3. Provident Fund

Coverage	:	--
Worker Contribution	:	--
Employer Contribution	:	--

4. Pension Fund

Coverage	:	--
Worker Contribution	:	--
Employer Contribution	:	--

5. Leave Fund

Coverage	:	All workers
Worker Contribution	:	Yes
Employer Contribution	:	Yes
Annual leave covered	:	15 days

6. Sick Fund

Coverage	:	Artisans
Worker Contribution	:	Artisans
Employer Contribution	:	--
Annual payment for 5 day week	:	-- days
Annual payment for 6 day week	:	-- days
Qualifying period	:	-- months
Waiting period	:	4 days
Percentage of wage paid	:	--.Ø %
Maternity days per pregnancy	:	--

OWNERSHIP & CONTROL
1985

Rupert builds up heavy industry stake to rival Anglo American

Rembrandt's new challenge

(232) S. Times 13/1/85

REMBRANDT has moved decisively out of tobacco and liquor into banking and industry and now challenges Anglo American as the biggest force in heavy industry in the private sector.

By David Carte

Dorbyl, effectively controlled by Anton Rupert's Rembrandt, bought Barlows heavy engineering interests for a meagre R40-million to emerge dominant in this area

Through R1 500-million a year Metkor, Rembrandt controls not only Dorbyl and its major subsidiaries, Stewarts & Lloyds and African Gate, but Union Steel, SA's third-biggest steel company, and Air Products of SA, one of the biggest gas producers

Unlisted

Metkor has several substantial unlisted interests, many of them in railway engineering, a field in which Dorbyl is now challenged only by Union Carriage and General Motors

Only Anglo American, which has Highveld Steel, Boart International and Scaw Metals, comes close in heavy industry

Metkor and its subsidiaries and associates up to the late 1970s belonged to taxpayers through State-owned Iscor, which had 80% of Metkor. Iscor failed to follow its rights in an issue underwritten by Volkskas

Volkskas thus acquired more than 30% of Metkor at minimal cost. It later decided it was becoming too big in industry and passed on its stake — enlarged by the buy-out of British Steel's interest in Dorbyl and S&L — to Rembrandt.

Rembrandt has 30% of Volkskas

Large slice

Now Volkskas and Rembrandt watchers are wondering if Volkskas's other industrial interests, including Bonuskor, Transvaal Sugar Corporation, Transvaal Malleable Foundries and minority stakes in August Laepple (35%) Mercedes-Benz of SA (27%) and Total Oil (13%), will also go to Rembrandt.

After this week's acquisition of Barlows heavy engineering arm, the chances are that if anyone wants to build a paper plant, a power station, an oil rig or any other major plant, Dorbyl or one of its associates will get the score on any Mossel Bay go-ahead

Barlows has been a greedy predator for 50 years and is embarrassed about its first significant sale But Barlows has put profits before appearances, for the deal makes commercial sense for it.

Barlows and Reunerts' Derek Cooper said yesterday. "The heavy engineering and rolling stock markets are badly depressed. We had to decide whether to invest more than a hundred-million in this area in the next five years We believed we could do better in electronics and electricals Dorbyl were about ten times bigger than us in heavy engineering so it made sense for them to take our interest"

High rating

Now Reunert, which recently bought Telephone Manufacturers of SA, will be purely an electrical and electronic stock. It will enjoy a higher stock-market rating. The plan is to get it on a similar rating to highly fancied Altech

A Barlows' spokesman said "We sold the engineering interests for 90% of net assets. That's not bad when Dorbyl trades in the market at 50% of net assets"

Keith Jenkins, managing director of Dorbyl, is delighted with the purchase He says SA cannot afford two large heavy engineering businesses. It will take time before the acquisition gives Dorbyl a boost

Mr Jenkins insists that companies like Union Carriage, General Motors, SA Transport Services' locomotive works, General Erection, Consani, Babcock, Steinmeuller, Reef Engineering and others will give Dorbyl competition in most areas.

Jobs

But he concedes that in very high technology, very heavy areas, where plant worth tens of millions of rands is needed, Dorbyl will have only foreign challengers.

Mr Jenkins says Dorbyl Heavy Engineering and its railway divisions employ 6 200 people and Barlows 1 350. Every attempt will be made to preserve jobs in the forthcoming rationalisation

"When I rationalised Dorbyl, not one senior person was laid off, apart from those who would have had to go anyway."

He hoped that normal resignations after a takeover and attrition would take care of rationalisation needs

(232) (1985) S. Express 13/1/85

Colgate makes a clean sweep of soaps

By TONY KOENDERMAN

COLGATE-Palmolive has bought the consumer products of Henkel South Africa, a move which will give the company a 27% share of the R200-million-a-year detergent market.

The deal means that Colgate takes over complete legal responsibility, together with advertising, marketing, sales and distribution, for the products

Henkel, a German company which had 12% of the detergent market, will continue to manufacture the products under contract to Colgate-Palmolive, which previously had 15% A total of about 10 Henkel products are involved, the leading ones of which are Extra and White Giant detergents, and Country Pride fabric softener

This leaves only three marketers of detergents in the country The biggest, Lever Brothers, has 63% of the market, and the remaining 10% is held by Chet Industries, which produces in-house brands for major retailers

"In difficult economic conditions there was no point in the two smaller branded product competitors bashing their heads against a wall," said Colgate-Palmolive managing director Mr Gerald Nocker "We have now formed a strong base from which to compete with the market leader"

Henkel MD Mr Peter Klews said the company had been in South Africa for 12 years, but the market had not grown as much as expected "Four companies are too many for this market"

Mr Klews said the company would continue on its base of chemical products — adhesives, industrial cleaning compounds and a variety of organic chemicals used in cosmestics, pharmaceuticals, plastics, detergents and other products

The takeover aligns Henkel's two detergents with C-P's Punch and Bingo

Improve

"We don't plan to take any brands off the market at this point in time," said Mr Nocker. "We believe we can improve the distribution, marketing and positioning of the brands"

Colgate-Palmolive, a wholly-owned subsidiary of its American parent company, does not disclose its turnover in South Africa, but sales are thought to be more than R100-million a year The new products will boost that by about R20-million a year

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Wrangler firm sold to SA Clothing

Own Correspondent

DURBAN. — Blue Bell Wrangler, the Durban-based subsidiary of the giant American clothing company, has been sold to SA Clothing Industries for an undisclosed amount.

Announcing the acquisition of the company, which includes licensing rights, in Durban yesterday, Mr Mervyn Chappel, managing director of SA Clothing, said the former parent company would continue to provide technical advice and marketing information to Blue Bell Wrangler.

His announcement ended four months of discussions between the two companies after Blue Bell said in September that the parent company had decided to employ a new operating approach in South Africa which included selling the company and appointing a licensee or distributor

Blue Bell denied that the decision had been influenced by the dramatic drop in demand over the last few years for denims

Mr Chappel said the merchandising team of Blue Bell would remain unchanged and the company would continue to operate as a separate subsidiary of SA Clothing

"Marketing and selling arrangements will also not change, but SA Clothing will now provide production and technical services to the company," he said

SA Clothing, a subsidiary of Seardel Investment Corporation, is one of the country's largest manufacturers of men's and women's casual wear.

Mr Ken Duveen, who will continue as managing-director of Blue Bell, said local sales had remained encouraging, "but overseas denim sales have shown quite a revival and we are expecting to show similar growth in the South African market"

Blue Bell has a 20 000m² factory at Prospecton, which is owned by Old Mutual, and employs 500 people

MR TED SMALE has been appointed managing director of AECI.

He joined AECI's sales office in Johannesburg in 1947. He spent three years in Britain as a trainee and several years as a representative for ICI (SA). He was appointed to the board of ICI (SA) in 1966 and to the board of AECI in 1969. He became deputy managing director in January last year. Mr Smale is a former president of the Johannesburg Chamber of Commerce.

RDM 15/1/85 (232)

R4m takeover by Kohler

Own Correspondent

PORT ELIZABETH — One of South Africa's largest print and packaging concerns, the Kohler Group, is taking over the Port Elizabeth-based Acme group for more than R4m

This was announced by Mr Derrick Minnie, the operations director, paper division of Kohler, and Mr Stuart MacDonald, the managing director of the Acme group

The Kohler group has confidence in the Port Elizabeth area and has decided to take over Acme because it is "a progressive go-ahead company with modern equipment," says Mr Minnie.

Kohler Bumley's, the Kohler group's Port Elizabeth printing operation, will not be affected by the deal.

The Kohler group, which has 35 manufacturing plants throughout South Africa and supplies virtually all sectors of the economy, has a decentralised management structure and regards packaging as a localised business.

The Acme staff will not be affected by the takeover and the company will be fully autonomous

Mr MacDonald says it is becoming increasingly difficult for family businesses to expand and the takeover will provide a means of doing this

"We now have access to all Kohler technology and feel this will be of benefit not only to us but to the Port Elizabeth area as a whole Before we were limited in what we could tackle"

Mr MacDonald says Acme — which is to be incorporated as Acme Print & Pack — has always had faith in the Port Elizabeth market.

Saan sells stake in Argus to Anglo funds

Argus Correspondent

JOHANNESBURG — South African Associated Newspapers has sold its 99 000 shares in the Argus group for R50 a share to Anglo American group pension funds, netting R4,9-million

An Anglo spokesman confirmed the deal today He said the shares had been spread among several group pension funds Anglo pension funds now control just over eight percent of the Argus group

This development, brings Anglo's direct and indirect holding in Argus up to around 35 percent

It has been widely speculated that Saan would have to raise additional cash, given the drain on resources from the fight for market share and continuing capital expenditure

A year ago, at the end of December 1983, the newspaper group had about R7-million cash on hand

RATIONALISATION

Meanwhile, the Argus group has instigated rationalisation talks between associate company Caxton and subsidiary Hortors which may result in a merger of the two printing operations

Argus says the two companies are examining the feasibility of rationalising marketing and production facilities and this could result in an exchange of shares or a merger of the two companies

Argus chairman Mr Hal Miller declined further comment at this stage

Argus holds a little over 50 percent of the share capital in Hortors and 50 percent less one share in Caxton

Although the more broadly based Hortors, through its 50 percent in Hortors Trio-Rand and 85 percent in Kalamazoo Business Systems, has a higher book value, the growth potential lies in Caxton

The combined net asset value of Hortors and Hortrio totals almost R30-million, against the around R7-million of Caxtons

15c DIVIDEND

In the 13 months to end-February — the last full set of accounts — Hortors reported pre-interest profit of R9,5-million on turnover of R99-million It paid a 15c dividend out of earnings of 35c

Caxton, in the 12 months to end-February produced pre-tax income of R4,2-million from turnover of R32,3-million

The 80c a share dividend payment was five times covered by earnings of 443c a share

Saan sells its shares in Argus

(239) 237 Star 17/7/85

Investment Editor

SA Associated Newspapers has sold its 99 000 shares in the Argus Group for R50 a share to Anglo American

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It has been widely speculated that SAAN would have to raise additional cash, given the ongoing drain on resources from the fight for market share and continuing capital expenditure

A year ago, at the end of December, 1983, the newspaper group had some R7 million cash on hand It is believed that it is now a similar amount in the red

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crop expectation is based on bigger plantings

Oil seed (sunflower and groundnuts) yields will depend on further plantings up to the end of January, and on good rains A groundnut crop of about 120 000 t — well below a reasonable crop of 200 000 t-250 000 t — could still be reaped, subject to "favourable climatic conditions," says Oil Seeds Board GM Jan du Preez However, recent heat waves have taken their toll

With good rains, a "normal" sunflower crop could yield 400 000 t-500 000 t, enabling producers to earn foreign exchange on production above local requirements of about 350 000 t Last year, farmers earned about R130m on a crop of less than 200 000 t (after original expectations of 800 000 t)

Oil Expressors' Association chairman Lance Japhet expects more than 150 000 t of vegetable oils will have to be imported before May, following three disastrous crop years

Other sectors looking good include wool (Wool Board chairman Faan van Wyk expects an increase in wool receipts to R400m-R450m from last year's R293m), mohair (where export earnings are expected to jump to about R125m from last year's R94m), deciduous fruit (where the low rand could push up farmers' gross earnings by about 25%, from last year's R360m) and wheat (a bumper crop of about 2,2Mt is expected with about 130 000 t for export)

FERTILISER

Cartel fears

The Consumer Council is considering asking the Competition Board to investigate the possible formation of a new cartel in the fertiliser industry The move would follow the simultaneous announcement of identical price increases by all major producers except Sasol Fertilisers

The hefty increase, just a year after the abolition of price and import controls on fertilisers was supposed to re-establish a free market in the industry, has angered SA's farmers

The 20% hike from January 1, to be phased in over the next eight months, leaves Sasol as the only producer still operating on the October 1984 price list

But to avoid being swamped by a rush of "cheap" early-season orders, leaving the more lucrative late market open to its competitors, Sasol is watching developments closely and playing a cautious game on 1985 pricing, a spokesman says

In January last year Trade and Industry Minister Dawie de Villiers announced the abolition of controls in the industry But the latest price increase announcement has created suspicions of collusion between major producers

Assistant Consumer Council director Bernard Hellberg says although there is no proof of a formal or informal cartel, the "strange situation" of similar price increases announced "as from one mouth" by all major producers, excluding Sasol, raises strong suspicions of such a cartel "We condemn this out of hand as inimical to the interests of consumers," says Hellberg

Farmers are predictably upset about the sudden increase They point out that it has come on top of the drought, sky-high interest rates, rising inflation and an expected 18%-20% increase in the petrol price

Says Nampo GM Piet Gous "Although we are not unaware or unsympathetic to the effects of high imported costs of fertiliser raw materials, aggravated by the very low value of the rand against the dollar, we would have expected a greater amount of competition in the industry as far as pricing is concerned I find it incomprehensible and unrealistic that five major producers announce basically the same price lists for 1985 on the same day"

Producers, however, deny the allegations of collusion Fertiliser Society of SA director Hilmar Venter says he is "not aware" of any collusion in determining prices But since the end of controls, he points out, the society is no longer responsible for announcing increases on behalf of the industry "Individual producers make their own announcements," he says

Fedmis MD Terra Terreblanche says it is "pure coincidence" that other companies

FAT COPY CATS

Ignorance of photocopier rental contracts and pricing structures among many of the 30 000 businesses using these systems is resulting in suppliers raking in extra payments which they do not deserve, claims Mercedes Datakor marketing manager Paul Stafford

He believes that abuse related to overcharging and bad service is worth about 10% of the estimated R100m/year SA copier market "Almost every photocopying contract contains clauses which unnecessarily cost businesses millions every year," says Stafford

When negotiating for a new photocopier with any of the 10 suppliers the office managers should lay down their own terms and be particularly careful to read the contract's small print "The systems called minimum billing or volume band pricing both work to the advantage of the seller not the buyer," says Stafford

He says there is no reason why a client should agree to pay for a certain number of copies each month (minimum billing) when, for instance, over the Christmas and Easter periods he will use fewer copies than he is paying for"

Volume band pricing, where a customer pays on a sliding scale according to the number of copies used, is almost universally loaded in favour of the seller "A buyer should negotiate a flat rate per copy which includes supplies such as toners — another hidden extra many companies don't spot"

The biggest pitfall that can be avoided is in rental contracts themselves After the initial contract period of three or five years the client may only re-negotiate to pull out of his contract 90 days before the anniversary of the date it was signed

Says Stafford "This clause should be deleted from the contract as many photocopying companies refuse to allow a contract to be terminated if the application is even one day late, and they are then held to it for another 12 months"

Instead, he suggests, both parties should be allowed to give 90 days' notice of termination whenever they desire after the initial contract.

When signing what appears to be a rental agreement, the buyer must ensure that it will not be discounted with a bank, which will effectively convert it into a lease, he says A rental agreement provides greater flexibility and allows the user to change it without incurring a penalty

With a lease, the user must pay a financial penalty if he wants to change the equipment for a newer model But a lease benefits a user who believes he will use the copier for several years and may want to purchase it.

announced identical price increases on the same day

Nampo, meanwhile, is advising farmers *not* to take advantage of early-buying rebates offered by the "big five" from January 1, because of the high cost of interest on fertiliser stocks to be carried until the next planting season "Although rebates kick off at 19% in January (and then reduce by 2,5% a month until the full 20% increase comes into effect on September 1), the interest cost and the risk of carrying these stocks will not make the exercise worth farmers' while," says Gous

Surplus capacity

At the root of the problem seems to be the fertiliser industry's massive production over-capacity. With production in 1983 down to 2,2 Mt, the industry was utilising only about 47% of its total capacity of 4,7 Mt a year This has already led to the closure of AECI's Umbogintwini ammonia plant, with annual production capacity of 180 000 t, and of Bonus Fertiliser

Sasol's entry into the crowded and drought-hit market early in 1984 aggravated the problems of existing market leaders like Triomf and Fedmis

In defence of the industry, Venter says the 118% increase in the dollar price of imported sulphur over the past year, "contributing about 7% to the total increase of about 20%," the sharp drop in the rand/dollar exchange rate and high local inflation and interest rates, meant producers had to "do something" to recover increasing costs

A Triomf spokesman says all potash is imported and constitutes "about 15%" of fertiliser sold in SA Depreciation of the rand "roughly doubled" the cost of imported potash, without taking into consideration any offshore price increases

Another factor leading to the fertiliser price rise is the 18% increase in the ammonia price by AECI and Sasol from January 1 This follows AECI's reduction in production capacity, which forced Triomf and Fedmis to import 35 000 t of ammonia in the last four months of 1984

CLOTHING INDUSTRY

Covering up

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Prospects for SA's faded denim jeans industry look brighter since the acquisition of Wrangler US's local interests by SA Clothing

Wrangler is the country's biggest denim jeans manufacturer with an annual turnover of around R10m Company executives deny the decision to sell was linked to the growing disinvestment calls in the US

MD Ken Duveen says it is in line with Wrangler's strategy to scale down its international interests — its pull-back from Australia and Europe is a case in point — and "concentrate its operations at home"

Worldwide, the denim industry hit a sticky patch in the late Seventies after phenomenal growth when fickle consumers switched to cooler cotton jeans and designer labels

At the same time, it's an open secret that Wrangler geared up its local operation in the Eighties in anticipation of sales that never came The expansion coincided with the downturn, and ever since the US parent has had to shoulder the loss

Same team

SA Clothing MD Mervyn Chappel says the company intends to keep the Wrangler label as well as the sales, merchandising and marketing team as a division of SA Clothing Wrangler's holding company, Blue Bell Inc of Greensboro, North Carolina, will continue to provide technical assistance and marketing information

Although Wrangler produces a full range of casual wear including jeans, jackets and shirts for men, women and children, Chappel says he sees no conflict with SA Clothing's other casual wear interests because "they sell to different markets"

Duveen, who will head the new Wrangler section, sees a big future for denim in SA He says in the US and Europe the "authentic denim look" is making a big comeback, and he predicts a similar trend will emerge in SA

WATER

Less for more

Come rain or drought, the PWV's lifeblood supply, the Vaal Dam, will not run dry before October Water Affairs' Anton Steyn gives this confident undertaking despite the fact that the dam is at its lowest level at 17% of capacity — half the volume of water it held a year ago

The *FM* learns that the Vaal's 2,2 billion m^3 capacity can be partly replenished with "expensive water" in four days from the 1,2 billion m^3 Sterkfontein dam near Harrismith, now 78% full

But if rainfall run-off into the Vaal does not increase the level above the 17% mark by April, Rand Water Board (RWB) chairman Dale Hobbs says "we will have to consider drastic measures"

Thanks mainly to savings by industry rather than householders, water consumption in the PWV area is down 30% on average But there are conflicting reports on further cuts

Water authorities believe greater savings will have to be made by industry and householders Parliamentary approval is no longer mandatory for the introduction of water rationing as the RWB now has the

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SAB to raise stake in ABI

SOUTH African Breweries (SAB) has reached agreement to increase its shareholding in Amalgamated Beverage Industries (ABI) from 21% to 55% by January 1, 1987.

The negotiations were first announced in SAB's interim report of last November 7

The effective cost to SAB of about R85m will be paid as to 12% on January 31, 1985, and the balance during 1986

ABI, the largest carbonated soft drink bottler in South Africa, has bottling plants in Johannesburg, Pretoria and Durban and employs 3 800 people.

A substantial capital improvement programme completed recently provides ABI with the most up-to-date technology and equipment in this field

"ABI will dispose of 80% of its canning operations to The Coca-Cola Export Corporation with effect from January 1, 1985," SAB said

Projected financial features of ABI for the financial year ending December 31, 1985, show turnover at R350m, net assets at R150m, and profit after tax of R20m

Commenting on the agreement, Mr K R Williams, chairman of SAB's beverage division, said SAB's increased share in ABI would further complement its current activities in the beverage industry by providing SAB with a strategic stake in the soft drink market

This industry has shown an average long-term growth of 9% in volume sales

While there will be no immediate material effect on SAB's earnings or net asset value per share, it is anticipated that ABI will make a significant contribution to SAB's performance in future.

Other shareholders in ABI on January 1, 1987, will be the Coca-Cola Export Corporation (30%) and Cadbury Schweppes

Will Dorbyl be the vehicle Star 26/11/85 for a new

steel monopoly?

