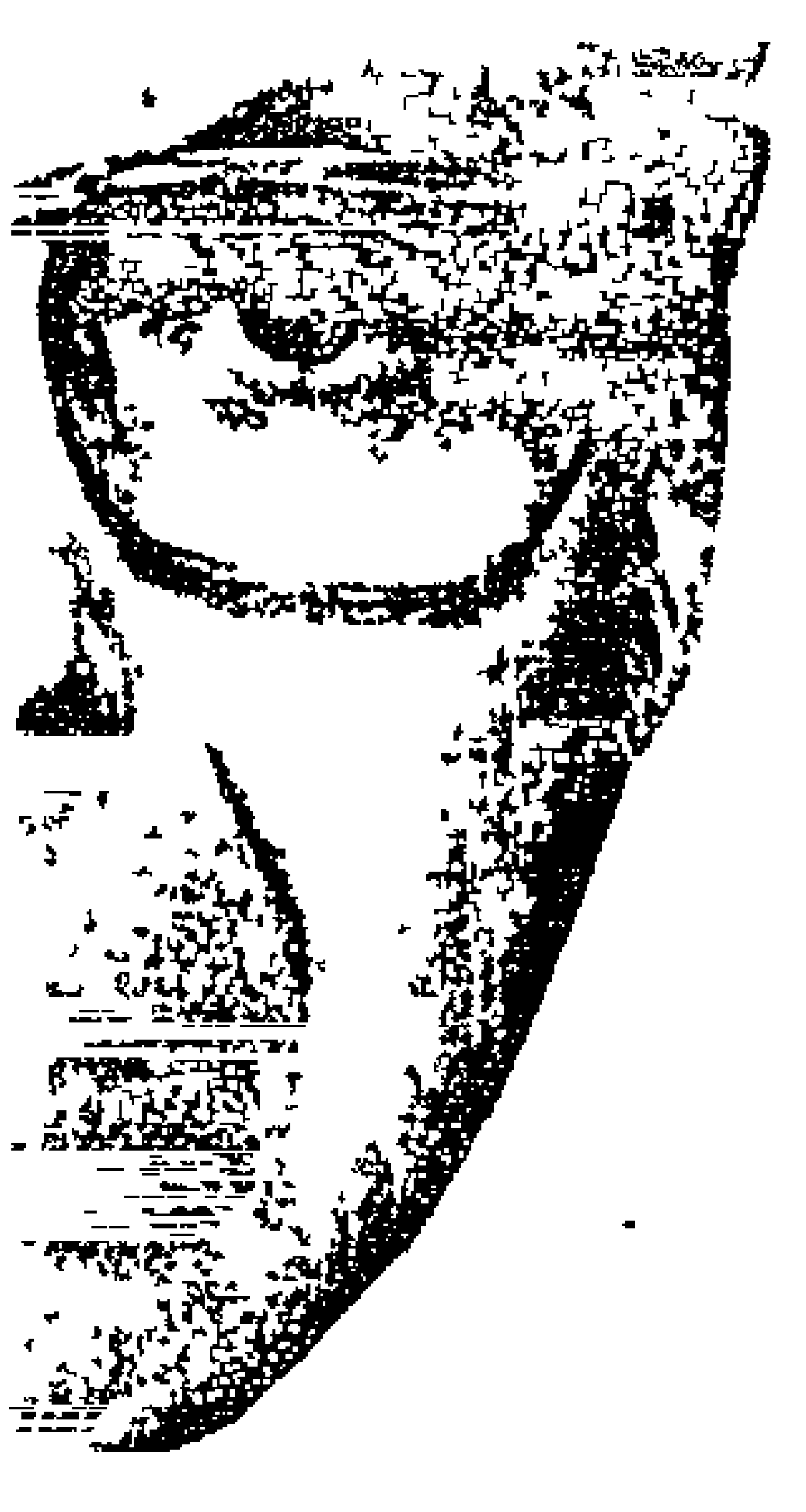
The possibility of some further movement on the com-

---

l in

IES TREURNICHT
gain poll support

motions calling on
African Government include white South-
in the coming refer-



Mr Plod

By BRIAN POTTINGER in Cape Town
and MICHAEL LITTLEJOHNS in New York

SOUTH AFRICA is gearing itself for the first visit of a United Nations Secretary-General in 10 years with hopes of some new impetus for the SWA/Namibia negotiations, but no major breakthrough is expected.

Dr Javier Perez de Cuellar, UN Secretary-General, and an 11-man entourage left New York last night for a whistle-stop tour that will take in South Africa, SWA and Angola.

Mr PIK BOTHA
Easier to talk to

They arrive in Cape Town on Monday.

Five years ago the Security Council unanimously approved a Western-drafted plan to lead SWA to statehood but the scheme remains unimplemented.

On May 31 the council directed Dr Perez de Cuellar to try to break the deadlock and he must report back on his efforts by August 31.

Unlike his predecessor, Dr Kurt Waldheim, who missed few opportunities to lambast South Africa's internal and SWA policies, Dr Perez de Cuellar has made few criticisms, apparently in the belief that it is not the Secretary-General's function to damn member states.

Officials said this quieter approach would make it easier to talk to the Prime Minister, Mr P W Botha and the Foreign Minister, Mr Pik Botha.

After 20 months in office, Dr Perez de Cuellar badly needs a diplomatic success, UN observers said.

The United States, Britain, France, Canada and West Germany, which together drew up the settlement terms, are especially eager for it and have been pressing South Africa to be as accommodating as possible.

Unless there is significant progress, diplomats said, it was inevitable that the black African states, backed by a large body of UN members, would demand that the Security Council impose a long list of economic sanctions as well as the current arms embargo.

Realistic

Asked about pessimistic reports on the prospects for the visit, the UN Press secretary, Mr Francois Giuliani, said there were always anonymous officials ready to make such comments but his chief himself was "realistic"

Mr Giuliani indicated that Dr Perez de Cuellar would not be going to Cape Town if he believed he would return empty-handed. He recalled the Secretary-General's remark to that effect after the May resolution.

South Africa has welcomed the mission and Pretoria has apparently gone out if its way to ensure that no obstacles should sabotage the visit of the Secretary-General.

Earlier in the week the Secretary-General's visit was in the balance because of queries over the agenda facing him when he arrived. Clarifications from the South African side apparently smoothed the path.

It is expected discussions between Dr Perez de Cuellar and the South African Government will focus mainly on the outstanding issues concerning the United Nations Transitional Assistance Group (UNTAG) and the proposed electoral procedures for a post-independence constituent assembly.

Impartiality

The possibility of some further movement on the composition of the UNTAG forces as a result of the visit is not ruled out.

Another relevant topic which may be raised involves UN impartiality. Although South Africa has accepted the principle of UN non-partisanship in the settlement process it might want to discuss practical implementation of that impartiality.

But the key question from South Africa's side and ostensibly the last major stumbling block to implementation of Resolution 435 — the withdrawal of Cuban forces from Angola — seems destined to remain outside the ambit of discussions.

The Secretary-General's mandate from the UN General Assembly does not include the Cuban issue which is held to be a matter of bilateral discussion between the United States and the Angolan Government.

Similiarly, possibilities of some form of coalition between the MPLA Government and Dr Jonas Savimbi's Unita forces is held to be outside the Secretary-General's brief.

Dr Perez de Cuellar leaves on Thursday for Windhoek for an "orientation" visit which will most likely include talks with South Africa's Administrator General, Dr Willem van Niekerk. He might also meet internal party leaders

The Secretary-General's visit comes amid a background of dramatically increased warfare in south and east Angola in which Unita forces have claimed substantial victories and the Angolan Government has accused South Africa of participation.

---

may fall in
No

vative Party
Party of

with the South
since has been

party is on the eve
congress — and
the agenda in-
for the party to
name.
split with the
NP took place
suggested that
its name to
vative Party of
Dr No to it by

of the NP, Mr
said this
not foresee the
an openly pro-
stance.
added that
to deciding be-
policies of the NP
, "we stand very
the two".

ulation

of the party at
congress might
their leader.
of the congress
National Party's
present constitu-

and Klein-
have put

DR ANDRIES TREURNICHT
Could gain poll support

forward motions calling on the South African Government to include white Southwesters in the coming referendum on the proposed South African constitution.

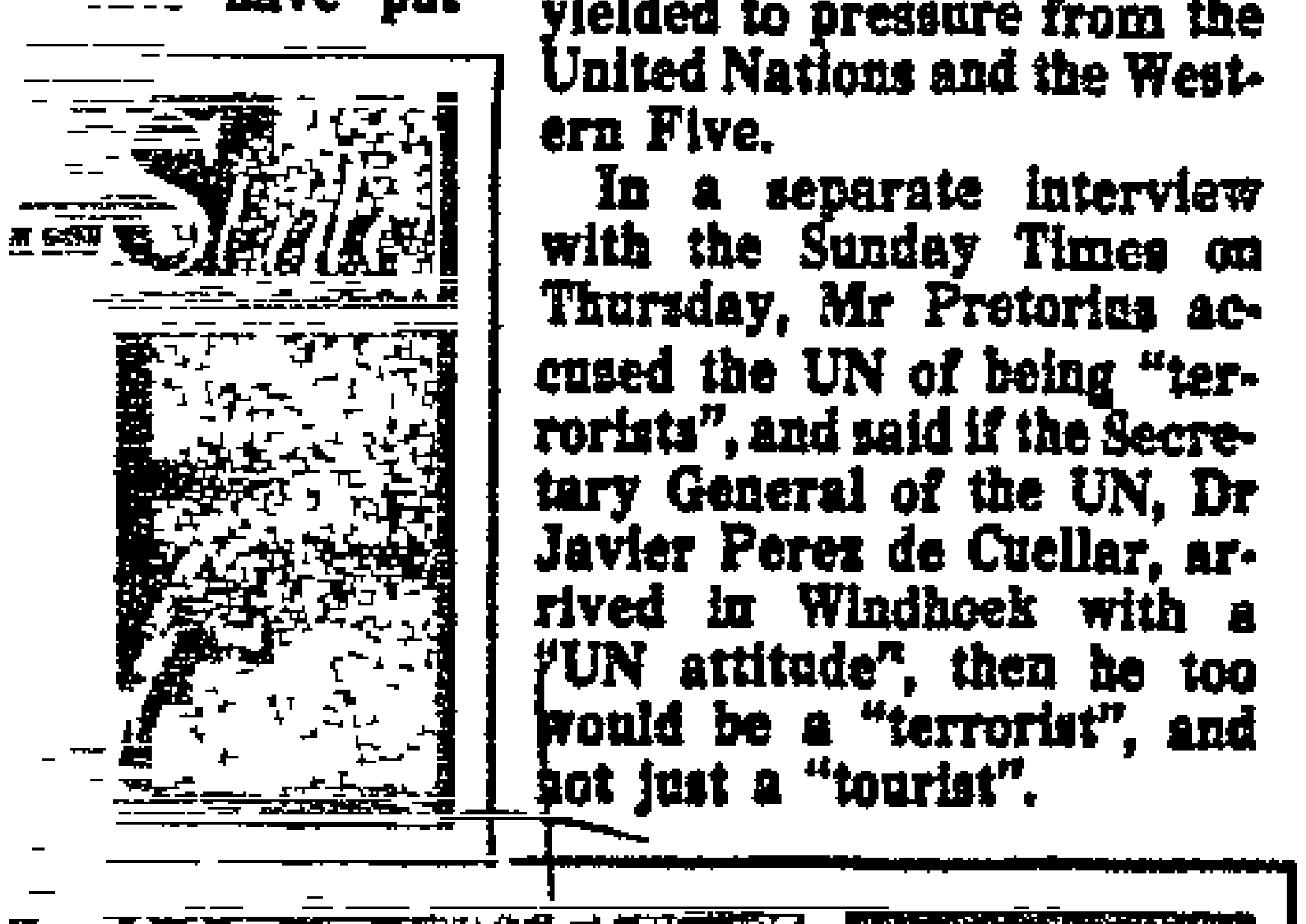
Observers reckon that if whites are included in the referendum it could add several thousand "no" votes to the voice of the CP.

Speculation that the SWA NP was set to throw its weight behind Dr Treurnicht heightened when a low-key speech given by Mr Pretorius in the white Legislative Assembly on Wednesday was splashed across the front page of the weekly NP mouthpiece, Die Suidwester.

In the speech, Mr Pretorius directly accused "every member of the South African Cabinet and Member of Parliament" of a breach of trust in their handling of the Namibian question.

He said the Botha Government had shifted from a "juridically correct" path in its handling of SWA, and had yielded to pressure from the United Nations and the Western Five.

In a separate interview with the Sunday Times on Thursday, Mr Pretorius accused the UN of being "terrorists", and said if the Secretary General of the UN, Dr Javier Perez de Cuellar, arrived in Windhoek with a "UN attitude", then he too would be a "terrorist", and not just a "tourist".



HER AND TIDES

AAL: Fine and

TE: Fine and cool.

and cool with
showers.

and cool

	High/Low	High/Low
Cape Town	0210/0824	1436/2038
Mossel Bay	0232/0848	1459/2064
Knysna	0253/0902	1519/2110
Port Elizabeth	0230/0843	1500/2053
East London	0241/0851	1504/2100
Durban	0242/0855	1509/2109
Walvis Bay	02'3/0810	1433/2030

---

ly a part, he said.

At a Press conference on Friday, Mr Marmion Marsh, chief executive of Safmarine, said he could see nothing contradictory about his company's participation in gambling.

Gambling

"There was gambling on the Union Castle liners we took over years ago and noone made any fuss," he said.

"If we have to provide gambling facilities to attract tourists, we provide to meet the demand."

Influential leaders of the three major Afrikaans churches yesterday reiterated their total opposition to gambling and said they would look into the implications of the latest deal.

"It is possible that we may make representations to the Government if we are unhappy with the situation," said Professor Bart Oberholzer, chairman of the General Assembly of the Nederduitsch Hervormde Kerk (NHK)

"Generally speaking we are quite perturbed at the growth of casinos on our borders," he added.

The Rev Kobus Potgieter, chairman of the Plenary Executive of the Nederduitse Gereformeerde Kerke (NGK), said if the Government was in any way involved in the deal, the church's repeated condemnation of gambling would be valid.

"We cannot excuse anybody," he said. "The Government is aware of our deep concern and the warnings we have repeatedly given on the dangers of gambling, which can lead to the downfall of our people."

Opposed

Dr Chris Malan, chairman of the Gereformeerde Kerk's Government Liaison Commission, said the matter would be discussed at its next meeting.

"We are opposed to any form of lottery or gambling, no matter who initiates it," he said.

Mr Jaap Marais, leader of the Herstigte Nasionale Party, also condemned the deal.

He said in Port Elizabeth that the Government's involvement was the "most disgusting manifestation of double standards".

The most outspoken criticism came from Mr Eddie van Zyl, director of Aksie Morele Standaarde.

He said there would be a "cry of protest" if a semi-government body was involved in the casino deal.

Mr van Zyl, whose organisation claims to represent more than 80 000 members, said: "The mission fields of our churches are being developed into gambling dens.

"We piously state we are a Christian country and yet we are prepared to help destroy the values and morals of another nation.

"All this plastic and lights and feathers and glitter they put in places where people are living in utmost poverty We must rather use our resources to build industries."

S Times 21/8/83 ~~288~~ 232 ~~260~~

gust 21 1983 ★

Sol is set to build a gambling mecca

By DAVID CARTE — Editor, Business Times

LAS VEGAS, Atlantic City, Monte Carlo, Southern Africa ... these will be the world's gambling meccas, not necessarily in that order, if Mr Sol Kerzner's dreams for his new monopoly in gambling come true

After the merger between Mr Kerzner's Newco casinos, including Sun City and those of Holiday Inns — also the Wild Coast Inn — SA gaming has hit the international big time.