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Reading the 1984 annual report of Dorbyl against the background of merger possibilities with Stewarts and Lloyds and "big daddy" ultimate holding company Metkor Limited, made for some interesting assumptions about the future of the steel industry in South Africa

Today Dorbyl is a giant conducting its activities in more than 50 separate factories.

Chairman KN Jenkins' report mirrored the deteriorating economy. The first nine months of the past financial year were highly competitive and difficult The last quarter fell apart as a result of high interest rates and action taken by the authorities to reduce consumer spending

The automotive sector suffered badly Black unrest in the Vaal Triangle resulted in work stoppages, delayed deliveries and unrecovered operating costs

On the trading side turnover declined significantly to R634,6 million (1983 — R748,1 million) while operating income before interest declined 12 percent to R52,3 million (1983 — R59,4 million)

Despite R44,2 million of capital expenditure interest expense was only R4,3 million compared to R8,4 million in 1983. The group's tax charge was R17,4 million, some one percent above 1983's amount.

After deducting tax the profit was R30,6 million (1983 — R33,7 million) This meant earnings per share of 165,9c (1983 — 180,9c) Despite 1984 being the worst of the past three years the dividend was maintained at 51c

STAFFING

While I agree with the chairman that "the group's financial position is most satisfactory" I found it difficult to prove that the average level of net borrowings during the year was well below the levels ruling in the previous years especially with borrowings (long-term, current and overdraft) increasing to R66,1 million at year end compared to R53,5 million at end 1983.

Staffing was cut from 19 623 people in 1983 to 17 928, so it is evident that the steel industry is finding it tough going

So what of the future? At year end the order book stood at R635,4 million and while at first glance this is up on the previous year's R592 million, some of the current orders stretch over a longer time

The directors report emphasised the continued efforts to improve the efficiency of the group's operations and to optimise the use of assets

This saw the closure of the Busaf Natal Works and the result of the sale of the factory premises for R2 million. Subsequent to year end Car-Part Industries, which operates in Bophuthatswana and manufactures ball joints and other steering components, was acquired for R4,2 million

Michael Menof on the company beat

The Atlantis Plant, established to manufacture forgings, was officially opened in September 1984 and has commenced production.

The past five years' financial review is impressive At September 30, 1984 the net asset value per share was R17,77, having risen impressively from only R7,94 in 1980 At the present market on the JSE of only R6,50 this represents a 64 percent discount on net asset value

The last significant merger was in 1973 when Dorman Long and Vanderbijl Engineering Corporation combined to form the Dorbyl of today — but where to from now?

Metkor owns 60 percent and Anglo American 40 percent of a company called International Pipe and Steel Investments South Africa (Pty) Limited (IPSI), which in turn owns 51 percent in both the Dorbyl and Stewarts and Lloyds Groups.

Metkor in turn is owned 49,9 percent by Industrial Mining Investments, 25,6 percent by Iscor, 11,1 percent by Rentmeester Beleggings and 13,4 percent by the public

My guess is that the following will happen during the next 3-5 years

- Dorbyl will absorb Stewarts and Lloyds with the latter disappearing from the JSE
- Iscor will continue on its 1984 profit trend to support its ultimate privatisation whereupon it will be merged into the Gencor stable whose ultimate control rests with Sanlam.
- Significant shareholder Anglo American will "slide" out of IPSI With no advantages, it will trade off its interests.
- Sanlam through Gencor owning Iscor will team up with Rembrandt who will control Metkor to form a partnership Both Sanlam and Rembrandt possess abundant cash reserves to justify their controlling position in the capital-intensive steel industry
- A monopolistic steel engineering giant will emerge that will secure all major state tenders in the engineering field with little competition

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SANLAM/REMBRANDT

Spreading tentacles

Managerial and investment strategy changes in the Afrikaner giants Sanlam and Rembrandt have well-placed them to challenge the pre-eminence of Anglo American and Old Mutual. But they will also be fighting it out with each other.

A series of deals in the last few years have moulded the two foremost groups in the Afrikaner business camp, Sanlam and Rembrandt, into increasingly powerful and influential forces Their styles — and sometimes interests — are not always identical And Sanlam's management reshuffle this week suggests that, if in the past it was considered the more active monitor (or overlord) of the two, it's going to be even more involved now.

Whether that is the intention or not, these organisations are rapidly squaring up as a growing challenge to Anglo American, the bastion of English business, and the Old Mutual, which has its roots in the English tradition.

There is nothing to say the expansions will necessarily continue at their recent pace, in fact, in the short term they almost certainly won't. But what is certain is that some deals already done will lead to others, and have made rationalisations in some industries inevitable.

As we noted last year (*FM* December 12), Sanlam easily dominated the takeovers and acquisitions on the JSE in 1984. In the last 18 months, the insurance giant bought control, or near control, in Sanki, unlisted holding company of the mainly retail trading Kirsh group, engineering group Abercom, industrial conglomerate Malbak/Protea, motor, industrial and mining group Messina; and Anchusa, the holding company of construction and industrial group Murray & Roberts Already, Sanlam had control of such companies as Federale Mynbou, Federale Volksbeleggings and Bankorp.

Late last year, two major strategic moves came from Rembrandt, a secretive multinational, and certainly the country's most liquid group. At end-March 1984, it had some R700m in cash, much of it probably outside SA, in currencies which have since appreciated After obtaining permission from the Registrar of Financial Institutions, Rembrandt lifted its stake in the Volkskas banking and industrial group, including one of the "Big Five" commercial banks, from 20% to nearly 30%, the maximum allowed without official permission under the Banks Act.

Earlier, Rembrandt subsidiary Industrial and Mining Investments became the largest shareholder in Metkor, with a stake of just under 50% Metkor, whose other major shareholders are Iscor (26%) and Rentmeester (11%), is being reshaped to be easily the dominant force in the SA engineering business Heavy engineering company Dorbyl and largely light engineering firm Stewarts and Lloyds (S & L) — both of which were already controlled by Metkor — are being merged and rationalised, while Dorbyl is buying the heavy engineering and rolling stock activities owned by the Barlow group's Reunert for some R40m.

Of course, each deal was motivated differently. The same argument that has been put forward for purchases by other SA companies such as Barlow and SA Brews in recent years, the growing shortages of available and attractive investments, will have played a compelling role in many of these decisions. Larger players in the corporate scene feel almost forced to grab stakes in growth sectors or strategic areas while they can.

It is, however, reasonable to assume that some of these deals were done with a longer-term game plan in mind In some cases, the game plan has to be devised after the deal, as was probably the case with Mutual's takeover of Rennies and the subsequent merger of Rennies with Safmarine. Either way, once any investor has numerous major or dominant stakes in large companies, harmonising the portfolio becomes inevitable Such assets have to be made to perform, and even when they are efficient, they demand the time of the major shareholder's senior executives Interestingly, the management time consumed is the very reason given by Mutual for largely avoiding controlling stakes in its interests

Sanlam's management should have considerably more scope for this process after management changes announced at the weekend. Fred du Plessis (54), who took

Sanlam's Daling (left), Rembrandt's Rupert ... Afrikaner momentum gathering

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over the chairmanship of Sanlam group from Lens Wassenaar early last year, hands over his position as MD, which he has held since 1978, to present senior GM marketing Pierre Steyn.

One of several relatively young executives rising to top positions at Sanlam, Steyn (46), an actuary, has climbed through the ranks, working in the actuarial department, the Bank of Johannesburg — a former Sanlam subsidiary — the investment department and marketing.

Replacing Steyn as senior GM marketing (but excluding pensions) is George Rudman, currently senior GM responsible for the actuarial and accounting functions, internal audits and personnel Rudman spent much of his career in actuarial work He joined the group on a Sanlam bursary, after qualifying in Scotland New senior GM handling property interests is Neil Krige (35), a former Rhodes scholar actuary who left on Friday for Harvard's Advanced Management Programme.

What will inevitably be seen as a more significant change takes place in investment. Ronnie Masson takes over the investment portfolio, with responsibility for all investments except the strategic interests These interests will now be overseen full-time by Daling (38), who has moved to Johannesburg. Daling is unwilling to say much about his new position at this stage. "It basically means that what I was doing part-time I will now be doing full-time," he says Plainly the full implications of his new position will become clearer later. It also remains to be seen whether he will build up a support team

Sanlam chairman Du Plessis ... still the key figure

Sanlam management understandably rejects any suggestions that the moves indicate that it is becoming more directly involved in operating companies For one reason or another, several of its interests — Sentrachem, Kanhym, Tedelex, Abercom and Messina are examples — have been battling lately, so the motivation for such suggestions is not lacking

Obviously, one good reason for Daling's new position is that simply monitoring and communicating with the strategic interests were making increasing demands on his time. As investments GM, Daling was on the main boards of Fed Mynbou, Fed Volks, Malbak, Sanki, Anchusa and Metropolitan Homes Trust Life, among others

Instead of commuting from Cape Town to Johannesburg every week — he moved to Johannesburg in the Christmas holidays — Daling is better positioned to work with the likes of Natie Kirsh, Gencor's five-man executive team, Federale Volks's Johan Moolman or Malbak's Derek Keyes and Grant Thomas Each of these groups often have plans of their own, which have to be discussed with Sanlam. Of course, there may be some eyebrows raised right now among these companies; whatever Sanlam's intentions, the line between strategic and operating management is sometimes rather fine

Investments chief Masson ... implications to emerge

It seems self-evident too that Sanlam will be looking more closely at potential rationalisations, where it may act as a catalyst. Here the possible permutations are wide Suggestions made in Diagonal Street include Abercom being shifted into Malbak, a streamlining of Fed Volks, or even deals between Sentrachem and Sasol. Much of it is speculative, but there should be room for changes that would benefit all, including minority shareholders

Another of Daling's functions, no less important, will be new strategic acquisitions While the immediate emphasis will presumably be on consolidation, further expansions are bound to come If Sanlam does, indeed, plan to have more direct interests in corporate SA, there remain numerous untapped areas For example, there are areas in consumer markets, such as clothing, where Sanlam does not have much exposure, nor does it have much in high-technology areas like electronics and computers Moves overseas may also be considered logical This is currently being planned by Gencor investment arm Genbel.

(232) FM 25/1/85

Interestingly, Daling is reporting directly to Du Plessis who, while he now becomes non-executive chairman, and relinquishes day-to-day running of Sanlam, is most unlikely to become less active Du Plessis, forceful and influential, is a creative thinker and a man of action He was the key figure behind the August 1979 rationalisation of the liquor industry Last November, after Sanlam's purchase of Messina, he spoke persuasively of the need for rationalisation of the motor industry Du Plessis has also been lobbying recently in the area of economic policy, where he favours direct controls on imports, controls on the exchange rate and domestic credit extension

Rembrandt's new interests could also lead to some reshuffles Rationalisation in the engineering industry, which has been particularly badly hit by recession, was probably motivated in Metkor, whose MD Keith Jenkins is also chairman of Dorbyl and S & L Apart from acquiring S & L, Dorbyl will acquire the trading operations of Afgate, also a Metkor subsidiary

Rembrandt chairman Anton Rupert has a philosophy of "partnership in industry," which usually means adopting a benign role, without dominating companies or industries But Rembrandt, too, may have longer-term strategies in mind The main attraction in Volkskas must be the banking and financial interests, but it may be that some of the industrial activities could usefully be moved elsewhere, with Rembrandt the catalyst if not the buyer

What is certain is that the Afrikaner giants have gained a powerful momentum in SA industry They will speak with an increasingly loud voice in economics and other public affairs, and will continue to be active in corporate wheeler-dealing In both these fields, they have increasingly clashed with one another That can't be a bad thing

Andrew McNulty

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27/1/85

By David Carte

UNDER Barlows' management, Tiger Oats has moved decisively to bring its investments to better account

- It has pulled R9-million in cash out of its fishing companies
- It sold its 30% stake in Metro Cash to Kirsh Industries for about R16 a share, realising R25,8-million
- It sold its holding in J Bibby & Co to Barlows for R163,9-million

Each of these transactions enhanced liquidity and improved returns for shareholders Tiger, with about R200-million in cash, is one of the cash richest companies on the Johannesburg Stock Exchange

Any day

A question mark now falls over Tiger's major remaining investments

- Frasers, wholesalers and retailers to black South Africa
- WG Brown Investments, which owns the hot-performing R650-million a year Spar franchise This company comprises 440 Spar retail outlets nationwide — 400 of them independent "club members" and 40 belonging to Browns — plus WG Brown, which is the exclusive wholesaler to Spar shops It sells through rather than to Spar shops

Tiger Oats has built up its stake in WG Brown to more than 40% since the last balance sheet when it was 33%

The idea is to increase its investment here, not to disinvest, as in Metro and Bibby Sources close to the courting companies tell me control could pass any day.

Listing

If Tiger gets control of WG Brown, the chances are good that it will list it separately on the Johannesburg Stock Exchange

Managing director Philip Heber Percy would like to see Browns listed.

First, Browns would command a premium rating Second, there would be marketing and financial advantages Third, running a listed company stimulates management and enables participation in the company's success through a share incentive scheme Fourth, Spar grocers could get a stake in the top company Fifth, stake holders would be able to cash in when they shop and will automatically outperform a paid manager

If, as seems likely, WG Brown is accorded a dividend yield of less than 4%, Tiger's own rating can only benefit

The asset is in Tiger's balance sheet at cost of only a couple of million Assuming, conservatively, that Browns achieves a margin of 3% on sales and pays a full tax rate, taxed profit would be R7,2-million. If the PE is only 10, against Pick 'n Pay's 16 and Score's 24, the company would be worth R72-million and Tiger's stake, after control changes, at least R36-million.

If these numbers are conservative and Score-like hysteria takes root, Tiger's gain could be several times this

There are two possibilities for Tiger's holding in Frasers either it will disinvest, as it did with Metro, or it will go for control

It is unlikely to sell out while Frasers is as underrated on the market as it is now

In addition, while Premier and OK are linked through SA Breweries, it would probably be reluctant to part company with such a valuable outlet for its products

If Tiger is to go for control, it will take years not months It now has only 10% of Frascon, the pyramid that controls Frasers This is the biggest single stake outside the McDonald family

Chris McDonald, grandson of Lord Fraser, apparently holds the key to control Tiger's holding has grown over the years, so it would probably not mind more

Mr Norton says that even though they both have wholesale and retail outlets, Frasers and Browns are too different to be put together

There is also a conflict between the two companies in that Browns aims to help the small trader in the battle against big chains, such as Frasers Frasers and Spar frequently compete on the same street.

Retreat

This week's petrol price shock will shake the entire industrial market and far-flung Frasers and thus Frascon will not be immune Still, if the retreat in these two goes more than a few cents, there could soon be a good case for accumulation

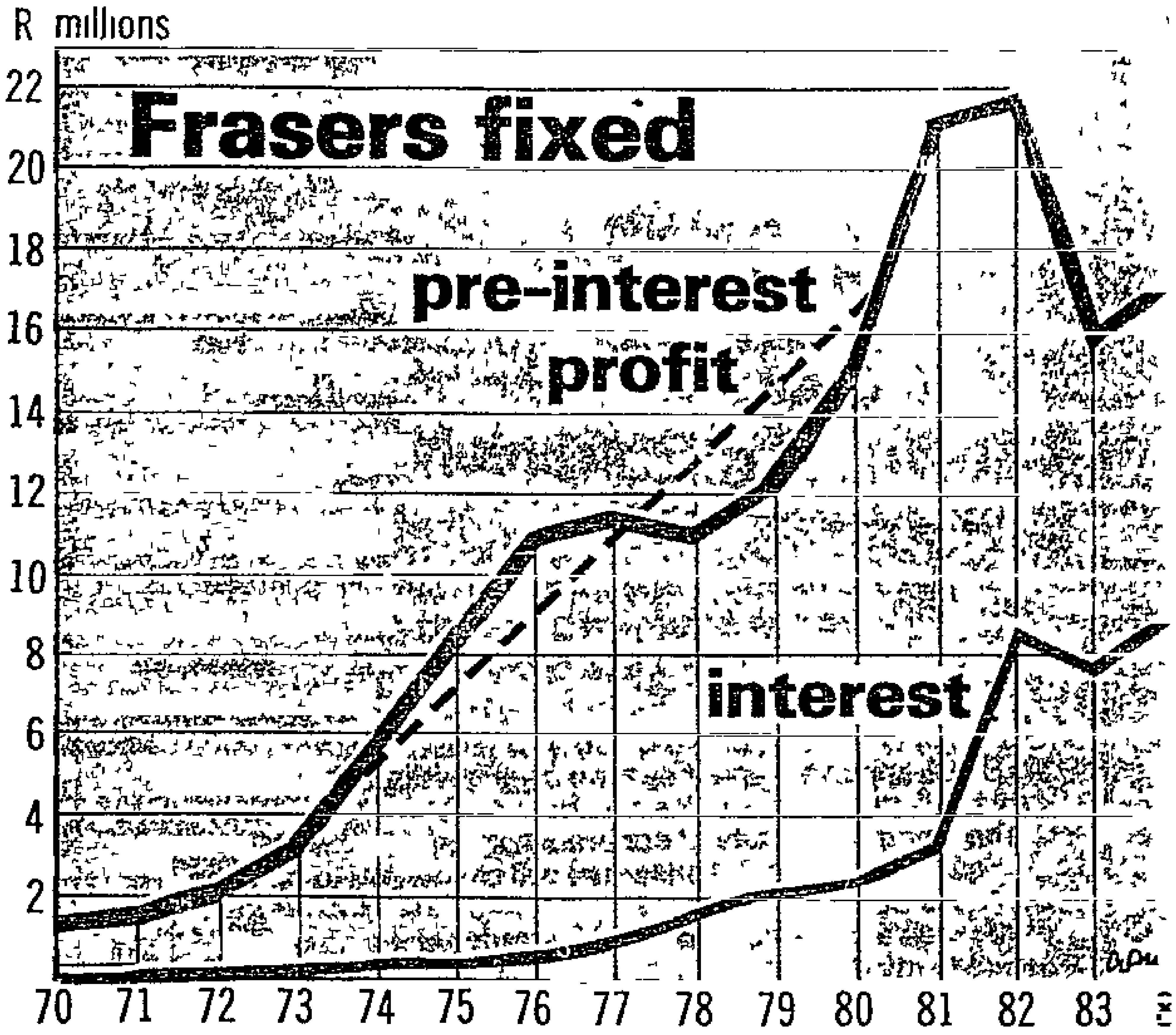
Both have halved in price since the beginning of 1982 when Frasers was on 450c compared to 200c now, and Frascon on 220c compared to the current 90c — not surprising because the dividend has fallen since the 24,5c of 1981 to 14c in the past two years

The graph tells the story of Frasers recent demise, with interest costs (bottom line) eating into pre-interest profits as interest rates soared to unheard-of levels and excessive stocks pushed up debt Pre-interest profit has been in a healthy uptrend for most years, but drought and stock markdowns took a punishing toll in 1983 and 1984.

Mr Campbell says slow moving stocks have been moved out with ruthless discounting Recent rains were worth hundreds of [illegible] of rands to Frasers

Properties have been [illegible] to a property company 50% held with institutions [illegible] debt has been reduced to 29% of equity This will reduce interest costs, but rents will obviously rise Frasers earnings were up 12% at the half year and the goal is maintained earnings for the year

Higher interest rates would no doubt prevent [illegible] But once interest rates start to decline, upside in Fr[illegible] and Frascon will be mar[illegible] especially if Tiger seizes early opportunity



How interest costs, drought and excessive stocks hit Frasers

chain Potter

Smart-centre

Picture: Horace Potter

ing investments.

- Frasers, wholesalers and retailers to black South Africa
- WG Brown Investments, which owns the hot-performing R650-million a year Spar franchise. This company comprises 440 Spar retail outlets nationwide — 400 of them independent "club members" and 40 belonging to Browns — plus WG Brown, which is the exclusive wholesaler to Spar shops. It sells through rather than to Spar shops.

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Finally, a listing would accord with Barlows' philosophy Barlows says it wants all its good down-line companies on the stock market. Both Tony Norton, chairman of Tiger, and Mr Heber Percy sounded favourable when asked for comment this week.

Why should Browns command a premium rating?

Track record

Mr Heber Percy reckons the three-year track record would be better even than Pick 'n Pay's One has only to look at the example of Score, with a yield of 1,6% and PE of 24,4, to see how highly the market rates successful stores Spar shops have increased their share of the grocery, confectionery and toiletries market from 7% to 10,7% in three years — a 53% improvement in market share

Their turnover last year was R650-million It would have risen by another R100-million this year, but Noels, the Natal grocery chain, has pulled out to go solo, so last year's figures still obtain.

Tax rate

Turnover at Browns, the exclusive wholesaler, has rocketed from R28-million to R480-million in 25 years

Mr Heber Percy maintains that each of more than 400 Spar retailers is extra hungry because he owns his

go for control.

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Chris McDonald, grandson

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Giant SA car merger; Ford quits PE

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From KEN VERNON
Argus Bureau

PORT ELIZABETH. — Ford motor company and the Anglo motor manufacturing arm Amcar have merged and will operate under the name South African Motor Corporation

Ford workers were told about the move today at a series of co-ordinated meetings at all the company's Port Elizabeth factories where managers read a statement by the company's production director, Mr Neville Cohen

The statement said the company would not be moving production facilities from Port Elizabeth "before the end of the year" and added that there would always be "some Ford presence in Port Elizabeth", but did not elaborate further

The result of the meeting was made known by employees of the company who said the news was "only what we have been expecting all along".

There was no mention in the statement of possible retrenchments of Ford staff, now or in the near future, but it did say that a more detailed statement would be issued to the Press this afternoon

INVESTMENT

An employee said the statement mentioned that the company had said the reason behind the move was that it had not received "sufficient" return on its investment in Port Elizabeth

Mr Cohen said he personally would not be taking part in the new venture.

The Mayor of Port Elizabeth, Mr Ivan Krige, said in reaction to the Ford-Amcar merger that it was another "hammer blow" to a Port Elizabeth economy already reeling in the economic downturn

"I don't want to spread alarm and dispondency," he said "there is no need to panic because we have been given this 12-month breathing space.

"But the Government must now help us or watch Port Elizabeth die."

PE reels as Ford plans pullout

Cape Times 31/1/85

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PORT ELIZABETH — This city was stunned yesterday as the full impact of the intended closure of most of Ford South Africa's operations here struck home

And with talk of further industry rationalization, there were fears that the figure of more than 2 000 jobs expected to be lost at Ford alone might be only a fraction of the total, including many small-ancillary industries, threatened as a result of the announcement.

Among the results of the merger announced in Johannesburg yesterday between Ford and Amcar (jointly owned by Anglo American Corporation and its industrial arm, Amic)

Headquarters

- Both Ford and Amcar are absorbed in a new motoring giant, called South African Motor Corporation (Samcor) with Amcar having a 60 percent share and Ford 40 percent
- Amcar headquarters will be in Pretoria
- Although not final, Ford seems certain to close its Neave plant in Port Elizabeth completely by March next year, with the loss of 2 000 jobs It will then be sold if a buyer can be found
- PE will retain production of the Sierra, Ford's tractor operation and the product development division

Ford yesterday denied that disinvestment pressure in the US or union militancy in PE had played any part in their decision

Implications

The largest union affected by the merger, the National Automobile and Allied Workers' Union (Naawu), will be testing Ford and Anglo American to "give proof" of their public statements of social responsibility

Naawu said in a statement they would be negotiating to see if the companies were prepared to translate claims that they were aware of the socio-economic implications of the move into action

The statement was issued after delegations from Naawu, the Motor Assembly and Component Workers' Union (Macwusa) and the all-white SA Iron, Steel and Allied Industries Union met senior management in Johannesburg on Tuesday

Port Elizabeth MPs reacted with shock yesterday to the news of the merger, describing the move as a "body-blow" for the city

Mr John Malcomess expressed the fear that the move would have a "ripple effect"

"Component suppliers might move and indeed General Motors who have already closed one plant might have to move in order to remain competitive with other factories which get subsidies from the government."

Describing the move as a "terrible body blow to Port Elizabeth and Uitenhage", the MP for Uitenhage, Mr Dawie le Roux, added that in a wider sense it was also a blow to the whole decentralization policy

The leader of the Labour Party, the Rev Allan Hendrickse, said the closure was "almost a death-knell for many families in these times of economic hardship" — Sapa, Political Staff and Own Correspondent

- 400 lose jobs in Cape this week, page 2
- Amcar and Ford merger — R1-bn turnover expected, page 14

CAPE TIMES 31/1/85

Amcar and Ford merger — R1-bn turnover expected

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Own Correspondent

JOHANNESBURG — Anglo American and Ford are to merge their South African motor manufacturing operations

The new company, with an expected turnover of R1 billion a year and assets of R700m, will be called the South African Motor Corporation (Samcor)

Anglo American Corporation and Anglo American Industrial Corporation (Amic), who control Amcar Motor Holdings and its franchises for Peugeot, Mazda and Mitsubishi vehicles, will hold about 60 percent of the operation Ford Canada, of which Ford SA is a subsidiary, will control about 40 percent

Final ratio

The final ratio will be decided once Ford SA and Amcar have audited their 1984 accounts, and will be based on their net worth

The merger is likely to see the transfer to Amcar's Silverton, Pretoria, plant, of most of Ford's production in the Eastern Cape

The rationalization programme is expected to take 18 months to complete

Although a final decision has yet to be taken, production of Ford and Amcar vehicles is likely to be centred on two assembly plants — Silverton and Ford's Struandale plant at Port Elizabeth

Ford's nearby Neave plant is expected to close, with the loss of 2 000 jobs, as well as Amcar's 150-man Port Elizabeth truck manufacturing operation

Conclusions

Announcing the merger yesterday, Amcar's chairman, Mr Les Boyd, said "Our studies indicate that we could produce all the vehicles we will require in the two most modern plants, Amcar's Silverton assembly plant and Ford's Struandale assembly plant in Port Elizabeth

"Hence in the course of the next several months we will review and reach conclusions on the transfer of production of Amcar's truck plant in PE and Ford's Neave assembly plant to Silverton, thus increasing production there from its present 50 percent of capacity to close to capacity on a single-shift basis

"At the same time, we will continue production at Ford's engine plant at Struandale We will be achieving the improved efficiencies we are seeking and taking positive steps to ensure the new company's long-term success

"The specific timing of these actions is still to be determined but it will take up to 18 months to complete manufacturing rationalisation"

The reduction of Ford's Eastern Cape operation is likely to have serious effects on the region, which relies heavily on the motor industry

Operations

Ford, General Motors and Volkswagen are all based around Port Elizabeth The departure of any one of them could have a ripple effect on the dozens of motor component manufacturers and tyre companies which rely on them for business, and cause tens of thousands of jobs to be lost

Mr Boyd, who will become chairman of Samcor, said yesterday the new company would work closely with the unions and the government to minimize any effect the merger would have on the Eastern Cape

He said "We are very aware that the eventual scaling-down of operations in Port Elizabeth will have socio-economic effects on the Eastern Cape, but we wish to emphasize strongly that the new company will be well aware of its responsibilities to employees and the community

"We plan to provide an economic safety net for any employees affected and we are working with the authorities and private commerce and industry on re-training programmes and alternative employment opportunities"

Samcor is expected to come officially into existence in March, and will receive an immediate injection of R200m in new equity, cash and subordinated loans

The R200m will be provided by Ford Canada, Anglo American Corporation and Amic The decision on who pays what has yet to be decided

Ford is SA's second largest vehicle manufacturer, and Amcar the third Together, they account for about 25 percent of the car market and 20 percent of the truck market.

Mr Lindsey Halstead, vice-president of Ford in North America with responsibility for Ford SA, said the merger was made necessary by South Africa's overcrowded vehicle market, in which 11 car manufacturers and 17 truck manufacturers competed for a combined market of only 400 000 vehicles

He added that it was part of a worldwide trend in which motor manufacturers were increasingly recognising the advantages of co-operation and joint undertakings

He said "The nature of the global automotive business has changed so remarkably over the past six years that Ford simply cannot continue to do business as in the past"

Mr Halstead said Ford and Amcar would continue to use separate dealer networks once the merger was complete Despite strong speculation that certain Ford and Mazda cars models might be merged into a single model, he said no such decision had yet been taken

He denied suggestions that Ford's decision was taken under pressure from the US disinvestment lobby in the current economic climate?

Dramatic price increases do naturally occur at times in free and competitive markets. But when they do, we can be confident that they are justified because of changes in demand or supply conditions, and we also know that any supernormal profits which may arise will ultimately be eroded by competition. But substantial government manipulation and secrecy in the field of energy prevents us from properly assessing the need or otherwise of dramatic price hikes.

Oil, of course, is a "strategic commodity." This provides the rationale — or excuse — for government intervention. But surely it doesn't provide the rationale for excessive intervention, or for the policy of keeping the public ignorant of the facts concerning fuel?

Two other points should be made. If the petrol price increase is fully justified, we can expect dramatic price increases in all other import industries — perhaps two- or three-fold increases. Remember that the petrol we buy is mainly produced locally. And if it is true that the price of petrol is simply the result of the depreciating rand, we should confidently look forward to similar drastic falls in the price of fuel as soon as there is a substantial strengthening of the currency.

But confidence is about the last thing we have come to expect from government.

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COMPETITION BOARD

Compounding the problem?

Although the Competition Board's teeth have been sharpened by recently announced measures, its investigation into cartels raises serious questions of implementation and public policy.

Pretoria's policymakers have beefed up the board believing that *ad hoc* investigations into competition achieve little. The board's new era rests on a foundation which says that competition policy should consist of one set of universally applicable rules. That foundation is shaky, if experience in the world's largest proponent of free enterprise, the US, is anything to go on.

A major finding of an extensive study of US antitrust policy (which tries to promote competition) found that antitrust law actually decreases competition. The findings can be found in the University of Hartford's Dominick Armentano's *Antitrust and Monopoly: Anatomy of a Policy Failure*, published in 1982.

He noted that "The only principled and practical way to end monopoly power is to end it at its source. Government regulation, entry control, subsidisation, and antitrust, are all manifestations of a governmental interventionist power that has been employed by private firms to private advantage and to the detriment of society.

"In short, we must seek to end governmental interventionist power, including antitrust, and move to create a free and open society where individuals can fulfil their own vision of the good society."

Indeed, killing government intervention here could be the only way to avoid what has been happening in the US. For there, businessmen have been convicted of pricing above, at, and below market prices, respectively described as gouging, collusion, and predatory pricing. This seemingly no-win, contradictory situation stifles initiative and leaves businessmen cold.

The Competition Board probe is flawed by factors beyond the intervention criticism. There is the question of the difficulty of collecting evidence on the existence of a cartel, and, even assuming success, of whether or not the penal provisions to be imposed are effective.

Legislation provides for fines of up to R100 000 and/or five years' imprisonment. The penalties, it is argued, are weighty enough to discourage repetitious cartel behaviour.

The problem is that it is possible that some businessmen may view the penal sanctions as a kind of risk, a loss that could be written off to experience. The answer to this would depend largely on how the penal sanctions are imposed by the courts.

Then there is the valid criticism that the probe seems to be targeted on what little remains of free enterprise in SA. To be effective, the board would have to recommend dismantling all monopolies, including those for power (Escom), transport (SATS), telecommunications (Posts and Telecommunications), and many of the 21 agricultural control boards — at least those that mainly exercise a one-channel price-fixing system.

There is the very real problem, too, of a manufacturer which is protected from cheaper imports — such as the motor industry — which, in its turn, buys most of its inputs from other manufacturers similarly protected, such as Iscor's steel.

The motor men could irrefutably argue that Iscor's price increases have had an equal effect on their industry. So a uniform price increase can hardly be regarded as startling, and even less as evidence that cartel-pricing has taken place.

This is not to say, of course, that either the motor industry or Iscor's pricing policy should be linked with the board's probe.

But SA's "private sector" is riddled with cartels that have grown in sympathy with Pretoria's policy of statal monopoly creation and sustenance. The most important allegedly exist in baking and milling; dairy products (particularly for milk), paper and packaging, biscuits, canned and frozen foods, processed meat, frozen vegetables; potato chips, tea, paper products, cooking oil, and margarine.

Certainly, on Armentano's evidence, the Competition Board could be chasing a pipe-dream. SA's cartels could be eliminated by starting at the bottom: cutting red tape, removing subsidies, relaxing licensing, patent and tariff laws. For as Armentano says, no deleterious price-fixing can continue without the assistance of government.

If there was a Bureaucracy Board instead of a Competition Board, small backyard businessmen with 40 employees, reminiscent of the US's Silicon Valley businesses that started in house garages, would not be faced with a health inspector who obliges them to "invest" R100 000 to comply with legislation. The entrepreneur just closes shop. The unemployed will then end up back in the homelands without money to buy even the most basic necessity, food.

8 RDM 4/2/85 (232)

Metkorp group merger gets under way

Mail Reporter

THE proposed merger between two Metkorp Group companies — Stewarts & Lloyds of SA and Dorbyl Ltd — first announced last November 21, is now under way

The Rand Supreme Court last week authorised meetings between concerned shareholders to consider the terms of the merger agreement

Mr Keith Jenkins, director of Stewarts & Lloyds, said in an affidavit that the company had been experiencing financial problems

After discussions with Dorbyl and their ultimate controlling shareholder, Metkorp Group Ltd, an agreement was reached to merge Stewarts & Lloyds and Dorbyl — both JSE listed companies active in the engineering industry — so that the former became a wholly owned subsidiary of the latter

In addition, it was decided in January that Dorbyl would also acquire Metkor's interest in the "Afgate" group of companies

"The proposed merger will improve the financial performance of Stewarts & Lloyds," Mr Jenkins said

Other reasons for the merger are to enable the companies to compete more effectively on the international market, and to help them cope with depressed conditions in the engineering industry

The possible combined turnover of Stewarts & Lloyds and Dorbyl has been estimated to be in the region of R1 200-million

The scheme is expected to become operative on March 11 this year, and Mr Justice H Nestadt ordered the chairman of the shareholder's meeting to report its outcome on March 5

The rationalisation move follows similar ones recently undertaken by Amcar/Ford, Defy/Tek, Rennies/Safmarine and Caxton/Hortors

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LINDSEY HALSTEAD

Ford motors on

Lindsey Halstead, vice-president of the Ford Motor Company, Asia-Pacific and Latin American Automotive Operations, is responsible for Ford SA He was here last week for the merger of Ford and Amcar Motor Holdings to form SA Motor Corporation (Samcor)

***FM*: Where else in the world do you have joint ventures similar to the new SA operation?**

Halstead. We have them in Taiwan, Turkey (where we also have a minority interest) and Malaysia We usually rely more on cross-sourcing for various parts between co-operating companies than on joint ventures In the drive to keep costs as low as possible, cross-pollination is becoming very popular among motor manufacturers worldwide

How did the merger take place?

We approached Anglo in February last year Anglo was our first and natural choice, as Ford is a 25% owner of Mazda, one of Amcar's products One of our strong points in the negotiations was that we have strong international connections

Your Port Elizabeth plant is old Did this spur the decision to find a partner?

Yes, partly The plant was set up in 1947, and although it has had various revampings, it needed some major investment for modernisation The merger avoids that expense

What are the new products in the pipeline?

I can't say, except that the Granada will be phased out Product changes take place every five to eight years — as soon as the machinery used to make each has gone full cycle

How significant is Ford's SA operation compared with production worldwide?

SA is relatively insignificant in production terms In 1983, Ford produced 3,5m vehicles, and 39 000 of these were made in SA

Why don't you bail out of SA altogether?

It would be too expensive to close shop here altogether Besides, we reckon we can make our operations here profitable through this merger

Cars are expensive in SA Will your new venture lead to cheaper models?

I can't say they will be cheap, but we aim to keep prices from rising at a rate higher than inflation

What are the pressures for you to disinvest in SA?

The hassle factor is there, and we hope our position doesn't become untenable Our discussions with Amcar started long before the disinvestment issue hotted up in the US Ford opposes disinvestment, and believes it would be a disservice to all South Africans if we pulled out

What SA needs is peaceful economic change and growth

Post Focus

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Mergers: who'll be next?

E. Post 9/2/85

By TONY KOENDERMAN

THE South African motor industry lost an estimated R300 million last year and is likely to plumb even greater depths in 1985 as passenger car sales dive by an expected 12% to 15% and commercial sales by 5% to 6%

In the light of that, and growing disinvestment pressure from the United States, the merger of Ford and Amcar leaves only one big unanswered question who's next?

But the answer is not a simple one Though there is little doubt that rationalisation is needed as never before, there are no perfect matches in the industry, and it is difficult to pinpoint a possible merger.

More likely is a war of attrition between the manufacturers Distinctly possible are contract assembly or other cost-sharing arrangements.

It's unlikely that more than two manufacturers made a profit last year. Amcar, the third biggest manufacturer, admits to trading losses of R42 million last year (not including interest charges and foreign exchange losses). Ford (placed second in the market) also lost money, said visiting vice-president Mr Lindsay Halstead, "but not of that magnitude".

Capacity utilisation within the motor industry has fallen to below 70% — on a single-shift basis This means that on a normal double-shift basis, the current demands of the market could be met by closing two-thirds of the industry's capacity With volumes likely to be down this year, capacity utilisation can only worsen

Meanwhile, costs have risen shockingly with the sinking of the rand

"Assuming a rand valued at 45 US cents," said Naamsa chairman Mr Colin Adcock, "just to recover the devaluation of the rand the motor industry would have to increase prices by 25% this year.

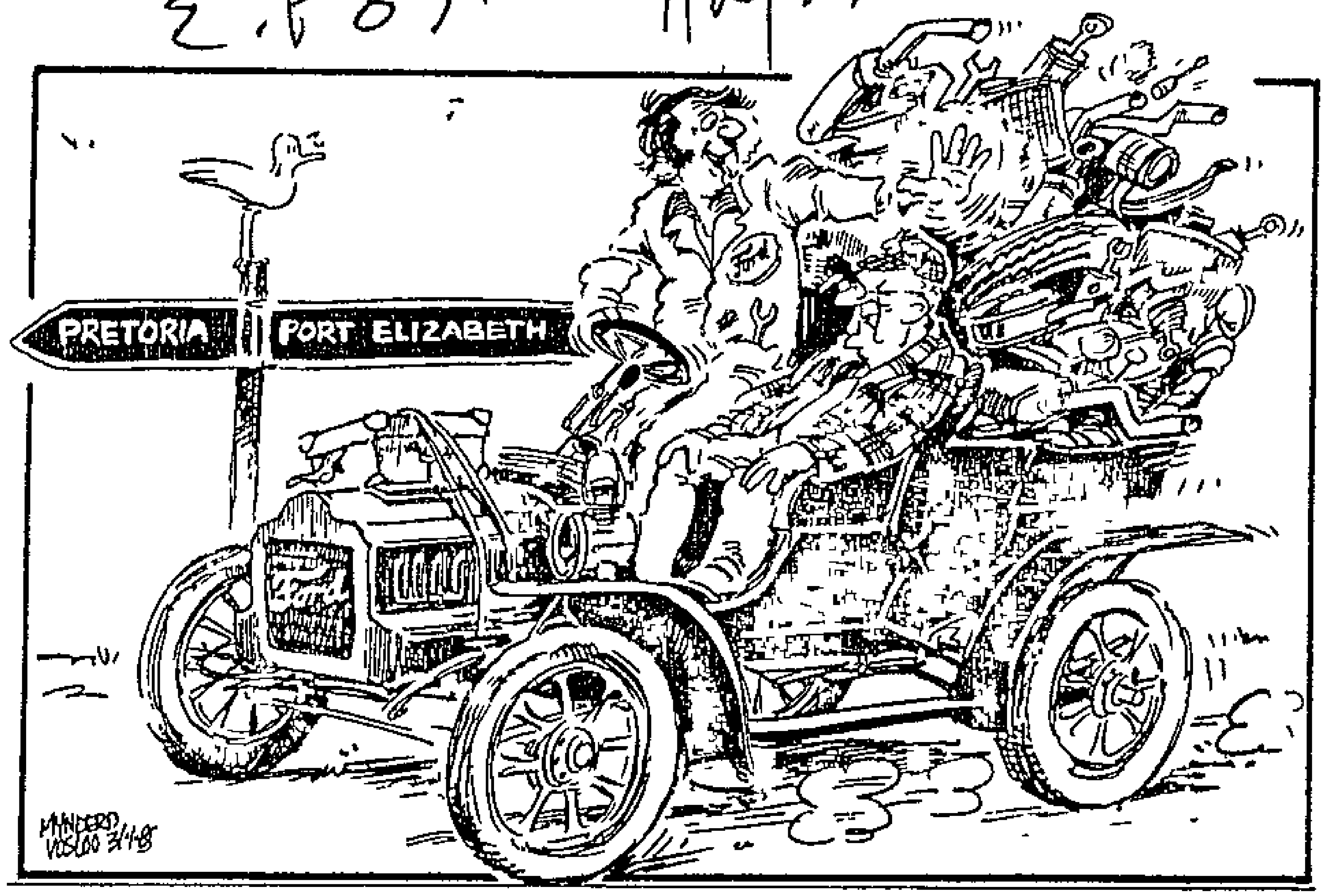
"If we don't have a fairly permanent recovery of the rand to 53c or 54c, car prices will rise by far more than the consumer price index this year"

Another manufacturer said: "Our FOB costs of imported components have risen from 20% of total vehicle pricing in 1981 to 40% now. Meanwhile, our local components have fallen from 35% to 28% of the price"

The imported components tend to be the more sophisticated, high-value, low-mass items, although most manufacturers also import their engines

Tooling costs for new models have risen from R15 million on average in 1981 to R30 million now, according to Samcor But even that figure seems conservative, as other manufacturers have reported considerably higher figures

Volkswagen, for example, spent R44 million in tooling up for the Golf II This means that tooling now represents an alarmingly high proportion of total production costs.



This is how The Argus cartoonist saw the Ford-Amcar merger.