The new company, provisionally named Newco, will have half shares with governments in casino resorts in BophuthaTswana, Botswana, Ciskei, Lesotho, Mauritius, Swaziland, Transkei and Venda

It will have initial revenues of R150-million, and taxed profit of R30-million, making it worth about R300-million.

Mr Kerzner aims to make it grow at the 30-percent plus per annum achieved by Southern Sun under his stewardship

Mr Kerzner and Mr Fiddian Green, chairman of Rennies, told the Sunday Times that Newco would almost definitely be listed on the Johannesburg Stock Exchange in the next 18 months.

They maintain one of the main reasons they decided to work together rather than against one another, was to pool international marketing strengths.

"The tiny share of international tourism South Africa has today is scandalous," says Mr Kerzner. "We attract fewer European tourists than Australia."

He is confident the new gaming giant in association with its partners, Southern Sun and Safmarine, can launch an unprecedented marketing effort abroad.

■ ■ ■

Multimillion rand "spectaculars", such as the boxing, golf, tennis and entertainment seen in recent years at Sun City, could become even more frequent and audacious in future as the new, stronger group attempts to grab world attention

The new company will be able to offer globe-trotting gamblers a large variety of casinos on land and at sea, in the bushveld and at the coast, balmy weather, beautiful scenery plus first rate accommodation — at bargain prices

One reason why it will be so competitive is the cheapness of the rand Already it is possible for Americans to have a two-week, five-star holiday in South Africa for as little as R1 500.

If Mr Kerzner and his team have their way, they will communicate this bargain in tourism internationally, and they hope SA will soon lead the field

Safmarine has already started looking for a passenger liner, "a five-star hotel on water", which will include a casino and, says its chief executive, Mr Marmion Marsh, expects to start a service between Europe and South Africa within the next six to nine months.

Another service, cruising the subtropical seas of Southern Africa towards Mauritius, is also on the cards

"Let's face it, we'll be catering for the affluent," says Mr Marsh, "and there's no question that these passenger ships will pay."

He admits travelling on these liners will be expensive, "but not so expensive if you take an air fare and add 14 days in five-star comfort."

Mr Marsh sees nothing contradictory about Safmarine being a major party in gambling, while the State, which officially frowns on gambling, is still a major shareholder in Safmarine

"There was gambling on the Union Castle liners we took over years ago and no one made any fuss"

Safmarine has been a shareholder in Southern Sun since the latter's inception 14 years ago, and it was only natural, say Messrs Marsh and Kerzner, that they should act together now. Hotels and ships belong side by side.

The parties to this week's deal were anxious to play down talk of monopoly, but with the Hilton Hotel's Maseru casino the only one south of the Limpopo not in the stable, that is what they have.

■ ■ ■

The parties did not consult the Competition Board because all the casinos are outside SA, and they say the board therefore has no jurisdiction.

"We don't have the monopoly," says Mr Fiddian Green, "the governments do."

But the homeland governments that do not yet have casinos, such as KwaZulu and KwaNdebele, will now have only one strong suitor for the right to operate in their territories.

It is probable t
KwaNdebele will n
might have been th
competing directly

Negotiations for
Newco and Rennie
took only six days. T
trust and complete
between the parties

Newco and Holida
assets and took sha
operation according
erated by the respe

Newco is 25 perce
ern Sun and 75 perc
Sun Rennie is owned
nies and Holiday Inns
Mr Kerzner and Safm
is chief executive a
former chief execu
eries, chairman.

Mr Fiddian Gree
man The other dire
Bacon, managing di
Sun, Mr Selwyn Ma
Mr Marsh, Mr Nigel
Holiday Inns, and
Rennies.

Delegates slam new constitution at UDF rally

By BRIAN POTTINGER
and SYLVIA
VOLLENHOVEN

THE United Democratic Front was launched yesterday on a wave of enthusiasm at a mass rally in Cape Town which attracted between five and 6 000 people of all races from throughout the country

The rally, one of the largest nonracial anti-Government congresses in years, heralds the beginning of a major campaign to smash the Government's constitutional proposals

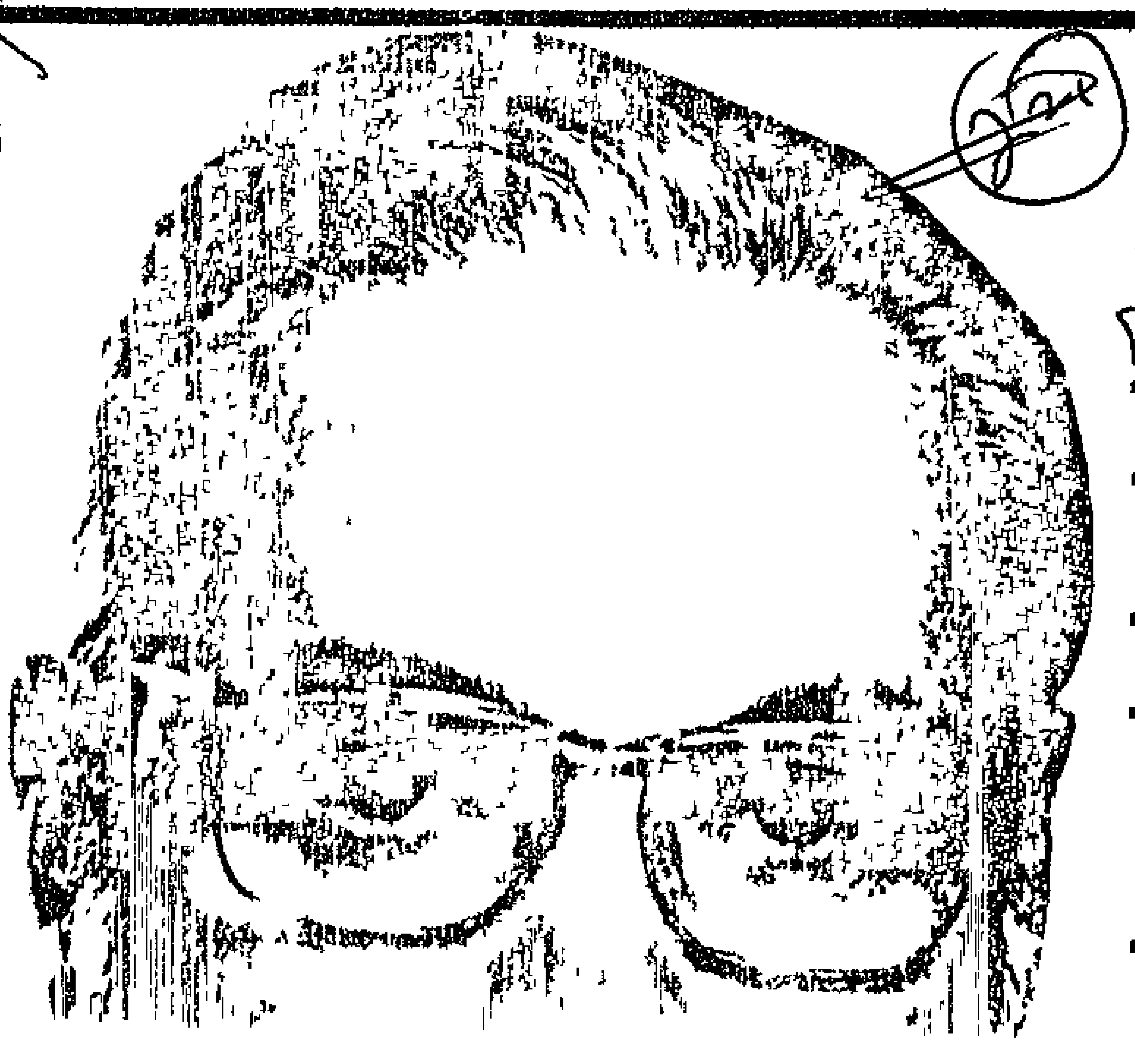
More than 600 delegates, representing 400 organisations, adopted a series of resolutions condemning the proposed new constitution, the "Koornhof Bills" "imperial-

banner, and to educate people about the dangers in the constitution.

Other resolutions slammed cornerstones of the apartheid society such as group areas and removals. One resolution attacked the alleged continu-

and Swapo were also read out at the meeting

In a well-received keynote speech at the rally after the closed session, Dr Alan Boesak, president of the World Council of Reform Churches, said the historic meeting was telling South Africa and the world "We are struggling for our human dignity and for the future of our children — we shall never give up."



Firewor
not likel
from UI
Mr Plod

S Times 21/8/83

By [illegible] POTTINGER in Cape Town

S Times 21/8/83

288 232 58 260

ntic City, Monte
Africa ... these
gambling mec-
in that order, if
dreams for his
gambling come

•

er between Mr
inos, including Sun
liday Inns — also
SA gaming has hit
time
ny, provisionally
have half shares
casino resorts in
lotswana, Ciskei,
Swaziland, Trans-

revenues of R150-
ofit of R30-million,
ut R300-million
o make it grow at
r annum achieved
r his stewardship.
Ir Fiddian Green,
, told the Sunday
ould almost defi-
the Johannesburg

Sol is set to build a gambling mecca

By DAVID CARTE **Editor, Business Times**

Stock Exchange in the next 18 months.

They maintain one of the main reasons they decided to work together rather than against one another, was to pool international marketing strengths.

"The tiny share of international tourism South Africa has today is scandalous," says Mr Kerzner. "We attract fewer European tourists than Australia"

He is confident the new gaming giant in association with its partners, Southern Sun and Safmarine, can launch an unprecedented marketing effort abroad.

■ ■ ■

Multimillion rand "spectaculars", such as the boxing, golf, tennis and entertainment seen in recent years at Sun City, could become even more frequent and audacious in future as the new, stronger group attempts to grab world attention

The new company will be able to offer globe-trotting gamblers a large variety of casinos on land and at sea, in the bushveld and at the coast, balmy weather, beautiful scenery plus first rate accommodation — at bargain prices.

One reason why it will be so competitive is the cheapness of the rand. Already it is possible for Americans to have a two-week, five-star holiday in South Africa for as little as R1 500.

If Mr Kerzner and his team have their way, they will communicate this bargain in tourism internationally, and they hope SA will soon lead the field.

Safmarine has already started looking for a passenger liner, "a five-star hotel on water", which will include a casino and, says its chief executive, Mr Marmion Marsh, expects to start a service between Europe and South Africa within the next six to nine months

Another service, cruising the subtropical seas of Southern Africa towards Mauritius, is also on the cards.

"Let's face it, we'll be catering for the affluent," says Mr Marsh, "and there's no question that these passenger ships will pay."

He admits travelling on these liners will be expensive, "but not so expensive if you take an air fare and add 14 days in five-star comfort."

Mr Marsh sees nothing contradictory about Safmarine being a major party in gambling, while the State, which officially frowns on gambling, is still a major shareholder in Safmarine

"There was gambling on the Union Castle liners we took over years ago and no one made any fuss"

Safmarine has been a shareholder in Southern Sun since the latter's inception 14 years ago, and it was only natural, say Messrs Marsh and Kerzner, that they should act together now. Hotels and ships belong side by side.

The parties to this week's deal were anxious to play down talk of monopoly, but with the Hilton Hotel's Maseru casino the only one south of the Limpopo not in the stable, that is what they have.

■ ■ ■

The parties did not consult the Competition Board because all the casinos are outside SA, and they say the board therefore has no jurisdiction.

"We don't have the monopoly," says Mr Fiddian Green, "the governments do"

But the homeland governments that do not yet have casinos, such as KwaZulu and KwaNdebele, will now have only one strong suitor for the right to operate in their territories.

It is probable that any casino in KwaNdebele will now be smaller than might have been the case had it been competing directly against Sun City

Negotiations for the pooling of Newco and Rennies casino interests took only six days. This required a lot of trust and complete faith in accounting between the parties.

Newco and Holiday Inns pooled their assets and took shares in the merged operation according to the profits generated by the respective assets.

Newco is 25 percent owned by Southern Sun and 75 percent by Sun Rennie. Sun Rennie is owned 50 percent by Rennies and Holiday Inns, and 50 percent by Mr Kerzner and Safmarine. Mr Kerzner is chief executive and Mr Dick Goss, former chief executive of SA Breweries, chairman.

Mr Fiddian Green is deputy chairman The other directors are Mr Peter Bacon, managing director of Southern Sun, Mr Selwyn MacFarlane, of SAB, Mr Marsh, Mr Nigel Matthews, MD of Holiday Inns, and Mr Ted Steyn, of Rennies

---

gates slam new constitution at UDF rally

ocratic
d yes-
of en-
rally
ch at-
ve and
races
t the

of the
ti-Gov-
years,
of a
smash
nstitu-

gates,
ganisa-
of res-
he pro-
n, the
perial-
nomic

By BRIAN POTTINGER and SYLVIA VOLLENHOVEN

banner, and to educate people about the dangers in the constitution.

Other resolutions slammed cornerstones of the apartheid society such as group areas and removals. One resolution attacked the alleged continuing use of force by the Government

and Swapo were also read out at the meeting.

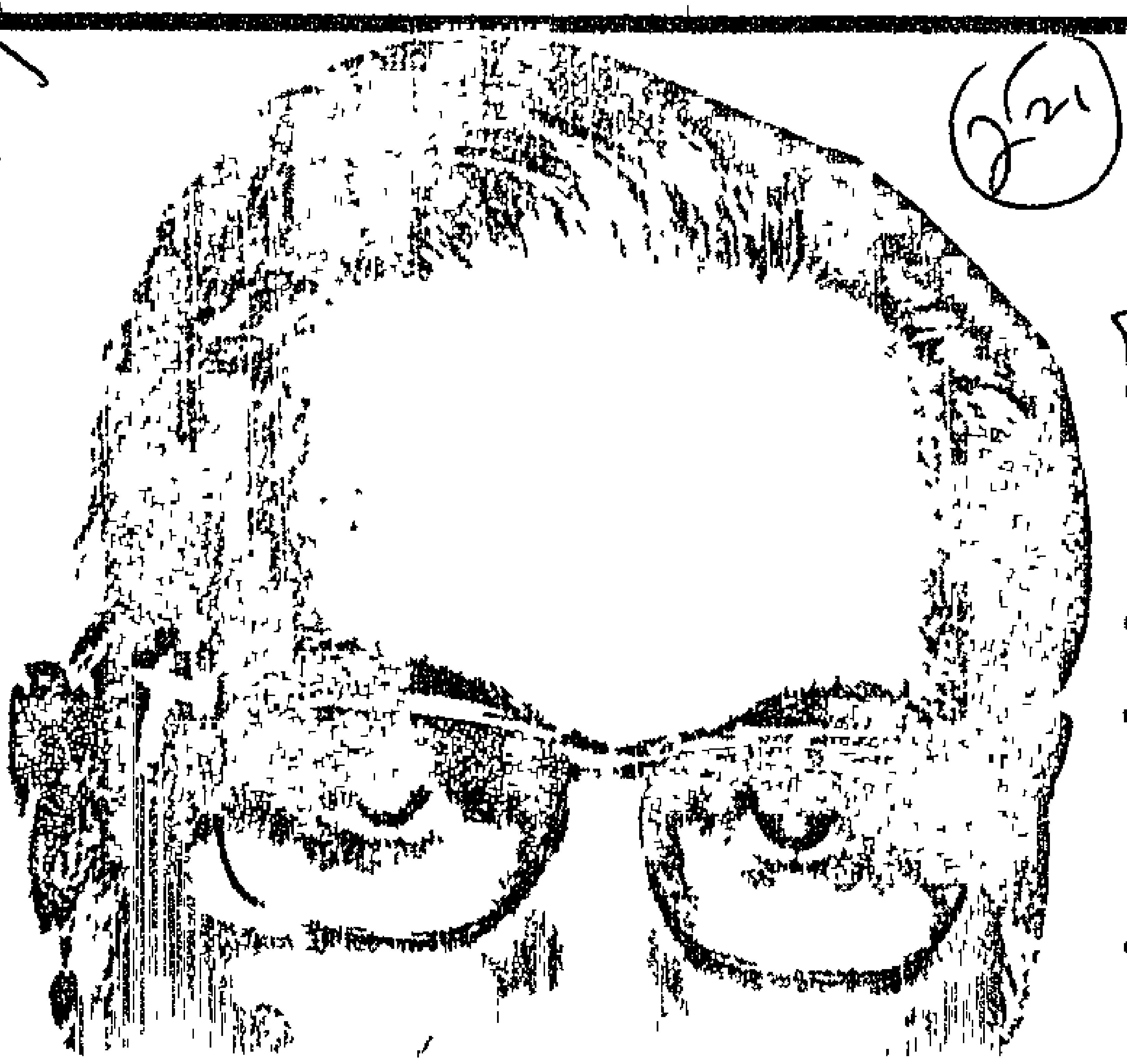
In a well-received keynote speech at the rally after the closed session, Dr Alan Boesak, president of the World Council of Reform Churches, said the historic meeting was telling South Africa and the world. "We are struggling for our human dignity and for the future of our children — we shall never give up."

"In a sense the format on

221

S Times 21/8/83

Fireworks not likely from UN's Mr Plod



By BRIAN POTTINGER in Cape Town

Magnificent Seven — and how they were pinned down

Hunt for the *real* SA moneymen

232

21/8/83 S. Express

By MARTIN WELZ

CURIOSITY and an encounter with takeover whizzkid Tiny Rowlands set Robin McGregor on a 20-year quest to establish who owns whom in South Africa.

Now he has hit the headlines with his disclosure that as a result of takeovers and the uncontrolled growth of monopolies and cartels only seven major companies control 80% of the R90-billion worth of shares listed on the Johannesburg Stock Exchange

Instead of the advantages of free enterprise and competition, South Africa was being burdened with a massive and inefficient private bureacracy, he warned

This week he was able to add that those seven companies own 70% of the combined assets of South Africa's top 100 companies

The Prime Minister need not hire the Carlton Hotel to meet South Africa's business leaders, Mr McGregor told the annual congress of the Manpower and Management Foundation in Cape Town

"He could meet South Africa's true business bosses around a card table"

Twelve years ago curiosity also drove Mr McGregor to pay a holiday visit to the small and disintegrating Cape village of McGregor, nearly 200km from Cape Town.

On that holiday visit he found no McGregors among the village's 200-odd white inhabitants — most of them old-timers living in small whitewashed and thatched cottages

For "sentimental reasons" and R40 they bought a ¼-acre stand

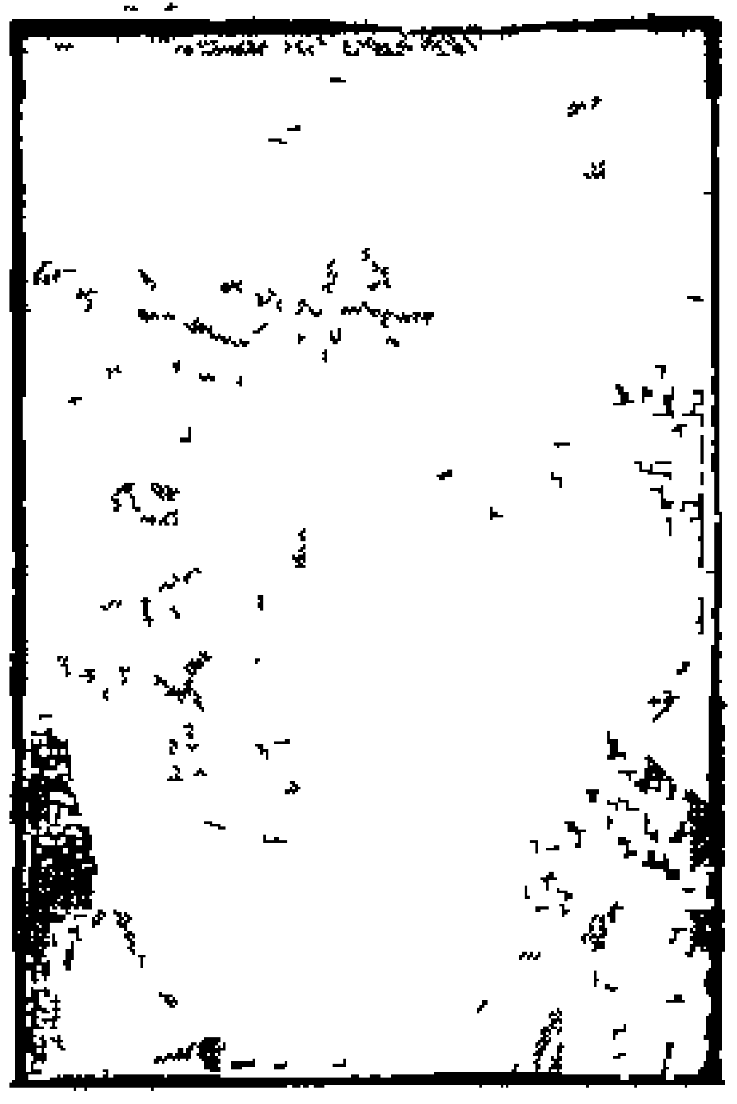
Last year the McGregors took up permanent residence in the village

The arrival of Mr and Mrs McGregor has seen six small cottages restored to their former glory and declared national monuments

But it is inside one of those cottages that the real revolution has taken place Instead of Cape cottage furniture, a large IBM computer fills its living room

Now in the village pub at night conversation about apricots for jam and export — main produce of the district — is interspersed with the talk of computer programmers and big-business analysts

The volume of mail handled by the village post office has doubled since their arrival. Most of it is made up of annual reports of companies listed on the Johannesburg Stock Exchange — and the reports of agents in all the major cities who spend their days searching the share registers of many more companies



● Tiny Rowlands .. the inspiration

Cross-directorships, inside tip-offs and the trails of mysterious nominee companies have all been analysed to reveal who actually owns whom in South Africa for publication in a unique annual directory

Robin McGregor's business career saw him well equipped for the task of tracking the formation of conglomerates, monopolies and cartels, starting out as MD of a small Natal sugar company in the early Sixties when Tiny Rowlands and Jim Slater were on the takeover trial

"Rowlands' ambition was to go on the takeover trail in sugar, but the surrounding independent companies cottoned on too quickly and managed to make themselves invulnerable."

Some of the other takeover giants such as Anglo and Barlows were more successful on the sugar takeover trail.

Next stop for Mr McGregor was the chicken industry, where he worked for a major producer for six years It was taken over by a major feedmill

Finally he became manager of an apple co-operative in the Cape that packed 3 000 000 cartons of apples each year

He was immediately puzzled by the constant prices offered by the various suppliers of cardboard cartons and started his first full-scale investigation into who owned whom in the paper and packaging industry

"That was when I realised it could be done I started collecting information from annual reports and share registers and writing them up on cards Within a year I had 15 000 cards"

The first edition of 'Who Owns Whom' appeared in 1979 and was an instant success

Three editions later, the publisher, builder and property owner of McGregor admits he has already had takeover offers

But in the meantime the quest goes on "Every day brings me closer to the full truth about South African business," he said

Star 22/8/83 (232)

A healthy desire for growth and stability can become megalomania

'Giantism': A corporate ill?

NETWORK
COMMUNICATING IDEAS THROUGH THE STAR

The Star's Network — a think tank which links readers with experts and institutions working on various important national problems — warned earlier this year: "Unless South Africa can dismantle its enormous bureaucracy and break up some of its job-destroying corporate giants, it cannot avoid massive unemployment" Now The Star's 24-hours team has brought the matter into sharp focus. Instead of abating, the process of mergers and takeovers is heating up. There are social threats inherent in this trend, particularly in the sensitive field of job creation. ANDRE SPIER of Syncom (a professional think tank service) takes up the debate.

The game of mergers and acquisitions is not new. It is in fact a respectable subject in most business schools and there are highly specialised consultants in the field

There are many valid reasons why a business operation should expand, diversify and stabilise its position by having a stake in many sectors of the market And a large conglomerate need not necessarily be a monopolistic one A monopoly also need not be a very large operation.

When does the game of mergers and takeovers become a farce? Can it become a threat to the economic and social stability of a country? When does the legitimate desire for growth become megalomania?

CONTROL

The short answer seems to be when the motive of corporate strength and stability is replaced by the desire for power and control — particularly if this power rests in but a few hands.

John Naisbitt, author of "Megatrends", calls this game "dinosaurs mating" We all know what happened to the dinosaurs eventually Therefore it seems there must be a sensible limit to corporate growth, beyond which the process becomes counter-productive Or, in the words of Dr Mouton "Big groups have the seeds of their own destruction within them."

This leads us to the second question Is the process socially and economically dangerous?

The answer is a matter of business philosophy If this philosophy, as in the Rembrandt Group, is one of participation, sharing and fostering new initiative, then the size of the conglomerate is irrelevant

Its components are allowed to behave like relatively independent operations They enjoy the best of two worlds. independence and access to central group strength and business acumen.

If the philosophy is one of power and control, there is the very real threat of disintegration of the corporate structure once the individual fails to identify with the business he works for

Therefore the threat to the individual has very little to do with the size of the company — but everything to do with its style The United States is a very large entity, yet most of its citizens identify themselves as Americans. Should the US become a tyranny, the identification is under threat

Then there is the question of jobs Very large and sophisticated undertakings have the tendency to become more capital-intensive Modern management techniques, aided by computers, may well eliminate whole layers of middle management

The top can increasingly do without middlemen interpreting (or distorting) what is happening at the bottom, where the action is This is why large businesses have long ceased to create new jobs, in fact they destroy them This is not an accusation We believe they have no other choice

It is not the task of a business undertaking to create work, but to produce goods and services in the most efficient manner In many sectors of that process, people are not the most effective component The threat in the South African context lies in a different direction Network identifies four main factors

- New jobs (we need to create 220 000 a year) are mainly created by small new businesses

Small new businesses can best be set up, in most cases, in simple production processes such as food, clothing, housing, retailing and specialised services and products

If these lines are blocked (and watched) by giant corporations, we face a problem Monopolies in basic products are a threat

- The main constraint (apart from monopolistic blocking) on starting new ventures is the chronic lack of management and skills in our economy

For the second time in succession Mr Dennis Etheredge has warned the country that if the upturn comes we are unprepared in terms of manpower When will we learn to anticipate?

It is the very lack of these managerial and technical skills which forces investors into takeovers instead of new ventures

- Lack of productivity increase With an annual increase of just over half a percent, we compare badly with other industrial countries

Low productivity will turn South Africa into a second-rate nation — much more so than the lack of so-called economies of scale

Automation, robotics and micro-electronics allow for small-batch production of great variety and high quality In high-tech 20 people can set up a multinational company In the US viable breweries are established on a small town basis

- Lack of innovation Innovation is the mother of new work In more sophisticated markets we see a large proliferation of goods and services

In a monopolistic situation variety is reduced and demand remains unstimulated If all retailing is eventually in the hands of two or three, the product range is stifled, opportunities for new and innovative products are constrained and consumer choice is restricted

Complacency is another side-effect of lack of competitive pressure

Once the takeover train grinds to a halt because of lack of material, the accumulated financial clout can but go overseas in search of viable propositions

Here we see two trends overseas investment in this country is being bought out by local companies and South Africa is moving into overseas territory.

Both combined, of course, make us less vulnerable to blackmail and disinvestment The process should therefore be welcomed — provided we stimulate at the same time, and with all the might available encourage the establishment of new small businesses in South Africa and promote once and for all the development of our vast, half-educated human resources

Network will hold a conference next February on job creation. The problems raised by corporate giantism will be researched with an eye to finding constructive solutions

A conference outline is available from Star/Network, Box 1014, Johannesburg 2000

(The Star's Network is an ongoing joint project by CARE and Syncom.)

SECTION 8

Mergers, power and the public interest

230 RDM 22/8/83

RECENT commercial and industrial power grabs — which are concentrating more and more economic muscle in fewer and fewer large conglomerates — is a modern development in all industrial countries . . . and should be seen in persepective.

This is the view of the man whose job it is to block the development of economic power concentrations which could be harmful to the public interest. the chairman of the Competition Board, Dr S J Mouton

However, Dr Mouton admits that he, his board and the Government are deeply concerned at recent take-over trends

He says too much power is a base for corrupt practices, and without close control the merging of large industrial and commercial interests could be detrimental to the public interest

But the board rejects claims that the take-over trend is getting out of hand Obviously, board members say, the performance and manoeuverings of the big comglomerates are watched closely

If there is the slightest evidence of abuse the board will intervene and, if necessary, break up the power concentration

As an ongoing exercise, further take-overs are being scrutinised and approval is either witheld or given conditionally

One of the basic causes of the power grab syndrome, according to economists, is that the country's exchange control regulations have for years inhibited the companies from investing and diversifying overseas

The result is that surplus funds, which have to be kept productive, are used to buy up smaller successful organisations — and the concentration of economic power falls into fewer and fewer hands

It is speculated that at the end of this decade six corporate giants will dominate the country's economy

The Competition Board watchdog ... has it got muscle or is it shackled to the whims of the big concerns?

By GERALD REILLY

These, it is further speculated, would include three insurance companies Old Mutual, Sanlam and Liberty Life Anglo American, Rembrandt and Anglo Vaal would make up the balance

Mr Robin McGregor — author of "Who Owns Whom" — believes the huge Barlow-Rand group may itself become the focus of a take-over battle between Anglo American and Old Mutual

The spate of take-overs has raised the spectre in the public mind that they are in danger of being exploited by large conglomerates who dominate major parts of the market

The question that has to be asked is when is a company or group too big? At what stage should the Government intervene and say "Stop growing, you are already too big"

To slam a blanket prohibition on mergers, in Dr Mouton's view, would destroy incentive in the group concerned, restrict its operations, lead to stagnation and loss of profit

This would be an undesirable development in a country where dynamic growth in commerce and industry is vital to provide jobs for the already huge workless force, and the estimated 230 000 new workers who enter the labour market every year.

"You can't kill the goose that lays golden eggs," Dr Mouton warns

Competition is not so much dependent on the number of companies but on their behaviour, he says

If they abuse their power to make exorbitant profits, or to entrench themselves against potential competitors, the victims would complain to the board, which would investigate

"And we have wide powers to discipline them and, if necessary, to hit them very hard"

Dr Mouton says the trend for large companies to swallow up others is a worldwide phenomenon In South Africa the trend has been exaggerated by historical and other circumstances

Take-overs often resulted in improved management techniques, in expanded cash flows and in more funds for investments

These factors in turn led to an expanded need for workers

Without the development of large and powerful firms the economy would not have reached its present advanced stage

Dr Mouton maintains that since no restrictions exist to prevent firms from entering and participating in the economy it is sheer speculation to claim that six groups are on their way to controlling the entire private sector

The economic structure is never static, and existing companies and their products are continually exposed to competition from sucessful newcomers

In fact, he claims, certain sectors of the economy are today less concentrated than they were a few decades ago

He points to the growth of the supermarket industry with three or four major groups in cut-throat competition with each other

In fact, the most intensive competition is between large organisations

Examples are the motor and cigarette industries, and the margarine industry, where three groups are in a head-on competitive situation which rebounded to the advantage of the consumer

Dr Mouton says it is unfair and incorrect to claim, as has been done, that the Government is unconcerned about centrations and take-overs which can clearly have serious impact on competition, and the economy generally, should fall within the ambit of the board

The Act contains no presumption, either, that market size and proposed acquisitions are irreconcilable with the public interest

The commission stressed presumptions that concentrations and amalgamations were fundamentally undesirable should be avoided

And Dr Mouton claims that just as the commission saw no need for a crusade against existing market structures, there is no need for such action today

He believes, too, that the powers and functions of the board, and of the Ministers, are adequate to deal with harmful concentrations and acquisitions that may be detrimental to the public interest

The board has the authority to investigate any take-over or acquisition, and the Minister has the power to order the dissolution of any body to ensure the public interest is not jeopardised

The Minister can also — on the board's recommendation — order a "stay" or prevent an acquisition being made or even proposed, for a specified period of up to three months

This means the Minister can slap a standstill order on any deal until the board completes its investigations

The board also has all the power it needs to get to the heart of any deals which might turn out to be undesirable

Concern that not enough action is being taken against economic concentration, and possible abuse, is based on the belief that effective competition demands a large number of small independent companies

The widely-held view that the more firms involved in the same sector, the more competition there would be, is not valid, according to Dr Mouton

He says the degree of competition cannot be measured

232 RDM 22/8/83

nomic concentration.