This has a dramatic impact on the viability of production runs Tooling costs much the same whatever the model, and this means a small car must have much greater sales than a big one in order to break even

Production of a small car is unlikely to be viable at fewer than 2 500 units a month over at least a four-year model cycle A medium car will probably need sales of 1 300 a month

Sales of 2 500 units a month for four years — 120 000 in all — represents amortisation of tooling costs of, say, R40 million at a rate of about R330 for each unit sold

Last year, only one model, the Toyota Corolla, which averaged 3 000 a month, achieved this kind of volume No other models came close, though the Toyota Cressida (with 22 000 for the year) and the Ford Sierra (21 000) both bettered the 1 300-a-month rule of thumb for medium-sized car viability

Only another 10 models topped 10 000 The average sale of the 43 locally manufactured models on the market last year was 6 200 units

For the average model, then assuming a total sale over five years of 30 000 units, tooling costs of R40 million work out at R1 333 per unit sold

Another blow for the motor industry has been the new perks tax provisions, which radically increase the taxable value of the private use of a company car Something like two-thirds of all new car sales are to companies, and these must be vulnerable to reductions in sales or trading down under pressure of the new tax levels

Mercedes-Benz and BMW sales must be particularly threatened, and representations have been made to the Margo Commission for relief from perks tax

The South African market is one of the most fragmented and crowded in the world As Mr Halstead pointed out, "it has more manufacturers than any of the other 27 countries in which there are Ford companies"

The 10 car manufacturers and 17 truck suppliers in this country compete for an annual market of only 400 000 vehicles Brazil, by contrast, with a market of 720 000, and Australia with 550 000, each have fewer than six car and truck manufacturers.

Yet no obvious major merger possibility presents itself General Motors has been involved in talks with Sanlam, the new owner of Nissan, but a deal can now be ruled out in the immediate future, with GM committed to launching its new Kadett

Indeed, the best rationalisation route has already been demonstrated by Toyota, whose locally made passenger car range comprises the two best-selling models in the country Together they account for 22% of the market Its Hilux pickup is also the best-selling light commercial

Samcor, by comparison, currently spreads its combined 26% share of the passenger car market across eight locally made models — though there will eventually be some rationalisation there

No decrease in competitiveness seems likely this year Said market analyst Mr Tony Twine of Marketing Environments "With the manufacturers known to be planning eight new major model range introductions, 1985 promises to be a year that will demand great ingenuity from both the vehicle assemblers and their retail networks

"In a climate of rising costs under such a scenario it is unlikely that the industry will be without its casualties," he said

'Ford's ideas stink'

C Press 10/2/85

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By MONO BADELA

MORE than 1 500 Port Elizabeth workers who attended a special meeting to discuss the Ford/Amcar merger, urged their National Automobile and Allied Workers' Union to reject the merger out of hand.

The meeting urged Naawu to meet with Ford/Amcar to consider the Neave plant closure and ensure that none of the 2 500 workers lose their jobs

Workers condemned Ford for refusing to consult Naawu or telling the workers of the company's intention to close its Neave operation before taking its decision

S-Express 10/2/85

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Watchdog on mergers on the way

By LAWRENCE BEDFORD

LONG-awaited legislation on a corporate take-over panel for South Africa looks like materialising next year, Mr Justice Cecil Margo, chairman of the Standing Advisory Committee on Company Law, said at the weekend

The present protection of shareholders in take-overs and mergers is considered inadequate A take-over panel would be equipped to investigate the merits of any major deals and would decide whether there had been fair disclosure enabling shareholders and relevant parties to come to a decision

An important meeting of a special sub-committee of the advisory committee considering proposals for a panel was slated for this Thursday said Mr Justice Margo

He said, however "It may be that a take-over panel is not going to be accepted There is opposition, or rather I should say different views, and we cannot steam roller anything through "

The committee, having had sight of the City of London proposals for a panel, was "enthusiastic" about their applicability in South Africa.

Support

Legal observers say there appears to be some support for the idea of the Registrar of Companies in South Africa having judicial powers similar to those enjoyed by other branches of officialdom which act against deals that are not in the public interest

There is also support for more financial resources being made available, particularly to the SA Police, for detecting financial crime

The committee has just published a position paper on the future development of the Companies Act, throwing it open to the public for comment Since its commencement in 1974, the Act has been amended nine times

This unfortunately has not brought South Africa anywhere near perfection Company law in general, and the Companies Act in particular, still suffer from defects that require attention

Mr Justice Margo said the committee was fully aware of the disadvantages of too frequently changing the system regulating thousands of incorporated business enterprises.

In consequence it believed that the required reforms had to be carried through in a manner and at a pace that would avoid disruption and show the clearest appreciation for practical considerations.

The committee believed it could best perform its function as adviser to the government on company law development by identifying and publicising defects in company law which were in need of reform

Expertise

A major objective is to use all available expertise in company law for constructive development The committee hopes in this way to influence the direction and topics of academic research and publication. Ideas and proposals which are made available to the committee will get careful attention

In addition to the take-overs panel issue, the committee has identified a number of problem areas It said the distinction between public and private companies was questionable, with the introduction of the Close Corporations Act clearly strengthening an argument for abolishing the distinction

A fundamental weakness from a policy point of view is that those using companies can often ignore the obligations and requirements of the Companies Act and common law In effect they retain all their benefits under the system — often at the expense of creditors.

Commodities

Copper		£1 273,50
Platinum		$272,00
Sugar		£102,00

Johnnies — a gentle giant with a hands-off approach

11/7/85 (232) Star

By Peter Farley
Investment Editor

There is little doubt that Johannesburg Consolidated Investments (Johnnies) has become a major force on the local investment scene, away from its traditional mining base

The role it played in the deal which brought control of the Premier Group back to SA, and the ramifications involved, bears testimony to the mining house's growing influence

But, says chairman Mr Gordon Waddell, there is no intention to move away from the policy of holding significant minority stakes in its non-mining investments

"In my experience, a mining finance house is ill-equipped to deal directly with the general public It is therefore better to take a significant strategic investment.

"Naturally we would expect to have a say in any major decisions taken by those companies, but as our investment is based on the quality of management already in place, we feel there is no need to get involved in the day-to-day running of those companies," he added

And given the track record of the major companies Johnnies has backed — Toyota, Premier, SA Breweries and Argus — there does not appear to be a great deal wrong with that strategy

PRETTY TOUGH

The one exception is engineering group Lennings, which is a wholly owned subsidiary of Johnnies. Mr Waddell said that Lennings would become an increasingly important part of Johnnies. While a listing might be contemplated at some stage, he said, "we would want to continue to have a dominant shareholding in the company"

He accepts that life in that sector of industry is pretty tough at the moment But he noted that it has begun to increase profits again — albeit from a low base — and will shortly be looking to expand

Turning to the group's other investments, he said that since the very early days Johnnies had been the largest single shareholder in SA Breweries

Mr Gordon Waddell
. . . strategic investment

Therefore, when the opportunity presented iteself, the stake in Premier became a natural important, strategic addition

"The food business must have great potential," he said "Times are hard now, but we remain convinced that it was a sensible addition to our sphere of interest"

That deal, whereby a consortium including JCI, Anglo and Liberty, took control of Premier — which in turn became the major shareholder in SAB — has probably generated more speculation and comment than any other in recent history.

But, said Mr Waddell, "while I am the last one to say that things were not accomplished without any fuss or friction, these things are always magnified.

"The mechanics, however, tended to confuse a lot of people. There was never any intention for Premier to control SAB, nor any intention on the part of the consortium to interfere with either Premier or SAB"

ENGLISH PRESS

Commenting on the current battle between the two English language newspaper groups — in both of which Johnnies has significant stakes — Mr Waddell said "I have a deep concern for the future of the English language Press — Argus and SAAN, but definitely not *The Citizen* and we have a voice in developments through our seat on the Argus board."

But, he pointed out, "what would have to happen, over a period of years, is that the Press groups will have to adjust to the realities of the marketplace. In the same vein, business must react to the realities of the world"

He added that it would not be appropriate for him to comment further on the subject at this stage

Turning to the gold mining side of Johnnies — principally Randfontein and Western Areas — Mr Waddell said the group had enough new business on its plate for the time being with the development of Randfontein's Doornkop site

ENORMOUS BENEFIT

But he did say that they were going ahead with steps to secure the right to de-water Western Areas' north section He said it was taking a long time to prove to the authorities that there is no other way of treating the area under water

He was, nevertheless, not overly optimistic that a result could be expected this year

If the approval was given, however, it would significantly extend the life of the mine and substantially reduce the need for water in the milling plant at at Western Area

He said that Consolidated Metallurgical Industries (CMI) had benefited enormously from the boom in ferro-chrome prices and was now running virtually at full capacity But with the lessons of the last decade still fresh — when all ferro-chrome producers quickly expanded production to see demand slump — he added that Johnnies would be treading very carefully be fore committing themselves to any more expansion.

Coal invesment Tavistock had also benefited from the weak rand and increasing export demand, but on the local front he said the colliery — jointly owned with Total — would still not be tendering for any Escom contracts Mr Waddell added, however, that in partnership with Total Tavistock would be seeking to further develop its existing ...

Zimbabwe's fiscal year ends in June and the budget is traditionally presented at the end of July If parliament is not to sit until September, there will be no budget until the final quarter of the year This might suit the government's book, given that it is talking to the International Monetary Fund (IMF) about a new standby facility and little is likely to be decided until the votes have been counted

As it is, there is growing concern over the "lame duck" atmosphere in some government departments As one top official puts it "No one wants to make decisions at this juncture, just in case they make the wrong decision which could lose them their jobs after the election"

One of parliament's last acts was to approve a further Z$43m in expenditure estimates — taking the total budget deficit for 1984-1985 to Z$691m, or nearly 12% of estimated gdp The IMF won't be happy with that situation and all government departments face tough bargaining after the elections over spending estimates It is clear that the only workable solution to Zimbabwe's serious budget problem is some drastic cost-cutting, and here again timing is crucial

There is no way that far-reaching economic decisions on government spending are going to be made in the heady atmosphere of a general election

In its latest review of the economy, the Reserve Bank of Zimbabwe notes a slackening of the recession last year, though it continues to warn about the balance-of-payments position In a rather more pessimistic assessment than those of some of the commercial banks, the central bank warns "There is little prospect of any relaxation in import controls before the end of 1985 at the earliest" One reason for this is the fact that 100 000 t of wheat imports are going to be needed in the 1984-1985 season

Another is what it calls the authorities' wish to review early in 1985 the temporary suspension of dividend and profit remittances imposed last March

It seems clear that — perhaps under IMF prodding — the Zimbabwean government wants to loosen controls rather than allow higher imports in an effort to stimulate foreign investment The Bank warns — rather gloomily — that the overall level of economic activity is likely to remain depressed until the end of 1985 But Standard Chartered Bank, in its latest economic assessment, is much more optimistic about real economic growth this year — predicting at least 3% in real terms

The central bank continues to be cautious about inflation, concluding its assessment with the warning that before the 1984 improvement in the economy can be translated into a sustainable upturn, "the balance-of-payments situation will need to be strengthened significantly and the rate of inflation reduced" Since this report was written, Zimbabwe has had its best rains for at least three years and hopes are running high of a bumper maize harvest and substantially increased wheat production This suggests the central bank may be overdoing the gloom

Mugabe . . . need to cut government spending

BUS BOYCOTT

End monopoly call

Thousands of commuters in northern Natal gathered this week in noisy support of efforts to get a government commission of inquiry to recommend the end to the transport monopoly held by a local bus company

The commission was apppointed to investigate the five-week-long boycott of Empangeni Transport (a subsidiary of United Transport) by 60 000 commuters protesting against a 35% fare increase and the company's "insensitivity to commuter needs, and irregular services" The boycott has been sustained with the help of employers, who have provided as much transport as possible, and local taxi owners, who have reduced fares by 30% for the 30 km trip between Empangeni townships and Richards Bay, where most of the commuters work

On Monday, about 2 000 boycotters packed the grounds of the magistrate's court in Eskaweni, near Empangeni, where the commission was sitting The size of the crowd forced the commission to move outside for its deliberations

Spectators cheered as their representatives presented evidence and made recommendations Two prominent members of a committee elected by the commuters — Simon Chonco, Inkatha's chief whip in the KwaZulu Legislative Assembly, and Jeffrey Vilane, the president of the Metal and Allied Workers' Union — gave evidence about commuter grievances

The third witness was the commuters' legal representative, Chris Albertyn He recommended that

- More than one company be allowed to operate in the area to create competition, which would ensure an adequate service,
- Senior representatives of Transport Minister Hendrik Schoeman and the local Road Transportation Board should negotiate with the commuters' committee on an agreement to "regulate the form and quantity of future fare increases and ensure an acceptable level of social responsibility;" and
- Restrictions on taxis wishing to operate between Empangeni and Richards Bay should be lifted At present, Empangeni taxi drivers are only allowed to travel as far as the outskirts of Richards Bay Albertyn also recommended that taxis should be permitted to carry more passengers

Commuter representatives also asked that employers should continue providing alternative transport and that the authorities should ignore their transgression of the Road Transportation Act, pending the settlement of the dispute The *FM* understands that employer representatives handed the commission written evidence of the history of the boycott It is not known what recommendations, if any, they made

The commuters have turned down employer and government appeals to suspend the boycott while the commission looks into their grievances They have also ignored employer threats to halt transport assistance if they continue the boycott

The commission was due to sit in Empangeni on Tuesday and to conduct an inspection of Empangeni Transport's facilities on Wednesday Albertyn is hoping the commission will make its findings known by the end of the week.

Wimpy wants to serve everyone

232 Star 19/2/85

By Bill Levitt

SA Wimpy Ltd, the fast food chain controlled by Anglovaal, could "double its turnover overnight" if blacks had free access to restaurants in white areas, says Mr Errol Kristal, one of the company's directors

While it it true that the Government and some downtown restaurateurs may turn a blind eye to the restrictive regulation under the Group Areas Act, its very existence seriously affects business, Mr Kristal said in an interview

The franchise chain has annual retail sales of close to R60 million and its turnover has been increasing at about 12 percent ahead of the current inflation rate, Mr Kristal said

The firm has been lobbying senior Government Ministers to have the regulation dropped The Strydom Commission recommended repeal of the Act but no action has yet been taken

To date, the chain has 160 stores, including those under the banner Golden Egg, Golden Egg Grills, Pizzaland and the newly-acquired Wendy's — the fast-food operation which has been operating in Sandton and Hillbrow.

20/7/85

Travel giants to merge

(232) Star

By Richard Paris, Travel Editor

The merger between Thomas Cook-Rennies and American Express — to be announced within the next fortnight — will mean the immediate control of a quarter of the travel industry in South Africa by one company.

This was confirmed by a senior Thomas Cook-Rennies executive today, who said that company chief Mr Buddy Hawton was "in final negotiations with the principals and will be ready to sign the deal this week or next".

Rumours that the two travel giants are to join forces have been rife since Thomas Cook-Rennies merged with Safmarine, which is linked to Freight Services, the company which controls the franchise for American Express in South Africa

The spokesman said Thomas Cook-Rennies controlled 14 percent of the market share in travel and this would increase to 25 percent after the merger

"Our aim is to get 30-40 percent of the market which would enable us to negotiate with airlines and principal operators on an entirely different basis to get better prices for holidaymakers and business travellers," he said.

It was pointed out that the quality of service provided by many South African travel agents was unsatisfactory due to lack of training.

"Without the clout of a combined operation like ours, travel companies are not able to put money into education We see this as a major role in the near future and the public can only benefit because many of the people we train will go out and run independent retail travel agencies," he said.

It was not yet certain how the companies' respective banking institutions — both sell travellers' cheques under their own names and foreign exchange and many other travel-related financial items — would be co-ordinated, but observers believe that American Express will continue to maintain a presence at some offices.

RDM 21/2/85 232

Takeover of Dion confirmed by Kirsh

By BERENICE MARGOLIS

KIRSH TRADING has taken over Dion

This was disclosed to Business Day last night by Mr Natie Kirsh, chairman of Kirsh Trading

He declined to say how much the deal was worth.

Mr Dion Friedland, founder of Dion, said he would reserve comment "until the i's are dotted and the t's are crossed".

Kirsh Trading already ownws 30,7% of Dion stock for which it is believed the group paid about R11m four years ago

"In principle, bar the documentation, the deal is done," Mr Kirsh said.

He would not discuss the terms which, he said, would be finalised before the weekend.

He added that he had no immediate plans for Dion "I'm not involved in the day-to-day running of operations"

Mr Kirsh quashed speculation about other interested parties' involvement in the negotiations "All I know is that I made the deal with Dion"

The form of the payout to Mr Friedland remains in question

As he is resident abroad, the transfer of funds to Mr Friedland would be subject to foreign exchange controls.

When Mr Kirsh stated a fortnight ago that he was going for a 100% stake in Dion, he said the company, one of the country's largest discount retailers, was under-capitalised

This was caused, he said, by foreign exchange losses not covered forward, and by the marked decline in consumer spending

At the same time, Mr Norman Cohen, chairman of Dion, denied that a merger with Kirsh Trading was a salvage operation

"For the 10-month period to end-December last year, Dion's operating profit, before allowances for foreign exchange and property holding costs, was up by more than 50% compared with the same period in 1983.

"Even in this economic climate we are bent on expansion of what is a profitable operation — in Durban, and at the new Westgate complex being built on the West Rand"

The market was rife with rumours about Dion's cash flow problems late last year These were denied at the time

"There has been a 16% increase in turnover to more than R100m for 1984," Mr Cohen said

However, it has been common knowledge in retailing for some time that severe foreign exchange losses have strained Dion's cash flow and adversely affected reserves — hence the need for an injection of outside capital.

(232) (UAO) (Ely) (ZHA) Star 22/2/85

Packaging costs to spiral

By Peter Farley
Investment Editor

Transvaal packaging customers are heading for a series of substantial price increases following the purchase of independent Marathon by Anglovaal-controlled Consol

And while profit margins at the three majors — Nampak, Kohler and Consol — have been severely eroded in the past couple of years, some R25 million could now be added to their combined operating profits this year.

The price of corrugated packaging has drifted steadily down over the past 10 months, from a peak of nearly R1 500 a tonne in the first half of last year to between R1 100 and R1 200 at present

This is despite a near 10 percent paper price increase last October and an inflation rate currently well in excess of 13 percent.

A recovery of these costs now appears inevitable But customers also seem set for a "double-whammy" with another major paper price increase scheduled for April that is, this time, almost certain to be passed straight on in increased packaging prices

Throughout the country corrugated packaging prices have been held down in the areas where the independents sprung up — notably Durban, the Eastern Cape and around Cape Town — only to be sharply marked-up once the independents either folded or succumbed to overtures from one of the majors

The Transvaal corrugated market is estimated to be around 150 000 tonnes a year, with Nampak holding a dominant 40-plus percent, Kohler a little over 30 percent and now Consol with slightly more than 20 percent

Marathon survived, despite intense pressure and competition from the majors, for a little over a year And despite remonstrations to the contrary was beginning to achieve the volumes necessary for a bottom-line profit

MD Mr Tony Crosby says that output was on target for just over 1 100 tonnes in February, with orders on hand suggesting almost 1 500 tonnes in March

And he points out that though this was not a substantial market share, their lower overheads meant that they were able to sharply undercut the majors' pricing structures

This is evidenced, he said, by the fact that Consol increased the offer to Marathon's parent SA Bias twice, before it was finally accepted And he pointed out that this bidding was done completely blind, as Consol executives did not visit the operation until after a price had been accepted

Hardly the sort of baling-out operation suggested by Consol management

In the end the price of R10 million — which though it restrains SA Bias for five years only precludes Mr Crosby for two years — is an expensive way of increasing market share

But it is an extremely cheap means of vastly enhancing overall margins

GERRY DE JONG

Farmer in revolt

Gerry de Jong, a gentleman farmer from Howick, is an unlikely revolutionary But, at the beginning of last month, he led 2 000 farmers driving 750 tractors in a 4 km procession down Maritzburg's main street The fired-up farmers were protesting against the power of private-sector cartels and restrictive government practices.

Following huge price increases, De Jong (55) and his followers took on the combined might of the cartels, organised agriculture and the control boards — and came out on top Now, they're demanding further concessions from major farm input manufacturers.

"Our protest action is a two-edged sword," he says. "Not only are we fighting private-sector cartels, but we're also sending a very strong message to government to remove restrictive and inhibiting regulations that strangle producers and hamper the freer marketing of farm produce."

De Jong says many hygiene regulations are based on First World standards, while at least 50% of SA's black population still lives in rural Third World conditions First World regulations for milk, including pasteurisation and expensive containerisation, unnecessarily push up prices Regulations also prevent farmers from selling "raw milk," from which blacks traditionally make a form of nutritional cheese.

"This could be one of the reasons why blacks die of kwashiorkor, while the Milk Board sits with unsold surpluses," says De Jong And, in order to protect butchers, the Meat Board prevents cafes selling frozen red meat. As a result, rural blacks buy frozen chicken "Neither the producer nor the consumer benefits," he says

Another regulation prohibits the sale of undersized potatoes "This means that farmers have to destroy good food while people starve," De Jong adds

The son of a civil servant, De Jong was born and bred in Pretoria He matriculated at the Afrikaanse Hoër Seunskool before enrolling for a B Sc at the University of Pretoria But winning a swimming scholarship from the University of Oklahoma after only one year at Tuks changed all that. As a result, he spent nine years studying in the US and obtained a Bachelor degree in business administration and a Masters degree in geology

Returning to Pretoria in 1960, he started Gerrie de Jong Construction, which in 1970 became the quoted De Jong Holdings "I built thousands of flats and became well acquainted with the rent-control issue," he says. This helped launch a short political career as NRP MP, from 1977 to 1980 But he soon discovered "that the caucus system kills individuality"

Selling his 1,5m De Jong shares in 1972 for R2,1m to the Ovenstone group, De Jong decided to go farming and bought a 1 000 ha ranch in Natal's Howick district The "De Jong Ranch" is today "the largest kikuyu grass farm in the world," and 3 000 cattle and 2 000 sheep grow fat on the lush grazing. However, he recently sold it

This type of specialised farming requires huge amounts of fertiliser (about 1 t/ha/year) and when fertiliser companies announced their joint 24% price hike in January this year, the fat was in the fire. With agricultural chemicals and weed-killers also going up by between 30% and 40%, diesel by 25%, and tractors and implements by a similar 25%, it was more than farmers would put up with

"The farming sector has steadily been losing its lobbying power against organised commerce and industry, who have used their powerful financial and job-creating clout to twist government's arm in their favour We hope to restore a measure of balance in this area," says De Jong

Initially, organised agriculture opposed the protest action, while the Broederbond, according to De Jong, also played a role in trying to stymie the protest "They thought we were launching a politically motivated attack on government Various farmers told us they couldn't participate for fear of losing their financial lifeline"

But the protest transcended politics.

De Jong . . . leading the great tractor trek down Maritzburg's main street

234 FM 1/3/85

Members of all parties took part in the Maritzburg march "The latest Natal stand has served to highlight some very important issues, at a time when it is estimated that 17 000 of SA's 70 000 farmers are already technically insolvent," says De Jong

With reactions to the "tractor protest" still reverberating through the fields, it's clear that farming will never be the same again — at least not in Natal

COLIN HICKLING

As the first *roinek* mayor of Bloemfontein in 30 years, one would expect Colin Hickling's major task to be smoothing ruffled Afrikaner feelings On the contrary, Hickling considers harmony between Bloemfontein's Afrikaans and English communities an absolute *fait accompli*

Hickling (46), MD of the Bloemfontein Board of Executors, says "the English and Afrikaner live in a nice sort of *vrede* and mutual respect here It represents the true South Africanism we're all striving for Bloem is a *lekker* place to live"

As the only independent member of the Bloemfontein City Council, and the only non-member of the NP-aligned Action Committee, Hickling served alone for years before being voted mayor on an unopposed ticket

Hickling is one of the city's greatest fans His feelings run so deep that he was partially responsible for the creation of a Bloemfontein Old Boys' Club "I think that many people in the corridors of power have lived in Bloem at some time and can be of use to us in boosting the city's image," he says "People like Wim de Villiers, Basil Landau and Warren Clewlow are just a few"

He doesn't regard overcoming the language barriers as too difficult a task so presumably his next challenge will be fostering racial harmony

Those who know him say he believes in non-confrontation and working behind the scenes to achieve changes in administrative attitudes and strategies But he says he's made a deliberate affort to remain apolitical.

According to Hickling, "Bloemfontein is something of a trailblazer We were one of the first SA municipalities to allow Coloured Management Committee members to attend our management meetings and they have attended every month for years," he says

Born in Maseru where his father was a trader, Hickling came to boarding school in Bloemfontein when he was in Standard 3, and has been there ever since

His priority will be to promote the industrial township of Bloemdustria. "We have very good decentralisation incentives," he explains "If this gets off the ground it'll create jobs for Bochabella, Bloem's black township"

Though many might disagree, Hickling considers Bloemfontein to be "the total city," and intends promoting it this way.

JUNE KRITZINGER

Watching the soaps

June Kritzinger, one of SA's most successful businesswomen, has been gearing up for the challenge of running SA's largest discount, toiletry and gift chain for some time now In April, when Clicks' MD Harry Goldin becomes executive chairman, she'll step into his shoes

Despite gloomy economic conditions, Kritzinger (37) radiates optimism about Clicks' future She's already eloquent about plans to add new stores to the group's existing 55 "We're definitely opening six this year, though that could well end up as eight or nine," she says "In the current climate, premises are becoming available at short notice so we're keeping our options open"

After that, says Kritzinger, the sky's the limit "We're aiming for 200 stores ultimately There's huge expansion potential, particularly in the Transvaal, and then there's the Diskom chain we purchased last year The potential there is equally great"

Overly-optimistic words at a time when the retailing sector is reeling? Kritzinger believes Clicks is poised not merely to weather the storm, but to grow "We're 20% up on turnover for the first six months of the financial year Our interim figures will be out next month, and there's no doubt we're still respectably profitable."

Indeed, the company is better off than many Interest rates are not really a problem as the company's substantial capex programme over the past five years has largely been cash funded "That means we're not as liquid as I'd like to be, but we're not highly geared, thank God Whatever borrowing we do have is short term," she says

Like all other retailers who import, Clicks has obviously been hurt by the forex burn "Imports account for some 12% of sales which doesn't sound very much," she explains "But it does, of course, bring in a lot of our profits — one doesn't survive on soap and toothpaste"

English-born, Kritzinger first came to SA almost by accident on a French teaching job. She returned to London — but, after Cape Town, couldn't handle the English winter Within months she was back in Cape Town, working as a toiletries buyer for Garlicks.

"I wanted to progress but found I wasn't getting anywhere fast. Then I heard that Jack Goldin was opening a new chain and was looking for staff I applied and got a job as a buyer when the Clicks chain was started in 1968."

From there, she says, she's been running "I got onto the treadmill It got faster and I've never got off" Not that she sees herself as a workaholic "I work from around 7 30 am to 7 pm, and usually take some reading home at night But I ride horses at weekends to relax" Also, says Kritzinger, she and her husband, who is legal adviser for an oil company, both enjoy good food and wine They do not have children.

As for surviving the rough months ahead, Kritzinger says retailers will simply have to get out there and hussle "We have to create the action ourselves, and follow all possible avenues to get the prices down People always find the money from somewhere if you can make it attractive enough," she says "We simply have to come up with new ideas all the time, because things that worked last year don't necessarily work this year."

She has no immediate plans to change the direction Clicks has taken "The formula works, and I think we'll stay more or less the same for the moment, although obviously we're always watching trends" If she has any mission, it's to improve communication channels within the group Having just returned from the Advanced Management Programme at Harvard, she's full of fire about productivity and believes communication is the key.

"There's a tremendous gap between management and staff in SA We've never

COAL CONTROL BILL

Pretoria backs off

United private sector opposition to the proposed Coal Control Bill (*Business* January 23) appears to have paid off The Department of Mineral and Energy Affairs (DMEA) has withdrawn the offending draft and, on March 1, will present a revised version to the Parliamentary Standing Committee on mineral and energy affairs

Chairman Michael Veldman confirms that the committee's request for the public to be given the chance to air its views drew widespread response He says there were "a vast number of representations" against the draft Bill considered at the first committee meeting last month

The revised Bill — now known as the Coal Resources Bill — contains important changes, but there is still a widely held view that the latest proposals do not go far enough Some changes are superficial, an industry source tells the *FM*, and "show more concern with semantics than the needs of the industry"

Since the outcry, the DMEA has met the Chamber of Mines and coal distributors, and Assocom has come out strongly against the proposals

The revised Bill scraps the much-criticised post of Coal Controller Indeed, the very word "control" has been scrubbed and is replaced with a more acceptable "regulate"

The new version gives the Minister of Mineral and Energy Affairs power to regulate coal But, more worrying for the private sector, is that he will be entitled to delegate the authority "to the Director General or any official in the public service" This has raised fears that a "controller" in another guise is still lurking in government's mind

Another concession to the private sector is the proposed appointment of an advisory committee "which is to be consulted before any powers conferred upon the Minister under this Bill may be exercised"

The committee would include representatives "from all sectors of the coal industry, but primarily from the distribution sector," says DMEA Director General Louw Alberts

Major consumer representatives, such as Sasol and Escom, are also likely to be included, says PFP spokesman for Mineral and Energy Affairs Brian Goodall

Alberts stresses that the DMEA will confer with the industry before appointments are made "to get as representative a selection as possible," but much depends on the final composition of the committee If too many representatives from major distributors who supported the original Bill are included, the whole object could be defeated

Opponents of government participation in the industry are also concerned about the continued wide powers of the Minister to regulate almost all aspects of the industry

In defence of the Bill, Alberts says the clauses are designed to cater for the future He explains "We are looking at export programmes for 10, 20, 30 years ahead" On the other hand, he adds "the sooner industry can convince the DMEA that it can regulate itself, the sooner we will hand over the reins" And he says he expects the Advisory Committee to hasten the process

He refers to conflicts between large and small distributors which highlight the need for regulation An unregulated industry, with no price control may lead to unreasonable price hikes, which would hit "the small consumer who only wants one bag of coal a month," says Alberts

However, Goodall, a one-time Standard Bank economist, says the revisions have been made only to make the Bill "less unacceptable" He is particularly concerned at the lack of provision for redress

Coal distribution ... a new look

FARMERS' REVOLT

Cracking cartels

232

FM 1/3/85

Flushed with the success of their Maritzburg rally (*Business* February 15), Natal farmers have formed a joint action committee to unite provincial buying power and break private-sector cartels

Bypassing the traditional SA Agricultural Union (SAAU) because they feel they can get quicker results on their own, the province's 7 000 farmers are planning direct action that could change the face of agriculture in SA

If they succeed — and they have already forced fertiliser prices back to 1984 levels — other provinces will not be slow to follow SAAU president Kobus Jooste says he is watching developments with "great interest"

Last Friday, members of the independent rally committee met representatives of the Natal Agricultural Union (NAU), Natal farming co-ops and farmers' exchanges (private companies formed and managed by farmers to act as joint buyers) and decided on three more steps

- □ To ask the President's Council (PC) to ensure that government removes restrictive laws, by-laws, regulations and other bureaucratic interference in the free marketing of farm produce This, they say, will effectively reduce the price of agricultural produce to the consumer;
- □ To meet Agriculture Minister Greyling Wentzel early in March to spell out farmers' complaints on restrictive and inflationary measures, as well as the cost-push effect of private-sector cartels on farm input costs, and
- □ To make separate submissions on the Natal farmers' plight to the SAAU and control boards

Describing the meeting as "very positive," rally committee spokesman Gerrie de Jong (see *People*) says the PC submission will fit in with its current investigation into the restrictive effects of existing laws and regulations on the free operation of the small-business and informal sectors

"We see farmers as small businessmen We want the PC to investigate all negative effects of bureaucratic restrictions on free marketing of farm produce The higher prices damage the interests of both producers and consumers," he says

De Jong says there is "a plethora of health, hygienic, licensing, permit and other control regulations We want to get rid of these" He expects a PC decision "within the next two months."

Up to co-ops

De Jong adds that the effectiveness of the action committee will depend largely on the farming co-ops

"Individual co-ops have in the past arranged to buy *all* their fertiliser products at specific contract prices from individual manufacturers Now all the producers will be asked to tender annually for the provision of specific fertilisers to ensure the cheapest supply

"If we all stick together, we cannot fail," he says

The prospect of much larger orders for various types of fertiliser should ensure that manufacturers come up with competitive bids

De Jong says fertiliser manufacturers have already reduced their Natal prices to 1984 levels, showing the positive effect of farmers' united action. "We are fighting fire with fire I think fertiliser manufacturers are now aware of the negative consequences of price rings We want to force them back to free enterprise," he says

"We will follow the same route with stockfeed manufacturers, where the big three (Tiger, Premier and Tongaat) also form an effective cartel, prescribing similar prices and price increases to the farmer"

Input manufacturers, *pasop*!

SEQUESTRATIONS

A big one

A provisional order has been granted for the sequestration of leading racehorse owner and former meat baron Cyril Hurvitz's personal estate — estimated to be worth more than R80m

The application, before Mr Justice D O Vermooten, was brought by Volkskas Industrial Bank It listed liabilities of some R70m The application was not opposed, and the return date has been set for March 19

The Master of the Supreme Court is expected to appoint trustees to take charge of Hurvitz's assets within the next few days

The application is one of the largest personal sequestrations in SA history, a lawyer tells the *FM* The main application, 166 pages long, is made up mainly of financial reports of Hurvitz's business interests

These include major interests in food processing and cattle ranching, land, racehorses, Ceres Fruit Juices, and one of SA's largest piggeries

Hurvitz (64) set up the first export-oriented abattoir in Botswana, and later expanded his meat operations to SA and Namibia

He sold his major interest in Bull Brand meats to Imperial Cold Storage and Vleissentraal in 1976 for a reported R6m One of SA's leading racehorse breeders, he sold 69 racehorses last year for R2m, keeping only his prime breeding stock

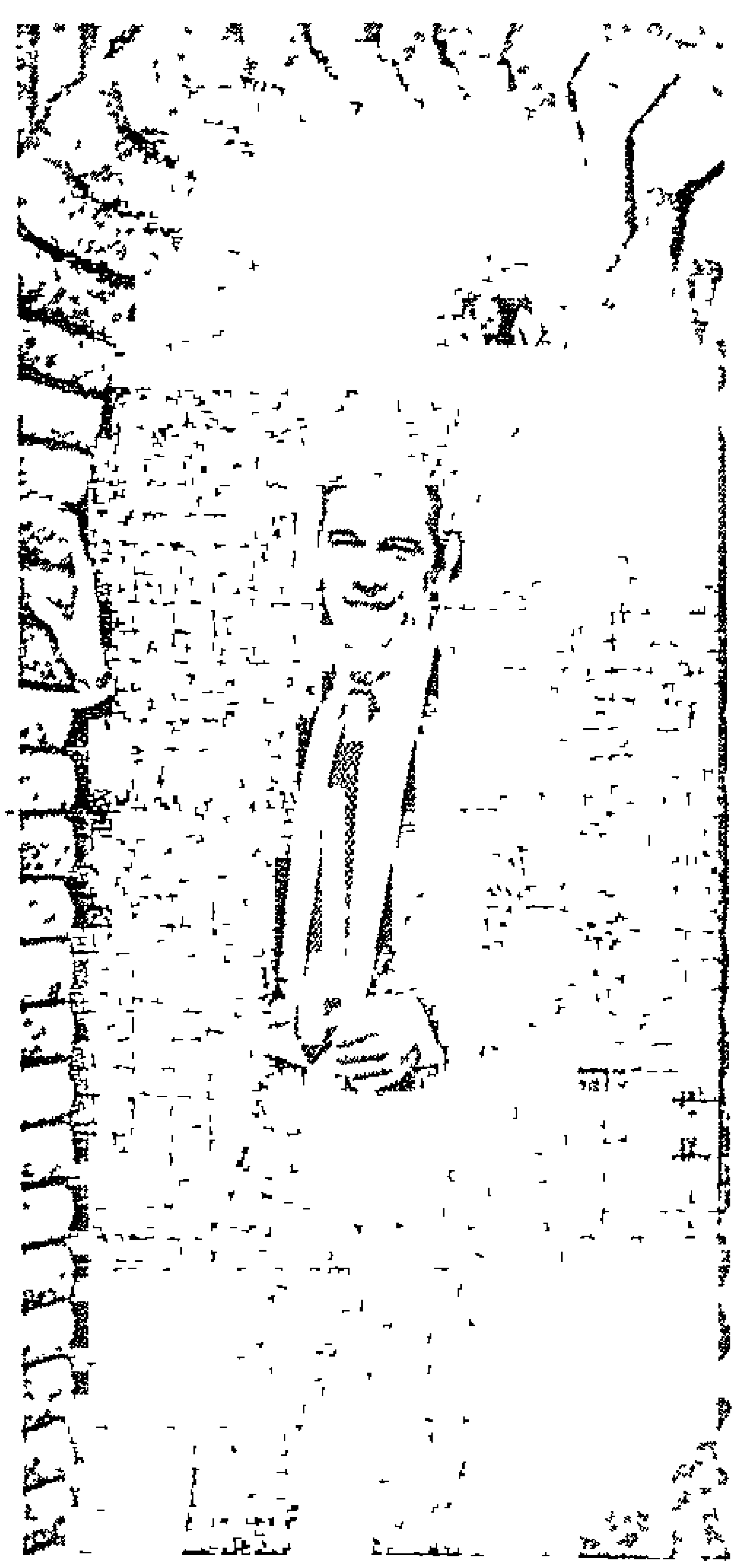
It emerged from papers before the court that Hurvitz's problems arose from a combination of uncovered foreign borrowings, high interest rates, and a sharp decline in cash flow

BRICK SALES

Taking stock

With the building sector now in freefall, SA's brick-making business is inevitably plunging in sympathy

Countrywide, brick stockpiles are growing, kilns are being boarded up to reduce capacity and production workers laid off



Toncoro's Savage ... building stocks

But amid all the gloom Toncoro MD Cedric Savage sees a glimmer of light

"I know its against popular economic opinion," says Savage, "but I expect demand to start picking up again around October"

Savage's rationale constraints on government spending aside, the State will be unable to resist the social and political pressures building up for amenities — especially housing

He also expects interest rates to start declining marginally from about mid-year That, coupled with still high inflationary expectations, could alter perceptions in the private sector and "trigger reinvestment in fixed assets" But any significant upturn in this sector, he cautions, will probably be evident only from early 1986

The present situation gives rise for more concern Brick sales are down 35% on this time last year and nine brick plants — four in the Transvaal, three in the western Cape and one each in Natal and the Free State — have been mothballed

It is the Transvaal, the brickmakers' main market, that is most depressed Savage believes the reason lies in the over-optimism by developers who misread the market. The rows of empty townhouses on the East and West Rand lends eloquent testimony to that

A longer-term problem will emerge from the bad debts and liquidations that will inevitably come as builders find it increasingly difficult to keep their heads above water Certainly Savage feels it will be some while before the PWV gets into top gear again "There's a lot of slack to be taken up first," he points out

Demand in Natal, meanwhile, is reasonably buoyant and the OFS has benefited from gold mine capital expenditure But offtake in the western and eastern Cape, particularly around Port Elizabeth, has slumped badly

Still expanding

Yet the brick industry continues to expand Next week Toncoro commissions a R30m brick factory at Rietvlei near Pretoria and plans for two R23m plants at Avoca near Durban and Koelenhoef near Stellenbosch are proceeding Completion is targeted for the end of 1986 Toncoro's competitors, Savage notes, are doing likewise

Most would read a degree of over-optimism in that But the argument is that the industry is seeking to avoid a repetition of the demand surges in 1980/81 and 1983/84 which left the market considerably undersupplied and builders justifiably annoyed

Says Savage "The industry is running at around 70% capacity and we are still stockpiling At the same time capacity has been increased by around 10% a year since 1982 When the next upturn comes we should be well stocked with unutilised capacity Hopefully, there should be no repeats of the stock-outs and short supply situations of the past"

Sanlam takes over sinking motor giant

AKG45 19/3/85

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Financial Editor

CAPE-BASED Sanlam, one of the country's big two insurance companies, is to rescue the financially troubled motor giant, Nissan Holdings South Africa

It will buy the company from Messina and incorporate it in its newly-formed and wholly-owned investment company, Sankorp.

The move follows a R121-million loss last year by Nissan Holdings and its associated companies

Nissan is one of South Africa's largest motor assemblers and one of the country's major sellers of light commercial vehicles

Sanlam officials said today the insurance company was offering R8,5-million to Nissan's parent company, Messina, for the motor operation and Magnis truck company Sanlam would be buying assets worth R334-million but also taking on debts of R315-m

Messina's managing director, Mr Peter Whitfield, said demand for passenger car and

(Turn to Page 2, col 8)

Sanlam

AKG45 19/3/85

~~Cont from Page 1~~

light commercial vehicles dropped 30 per cent in the second half of last year while import costs rose about 40 percent This gave Nissan an operating loss of R50,8-million Nissan also had a foreign exchange loss of R71,8-million

Mr Whitfield will move to Sankorp while Mr John Newbury remains chief executive of Nissan

Minority shareholders in Messina are expected to accept Sanlam's offer, otherwise they will have to make substantial capital injections into the company

Sanlam's chairman, Dr Fred du Plessis, said he did not envisage Nissan merging with any other manufacturer

Recently Ford South Africa announced a merger with Anglo American's Amcar

Business Day

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20/3/85

Case takes over IH SA tractor interests

By PRISCILLA WHYTE

JI CASE has taken over the South African agricultural interests of International Harvester (IH) at a cost of about R14m.

The deal was concluded in Johannesburg yesterday.

Mr Barney Strydom, the managing director of Case SA, said at a Press conference that a further R10m would be spent in 1986 on extending operations.

He declined to cite the exact price paid for IH and said the R14m figure included cost of promotion this year.

Case is a subsidiary of Tenneco — the 20th-largest company in the US. It recently took over the agricultural interests of IH in the US for $500m.

BARNEY STRYDOM ... R10m earmarked.

In the US both International Harvester and Case have been in financial difficulties for some years.

Mr Strydom said. "The take-overs in SA and the US remove a cloud of uncertainty that has been hanging over these two companies.

"Tenneco's financial strength enables us to affirm our commitment to the future and to the owners of IH and Case equipment

"Case and John Deere control 80% of the tractor market in the US."

Case will offer tractors from 35kW to 400kW and a full line of implements.

Case tractors will be the large units in the range and the IH machines the smaller ones.

"Between Case and IH we hold 6% of the SA market. To achieve a 20% market penetration by 1988/89, we intend taking share from Ford, Massey, Fiat and John Deere," said Mr Strydom.

The same approach had been adopted when Case entered the construction equipment market."

He said Case was the second most dominant force in SA construction equipment after Barlow Rand's Caterpillar range

Because of Case's strength in the construction equipment market, the new IH agricultural equipment venture would start from a profitable base.