Government concern led to the appointment of a commission in 1975 to inquire into the forming of economic power blocks through mergers and take-overs, and whether they ran counter to the public interest.

Though the commission, when it reported two years later, confirmed an "exceptionally high degree" of economic power in certain sectors — manufacturing, distribution and construction — it did not consider it necessary to recommend drastic action against existing structures.

Nor did it consider every future merger or take-over as undesirable, or against the public interest.

The establishment of the competitions board was a commission recommendation.

The maintanence and promotion of the Competitions Act provides that only con-

It [illegible] that most of the important acquisitions that have taken place were first cleared with the board's standing committee on acquisitions — some conditionally and subject to certain undertakings.

Others were opposed. This action has slowed down the escalating pace of the growth of conglomerates in the South African economy.

Dr Mouton emphasises, however, that the board can only act to prevent a merger if it is convinced it would restrict competition, and is against the public interest.

He gave an assurance that the board's decisions were not based on subjective prejudice against size, or on claims that "a certain undertaking has become too big".

"There is, however, no cause for complacency. It is a worrying trend, and we are watching it closely, ready to act where and whenever necessary."

Govt now has stake in casino empire

RDM.

22/8/83

~~288~~ 232 ~~292~~ ~~260~~

By GEOFFREY ALLEN and JOHN MULCAHY

THE South African Government — which has outlawed gaming within the country's borders — has found itself saddled with a significant stake in the multi-million rand over-the-border Southern African gambling industry.

The Government's stake in the gambling industry arose through a complex deal between Southern Sun, Holiday Inns, Safmarine Corporation and Mr Sol Kerzner.

While politicians and churchmen debated the issue this weekend, reactions from the key parties involved in the deal varied·

- The Minister of Industry and Commerce, Mr Dawie de Villiers, declared that the deal had "implications about which I am not happy" and went on television to say that he had ordered an urgent inquiry into the matter
- Mr Sol Kerzner said that he was "surprised" at that reaction
- Mr A J van den Berg, executive chairman of the Industrial Development Corporation (which effectively controls almost 50% of Safmarine) said that he couldn't understand the fuss because the IDC (and therefore the Government) had been involved in Southern Suns (and hence it's casino operations) since the hotel company's inception

"We are perfectly happy with the deal," he said.

"People tend to read a lot into this deal, but there's not a cent of IDC money involved," said Mr Van den Berg, who in the same breath confirmed that the total IDC holding in Safmarine, "when we add up all the interests, comes to around 50%"

Mr Van den Berg, who had been constantly on the phone answering questions from reporters around the world since 3am, said he couldn't understand all the fuss

"The IDC was involved with Southern Sun from it's inception Only three years ago we needed the cash so we sold our shares."

In terms of the IDC's 1972 annual report, the corporation is not allowed to invest or operate in the "homelands"

The report reads "The geographical area covered by the activities of the corporation includes the whole of the Republic and South West Africa, but excludes the Bantu homelands

" . In exceptional cases, where the national interest is clearly at stake, the IDC may even act outside the borders of the Republic "

Mr Marmion Marsh, executive chairman of Safmarine, said it was not the company's place to prescribe to other countries on the moral standards they should have

In an amusing sideline to Friday night's Press conference at which the deal was announced, Mr Marsh confirmed that gambling was not a new concept to Safmarine — in the 1970s, its luxury passenger liners had slot machines aboard

The Mail's Political Staff reports from Cape Town that the foundations of the Government's embarrassing link with Mr Sol Kerzner's casino empire were laid several years ago when the chips were down for a number of struggling shipping companies

The Government-controlled IDC moved in to help them survive the international shipping slump and to restructure Safmarine

Through the IDC's share in Safmarine, the Government now indirectly has an 18% share in the casino business

Dr Dawie de Villiers, Minister of Industries, Commerce and Tourism, confirmed yesterday that he had asked for more details of IDC's involvement.

● See Page 2

ARGUS
22/8/83

232

'Safmarine interests should be sold'

Political Staff

THE Government should sell its interest in Safmarine, not so much because of the company's controversial casino investment, but because of the policy of "privatisation," says Mr Harry Schwarz, Progressive Federal Party finance spokesman

Mr Schwarz said the Government should give effect to its policy of reducing its investment in shares that should be held by the private sector and sell the Industrial Development Corporation shares in Safmarine


Mr Harry Schwarz . . . give effect to its policy.


Dr Dawie de Villers . . . voiced concern.

Meanwhile, Minister of Industries and Commerce, Dr Dawie de Villiers, today declined to comment on speculation that the Government could sell off its shares in the virtual casino monopoly in South Africa

Embarrassing

Having announced Government concern about the investment on Friday, Dr de Villiers said today "I have nothing further to say at this stage"

The Government has been placed in an embarrassing position by the highlighting of the Safmarine interest in the casino trade particularly against the background of its fight with the Conservative Party over commitment to Christian principles

Mr Schwarz pointed out that even the Government sold its interest in Safmarine, South African taxpayers were still benefitting from the gambling tables in the independent states in and around South Africa

Linked

Financial aid from the South African Government to the former homelands was directly linked to the income of the now independent states

" The more they make the less the Government and therefore the South African taxpayer has to pay out "

Mr Schwarz said he found the Government reaction to the highlighting of the Safmarine investment "remarkable"

CAPE TIMES 23/8/83 (232)

Drought knocks Kanhym — profits slashed 85,3%

By STEVE ELLIS

JOHANNESBURG — Earnings of drought-bedevilled Kanhym Investments crashed 85,3 percent in the June half-year and the group has only a R1 389 000 deferred tax credit to thank for keeping it in the black.

Earnings a share slumped to 10c from 68,2c in the comparative 1982 half

Vulnerability

Bottom-line profits totalled a paltry R1 223 000 (1982 half R8 272 000) during a period in which Kanhym's vulnerability to the rural sector was ruthlessly exposed by the drought.

Interim dividend has been passed and there is every indication that the final distribution will suffer the same fate Last year, a 20c interim was paid which — together with a 40c final — made 60c for the year

The result heralds the end to the hopes of the chairman Mr Ted Pavitt, who earlier this year projected 1983 to be "a year of recoverv" — a forecast voiced in the group's 1982 annual report.

Kanhym's profit plunge just goes to show that even when it doesn't rain, it pours — not only were its agricultural operations stricken by the drought but its coal interests were hampered by weak export markets

Group turnover fell a marginal 1,3 percent to R526m (R532m) but deteriorating trading margins accelerated the decline at the pre-tax profit stage to 91 5 per cent — down to R1 017 000 from R11 846 000

Tax credit

As mentioned a R1 389 000 (R923 000 debit) deferred tax credit — before deducting a R656 000 (R1 610 000) current tax payment — enabled the group to stay in profit.

The directors say "Substantial mining and farming capital expenditure, together with reduced profits, substantially decreased the company's deferred tax liability"

Minorities took R527 000 (R1 041 000)

The disappointing performance is attributed to the drought, the economic downturn, and high interest rates

Although volume sales of livestock and processed meat rose — the group, in some cases, expanding market share — prices were lower and revenue thereby decreased

The directors say the feedlot division suffered from lower cattle prices and higher processing costs but they add that the feedlot is now fully utilized with "reasonably-priced" cattle and profitability has started to improve

Prospects

However, the fears Mr Pavitt expressed about the group's piggery operation in his 1982 annual review appear to have materialized and the short-term prospects of the division are not rosy

"Kanhym has been placed in a position where it may not be able to realize a satisfactory return on its capital investment in pigs due to marketing controls introduced by the Meat Board"

Meat Board controls were imposed after the group committed itself to the industry

"Although the group has the capacity to absorb all the pigs produced by its piggery in its own factories, the marketing controls of the Meat Board have severely limited our ability to market our full production of pigs'

The directors say the Meat Board restrictions are likely to lead to shortages in Kanhym's processing division while its farm has a surplus of pigs

"Until this matter is resolved, it is unlikely the piggery will contribute significantly to group profitability

The piggery incurred an unquantified loss in the past six months

On the crop farming side "Crop yields were small due to the very serious drought conditions The total maize and potato crops have been harvested and all the losses arising from the drought have been brought to account in this period"

The directors say that satisfactory yields were returned from Kanhym's investment in the Eikeboom Colliery but, because the export market is contracting second-half profits will be lower

The capex programme at the Middelburg mine — in which the group has a 6 5 percent interest — is nearly finished and export sales began in June

"Export coal prices are low and, until these improve, the profit contribution from this division will be small"

In conclusion, the directors say the group is well-placed to take advantage of any improvement in the economy but trading conditions in the second half of the year are expected to remain difficult.

"Under present conditions — with the continuing drought, rising interest rates and prevailing livestock prices — it is not possible to make a forecast for the balance of the year"

Mrs Margaret Essberger has been appointed a director of National Consultancy Services (Pty) Ltd

Gold at $424,62

LONDON — Gold closed at $424,25-$425.00 compared with its close on Friday of $417,50-$418,25 and yesterday's opening $421,75-$422,25

Dealers said the price was strengthened by the downtrend in the dollar and speculation over United States rates may have peaked, linked with Friday's $500m drop in United States (M1) money supply The conflict in Chad also remained a bullish factor for gold

Closing prices

(In $ an ounce)

LONDON:
424,25-425,00
Fixing am: 421,25
Fixing pm: 421,75
ZURICH:
421,00-424,00
(421,20-424,00)

— Reuter

Sasol in takeover bid

By JOHN MULCAHY

JOHANNESBURG — The government is likely to allow Sasol to phase repayments of the loans from the State Oil Fund, which will reduce the immediate funding requirement for the Sasol II takeover to about R500m

Sasol dipped to 470c on the Johannesburg Stock Exchange yesterday in the wake of confirmation that takeover of Sasol II was imminent

The market last week speculated on a R500m rights issue, which pushed the Sasol price to 482c on Friday from a peak of 500c on Thursday

It was not possible yesterday to establish a date for details of the Sasol II takeover, but sources close to the company said a rights issue to raise about R500m would accompany the acquisition details

Of the total capital of R2 500m required for the development of Sasol II, about R490m was funded through export credits, another R100m came from equity contributions by the State and Sasol Ltd, and the balance of about R1 900m was borrowed from the State Oil Fund

The State has a 30 per cent interest in Sasol Ltd, with the general public mainly through a spread of institutions, holds the remaining 70 percent.

Assuming R500m is to be raised from the public at the current price of 470c a one-for-two issue would raise about R600m

Reserve Bank to launch R50 note

Own Correspondent

JOHANNESBURG — The Reserve Bank is soon to issue a R50 note — possibly to be followed at some stage by a whole new series of banknotes

Kruger rands

JSE Closing

	Buyers	Sellers	Sales
1 oz	544	—	542
1/2 oz	270	275	270
1/4 oz	14400	14500	14500
1/10 oz	6000	—	6000

Cape Gold Coin Exchange

	Buyers	Sellers
1 oz	542 (542)	545 (543)
1/2 oz	248 (248)	278 (278)
1/4 oz	127 (127)	148 (148)
1/10 oz	51 (51)	61 (61)

Gold & Hard Asset Exchange

	Buyers	Sellers
1 oz	541	541
1/2 oz	264	274
1/4 oz	238	147

(232) Star

Takeovers curbing growth — Rupert

23/8/87

By David Braun

Mergers and takeovers which concentrated business power were not going to provide growth to create enough jobs, Dr Anton Rupert said last night.

Delivering his annual lecture at the University of Pretoria, Dr Rupert said that the concentration of economic power and the emergence of massive conglomerates in recent years was a mere shuffling of assets on paper and did not constitute real growth.

"I am concerned that so few new enterprises are coming onstream in the economy," said Dr Rupert, head of of industrial giant Rembrandt.

The big conglomerates were not investing in new businesses. They were chasing too few assets of existing concerns.

The big insurance companies had about R10 million a day to invest. New ways to encourage them to use these funds to start new enterprises had to be found.

The choice was between making the big businesses bigger and starting more and more powerful small enterprises.

"I hope and pray that we will one day see peace so that we can use at least R1 000 million being spent on defence to develop small businesses," said Dr Rupert.

Cape Times 24/8/83

232 ~~245~~ ~~266~~

It may be tough at the top — but it's not half so crowded

From left: Dr Frans Cronje, chairman of Nedbank, on board of Barlow Rand; Mr Julian Ogilvie Thomson, on boards of Anglo American and Barclays, Mr George McMillan, chief executive of the British company Rio Tinto Zinc, Dr Fred du Plessis, chairman of Fedvolks (Sanlam) and Trust Bank.

By PHILLIP VAN NIEKERK

FOUR years ago the Prime Minister had to hire the Carlton Centre to meet the leaders of industry Today he could do it around a card table, Cape Town businessmen were told recently

Since that speech, says Mr Robin McGregor, compiler of the publication Who Owns Whom, "I could not have hoped for more publicity if I had shot the Pope"

Mr McGregor's speech has aroused a storm of public concern over monopolies and the concentration of wealth and economic power in the hands of a small and ever-diminishing group of tycoons

And in recent months the seven gigantic business empires who dominate the South African economy have been involved in a complex game of take-overs and mergers involving billions of rands, all of which has left the man in the street bewildered

and Barlow Rand — control a massive 73 percent of shares on the JSE The warning last year by a top insurance executive, Mr Donald Gordon, that six corporations would dominate the country by 1990 could soon be fulfilled.