The tractor market has taken a hammering from the drought. In 1984, the market dropped to about 8 000 units sold from a normal level of 14 000 to 16 000 units.

Mr Strydom estimated about 9 000 units would be sold this year.

He said although many farmers were carrying a heavy debt burden, the viable economic life of many operational tractors had been exhausted.

Altech bids to control cable market

By Peter Farley
Investment Editor

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You have to hand it to Altech The now widely diversified electronics group has wasted little time in gaining effective control of the cable industry

The full details surrounding the merger of Aberdare with recent purchases Asea and Scottish Cables are only to be released later today But what is clear is that Altech has been able to pioneer the much-needed rationalisation that will give this heavily overtraded sector a chance to get back on its feet

So far, all the companies concerned have been content to merely issue a warning statement to shareholders Nevertheless, it was clear yesterday from all parties concerned that a merger of the three cable companies is a fait accompli

The further delay of the release of the details is yet another example of the JSE's pedantic and archaic approach to these matters No doubt their defence will be that the merger proposals had to be properly perused before a detailed announcement could be made

In the end, the uncertainties created by such delays — not least among the staff of the companies concerned — becomes self-defeating

The merger, more specifically the inclusion of Aberdare with the other two, will give the combined operation the muscle to both seriously consider exports and put the local house in order

Between the three there is still massive overcapacity, even more so in these depressed times With the range of products available between them and the extent of the resources from erstwhile principals the new operation will be a potent force

Apart from the sphere of influence in existing products, the three companies will now be in an exceptionally strong position to face the challenges posed by the growing demand for fibre optic cables

Though reluctant to discuss the subject in any detail when the companies' respective executives met the press yesterday, the potential benefits to all parties concerned must have been a major influence in arriving at this agreement

Barlow-linked ATC is so far the only manufacturer of fibre in SA — though many others have the capacity to import raw material and coat locally The establishment of a serious challenge to that operation was imperative for Altech to maintain its front-runner status

RDM 20/3/85 232

Aberdare, Scottish, Asea await okay

Cable trio ready to merge forces

By BRENDAN RYAN

THREE cable producers are set to merge into a combined operation with an annual turnover of about R230m.

They are Aberdare Cables which, with an annual turnover of about R130m, is South Africa's largest cable producer, Scottish Cables and Asea Electric.

The development follows hard on the heels of the deal announced last October when Power Technologies (Powertech) took over Scottish Cables. It was the start of the current rationalisation of the heavily overtraded cable market

As part of that deal, Asea's cable division was sold to Scottish Cables with effect from March 1.

A joint announcement by the three companies yesterday said discussions were taking place which may lead to a merger of their respective cable interests.

"Further announcements will be made at the appropriate time and shareholders are cautioned in the dealing of their shares until such further announcements are made"

Asea is a subsidiary of Powertech which, in turn, is controlled by Altron

Mr Ken Maud, a director of Powertech and the executive director of Altron, told a Press conference in Sandton yesterday he had hoped to be able to release full details of the merger.

But some details had still to be confirmed by the JSE, which had asked that the companies issue only a cautionary announcement to shareholders at this stage

He said he hoped to be able to release full details today

At yesterday's meeting was Mr Joop van Tilburg, the managing director of the international Philips electronics group. Aberdare is a 67%-held subsidiary of Philips Lighting Corporation SA.

Mr Maud said the agreement to merge had evolved out of ongoing discussions between the various parties over the last few months over the overcapacity of the South African cable market.

Aberdare's managing director, Mr Bev Pyke, put the overcapacity at between 300% to 400% for some types of cables

The three companies between them control five cable manufacturing plants based on the Reef, Maritzburg and Port Elizabeth. They offer considerable scope for the rationalisation of operations.

Mr Maud said there were a number of conditions to be met before the merger could be finalised. One of them concerned the attitude of the Competition Board to the proposed deal

He said initial discussions had already been held with the board and he did not believe the merger would cause it any problems

Mr Van Tilburg said the merger did not represent a disinvestment by Philips

"We have been in business in South Africa for 55 years and have no intention of disinvesting from our activities here," he said.

In addition to overcapacity, the industry has been hit by cheap cable imports, the high local cost of primary components such as PVC, steel and aluminium, compared with price levels outside South Africa, and the loss of markets caused by the downturn and the cutbacks in Escom's capital expansion projects.

"A problem is that local primary industries have grown up under considerable economic protection and, as a result, their prices are way above prices ruling on world markets This affects the price structures of the secondary industries which have to buy local primary products," Mr Pyke said.

The merged cable operation will be in a better position to do something about that than the three separate companies.

Given the size of the cable market it controls, the merged operation should be in a far stronger negotiating position against its local suppliers of primary products

The merged operation will also be in a much stronger financial position, which should help with the establishment of an optical fibre factory.

Speculation over the possibility of Altech and Aberdare setting up such a factory has been rife for more than year.

Aberdare, through its parent, Philips, has access to advanced fibre optics technology.

Powertech sets up new cable giant

232 Star 22/3/85

By Peter Farley
Investment Editor

Cable industry newcomer Powertech has almost single-handly effected the rationalisation which was so desparately needed, but which the industry itself was seemingly unable to undertake

A series of deals, culminating in the addition of Aberdare to the Powertech/Asea/Scottish stable, has established a group with sales of around R230 million — almost half the industry total

And, perhaps more importantly, it brings together the international technology of Swedish front-runner Asea and the Dutch-based international electronics giant Philips

With the use of cables in the electronics and communications sectors — specifically fibre optics — offering such vast growth potential the spinoff benefits of international research and development are immense

Power cables still account for 75 percent of the industry's turnover, but the exciting potential of the currently R150 million a year telecoms and control cables sector is what the Altron group has its eyes on

The next step will be to tie up supply of fibre optical cable. Currently the only fibre drawing facility in this country is owned by ATC — in which rival Reunert has a considerable minority interest

Whether Powertech can now get a foothold in this operation, or goes it alone, remains to be seen

The local cable industry has, however, been in a mess for some time A chronic oversupply, a host of local producers and a flood of cheap imports have combined to put the industry in a parlous state

There have, however, been a few that haven risen above the mire And, notably, two of the best operators — Asea and Aberdare — are now in the Altech fold

Combined with a much weaker Scottish, these three companies can now, between them, offer internal synergy, a rationalisation of product range and a geographic network of manufacturing and distribution capacity well in excess of anything the next best competition can offer

Powertech MD Mr Hugh Brown said yesterday "The proposed merger will result in increased South African participation in the local cable industry

"This move was initiated by Powertech's acquisition of Asea and Scottish during the past 16 months and, with Aberdare now merging its resources with Asea and Scottish, SA shareholders will own in excess of 65 percent of Aberdare's enlarged share capital"

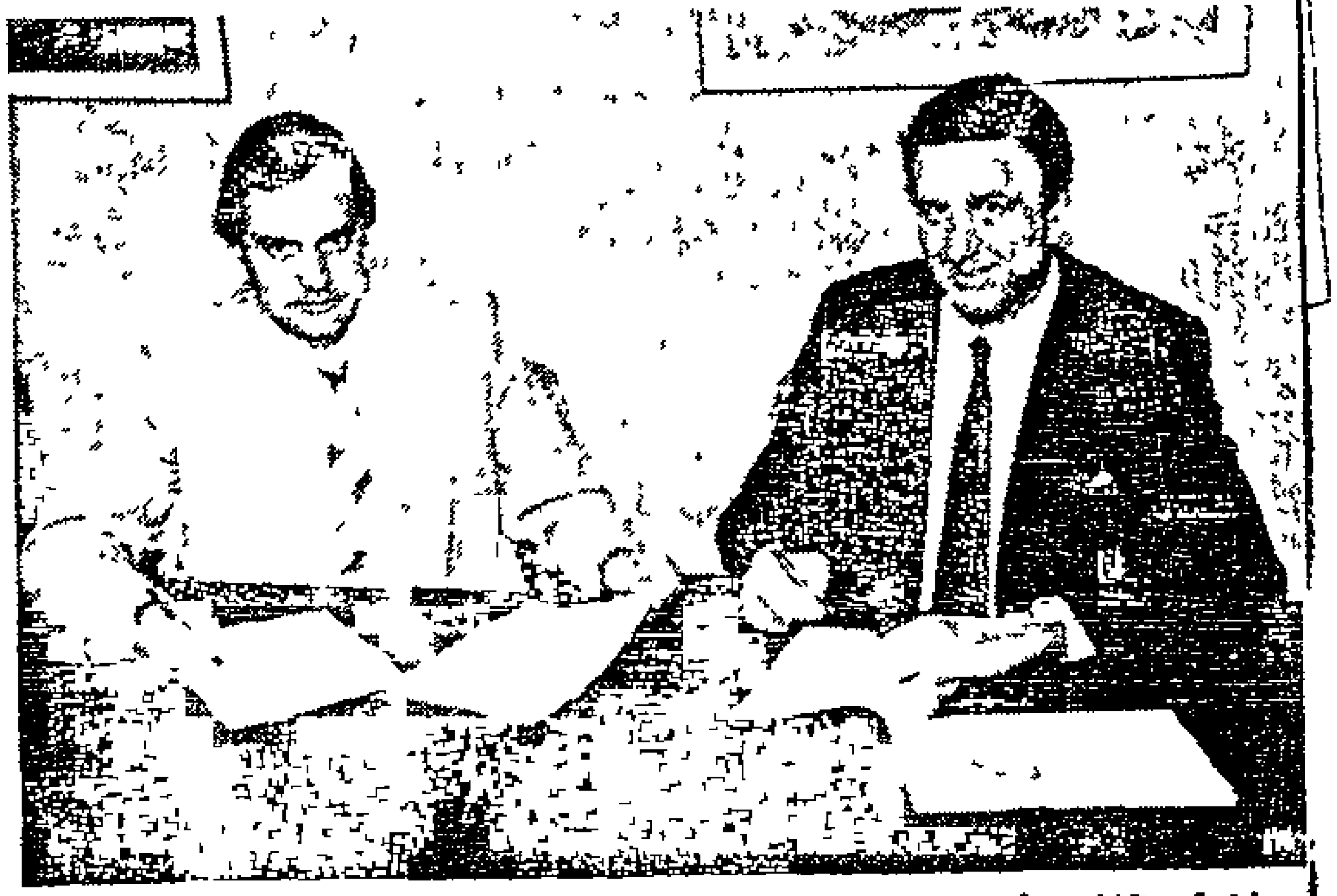
Aberdare MD Mr Bev Pyke said, "The cable industry has been hard hit by overcapacity, government expenditure cutbacks, low priced imports, thinning margins and deferrals of major Escom capital projects, brought about by the downwards revision of long-range electricity consumption forecasts

"The benefits that will accrue from the rationalisation will allow the new company to achieve cost effective leadership in the industry and thus attain real growth in the medium to long-term"

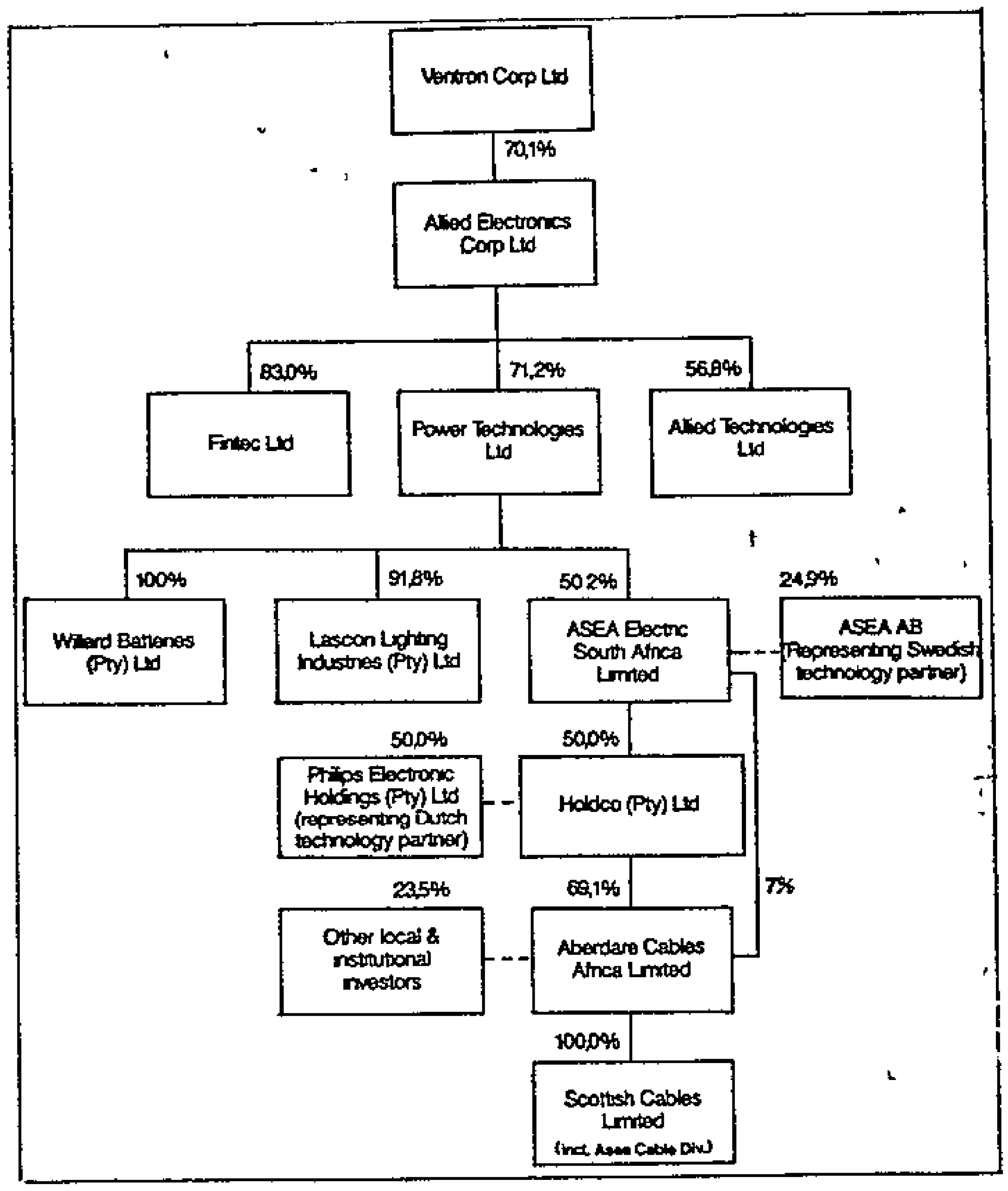
Under the new structure Scottish is to be delisted and Aberdare is to acquire the cable interests of both Asea and Scottish Aberdare will issue new shares to Asea for those companies

A new holding company is to be formed for the Aberdare-controlled cable companies, into which Aberdare's existing 67 percent parent Philips will transfer its stake This does, however, now become a minority interest

The new, enlarged Aberdare, will have assets of more than R170 million and estimated sales of R230 million It should also be reasonably profitable



Clive Jandrell, MD of ASEA Electric (left) with Bev Pyke, MD of Aberdare Cables after the announcement of the proposed merger.



The new structure of the Power Technologies Limited group showing the merger of the cable interests of Aberdare and Scottish.

No direct Anglo role in closure

Cape Times 23/3/85 232

Own Correspondent

LONDON — The former chairman of Anglo American, Mr Harry Oppenheimer, yesterday denied that either he or the Anglo American Corporation had "any part" in the decision to close the Rand Daily Mail on April 30.

In a telegram to the director of the International Press Institute (IPI) — representing almost 2 000 newspaper editors and publishers worldwide — Mr Oppenheimer said he would be "very pleased indeed" were it possible for the Rand Daily Mail to be saved.

The text of his telegram was released yesterday by IPI's London-based director, Mr Peter Galliner. The telegram was in response to an IPI telegram sent on Tuesday "regretting" Anglo American's role in the closure decision and calling on Mr Oppenheimer to use his influence to reverse the decision.

Mr Oppenheimer replied. "It is not correct that either I, or the Anglo American Corporation, had any part in the difficult decision taken by the SAAN board.

"Our interest in that company is indirect and as investors only, with no part in the direction or management.

"I should personally be very pleased indeed were it possible for the RDM to be saved but I understand that the decision to close was forced on the company on account of continuing and irreversible losses running into many millions which could no longer be afforded.

Mr Harry Oppenheimer

"I share to the full your regret and distress at the decision to close the Rand Daily Mail.

"The paper has played an indispensible part in opposing the policy of apartheid and keeping liberalism — in the best sense of the word — alive in South Africa.

"Its disappearance is a great misfortune," Mr Oppenheimer said.

Meanwhile, a senior spokesman for the Anglo American Corporation said Mr Oppenheimer would respond personally to the IPI as to whether or not he would "use his considerable influence" to have the decision to close the Rand Daily Mail reversed.

The spokesman said Mr Oppenheimer believed that a direct response to the IPI would be appropriate rather than making public announcements to other news organizations.

● Meanwhile, the Australian Journalists' Association (AJA) has reacted strongly to the news that SAAN intends closing the Rand Daily Mail.

In a telegram to the Southern African Society of Journalists, the AJA's Federal Secretary, Neil Swancott, said "The Federal Council of the AJA meeting in Sydney this week, learnt with dismay of the impending death of the Rand Daily Mail.

"The Mail had become one of the world's most important and influential newspapers standing virtually alone in South Africa in being able to reach all groups in the community. Its influence in maintaining a high level of debate, both at home and internationally, has been an essential ingredient in attempts to achieve a true democracy in South Africa.

"Australian journalists, along with their colleagues throughout the Western world, mourn the passing of a great newspaper. The AJA deplores the reported comments of the President of South Africa, Mr P W Botha, on the closure of the Mail: 'I would say a new South Africanism is taking control over South Africa and the media will have to take notice of this'.

"Statements like this are what the Mail stood against."

Argus 27/3/85 232 BUSINESS TODAY

Stanchar may give up control of SA subsidiary

Argus Foreign Service

LONDON — Standard Chartered Bank has acknowledged that it may eventually give up majority control of its South African subsidiary

Last year the subsidiary, Standard Bank of South Africa, produced a third of the group's profits

Stanchar's managing director, Mr Michael McWilliam, said "It is likely that, in the course of time, it will go to less than 50 percent but we are not putting a for sale notice up now"

Standard Chartered has already reduced its stake in its South African subsidiary to 50,3 percent, mainly through not contributing new capital to back the bank's expansion, a trend which is likely to continue

WEAK RAND

However, as a further reduction in shareholding would remove the bank's formal control of the subsidiary, Mr McWilliam said "Any next step would be of a different order of consequence from the previous ones and there would have to be a major discussion"

He would not put a time scale on when the decision would come up

Unlike Barclays Bank's South African subsidiary, Standard Chartered did very well last year, with a 19 percent increase in profits in rand terms But after translating this to sterling the profit was down on the year before because of the weakness of the rand

STOP MAKING LOANS

The Bank of Boston has coincidentally announced in Boston that it will stop making loans to private firms and banks in South Africa out of opposition to apartheid

The bank's chairman, Mr William Brown, said the bank last year made $75-million in loans to banks in South Africa These loans would expire next year

The Swedish Government, meanwhile, has said it will act to halt imports of South African coal if companies do not agree to stop them voluntarily

Swedish imports of South African coal jumped to 28 403 tons in 1984 from 2 098 tons the year before

Business Day 9

RDM 28/3/85

GEC in R3m takeover of two firms

(232)

Financial Reporter

GEC General Products, a division of GEC South Africa, has acquired Electric Elements and Electric Elements (Babalegi) for R3m.

Electric Elements makes and markets a range of products similar to that of Satchwell Controls, a wholly-owned GEC company in the General Products division, based in Paarl

The range consists mainly of sheathed, immersion, ceramic and cartridge elements

Satchwell Controls' output goes mainly to the original equipment market, while Electric Elements is in the replacement market

Electric Elements, based at Wynberg, is the trading operation distributing the entire Babalegi output and also has a small manufacturig subsidiary for low volume special elements

The company also makes fans and skirting heaters for various brand name owners, among them Woods Fans, another GEC subsidiary, and various Barlows companies like Barlows Air Conditioning Company

The business of Electric Elements is complimentary to Satchwell Controls, in that they cater for two different markets and are located in different parts of South Africa

Mr Paul Hatty, managing director of GEC South Africa, says the acquisition represents an expansion in an area where there is good growth potential The business is not heavy capital equipment related and due to its high service orientation is not vulnerable to competition from imports

The former owners of Electric Elements, Mr Max Strous, Mr Max Salamis and Mr Abe Sacks, will retain their former positions and the entire staff will be retained

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Cape Times, Friday,
29/3/85

Oppenheimer is sent plea to save Mail

Own Correspondent

LONDON — The International Press Institute (IPI) has appealed directly to the former chairman of the Anglo American Corporation, Mr Harry Oppenheimer, to form a consortium to re-launch the Rand Daily Mail under new ownership and management.

The IPI's London-based director, Mr Peter Galliner, has also told Mr Oppenheimer "there may well be some assistance flowing from our members."

The IPI has also received a reply to a telegram addressed to Mr Ian MacPherson, chairman of the South African Associated Newspapers board, which gives an assurance that the IPI appeal to reverse the decision to close the Rand Daily Mail "will be placed before the next meeting of the SAAN board".

Meeting

Mr Galliner has been trying to set up an urgent meeting between Mr Oppenheimer — who is due in London in mid-April to address the South Africa Club — and Lord MacGregor, former chairman of the Royal Commission on the Press.

The IPI comprises about 2 000 newspaper editors and publishers world-wide.

In an earlier telegram to the IPI, Mr Oppenheimer said he would be "very pleased indeed" if the Rand Daily Mail could be saved. He denied however, that he or the Anglo American Corporation had any part in the SAAN board's decision.

In the IPI's latest reply Mr Galliner wrote: "May I suggest to you, with your own interest and your political outlook, you .. attempt to form a new consortium which would put the RDM on a completely different basis — both as regards ownership and management.

"I am sufficiently optimistic to believe that if someone like yourself would take this in hand it would be successful.

"Let me also tell you that with the members the IPI has throughout the Free World, there may well be some assistance flowing from some of our members.

"My main point really remains that in the world we live in it appears to one essential to save both titles — the Rand Daily Mail and the Sunday Express — which have the coverage, the background and the strength to defend traditional liberal viewpoints and reflect the spirit which is still alive in your country," Mr Galliner wrote.

BTR UK will control Dunlop operations in South Africa

232 (1985) Star 1/4/85

By Duncan Collings

Dunlop Holdings is to become a subsidiary of BTR plc and Dunlop South Africa will become an indirect subsidiary through 51 percent of its shares being controlled by BTR.

After the announcement in London on March 27 that BTR is to take over Dunlop, Mr Peter Fatharly, deputy managing director of BTR plc and chairman of its eastern region incorporating South Africa, met the Dunlop South Africa managing director, Dr Tom Muller and the managing director, Mr C R Hooper

BTR South Africa said "During the course of their meeting, all parties were pleased to find total compatibility of their views, aims and objectives for the future of Dunlop SA's operations, and to note that a major proportion of the activities of Dunlop and BTR in SA are complementary rather than competitive."

BTR first operated in South Africa when it invested in the SA Rubber Manufacturing Company (Sarmcol) in 1972, since when it has expanded its interests into other polymer-based product companies and engineering activities in South Africa.

Sales for calender 1984 exceeded R120 million, while Dunlop South Africa in the same period achieved sales of about R217 million. The related trading profits for the two companies were R17,3 million and R27,2 million respectively.

RDM 1/4/85

Pepkor pays R8m in Bertish takeover

184 (232)

Financial Reporter

PEPKOR has taken over the Cape Town clothing manufacturer, M Bertish, in an R8m deal with Veka

Bertish, which includes the Embassy and Consulate brand names, is to keep its distinct market identity

Its branded range will not be sold through the group's Pep Stores

However, its spare capacity will be used by House of Monatic which is under pressure because of rising export sales

Mr Christo Wiese, the executive chairman of Pepkor, says the group is also taking over the President tie division, excluding the embroidery business This will enhance its own tie manufacturer, Cravateur

These are the first Krupp Kubria crushers to be locally manufactured in South Africa by Dunswart Heavy Engineering in terms of a licence agreement with Krupp South Africa.

'Realistic price' for Sandton store

Greatermans gets Stuttafords

CDM (232) 2/4/85

By BERENICE MARGOLIS

GREATERMANS, a subsidiary of the Kirsh Trading Group, has acquired Stuttafords, Sandton City.

This was confirmed yesterday by Mr Mervyn King, deputy chairman of Kirsh Trading

He would say only that the acquisition was made at a "realistic price" and that the Kirsh Group had taken over Stuttafords' eight-year lease

The managing director of Stuttafords, Mr Graham Beck, could not be reached for comment yesterday

Mr King said his company was not interested in acquiring the Stuttafords operation in Cape Town

"Greatermans' Eastgate store has a successful management team and the managerial complement will be not be increased with the new acquisition Stuttafords and Greatermans will be managed jointly"

Mr King, who declined to put a figure on the purchase or the manner of its financing, said that Stuttafords' up-market image would be enhanced by Greatermans' Eastgate store

"It has a nice image and there are no plans to change the merchandising concept or store layout, but for the next week or two we will be looking at staffing and stock"

In 1978 Mr Graham Beck, a coal magnate, took full control of Stuttafords, with its six department stores, from the ordinary shareholders in an R11,7m deal Preference shareholders were bought out for R800 000 and shortly thereafter Stuttafords was delisted

At the time, Mr Beck said each store had to be a profitable entity

There is speculation that Mr Beck, the sole owner of Kangra Holdings, is divesting himself of his non-coal mining interests

He has considerable coal interests in both the domestic and export markets and is at present buying out minority shareholders in Natal Coal Exploration, which he controls

In 1981, Stuttafords sold Stutvans, its transport operation, to Clicks for R1,5m cash, and two years ago Mr Beck sold Stuttafords' Durban store to the Cape-based Garlicks chain for an estimated R15m

More than R2m had been spent on refurbishing the Durban branch of Stuttafords, one of the city's historic landmarks

More recently, Stuttafords, in the Rosebank Mall shopping centre in Johannesburg, was closed, apparently because of lack of business for the branch

The takeover of Stuttafords by the Kirsh Group is the latest in a string of acquisitions which include a majority shareholding in Dion, the retail discount chain

For the year to December, the Kirsh Trading Group showed an attributable loss of R864 000 In his interim statement, Mr Natie Kirsh said the outlook for the second half of the financial year to June 1985 would deteriorate further.

The group has raised R31,3m since December 31 through the sale of some of its properties

KTG's interim results were hammered by the restrictions on hire purchase and high interest rates, in addition to the cost of Checkers' rapid expansion and KTG's absorption of R3,17m of the R14m foreign exchange loss sustained by Dion

Mercury

Thomas Cook and Freight Services to merge

232

3/4/88

Mercury Correspondent

JOHANNESBURG— Thomas Cook Rennies Travel and Freight Services Travel are to merge into a new operation with 55 retail outlets and an estimated annual turnover of about R800m.

The two major travel organisations have until now been competing extensively internationally but now 'have arrived at an agreement.'

The new company will be known as Thomas Cook Rennies Travel, Mr D A (Buddy) Hawton, chairman of the new company, announced yesterday

The arrangement, he stressed, is still subject to three qualifications. the actual signing of the agreement, exchange control approval from the S A Reserve Bank and approval from the International Air Transport Association (IATA)

Before the merger, Rennies Freight Services had 100 percent shareholding in Freight Services Travel (previously American Express) and a 50 percent stake in Thomas Cook Rennies Travel.

Renfreight now has a 71 percent shareholding in the broader travel group while the remaining 29 percent is held by Thomas Cook U K.

The deal was sparked by the merger in December of parent companies Safmarine and Rennies but was delayed by the need to renegotiate the Thomas Cook and American Express deals

'We didn't want to dispose of either one of the organisations Our options were either to sell our 50 percent in Thomas Cook back to Thomas Cook, thus creating a major competitor, or to dispose of 100 percent in Freight Services Travel,' said Mr Hawton.

First prize

'The first prize was to integrate, which we estimate would give us about 25 percent of the market place and the benefits of rationalisation'

The company, which will continue to stock both American Express and Thomas Cook travellers cheques, has signed a termination agreement with American Express and 'handed back five offices'

'The merger makes us undoubtedly the biggest travel agent in the country,' said Dave Haddon, previously managing director of Thomas Cook's 33 branches and now managing director of the expanded operation.

Travel giant will get 25% slice of SA market

3/4/85 Star (232)

By Duncan Collings

The inevitable get-together of travel interests, after the merger of Rennies and Safmarine, has at last been finalised. The joint operation, Thomas Cook Rennies Travel, will have an estimated 25 percent of the R3,2 billion a year SA travel industry.

The delay in the merger of the travel operations stemmed from Safren's desire to amicably renegotiate its agreements with both American Express and Thos Cook so that the merged operation would be able to issue travellers cheques of both international organisations.

Mr Buddy Hawton, chief executive of Rennies Freight Services under which division of Safren the new travel orgainsation falls, said agreement had now been reached by all parties. The formal signature, agreement on forex exchange controls and sanction from the International Air Transport Association (Iata) were the only formalities still to be completed.

The merged operation will have an estimated turnover of R800 million — R500 million in travellers cheques and the balance in travel services — and will service clients via a network of 55 outlets countrywide.

Thos Cook of the UK's interest in the enlarged merged operation will drop to 29 percent from 50 percent. An understanding has been reached to terminate the agreement with American Express, this involved the payment of an undisclosed termination penalty and the handing back of five American Express outlets locally which will in future be run by the Nedbank group.

Thos Cook Rennies Travel will continue to handle both Thos Cook and American Express travellers cheques.

Mr Hawton said that as far as clients are concerned the biggest benefit of the merger is peace of mind against the background of the stressed travel industry in general. As far as Safren is concerned the benefits are increased profitability

Mr Hawton said the new operation intends exploiting to the full its close ties with Sun International and the Kerzner organisation, and it will be increasingly active in the wholesale travel market — package tours.

He pointed out that had the merger not been agreed to one or other of the two operations would have had to sold off which would have created a major competitor in the market — an undesirable situation from Safren's point of view.

No role for Mutual in R177-m rights issue

232

Stanchart yields full control of Standard

Star 3/4/85

By Duncan Collings
Deputy Financial Editor

The Standard Bank group, which with its 1984 results pushed the Barclays group into second spot in the SA banking league by some measure, will no longer be controlled by Standard Chartered of the UK following Stanbic's R177,4 million right issue.

The rights issue — the largest to date by a local banking institution and one of the biggest capitalisation issues in South Africa — will not be followed by Stanchart with the result that the UK group's holding will drop from 50,3 percent to 41,9 percent

And, possibly of more significance locally, the Old Mutual will drop from the second largest shareholder in Stanbic to third slot after Liberty Life and GFSA have underwritten the offer and taken up Stanchart's rights.

The decision by Stanbic to ask Liberty and GFSA to underwrite the offer and not to invite the Old Mutual in is bound to raise some hackles in Cape Town and illustrates firmly the close ties between Liberty and Standard which have become closer and closer over the years, culminating in Standard doubling its stake in Liberty's ultimate holding company to 50 percent last year.

Following the rights issue, after Stanchart, Liberty will hold 24 percent of Stanbic from 17 percent previously, Old Mutual will continue to hold around 20 percent and GFSA comes in with a new 2,5 percent shareholding.

According to retiring Stanbic chairman Mr Ian Mackenzie, GFSA was invited aboard because of its close business ties to the bank.

The rights issue — of preferred ordinary shares — will be made to existing shareholders on the basis of 20 preferred shares for every 100 shares held at 1 200c a preferred share.

The new shares will carry a fixed dividend of 108c a year until the dividend on ordinary shares reaches that level. Thereafter they will rank with the ordinary shares in all respects

FREE CAPITAL

Stanbic's dividend last year was 62c. No forecast could be given as to when the cross-over point might be reached or of Stanbic's likely earnings this year in view of the unsettled state of the economy and the banking industry in particular.

The cash is being raised to accommodate the capital adequacy requirement of Stanchart which has arisen largely through the growth of Stanbic, and will also probably enable Stanbic to meet the requirement of increased free capital and reserves which the new banking act will contain when it is finally made public

Lord Barber, chairman of Stanchart, emphasised that the reduction in Stanchart's interest in Stanbic should in no way be interpreted as disinvestment as "not a cent is being withdrawn from South Africa"

He said that Stanchart intends remaining the largest single shareholder in Stanbic and that the close working relationships between the two group's will be maintained

He said that the reduction in shareholding was unlikely to have any effect on Stanchart's earnings, despite the fact that the results of Stanbic will be deconsolidated from Stanchart's accounts and the fact that Stanbic contributed 30 percent to Stanchart;'s profits in 1984.

By coming to the market now, the Standard Bank group has set the tone of what must follow in the banking industry. The new act, which will include a substantial increase in the requirement relating to free capital and reserves, is bound to result in most of the banks having to come to the market

By issuing preferred ordinary shares, Standard has been able to issue the minimum number of shares for the maximum amount of cash as the price of the issue is fixed at the same level at which it is currently quoted on the stock exchange. Had the group opted for an ordinary share issue the new shares would have had to be issued at a discount to the market and consequently far more shares issued for the same amount of cash.

Liberty group consolidate Stanbic holdings

By Duncan Collings

Following the announcement of the Stanbic R177,4 million rights issue, the Liberty group is to tidy up its various holdings in Stanbic which, after the rights issue, will amount to 24 percent

Liberty Life is to acquire the 6,7 million Stanbic shares presently held by DGI Holdings and Annexe Investments — the two companies which control the family interests of Mr Donald Gordon and Mr Michael Rapp — in Stanbic plus their rights to the Stanbic issue

Purchase consideration is R12 a Stanbic share putting a total value of R80,4 million on the deal The consideration which will be settled in the ratio 2 1 between DGI and Annexe, the same ratio in which they are supplying the Stanbic shares, will be met partly by the issue of new convertible redeemable preference shares in Liberty Life and the balance by new Stanbic preferred ordinaries.

DGI will get 714 667 and Annexe 357 333 new Liberty shares at R60 each and respectively 893 333 and 446 667 new Stanbic preferred ordinaries at R12 each which amounts to the entitlements of DGI and Annexe to Stanbic new preferred ordinaries had they continued to hold the 6,7 million Stanbic shares

The new Liberty Prefs will yield 9 percent a year and may be converted into Liberty Life ordinaries on September 30 of either 1988, 1989, 1990 or 1991 at R60 a share Or they may be redeemed at R60 a share on September 30 1991

If the Stanbic rights issue is not implemented by July 31 this year then DGI and Annexe will receive a further 208 000 new Liberty Life prefs

As a result of these transactions, assuming full conversion of the Liberty prefs, Liberty Life's holding company, Liberty Holdings will have its investment in Liberty Life diluted to about 60 percent from the present 64,5 percent.

The major benefit of the tidying up of the Stanbic interests is that in terms of its accounting policies the Stanbic investment will be capable of being equity accounted in Liberty Life's financial statements.

The consolidation of the holdings in Stanbic will also be of great benefit to the future relationship between Stanbic and Liberty Life and will facilitate the further development of the objective of providing a broadly based diversified financial services capability.

The transactions, however, will not have an immediate material effect on the earnings or net asset value of Liberty Life, but should provide considerable benefit in the longer term

Mr Gordon said that in coming to the decision to consolidate the Stanbic shareholding in Liberty Life consideration had to be given to the effect of narrowing the spread of investments of DGI and Annexe from Stanbic and Liberty to effectively only Liberty

"However, as our fortunes are so tied up with Liberty it seemed the right thing to do in the interests of Liberty Life," he said

Business Day

3/4/87 232

Travel agents in giant merger

By ETHEL HAZELHURST

THOMAS COOK Rennies Travel and Freight Services Travel are to merge into an operation with 55 retail outlets and an estimated annual turnover of about R800m.

It will be known as Thomas Cook Rennies Travel, Mr D A (Buddy) Hawton, chairman of the new company, said yesterday

The arrangement, he stressed, was subject to three qualifications the actual signing of the agreement, exchange control approval in writing from the Reserve Bank, approval from the International Air Transport Association (IATA)

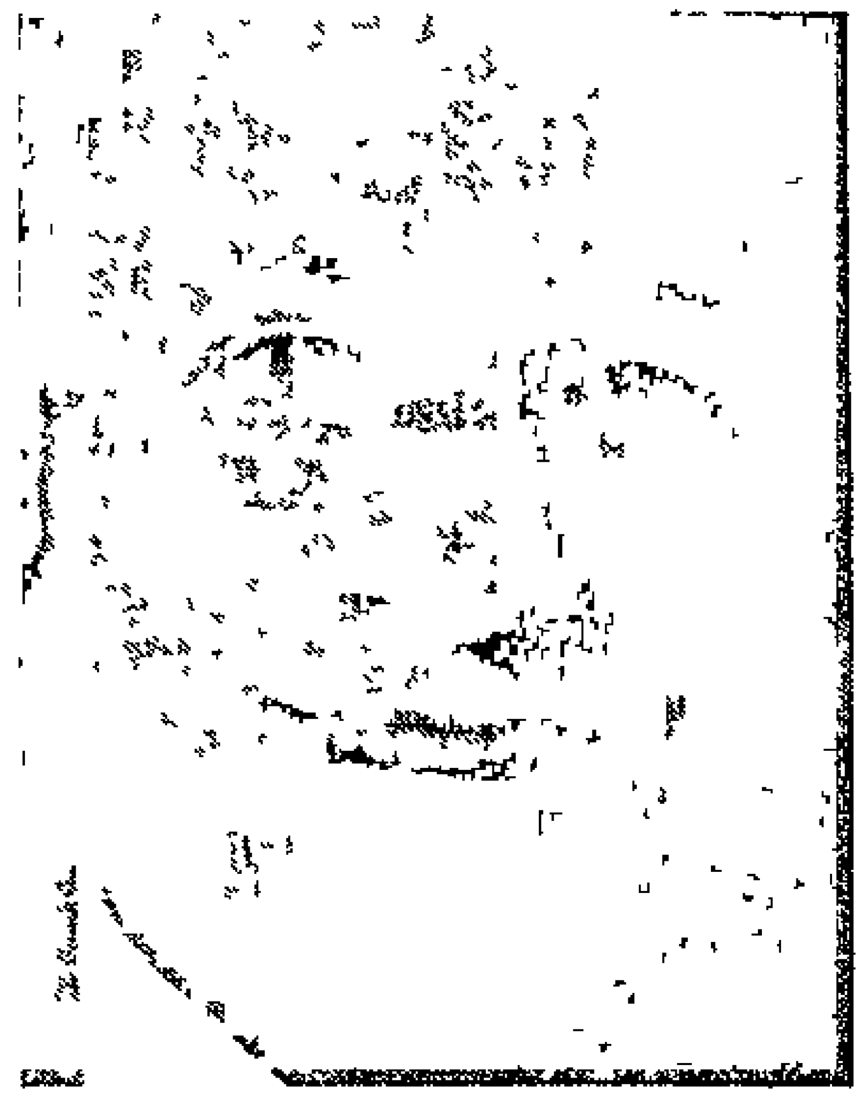
Before the merger, Rennies Freight Services (Renfreight) had a 100% shareholding in Freight Services Travel (previously American Express) and a 50% stake in Thomas Cook Rennies Travel

Renfreight now has a 71% shareholding in the broader travel group The remaining 29% is held by Thomas Cook UK

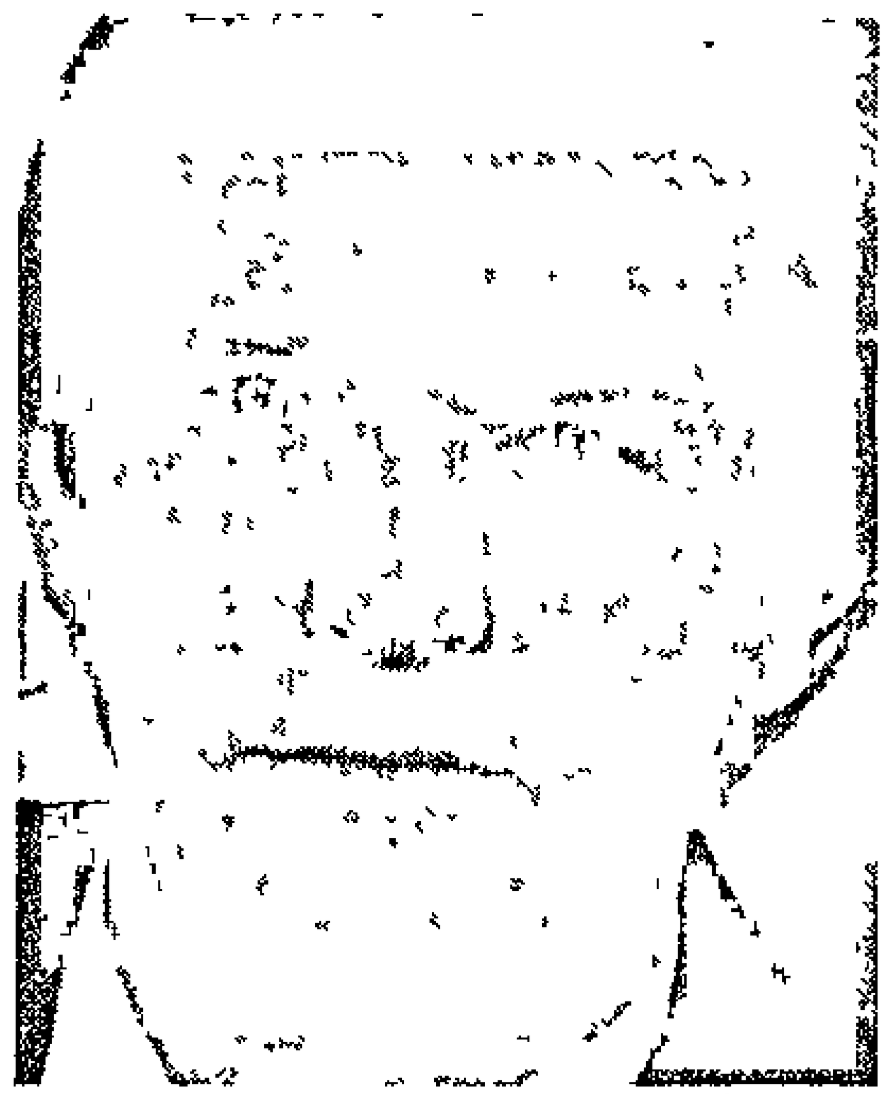
The deal was sparked by the merger in December of the parent companies, Safmarine and Rennies, but was delayed by the need to renegotiate the Thomas Cook and American Express deals

"We didn't want to dispose of either one of the organisations Our options were either to sell our 50% in Thomas Cook back to Thomas Cook, thus creating a major competitior, or to dispose of 100% in Freight Services Travel," said Mr Hawton

"The first prize was to integrate, which we estimate would give us about 25% of the market and the benefits of rationalisation"



BUDDY HAWTON . . . merger subject to three qualifications



DAVE HADDON . . . a 24-hour, money-back guarantee.