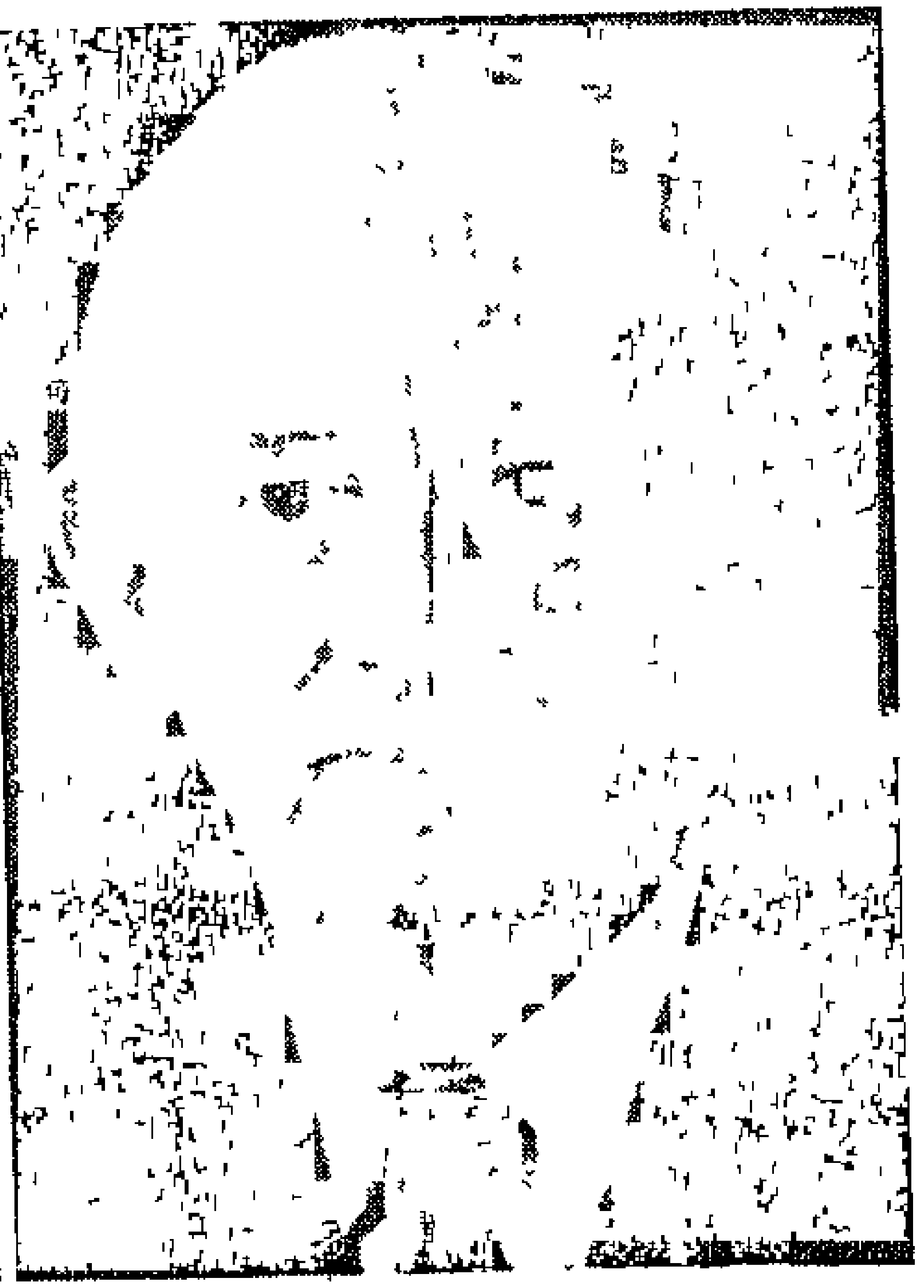
Little more than a dozen powerful individuals are at the helm According to the Investment Analysts Journal, these men link the top corporations to one another by serving as directors on more than one of their boards Every one of the top 20 industrial companies is connected by interlocking directorships

'Unique society'

To add to this, there are the monopolistic state and semi-state corporations such as the SA Transport Services, Escom, Iscor, Sasol and the various Industrial Development Corporation projects

As Mr McGregor says "We in South Africa must have a unique society with so much control in so few hands

Mr Harry Oppenheimer, chairman of De Beers.



Mr Mike Rosholt, chairman of Barlow Rand

Commission in 1975 and the setting up of the Competition Board in 1979 as signs of this concern

But, he adds, many complex causes lie behind the development of

reinvest their profits inside the relatively small South African economy As a result, the big fish have gobbled up the small fish and are now gobbling up themselves

For instance, Anglo

ing interests, controls a wide range of companies stretching into food, newspapers, breweries, motor cars, insurance, chemicals, construction and so on

While the government has made some recent attempts to stem the inevitable tide of monopoly capitalism, a University of Cape Town economist, Dr David Kaplan, believes that since coming to power it has done much to aid and little to combat the development of the big corporations

Legislation lack

"There has been no effective anti-monopoly legislation in South Africa, there has been protection for single firms dominating the market and most of the Industrial Development Corporation money has gone to the big corporations The Nationalist government has on the whole been good for big business"

Since its inception in 1979, the Competition Board has claimed to have acted in the interests of the public to preto meet the leaders of industry: Today he could do it around a card table, Cape Town businessmen were told recently

Since that speech, says Mr Robin McGregor, compiler of the publication Who Owns Whom, "I could not have hoped for more publicity if I had shot the Pope"

Mr McGregor's speech has aroused a storm of public concern over monopolies and the concentration of wealth and economic power in the hands of a small and ever-diminishing group of tycoons

And in recent months the seven gigantic business empires who dominate the South African economy have been involved in a complex game of take-overs and mergers involving billions of rands, all of which has left the man in the street bewildered

Control 80pc

According to Mr McGregor, the seven top companies — Anglo American, Sanlam, Barlow Rand, Rembrandt, Anglo Vaal, Liberty Holdings and SA Mutual — together control 80 percent of the shares on the Johannesburg Stock Exchange

The biggest, Anglo American, controls 56 percent, and the top three — Anglo, Sanlam executive, Mr Donald Gordon, that six corporations would dominate the country by 1990 could soon be fulfilled

Little more than a dozen powerful individuals are at the helm According to the Investment Analysts Journal, these men link the top corporations to one another by serving as directors on more than one of their boards Every one of the top 20 industrial companies is connected by interlocking directorships

'Unique society'

To add to this, there are the monopolistic state and semi-state corporations such as the SA Transport Services, Escom, Iscor, Sasol and the various Industrial Development Corporation projects

As Mr McGregor says "We in South Africa must have a unique society with so much control in so few hands Our own economic backyard has become a playground for conglomerates against all the principles of free enterprise."

Dr David Mouton, chairman of the Competition Board, says the government is concerned at the tendency of too much economic power being concentrated in too few hands He points to the appointment of the Monopolies Commission in 1975 and the setting up of the Competition Board in 1979 as signs of this concern

Mr Harry Oppenheimer, chairman of De Beers.

Mr Mike Rosholt, chairman of Barlow Rand

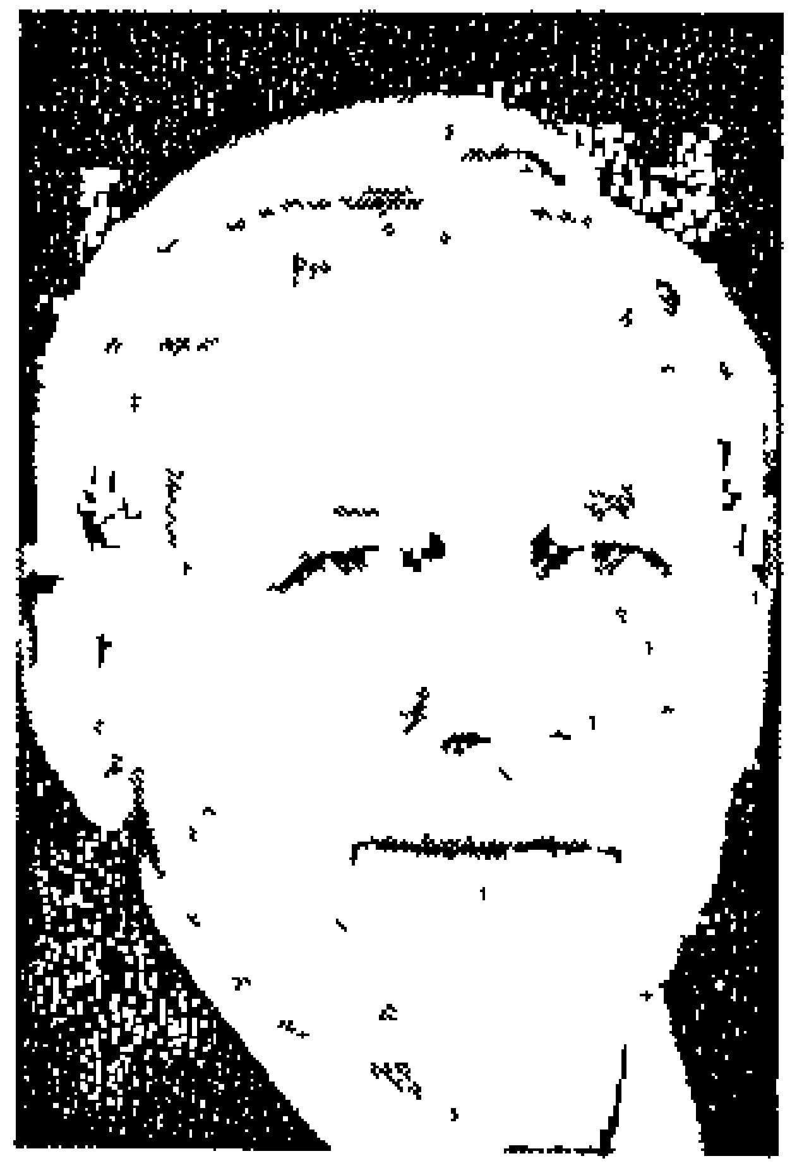
But, he adds, many complex causes lie behind the development of this concentration South Africa has a relatively small market and large-scale production is needed to produce at an "optimal level"

Exchange control — the restriction on money leaving the country — has meant the mining houses and financial institutions have had to reinvest their profits inside the relatively small South African economy As a result, the big fish have gobbled up the small fish and are now gobbling up themselves

For instance, Anglo American largely stuck to mining till the early Sixties Exchange control meant they could not invest most of their capital in mining outside the country so they moved into other industries inside South Africa

Today Anglo, apart from its extensive min-

● Tomorrow: How the big corporations affect the consumer



Dr J G van der Horst, chairman of Old Mutual On boards of Nedbank, Sasol, Safmarine

ance, chemicals, construction and so on.

While the government has made some recent attempts to stem the inevitable tide of monopoly capitalism, a University of Cape Town economist, Dr David Kaplan, believes that since coming to power it has done much to aid and little to combat the development of the big corporations.

Legislation lack

"There has been no effective anti-monopoly legislation in South Africa, there has been protection for single firms dominating the market and most of the Industrial Development Corporation money has gone to the big corporations The Nationalist government has on the whole been good for big business."

Since its inception in 1979, the Competition Board has claimed to have acted in the interests of the public to prevent mergers and monopolies But, as Mr McGregor points out, the concentration of control by the few has accelerated during that period

"If take-overs continue at the present rate, the Prime Minister won't need a card table to meet the leaders of industry — he will be able to do it in a love-seat"

Cape Times 25/8/83 ~~449~~ ~~153~~ ~~247~~ ~~245~~ 232

The big 'SA is a free market' lie

By PHILLIP VAN NIEKERK

A JOHANNESBURG morning newspaper commented recently that "it is a sad fact of life that most of the things you eat, you drink and you wear can in some way or another be the end result of price-fixing, cartels or outright monopoly".

Widespread concern has been voiced in the past few weeks at the fact that just seven large corporations with tentacles which reach into nearly every corner of the economy dominate a large slice of the local markets

There are monopolies or "oligopolies" — a few large firms controlling the market — in bricks, packaging, meat, liquor, canned foods, cigarettes and a host of other commodities. Recently, through a take-over by Bakers, biscuits joined the pile.

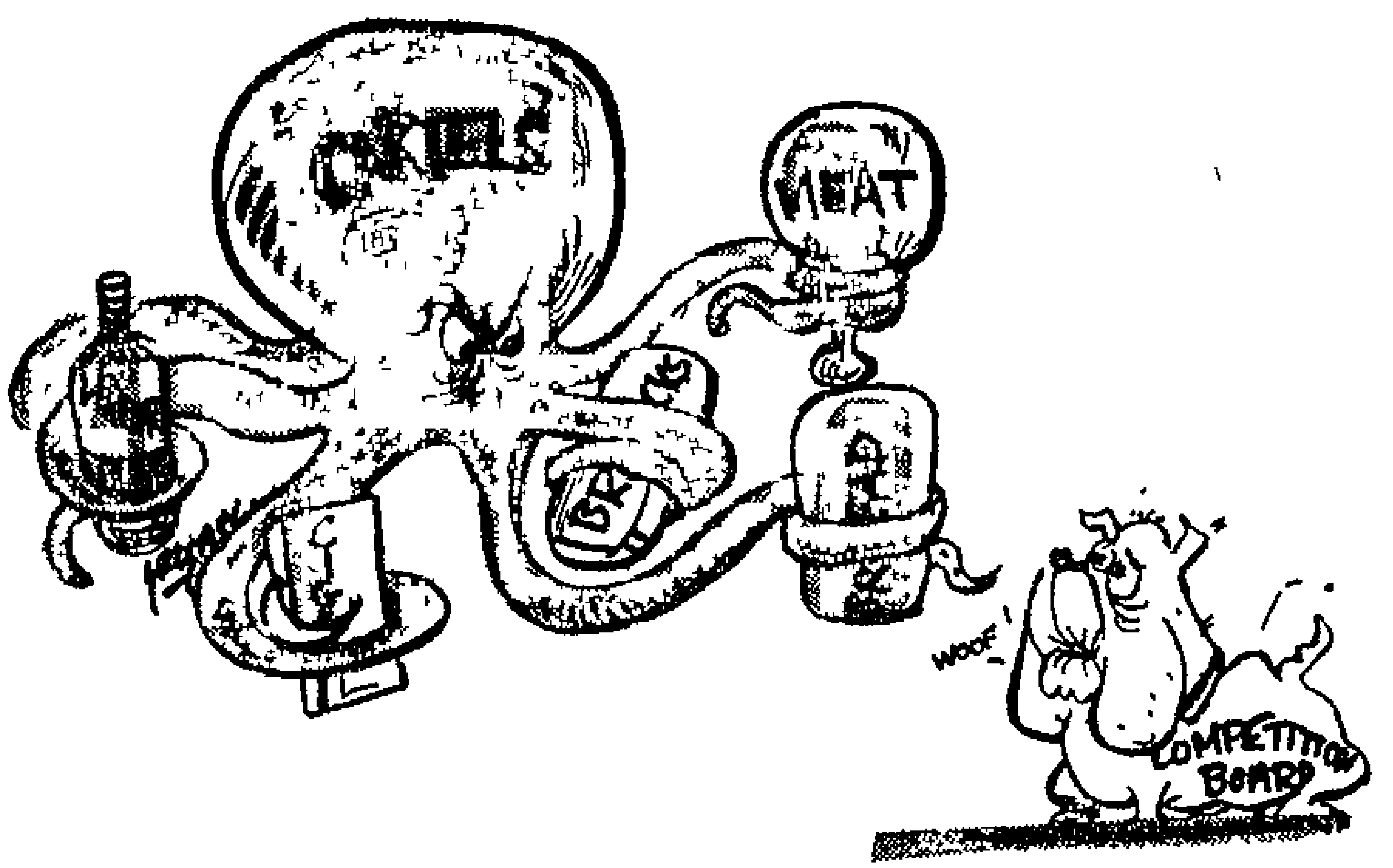
Farmers' co-operatives, the fixing of prices . . . the elimination of international competition . . . give lie to the belief that South Africa has a "free market" economy.

In addition, there are state or semi-state monopolies covering a wide range of industries and services such as air and rail travel, electricity and telephones. Farmers' co-operatives, the fixing of prices by control boards and the elimination of international competition through import tariffs further give the lie to the belief that South Africa has a "free market" economy.

Mr Robin McGregor, compiler of Who Owns Whom, believes that the effect of all this on inflation is quite simple "Prices go up all the time because there is no competition. Monopolies and cartels — informal arrangements between businessmen to control the market — are a major contributing cause of inflation."

In this light, the role of the Competition Board, the watchdog body set up in the public interest to advise the government on monopolies and restrictive practices, has come under scrutiny. It has been accused of being a "toothless bulldog".

An often-cited example of the Competition Board's ineffectiveness was the government's rejection of the recommendation that the



Cape Wine and South African Breweries monopolies of the liquor industry be broken up

However, Dr David Mouton, chairman of the Board, denies that things are as bad as is being made out and says they have recently prevented several takeovers and mergers which were against the public interest.

Either way, the consumer seems to suffer constantly rising prices, perhaps nowhere more than in the most basic commodity of all — food. In February 1973, white bread cost 11 cents. Last year it went up to 50 cents. Over that period, brown bread has risen from 9 cents to 33 cents A litre of milk has shot up from 13 cents in 1970 to 63 cents today

In the eight-year period from 1975, most basic foodstuffs have increased in price at higher than the rate of inflation· Butter has risen 211 percent, flour 183 percent, eggs 173 percent, sugar 231 percent and mealie meal 162 percent.

"Prices go up all the time because there is no competition."

All this is in a country where thousands of children die of malnutrition every month and where many black families, particularly in the rural areas and homelands, live below the breadline

Two gigantic companies, Premier (which is now effectively controlled by Anglo American) and Tiger Sugar (controlled by Barlow Rand), by and large dominate the local food market. Apart from the fact that Anglo owns 13,4 percent of Barlows, the possibility of these two giants ganging up as a cartel is very real.

As Mr McGregor points out, a cartel is hard to prove. It is always tempting — and makes good business sense — for competing firms to get together to avoid competition which would cut prices and profits, particularly if there are only a few competitors on the market. He believes that the existence of such cartels is widespread

University of Cape Town economist Dr David Kaplan says that in an economy where the primary motive for business is to make as large a profit as possible, competition is the only safeguard for the consumer.

In South Africa there are no anti-trust laws such as exist in the United States to restrict monopolies and cartels and a big question mark hangs over the effectiveness of the Competition Board

The consumer seems to suffer constantly rising prices, perhaps nowhere more than in the most basic commodity of all — food.

Thus there has been growing pressure on the government to bring in tougher anti-monopolies legislation to rectify a situation many believe should not have been allowed to happen in the first place

● Tomorrow: The social implications of the monopolies

Cape Times 26/8/83

232

Anton Rupert warns against concentration of economic power

By ROBERT GREIG

DR ANTON RUPERT, head of the Rembrandt Group, yesterday joined a growing debate about increasing concentration of economic power in South Africa.

He obliquely criticized "latest events in the business world" as creating "an illusion of growth" when "assets are merely shifted about on paper".

He also warned of the danger to the economy of shifting economic control from small, competent hands to larger, weaker ones.

Dr Rupert said that Rembrandt had an interest of more than 50 percent in only tobacco and insisted that Rembrandt's philosophy was not control but partnership to create prosperity and to share it.

Rembrandt, a multinational, has major interests in liquor, tobacco, banking and insurance.

In 1983, according to the annual report presented in Stellenbosch yesterday, of the company's net income of R239 982 000, R103 234 000 came from tobacco and liquor

In his chairman's address presented in Stellenbosch yesterday, Dr Rupert said "Latest events in the business world of South Africa may easily create an illusion of growth and prosperity.

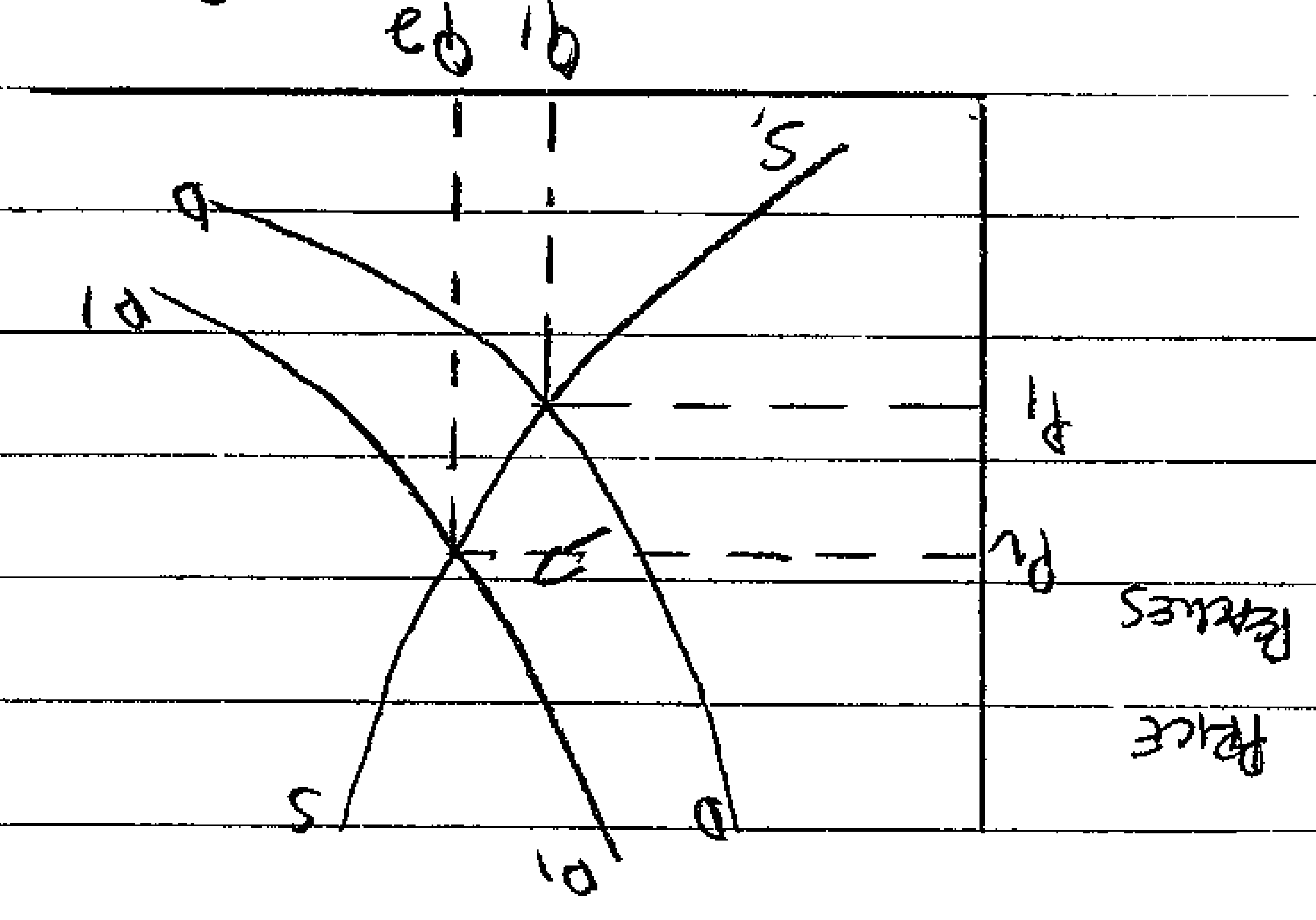
He notes that while South Africa was still in the congolerate-formation stage, the United States was breaking them up.

Dr Rupert points out that of the seven companies listed as controlling more than 80 percent of the market value of JSE shares, Rembrant is "the only one that originated as an industrial group. The others stem from mining houses and insurance companies"

He also added elsewhere in the report that "Over the years, about six times more funds were returned to the country than were taken out for investment abroad".

In the above diagram at price P_1 + Quantity Q_1, is the supply + demand for peaches. But the demand increases to D, D_1 with supply remaining constant + price increase to P_2 well quantity to increases to Q_2.

5½



between

Recently, many practices have preferred to move into low-cost mass housing which involves the total environment

Such barefoot architects — not a perjorative term for non-architects — are beginning to get such commissions from which they were often excluded in the past

The commission aspect, however, serves only to highlight the by-now familiar problem of centralised control of the professions — both statutory and voluntary? Why do architects, like so many other professionals, continue to shelter behind a tariff book? Why should they not advertise their services?

The usual reply, of course, is that such controls are needed to maintain standards in the public interest But, accepting that minimum qualifications are necessary, there should be nothing thereafter to stop architects or anyone else from openly competing on service and price and letting the market sort the good from the bad

After all, a little more entrepreneurship could well prove profitable And who in the professions would object to that?

RENNIES/KERZNER/SAFMARINE

Casino royale

232 58 288

The effective merger of the southern African casino interests of Holiday Inn and Southern Sun, under the auspices of Sol Kerzner's Newco, provides the platform for a major drive to attract foreign tourists and for a concerted assault on overseas markets

In addition, the presence of Safmarine in the controlling consortium gives the new group a further dimension, which should further enhance its existing activities Kerzner obviously has ambitious plans for Newco, which extend far further than just being content with developing the assets now under his control

The southern African casino resorts have effectively been put under the control of one man Will he be able to reproduce the growth he generated at Southern Sun?

While some details will be made public in the next couple of weeks, there are, however, unlikely to be any major developments for the next year Kerzner says that the group needs time to consolidate before new ventures are undertaken And he admits that it will take him a while to get to know the operations of the Holiday Inns now under his control

This may be one of the biggest hurdles Although Newco — to be renamed in the near future — will have a strong corporate identity, distinct from both Holiday Inn and Southern Sun, it will have the problem of running two virtually separate hotel chains Under licensing agreements with Holiday Inn International, the hotels in Swaziland, Transkei, Venda and Lesotho will have to maintain the Holiday Inn name — at least until the existing agreements expire The first due for renewal is that in Swaziland, and this not for another six years

Kerzner, however, does not see this as a problem "We will develop a strong corporate umbrella that will prevent any confusion arising from the different names" He points out that Southern Sun faced a similar situation during its formative years

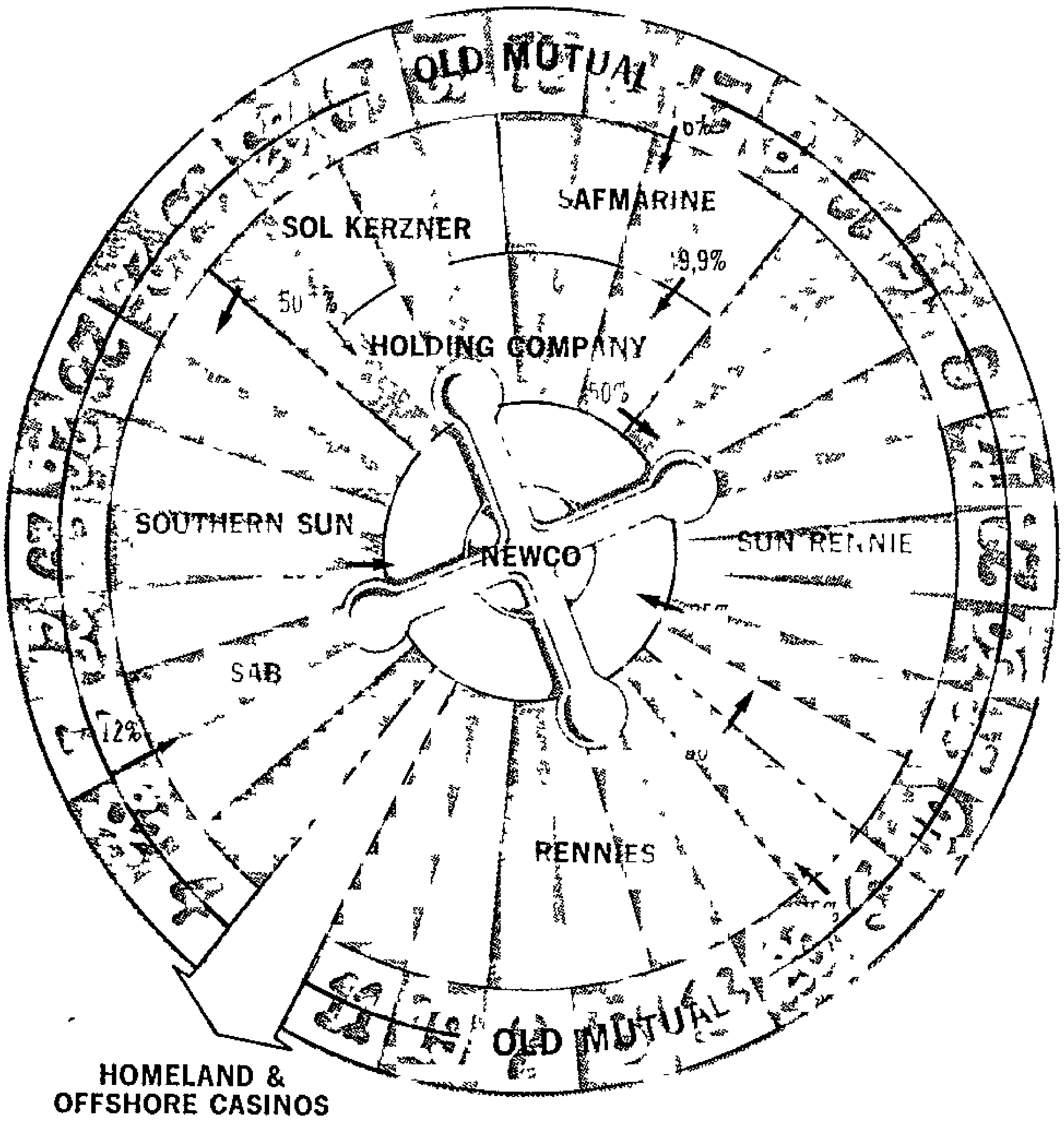
The next step will be to co-ordinate developments and expansions at the various group hotels The green light has just been given for a R25m expansion at Sun City which will greatly increase room capacity at the group's flagship resort, while plans are in hand to build a similar extension at the Wild Coast Holiday Inn in Transkei.

Although specific details of the latter plan are under wraps, a logical step would be to include a large entertainment centre Kerzner says that he envisages contracting international entertainers and sportsmen to perform on one tour at several of Newco's resorts Apart from increasing the earnings return on these visits, Kerzner says it will also enhance the group's bargaining power when looking for potential attractions

The link with Safmarine will provide other benefits than just the financial muscle which has so far been used The shipping group intends to re-introduce a passenger liner service to southern Africa which could also be linked to a more regular route servicing the group's hotels on Mauritius

In addition, Safmarine's air transport

THE DIE IS CAST



2088 232 58 Fm 26/8/83

side is currently under-utilised and could be further developed to provide links between the resort and SA's main cities The air interests range from CapeAir and NamibAir (passenger) to Safair (transport) An international air charter service should also not be ruled out ·Many of the major international hotel groups already have strong links with airlines — such as Westin with United and Hilton with TWA

This is, perhaps, the most exciting potential development for the new group The added pulling power of being linked with a shipping and airline group could dramatically improve the group's chances of attracting international travellers to this part of the world

But what about the domestic ramifications of a virtual monopoly on this form of resort? Kerzner obviously does not see this as being detrimental, either to the potential vistors or to the independent countries and homelands which depend on the resorts for much of their revenues. He says that two companies competing for the same market in two neighbouring homelands would find themselves both worse off, as would the governments of the respective homelands

But with control now in one pair of hands, Kerzner says, development can be controlled and allowed to take place in an orderly fashion It is almost certain that it was this scenario — over the proposed Holiday Inn in KwaNdebele close to Sun City — that prompted the first round of rationalisation talks between Holiday Inn and Southern Sun earlier this year Kerzner says that under the new set-up any development at KwaNdebele can now be designed not to conflict with Sun City "If we build something completely different, we will re-educate the potential market and also create completely new markets"

He is more guarded on the possibility of international expansion by Newco This is scarcely surprising since the failure of the foray into Atlantic City and the snub received in Queensland while he was chief executive at Southern Sun "It is certainly an area we would like to get into, but I do not expect any development on this side for at least a year" The lessons learnt in Atlantic City have been studied and the same mistakes are unlikely to be repeated

One possibility, to circumvent some of the opposition voiced over South African links in the US, could be to headquarter the new group in one of the countries in which the group is now operating Under his restraint of trade clause with SAB and Southern Sun, Kerzner is, in any case, prohibited from operating in SA for the next 18 months

So what about a listing for Newco? Kerzner says that all the parties concerned are working towards that objective, but that nothing will be done for at least 18 months While Newco could immediately produce a five-year track record to satisfy JSE requirements, by putting together the historic numbers from its various operations, Kerzner feels that one full year's operation is desirable before a listing is contemplated

One aspect of the new set-up which Kerzner may find a little difficult to swallow, however, is the loss of the independence which he set out to achieve when he broke away from SAB/Southern Sun Rennies is now the biggest single shareholder in Newco, with an effective 37,5% Kerzner has an effective 18,75%, with Safmarine also holding 18,75% and Southern Sun the 25% balance This "minority status" is, however, more apparent than real The holding company through which the Kerzner/Safmarine 50% of Sun Rennie is held is controlled as to 50,1% by Kerzner (Safmarine has 49,9%), so he effectively has the same voting power in Sun Rennie, and hence in Newco as Rennies (see diagram)

Kerzner says he left Southern Sun because he did not like being a minority shareholder with one large majority owner In Newco, although he still has only a minority stake, he says he is happier with the rest of the shareholding being spread fairly evenly among many more hands What is noticeable, however, is that Southern Sun now has a distinctly smaller slice of Newco, though in a bigger operation and despite having board representation

This begs the question why did Kerzner need to leave Southern Sun in the first place? From his point of view, the ramifications of the Premier deal were probably too much to come to terms with However, why did Southern Sun not just re-open the earlier rationalisation talks with Holiday Inn and come to some sort of agreement along the lines now concluded? A link up with a transportation company, such as Safmarine, could also then have been examined

Although Southern Sun still has a slice of the casino action, it has not gained most from the latest arrangement Kerzner has what he wants and Rennies, with the largest stake in Newco, has what it wants Southern Sun itself is out on something of a limb, which is not what the architects of the original Premier/SAB deal had in mind

Peter Farley

PICBEL GROUP

Speculative interest

232 58

Despite the group's restructuring, Picbel's operating companies are scattered apparently haphazardly through the holding companies. Further re-organisation seems necessary and the group could well be a takeover target.

At first glance, an investment in the Picbel group of companies does not look attractive Right through the conglomerate, profits are being cut by the recession, further losses are soon to be reported by Union Wine, financial structures, while much improved on a few years back, remain uncomfortable in relation to cash flow, and restructuring over the past couple of years has left the group's operations located apparently haphazardly through the various holding companies

Yet strong demand for the shares has been evident over the past few months, pushing dividend yields well below the market average Little scrip is available and whenever shares do come on offer, they are quickly snapped up

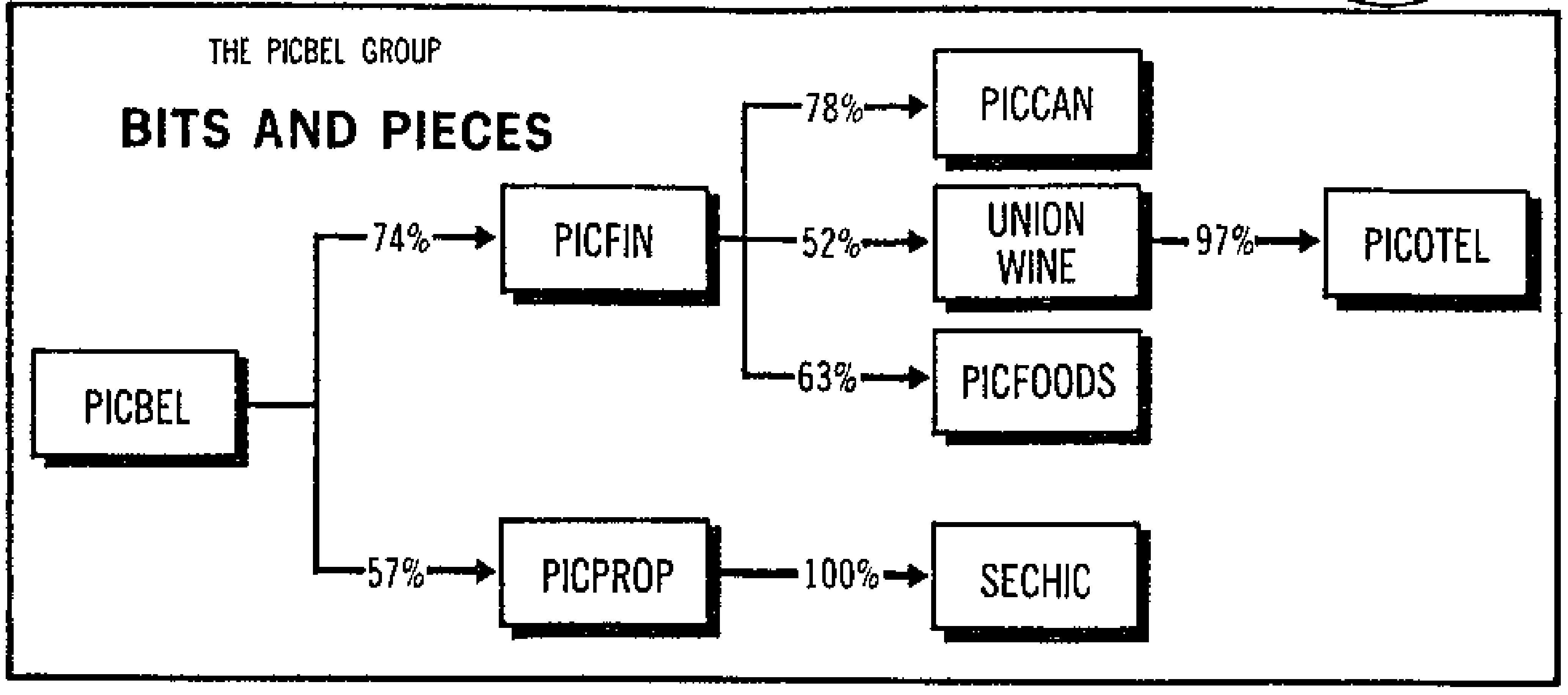
Most of the interest, of course, is being generated by the cash option hangover from the Kanhym deal with Gencor By the end of this year, as is well known, Picbel management will have to decide whether to hang on to its effective 2,1m shares in Kanhym or to sell them to Gencor at an agreed basic price of R14,40 each The sale of shares, which are held in a private company through Picfoods, would raise at least R40m for the group as the price Gencor is to pay attracts interest payable at prime-related rates

Kanhym shares currently trade at R10,50 each and offer a yield at this level of 5,7% This year's earnings are likely to be lower than last and on short-term considerations it would seem logical for Picbel to take the money and find an alternative investment Furthermore, Gencor is unlikely to want to keep the minority stake outstanding and presumably will do all it can to persuade chairman Jan Pickard to sell out

There is just a chance that he will hang on, of course, hoping to extract an even better price from Gencor — or even on the grounds that it is a good investment — but at the moment it seems probable that the cash option will look most attractive at year's end

As a result, Picfoods' shares are all but unobtainable in the market at present and the yield has been pushed down to only 3,1% There are only 5,8m ord shares in issue, one major broker is known to have bought up 1m some time ago, and Picfin holds a further 3,6m, or 63%, so there are precious few shares left out in the open

232


THE PICBEL GROUP

BITS AND PIECES

Consequently, investor interest has turned to holding company Picfin but, again, trade is very slow The yield is rather more acceptable, 6,1% at 575c, but the return is largely academic because of the tight holdings The slightly more tradeable Picbel has moved up as a result and yields only 4% at 500c New lines are readily absorbed by the market

Just what Picbel would do with the money is another matter The rapidly shrinking SA corporate market will curb the range of targets for a sum of this size and the group may be limited to taking further investment stakes in unrelated companies

This could create problems for management Ultimately, says GM Gideon Nel, Picbel would like to be in a position where it could step in and sort out problems arising in an investment This might not be possible if the holding were to be in an area in which group management is not experienced

Given the present structure of the group and management's view of growth prospects, Picbel would presumably prefer the investment to be in the fields of household accessories, sports goods and other retail operations. Since the reshuffle in the group's holdings in the Asokor, Karoo and Kanhym meat combines and the sale of its canning operations to Langeberg, Picbel has purchased household appliance distributor Katz, sports goods chain Logans and Art Potteries, sharply changing the trading emphasis of the group

In addition to the Kanhym holding, other major investment stakes were taken, notably 458 700 shares in Cape Town transporter Tollgate, 626 700 shares in Boland Bank and 316 360 shares in the Kirsh group's pyramid Coki, indicating that management would not be opposed to taking further investment stakes with the cash

Piccan, former holding company of the group's unprofitable canning operations, currently holds the group's stake in Logans and in Katz Through Katz, the group manufactures a range of refrigerators under the name Palfridge and has recently completed expansion of its production lines in Mandini, KwaZulu

Nel believes the group's appliances have been gaining market share and this is likely to be a growth area for the group in future, though there is currently local overcapacity

Management sees Picprop as a well-positioned company at present and another sound earnings source Ironically, though the Logans sports chain is centered in Piccan, the franchise for the manufacture and distribution of Adidas sports clothes is held by Picprop, which also owns a number of commercial properties

Included in the property portfolio is the Strand Street Parkade, which is currently linking up to the new Southern Sun hotel in Cape Town and will provide parking for the complex This will enhance earnings

Nel sees Picprop as having a useful balance between steady earnings from Adidas and a hefty asset base in the properties The better earnings growth has been on the property side over the past year or so because of rapid rental escalations In financial 1982, property rentals accounted for 71% (38%) of taxed profit of R600 000 (R440 000) This may be expected to steady from now on, though continued hikes in building costs indicate that the group's properties should continue to yield well

The balance sheet does not put a value on the property portfolio but the company's net asset value of 70c a share would presumably be considerably higher if the properties were to be revalued at current rates

Union Wine is another kettle of fish The company operated at a loss in the first six months of the last financial year and is unlikely to have emerged from the red by year's end on June 30 The liquor market has been badly hit by the recession and Union Wine's exposed position *vis-a-vis* Cape Wine makes it particularly vulnerable. It has become apparent that Cape Wine's dominance of the market makes it extremely difficult for these smaller operators to carry on business A merger or sell-off to someone like Rennies, though management might pooh-pooh the idea, looks logical

Though Union Wine is able to make use of its Picotel outlets, Nel believes this does not give it any significant market edge. Consumers still wish to see market-leading products in bottle stores and owning the strategic outlets makes little difference to profitability The re-organisation of the Kirsh group, which holds 37% of Union Wine, could change this if it allows Union Wine to use the Metcash outlets as liquor distributors Then there is the question of licences

The other major reason for strong investor interest in the shares, of course, is the ever-present possibility of a takeover and some type of asset-stripping exercise Even an offer of R10 a share for Picbel — a near-30% premium on last year's net asset value of 770c a share (at market value of investments) and double the current share price — could be recouped by stripping the cash out of Picfoods

Possible predators

There are a number of groups into which Picbel, as it stands, would fit — most notably, perhaps, Rennies This Old Mutual-held group has bags of cash at present and would comfortably be able to afford the purchase Union Wine would slot easily into Douglas Green — and Coki probably would not be averse to selling its 30% holding, given current market conditions and its need for cash, Picotel would add to the Holiday Inns chain, the domestic appliance side could form a vehicle for the listing of Rennies' light manufacturing interests, as has already been indicated, and R40m-odd in cash would round out the picture nicely

Group earnings this year are certain to be lower as income from investments eases — from Kanhym, Tollgate and Coki in particular — and the trading divisions come under pressure Nel says the group would probably be unwilling to reduce cover further from last year's 3,6 times so a repeat of the 20c 1982 dividend could be at risk

On this basis, the shares do not look attractive But there has been some smart money going into the counters and on speculative grounds a buy could be rewarding. Nevertheless, investors shouldn't expect too much

Chris Wilson

PICBEL'S PROFIT MAKE-UP

Divisional contributions to taxed profit

	1981		1982	
	Rm	%	Rm	%
Household appliances	4,7	63,5	2,4	45,3
Investments	2,2	29,7	2,3	43,3
Liquor and hotels	0,6	8,1	0,1	1,9
Sports goods	0,2	2,7	0,3	5,7
Property	0,1	1,4	0,2	3,8
Canning	(0,4)	(5,4)	—	—
Total	7,4	100	5,3	100

Financial Mail August 26 1983

Rupert warns against business power shifts

(232) RDM 26/8/83

Mail Correspondent

STELLENBOSCH — Dr Anton Rupert, head of the giant Rembrandt Group, yesterday joined the growing debate about increasing concentration of economic power in South Africa

He obliquely criticised "latest events in the business world" as creating "an illusion of growth" when "assets are merely shifted about on paper"

He also warned of the danger to the economy of shifting economic control from small, competent hands to larger, weaker ones

Dr Rupert said Rembrandt had an interest of more than 50% in only tobacco, and insisted that Rembrandt's philosophy was not control but partnership to create prosperity and to share it.

Rembrandt, a multinational, has major interests in liquor, tobacco, banking and insurance

In 1983, according to the annual report, of the company's net income of R239 982 000, R103 234 000 came from tobacco and liquor

In his chairman's address presented in Stellenbosch yesterday, Dr Rupert said· "Latest events in the business world of South Africa may easily create an illusion of growth and prosperity.

DR ANTON RUPERT

"Conglomerate formation by takeovers and amalgamations are not growth Assets are merely shifted about on paper. We have a need for more new enterprises."

He noted that while South Africa was still in the conglomerate formation stage, the United States was breaking them up.

"Many large groups are realising that they do not have all the know-how and expertise required to manage divergent interests.

"The danger lies not in the control of large groups, but where that control might lead to.

"If business interests are taken from good, small hands and placed in bigger but weaker hands, the economy will undoubtedly suffer."

Dr Rupert pointed out that of the seven companies listed as controlling more than 80% of the market value of JSE shares, Rembrandt was "the only one that originated as an industrial group. The others stem from mining houses and insurance companies".

Dr Rupert said that because his company set store by independence, its philosophy on control was unique in valuing partnership.

● The net income of the Rembrandt Group for the past financial year was R52,7-million, of which R32,6-million, representing 62,5 cents a share, was paid in dividends, Dr Rupert said, reports Sapa.

He said the retained income (R20,1-million) had been added to profits retained in previous years resulting in unappropriated profits of R99,3-million being carried forward

An interim dividend of 35 cents a share had been declared compared with 30c the previous year.

Income from tobacco and liquor interests increased by R10,5-million to R103,2-million; income attributable to banking, insurance and engineering rose by R2,2-million to R11-million; and income from mining decreased by R8,3-million and that from cash resources, portfolio investments and other interests by R6,1-million.

INVESTMENT by Derek Tommey

Insurance groups could help back new ventures

N/C Argus 27/9/83 232

A MOVE is afoot to make South Africa's insurance companies, and possibly pension funds, play a bigger role in the development of new businesses in this country.

Many people have expressed concern recently at the small number of new enterprises being established and the retarding effect this is having on the growth in employment

Only by creating new companies and industries will this country have any hope of solving its pressing unemployment problems

There is also concern that the lack of new businesses is leading to distortions in the share prices as the institutional investors who are steadily amassing the public's savings can do little with this money other than invest it in fewer and fewer shares

Conglomerates

Dr Anton Rupert, head of the Rembrandt group, is among the people to express concern at the limited number of few new enterprises coming on stream in the economy

He said this week the big conglomerates were not investing in new businesses They were chasing too few assets of existing concerns, driving up share prices and becoming bigger and bigger

He suggested that one way of changing this situation would be to find ways to get the large insurance companies, which are now having to invest about R10-million a day, to use part of these funds to start new enterprises.

The idea of making the insurance companies play a/larger entrepreneurial role is not new After all they have the what the entrepreneur often needs most — ample cash

Consequently, they are almost automatically regarded as the natural source of new enterprises

But in the past the insurance companies have not taken kindly to the idea They have argued with some justice that they have a responsibility to their policyholders to invest their funds prudently, and investing policyholders' funds in risky new businesses could thus not be justified

New avenues

However, while this argument may have been valid in the past it holds less water today

Without new avenues for investment the insurance groups and pension funds are likely to run into increasing difficulty in investing their funds efficiently Thus it can be argued that without the establishment of new industries these institutions could find themselves in difficulties

Furthermore, it can be claimed that one of the main reasons for the small number of new businesses starting up in this country has been the great success of the insurance and pension fund industry

The fact is that because of the strength of the pension and insurance industry many of the incentives that drove people to establish their own businesses in the past are no longer around

Old age

The probable prospect of an impoverished old age has induced many people in the past to take a chance and start their own business They had, after all, little to lose But in today's affluent society conditions are vastly different

The go-ahead person, who would normally be the budding entrepreneur, these days will often find by the time he is in his mid-thirties that he has too much at stake to take the risk of starting his own business.

He probably already has a reasonable salary, a fairly assured job future and the prospects of an excellent pension He could quite well also have share options to give a little capital

Therefore for people in this situation the idea of starting their own business can look an extremely retrogade step

More difficult

On top of this is the fact that starting a new business is becoming more and more difficult

Much more capital is needed because operating and overhead costs are much higher these days than in the past

In this situation the small man has the odds stacked against him if he wants to become an entrepreneur. Hence the growth of the idea that the pension and insurance funds should play a bigger role in the development of new enterprises

One percent

Dr Rupert has suggested that each of them should put aside one percent of their funds for the creation of new businesses and hire talented men to put this money to work

The problem is how to induce the institutions to do this

Perhaps part of the answer would be to get them to report annually not just the growth in their assets, but the growth in the underlying value of their assets and the number of people these assets had provided work for

This would help identify the willing from the unwilling

Cape Times 27/8/83 232

Stanbic buys joint control of Liberty Life Group

By JOHN MULCAHY and HAROLD FRIDJHON

JOHANNESBURG. — Stanbic (Standard Bank Investment Corporation) has bought joint control of the Liberty Life Group which has assets of more than R3 000m for R84 500 000.

Payment for the deal which is effective from July 1, 1983 will be effected by the issue of 6 700 000 ordinary Stanbic shares at R9 a share and R24 200 000 in cash

Control of Liberty Life Association is held by Liberty Holdings which owns 81 percent of the ordinary issued capital Control of Liberty Holdings is held by a private company, Liblife Controlling Corporation, which has 52 percent of the shares

The shareholders of Liblife are DGI Holdings (controlled by Mr Donald Gordon's family trust and a charitable foundation), Annexe Investments (Mr Michael Rapp's family interests) which together hold 75 percent of Liblife, and Stanbic with a 25 percent holding

Voting rights

Stanbic is buying a further 25 percent holding in Liblife from DGI Holdings and Annexe Although DGI will hold 33,3 percent of Liblife and Annexe 16,7 percent, the 50 percent voting rights of the two companies will be vested in Mr Donald Gordon's company

The issue of the Stanbic shares will result in DGI and Annexe owning 9,87 percent of the increased ordinary share capital of Stanbic which will amount to 67 885 000 shares

The effect of the deal will be to dilute Stanbic's earnings and net tangible asset value If the 50 percent interest in Liblife had been held by Stanbic for the entire financial year ended December 31 1982, after adjustments for the cash consideration, the Stanbic earnings would have been decreased from 135,3c a share to 121,8c And the tangible asset value would have dropped from 780c to 720c

This takes no account of any goodwill on the Liberty Life Groups insurance business or its inner reserves attributable to shareholders

There will be no change in the control of Liberty Holdings and the Liberty Life Group will continue to be operated independently of Stanbic with Mr Donald Gordon continuing as chairman of the group with with no alterations in the executive management.

Mr Henri de Villiers

Stanbic has held its interest in Liblife ever since Mr Donald Gordon bought out the large interest which Royal Guardian of London held in the South African company Indeed that transaction was only made possible by the assistance which Standard gave to him some years ago

Directors

Since then the two groups have been moving closer together with Mr Henri de Villiers, managing director of Stanbic, being appointed a deputy chairman of Liberty Life Association, and Mr Donald Gordon, Liberty's chairman being appointed to the Stanbic board It is understood that in the future both companies will appoint further directors to each other's boards

The bonding of the companies suggest that there will be further synergy between the two groups as insurance companies and banks have found in the United States where there is a trend of banks aligning themselves with insurance companies

The issue of the 6 700 000 Stanbic shares which have the effect of diluting the interest of Standard and Charter of London in the Stanbic group Stancha's share of its South African subsidiary will fall from 58,11 percent to 52,4 percent which brings it closer into line with the maximum proportion which the authorities would like foreign banks to hold in their South African interests

Mr Donald Gordon

At present Old Mutual holds about 21 percent of Stanbic This holding will be reduced to 19 percent and the Liberty Group's investment holding will decline to 7,6 percent from 7,8 percent

The Standard Bank Group has been widening its financial interests beyond banking It has moved close to United Building Society after having decided to run down Standard Building Society Now the link with Liberty means that a very powerful capital base is being forged which can transact business in every aspect of finance, assurance and insurance

Mr Henri de Villiers, managing director of Stanbic, said last night that the two groups had been drawing very closely together In buying the 25 percent of Liblife, Stanbic was exercising rights which were inherent in the original agreements He did not reveal who approached whom

When told that the market saw, as part of the Liberty-Stanbic synergy, some developments between Unisec and Fugit, he replied that that sort of move was a very long way down the road Unisec and Fugit were totally different animals Fugit was essentially an investment trust but Unisec was much more an operating and dealing company

Mr Donald Gordon said thst the deal would have significant rationalization benefits down the line but otherwise he would not comment

Comment Understandably Stanbic appears to have paid a premium for its joint control share of Liberty Holdings, based on market prices

Liblife holds 23 322 817 of the 44 851 572 issued shares in Liberty Holdings which are worth around R300m This means that a 25 percent share is worth about R75m for which Stanbic is paying a little over R84m This is not a substantial premium over market price bearing in mind the assets and the goodwill which is being acquired

The market has reacted to the deal by moving Stanbic ahead to R10,50 from R10,40 on Thursday, and some analysts believe closer involvement by Mr Gordon could be cause to re-rate Stanbic

Market view

There is a market view that Stanbic is a little staid in comparison to some of its more dynamic competitors, and although Mr Gordon is already on the board he now has a personal stake and is not known to be a wallflower in the boardrooms he graces

For both groups there are obvious synergies, both in the protection afforded by size and in marketing of complete financial packages

Liberty and the Gordon/Rapp interests now have a stake in Stanbic that is nudging Old Mutual's 19 percent

Although an insurance company may hold 30 percent of a bank in terms of the Banks Act any other company may hold only 10 percent, which could have been a factor in arriving at the split of shares and cash

At this week's meeting to discuss the new wharfage charge system were (from the left) Mr NEELS HUBINGER, SATS (assistant director responsible for marketing services); Mr RAY WICKS, general manager (SA Coast), Unicorn Lines; Mr PIETER DE BRUIN, SATS (assistant general manager, harbours); Mr MIKE GROVES, deputy managing director, Unicorn Lines; and Mr DAN DALTON, branch manager, Grindrod Shipping

232 ~~58~~ E. Post

Stanbic news rocks market

27/8/83

Shares report by Chris Wilson

AMID an increasingly concerned debate about the concentration of economic power in South Africa, Standard Bank rocked the market yesterday with the announcement that it is to take over joint control of Liberty Life, the country's third largest insurance group

Standard's management says the deal will "strengthen its existing association with Liberty and facilitate the establishment of a broader-based financial services capability covering all aspects of banking, investment and insurance business"

Curiously, neither Stanbic's nor Liberty's shares were suspended on the Johannesburg Stock Exchange, despite the fact that negotiations had obviously been in progress for some time The deal is effective from July 1

The market may, however, have had an early whiff that something was in the air, when investors marked Liberty's shares up to around 1 400c — which is equivalent to the acquisition striking price — at the start of last month

Liberty was trading at 1 325c and Stanbic at 1 050c when the official announcement of the acquisition hit the market on Friday morning

Stanbic currently has a 25% stake in Liberty's holding company, while the balance of the shares are controlled by family trusts of Liberty's chairman Donald Gordon and the holding company's chairman Michael Rapp

Some additional equity is held by a charitable foundation An announcement by the companies involved says a "realignment" of shareholdings will result in Liberty's holding company being 50% controlled by Stanbic, with the remaining 50% held by two unlisted companies, DGI Holdings and Annex Investments, in a two-to-one ratio

Explanations have not yet been forthcoming from the parties involved in the acquisition or, more importantly, from the JSE Committee, as to why no notice was posted warning shareholders to exercise caution in dealing in the shares

Ironically, Liberty itself was one of the prime movers in the Anglo-led takeover of SA Breweries One variation of the early market rumours was that Stanbic, not Liberty, was the target company

With this and other events, the market has had plenty to mull over in the past week The price of gold has continued to edge upwards, closing in London at $423,25 in London on Thursday afternoon

While local gold bugs are predictably hopping with enthusiasm, a more conservative view in the market is that gold has yet to prove that it can sustain a bull run

Gold counters had already discounted the latest advance in the bullion price and the JSE Actuaries all gold index hardly budged over the week from the 880-point level

10 RAND DAILY MAIL, Monday, August 29, 1983

It's safety first for glass industry

Simon Willson

Down to business

THE NEWLY-RATIONALISED glass industry is bracing itself for some spectacular growth in architectural demand for safety glass, amid a new security-consciousness in the building industry.

Increased security awareness in the building sector has followed closely on architects' growing preference for glass for other reasons, such as its rapid assembly and its insulation qualities

The result has been confident preparation in the glass industry for a golden age of glass in the country's new buildings, launched by the happy coincidence of higher planning priorities for security and for energy efficiency

This was the clear impression gleaned from a recent visit to the Port Elizabeth headquarters of Shatterprufe Safety Glass, which supplies most of South Africa's laminated safety glass

The company is part of the Solaglas division of Plate Glass & Shatterprufe Industries which, earlier this month, was merged with Pilkington Brothers SA to form the new company Glass South Africa

Shatterprufe supplies all laminated windscreens to the motor industry and bullet-resistant glass for domestic police and military vehicles

Prospects for safety glass in the automotive market are not considered nearly so bright, however, due to the sluggish recovery in the car market and the imminent start-up of an inland competition

Wesglas, a project masterminded by Anglo American, Toyota, Datsun and Sigma, will start producing automotive glass on the Witwatersrand in the middle of next year, cornering a substantial chunk of the market

The prospect of losing its dominant position in the motor industry has made Shatterprufe concentrate all the more on consolidating its position in the construction industry

The company readily admits that May's Pretoria car bomb has boosted interest in architectural safety glass

The Pretoria bomb helped the company decide to speed up the development and raise the marketing profile of its latest safety product high penetration resistant laminated glass, or HPR for short.

An official HPR launch is approaching, complete with an audiovisual presentation stressing the vulnerability of public buildings to indiscriminate anti-personnel attacks

Company officials describe HPR informally as windscreen-quality glass for buildings

With a thicker interlayer, HPR is claimed to be three times stronger than ordinary laminated building glass

Yet another outside factor is poised to speed up the trend into architectural safety glass a semi-official committee looking into adjustments to national building regulations

The National Safety Glazing Council (NSGC) has been sitting for 10 years trying to draft legislation to standardise safety glazing in potentially hazardous public buildings

NSGC officials attribute the delay in reaching any conclusion to the requirement that safety glazing legislation would have to be introduced alongside similar legislation controlling other construction variables such as plumbing, electrical connections and bricklaying

There is hope within the committee, however, that proposals on safety glazing and allied building topics could emerge next year

This would add to the impetus towards fitting safety glass in all new public buildings

This impetus is already considerable, helped by fears of an approaching urban terror campaign

Safety glass manufacturers say some major developers are re-glazing existing buildings with laminated glass, while others are turning to applied plastic films

Gundle buys up B&S controlling interest

232 F87

30/8/83

By STEVE ELLIS

CASH-RICH GUNDLE Industries has acquired a controlling interest in B&S Steel Furniture for R3 856 369 and an offer is soon to be extended to minority shareholders.

The offer price will be 341c a share — the same as that paid by Gundle for the Back family's 50,1% holding in B&S of 1 130 900 shares — payable in cash

If all minorities accept the offer, and there is little reason to think they won't, Gundle will have to reach deeper into its pocket for another R3 837 955

The total cost of the acquisition would thereby total R7 694 324

B&S shares were suspended from the furniture sector of the Johannesburg Stock Exchange yesterday at the company's own request B&S's last sale price was 265c The minority offer, therefore, affords shareholders a 28,7% premium

An announcement by the companies yesterday said it was intended to re-list B&S's shares once stock exchange formalities have been fulfilled

The 341c offer price is equal to B&S's net asset value a share at the end of the group's latest financial period, to December 1982 Net assets then totalled R15 135 827

The chairman of Gundle, Mr Clifford Gundle, said the B&S purchase did not represent the end to Gundle's acquisition aspirations but quickly added that the group was not on the "takeover trail".

Gundle's cash position was "very healthy" and, although Mr Gundle could not disclose the group's liquid balances, he said "we still have a fair amount"

The B&S deal comes less than six months after Gundle sold its plastics operation to AECI for nearly R20-million

More than half the AECI consideration was paid in cash and the group will still have part of that sum to utilise on further investments even if all B&S minorities accept the offer

The companies' announcement said the B&S purchase was in line with Gundle's stated strategy of continued investment in businesses related to the construction industry

Gundle has two subsidiaries — Gundle Cupboard Systems and Republic Kitchens — manufacturing and installing bedroom and kitchen cupboards

B&S, with its specialised fabricated metal furniture products for kitchens, offices and household installation, would give Gundle deeper market penetration and also provide B&S with wider national sales coverage and export opportunities

Mr Gundle said the managing director of B&S, Mr Hymie Back — a close friend of Mr Gundle's — would remain at the helm of the group, and that "(Mr Back's) two sons and son-in-law will continue to contribute their expertise to the ongoing growth of the company"

No managerial changes were envisaged for B&S and the new subsidiary would operate as a "totally separate autonomous operation"

The move by Gundle sparked market speculation that the group could use B&S's listing to reverse Gundle's other operations onto the JSE

However, Mr Gundle said Gundle would continue to operate as a private group and that a listing was not envisaged at this stage — "It certainly wasn't the reason we bought B&S"

The chairman said that if ever the group required a listing, it would go to the market by itself However, because of its present cash-flush position, such a move was some way off

B&S's taxed profits fell to R1 641 845 from R2 122 692 in the year to December but total dividends were maintained at 18c

In his annual review, Mr Back said 1983 profits were likely to be "substantially decreased" — a forecast which has since been confirmed by Mr Gundle

However, Mr Gundle said his group did not buy B&S on present-day considerations "We've seen B&S grow through the years and our attitude is, 'What is going to happen over the next 10 years?'"

(232) RDM 31/8/83

Salect's reverse deal

By JOHN MULCAHY

DETAILS of the reverse takeover of SA Selected Holdings (Salect) have finally been released

An announcement published today says Salect will acquire 100% of the issued ordinary share capital of the Scope Group for R4-million

Provided all the conditions are met the effective date of the deal will be retrospective to June 30, and the name of the group will be changed to Scope Industrial Holdings.

The purchase price will be satisfied by the allotment and issue to Mr C Groot and Mr M Roswell of 74 700 000 new Salect shares of no par value at a price of 5,35c each

Salect will undertake a rights issue of one new ordinary share for every one existing share at a price of 6c each, to raise about R2-million.

Issued share capital at the end of February totalled 37 350 000, which takes the capital after the Scope takeover and the rights issue to 149 400 000 shares

Scope's vendors — Mr Groot and Mr Roswell — have provided warranties to the effect that Scope's tangible net asset value at June 30 this year was not less than R4-million.

If the audited tangible net asset value at June 30 proves to be less than R3 900 000 Salect will be entitled to withdraw from the transaction.

Another condition is that taxed profit of the new Scope Group for the year ending June 30 1983 will be not less than R1 600 000

The reverse takeover announcement coincides with the release of Salect's results for the year to February 28 — six months to the day since the year end.

The preliminary statement shows that Salect's loss increased to R5 353 000 for the year from R4 860 000 last year, and further losses were incurred in the four months from March 1 to June 30

Turnover for the year plunged to R23-million from R46-million and the pre-tax loss was R5 780 000 compared with R4 368 000 for the year to February 1982

The Scope Group is involved in engineering and the manufacture of electron-mechanical products, automation systems, precision machining, the reconditioning of engineering equipment, marketing of hydraulic pneumatic equipment, the manufacture of hydraulic guillotines, brake presses and custom-built machine tools