The company, which will continue to stock both American Express and Thomas Cook travellers cheques, has signed a termination agreement with American Express and handed back five offices

"The merger makes us undoubtedly the biggest travel agent in South Africa," said Mr Dave Haddon, previously the managing director of Thomas Cook's 33 branches and now managing director of the expanded operation.

He sees the size of the new company as a strength.

Among other things, it will provide the means of automation, so vital in the travel industry with its constant need for up-to-date information.

It also means that "TCRT will be able to offer a 24-hour, money-back guarantee to any person booking a tour through them This guarantee covers any tour cancelled through the financial failure of the tour operator".

Gordon and Rapp trusts sell shares

Liblife, Stanbic in R80m deal

RDM 4/4/85 (232)

By HAROLD FRIDJHON

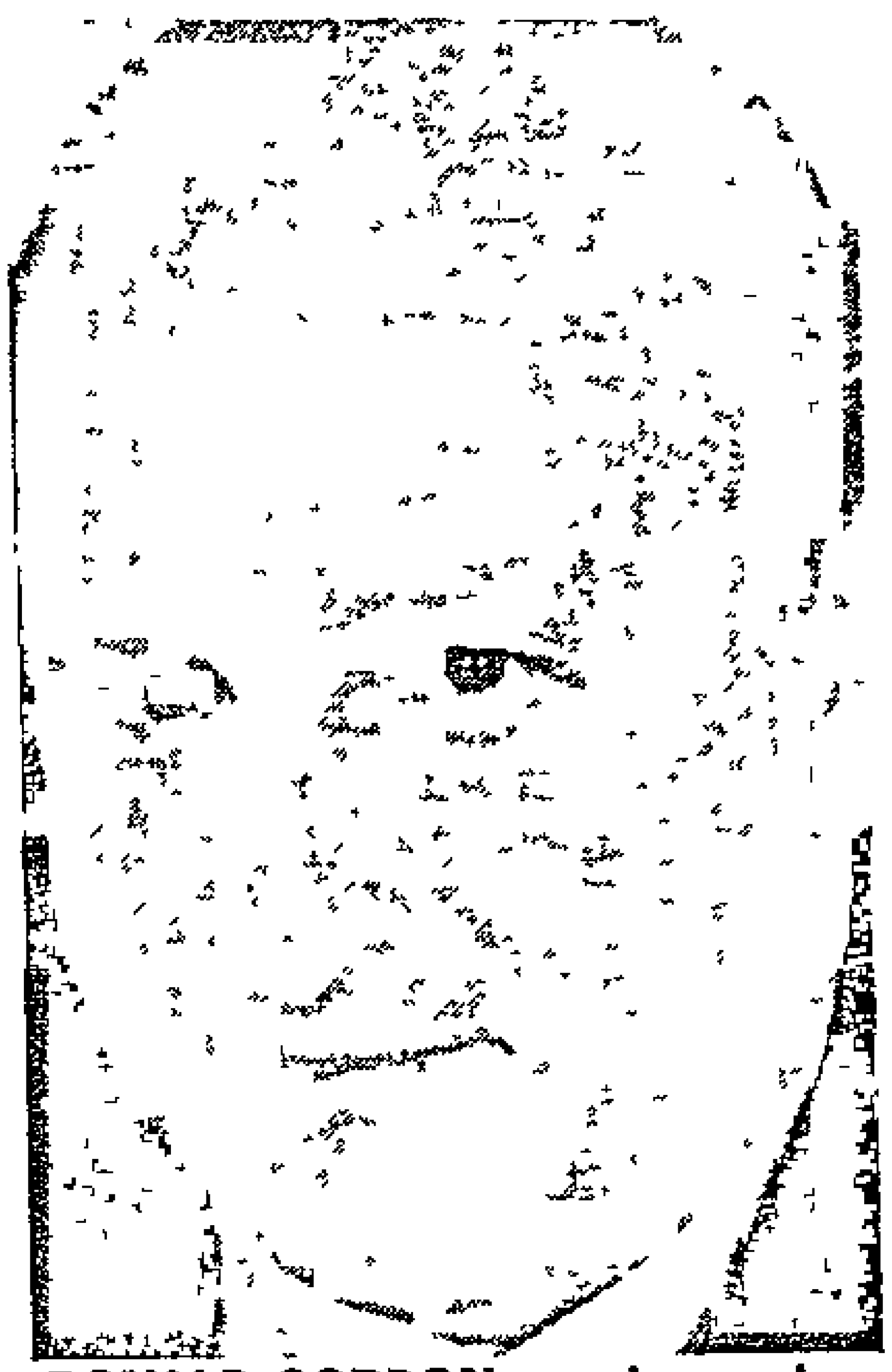
IN AN R80,4m deal, the Liberty Life group is to acquire at R12 a share 6,7-million ordinary shares in Standard Bank Investment Corporation (Stanbic) owned by the family trusts of Mr Donald Gordon and Mr Michael Rapp.

The total consideration will be met by the issue at R60 a share of 1 072 000 convertible redeemable cumulative preference shares of R1

The transaction will be effected on an ex rights basis Both family trusts, DGI Holdings (Pty) and Annexe Investments (Pty), will retain their rights to the 1,34-million preferred ordinary Stanbic shares to be issued at R12 a share.

The purpose of the deal is to increase the Liberty Life group's investment in Stanbic The transfer of the 6,7-million Stanbic shares will give Liberty and its subsidiaries a holding of about 24% in the increased Stanbic capital

Mr Donald Gordon, chairman of Liberty Life group, said yesterday that in accordance with the group's accounting policies, the Stanbic investment would be equity accounted This will strengthen Liberty Life's reserves considerably because balance sheets will reflect its 24% of Stanbic's capital and reserves And the growth potential of Stanbic will benefit policy-holders and shareholders alike.



DONALD GORDON .. close relationship will continue.

(The latest Stanbic group balance sheet shows total capital and reserves of more than R751m)

Mr Gordon said that since Stanbic and Liberty had come closer together in 1983, considerably synergy had been effected between the two He had no doubt this would continue at an accelerated rate Liberty will become Stanbic's largest South African shareholder.

But the relationship is not one-sided Stanbic owns 50% of Liberty Life Controlling (Libcon) which, in turn, owns 52% of Liberty Holdings

The two family trusts acquired their parcel of Stanbic shares in July 1983 when Stanbic bought joint control of Libcon for R84,5m Payment for the deal was effected by the issue of 6,7-million Stanbic shares at R9 a share and R24,2m in cash

Thanks to the surge in the market price of Stanbic in the past 18 months, the family trusts will show a book profit of R3 a share — about R20m

The new convertible pref shares to be allocated in the proportion of 714 667 to the Gordon trust and 357 333 to the Rapp trust will yield 9% a year At the option of the two holders, the new prefs will be convertible into Liberty Life paid-up ordinary shares at a price of R60 a share any September over a four-year period beginning in 1988

COMMENT: The close relationship between the two groups goes back to 1978 when Stanbic helped finance the transfer of control of Liberty from the UK-based Guardian Assurance to Mr Gordon and Mr Rapp. The Liberty Life Controlling pyramid was then formed with Stanbic and Mr Rapp holding 25% each and Mr Gordon holding 50%.

The 1983 deal enabled Stanbic to acquire an additional 25% in Libcon. Transferring the Gordon/Rapp holdings in Stanbic from their trusts to Liblife is a commendable gesture so far as Liberty policy-holders and shareholders are concerned The move certainly adds to Liberty's strength.

Business Day

4/4/85

Stuttafords sale an outright cash deal

R20M (Z32) (20)

By BERENICE MARGOLIS

THE sale of Stuttafords (Sandton City) to Greatermans, a subsidiary of the Kirsh Trading Group, was an outright cash deal, according to Mr David Bell, a director of Stuttafords and financial director of Kangra Coal Corporation.

Confirming yesterday that the takeover became official on April 1, Mr Bell, who declined to disclose the terms of the deal, emphasised it had not been a distress sale.

"We evaluated the position and decided to sell to a good buyer."

The store had been making a reasonable profit since being refitted and had doubled in size, in keeping with the extension of the up-market shopping centre, Mr Bell said.

"It takes a while for a store to get going."

He added that there were "all sorts of considerations" behind the sale.

"Stuttafords is part of a very big group — Graham Beck's empire. As we've only got one store in Johannesburg, it's not much use keeping one unit going in isolation.

"Greatermans has taken over the people, the lease, the stock and the fixtures of a going concern. Stuttafords' staff will stay on under the same terms and conditions. That's the only way we do deals."

He believed the new management would try to keep the level of merchandise established by Stuttafords: "Greatermans Eastgate is not that much different from Stuttafords, except, perhaps, for the top 10% of high-fashion wear."

Like everyone else, Mr Bell said, Stuttafords had been affected by the recession. Even upper-income groups were cutting back.

Turnover, which should have risen by 20%, had not increased to keep pace with inflation.

However, Stuttafords was not overstocked: "We may have erred on the other side. In these times you keep your stocks down to make sure you don't get caught."

Stuttafords is left with two department stores in Cape Town — one in the Cavendish Square shopping centre in Claremont and one in Adderley Street.

● In the April 2 edition of Business Day it was incorrectly stated that Stuttafords had sold its transport operation, Stuttafords Van Lines, to Clicks for R1,5m cash.

Clicks bought Stutvans, which included land and buildings in Cape Town, owned by Stuttafords, for use as its head office and warehouse. The transport operation is still owned by Stuttafords.

GEC in R3-m expansion move

232

Star By Stan Kennedy 10/4/85

The entire share capital of Electric Elements of Wynberg and Electric Elements (Babalegi) has been bought by GEC General Products, a division of GEC SA, for R3 million

Electric Elements manufactures and markets a range of products similar to that of Satchwell Controls, another company in the GEC group It consists mainly of sheathed, immersion, ceramic and cartridge elements, which are sold in the replacment market Satchwell's products go to the original equipment market

Satchwell and Electric Elements will remain separate trading units for the foreseeable future, although some rationalisation will be considered in the future

Mr Paul Hatty, managing director of GEC SA, says "The acquisition represents for GEC an expansion in an area where we believe there is good growth potential

"The business is not heavily capital equipment related, and because of its high degree of service orientation is not vulnerable to competition from imports, which has increasingly become a problem in our business"

R1-m drive contract

The recently established local subsidiary of West German-geared drives manufacturer Eberhard Bauer has won orders worth R1 million for geared motor drives for Tutuka power station

The orders were placed by Lurgi SA and Buhlermiag SA, both local subsidiaries of Swiss firms that deal with Eberhard Bauer internationally.

Production boost

A R1,6 million expansion programme by Associated Engineering to upgrade and modernise the existing facilities at its Lauf Lumenite factory in Roodepoort will lead to more efficient production of pistons and other automotive components.

"With the re-organisation last year of the method of manufacture from batch to flow production, we have had to make adjustments to machine capabilities to improve the production rate of the more complex pistons," said Mr Frank Hicks, Lauf's managing director.

Machines for this purpose will be installed in June, and then a computerised production analysis system will be introduced. This system will measure each piston, to establish whether it complies with the client's specifications, and it will produce a print-out verifying the measurements.

The programme will be completed in October with the installation of a R1 million furnace.

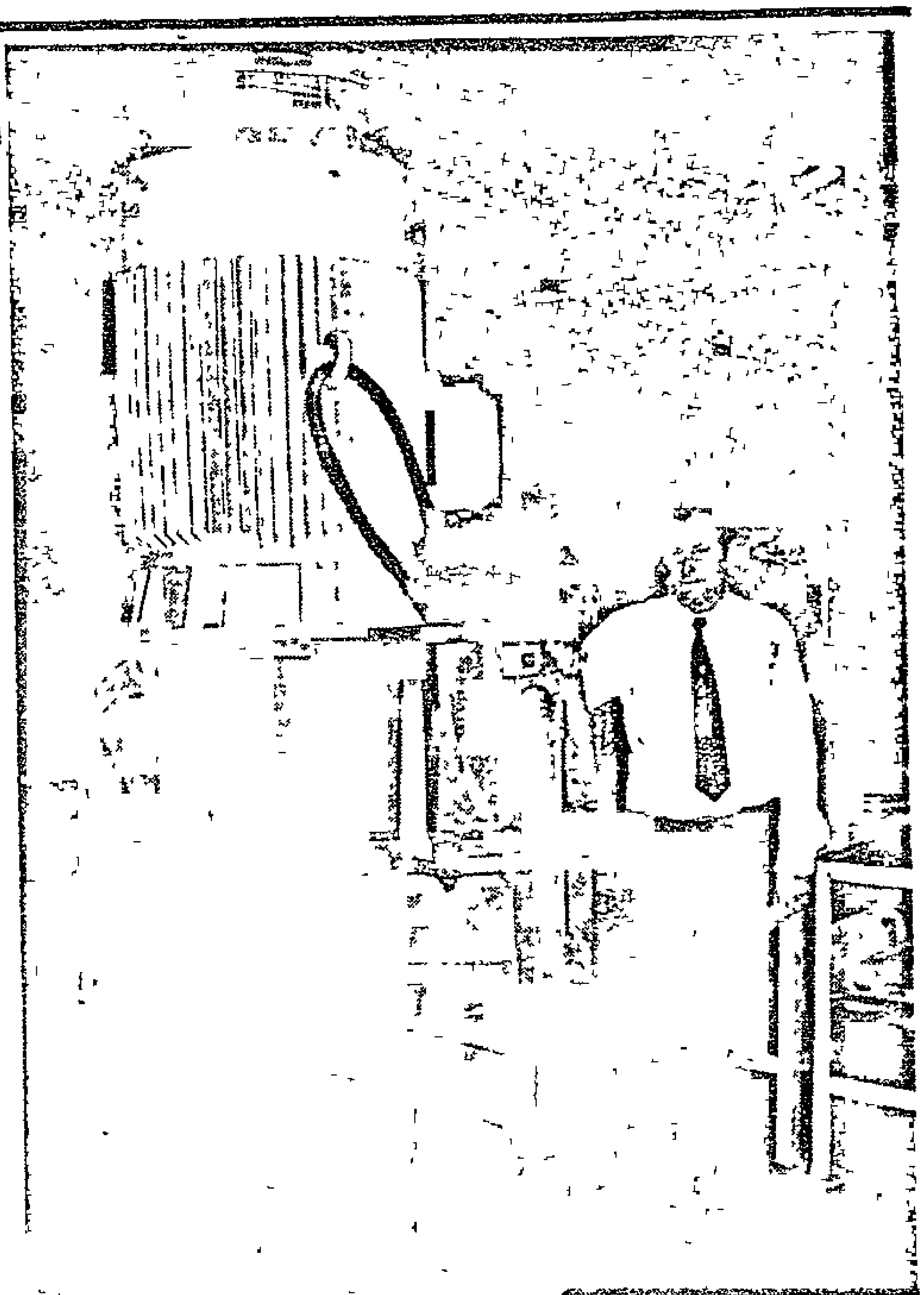
Gearboxes roll

The first 12 of 300 Flender gearboxes for Escom's Matimba power station have come off the assembly line at Paramount Engineers' Tulisa Park Works

The multi-million rand contract was awarded to Flender-Paramount by GEA Aircooled Systems, the main contractor for the air-cooled condensor units at the power station.

The contract extends over six years

Some of the components will initially be imported from Flender of West Germany but as the contract matures, the local content will be increased.



Paramount MD Mr Heinz Mederer beside one of Flender gearboxes, which will be installed in the air-cooled condenser plant at Matimba power station.

RDM 11/4/85 (234A)

Walesa urges action to back SA unions

By STEVEN FRIEDMAN
Labour Correspondent

THE leader of Poland's Solidarity movement, Mr Lech Walesa, has slammed the South African Government's race policies and says international union action in support of SA unions is as important as backing for Polish workers

Mr Walesa, a Nobel Peace Prize winner, has also hailed the decision to award the prize to Bishop Desmond Tutu last year

These comments are contained in a letter from Mr Walesa to the International Confederation of Free Trade Unions, which brings together national union federations throughout the West and has actively supported both Solidarity and South African unions

The letter is reprinted in the latest issue of Izwilethu, newsletter of the Council of Unions of SA, which has joined the ICFTU

Mr Walesa's letter is mainly a reaction to the death of Father Jerzy Popieluszko, a priest who was sympathetic to Solidarity and who was murdered by Polish police last year.

He adds, however, that Father Popieluszko's death "overshadowed an event of great importance to the democratic trade union movement the Nobel Peace Prize awarded to Bishop Desmond Tutu"

Apartheid, Mr Walesa says, is "condemned in the whole world".

"This inhuman system, opposed to the very spirit and achievements of Christian civilisation, deserves sharp criticism," he adds

Mr Walesa says he is aware that "the constant monitoring of human and trade union rights by the ICFTU is equally divided between Poland and the Republic of South Africa". In both of these countries "the trade union movement requires specific, united and international support"

Southern Sun, Holiday Inns hold talks

RDM 13/04/85

Merger of hotel giants in offing

232

By DAVID ROSS

DR STEF NAUDE, the chairman of the Competition Board, said yesterday Safmarine, Rennies Holdings and Southern Sun had consulted him over the acqustion by Southern Sun Hotel Holdings of Holiday Inns

Based on the information currently at its disposal, the board is of the opinion that the acquisition is not contrary to the public interest

It was suggested in Business Day on Thursday that the suspension of Southern Sun on the JSE on Thursday would precede an announcement that Southern Sun was to make a major investment in Holiday Inns

However, at the time Business Day received the announcement from the Competition Board yesterday there had been no mention of the takeover by the companies concerned

The parties to any such agreement were involved in a meeting until late in the evening — presumably to discuss final details of the arrangements

They had said on Thursday that an announcement would be made at 4pm yesterday

Confirmation of the Business Day story appeared to have arrived by a rather curious route

But, barring an official announcement by the companies concerned, details of the new deal are obviously not available and therefore beyond discussion

It is at least theoretically possible, for example, that the deal might be called off

Dr Naude said in his announcement that in the light of significant potential advantages for the tourist industry in South Africa — particularly international tourism — the proposed acquisition may have substantial public benefits

Following the story in Business Day on Thursday, Safren shares moved up yesterday from R14,10 to R15 before closing at R14,70

Safren was formed by the merger of Safmarine and Rennies Holdings

It owns 100% of Holiday Inns

Holiday Inns operates 23 hotels throughout South Africa

Kersaf, the company controlled by Mr Sol Kerzner, and which was the first to attract buyers on the JSE on Thursday after the suspension of Southern Sun, moved ahead at a more leisurely rate yesterday, adding 40c to close at R11

On April 1, Safren and Kersaf announced that discussions were taking place with a view to rationalising their interests in the leisure industry

A major question surrounding the proposed takeover of Holiday Inns by Southern Sun is what place for Kersaf will be found in the deal.

RDM 13/04/85 (2329)

Green light for takeover

By DAVID ROSS

DR. STEF NAUDE, chairman of the Competition Board, announced yesterday that Safmarine, Rennies Holdings and Southern Sun had consulted with the board "regarding the acquistion by Southern Sun Hotel Holdings of Holiday Inns"

Based on the information currently at its disposal the board is of the opinion that the acquisition is not contrary to the public interest

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● See Page 7

Competition Board gives nod to multimillion-rand deal

Holiday In

Giants of SA hotel industry to merge

232

Star 13/4/85

by Duncan Collings, Deputy Financial Editor

In an enormous multimillion-rand financial deal, the South African hotel industry is expected to come effectively under one company this weekend when a formal announcement is made of the merger between the Holiday Inns and Southern Sun groups.

Though no official announcement had been made by late last night by either South African Breweries, owners of Southern Sun, or Safmarine Rennies (Safren), which has the 23 Holiday Inns in its stable, a statement from the Competitions Board makes statements from the companies a mere formality.

The Competition Board said that an acqustion by Southern Sun Hotel Holdings of Holiday Inns was not contrary to the public interest.

The chairman, Dr S J Naude, said the board's opinion was based on "current available information".

He was commenting on a meeting between the board and

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288 Star 13/4/85

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Hotel Holdings of Holiday Inns was

on "current available information".

He was commenting on a meeting between the board and the other interested parties.

Dr Naudé said out that in the light of the "significant potential advantages" for the tourist industry in the country, and in particular for international tourism, the proposed acquisition might have substantial benefits for the public

The merger will put most of South Africa's hotels under one company, with only the small Protea chain and independents operating outside.

Homelands

However, what is not clear is the position of Sun International, which operates 16 hotels in independent "homelands" and other Southern African countries, as well as Mauritius.

The group is owned by Southern Sun, Safren and Mr Sol Kerzner. It has indicated that it will issue a statement this weekend.

Mr Kerner's "restraint of trade", which restricted him from operating hotels in South Africa, expired at the end of March and speculation has been rife on his plans now.

The restraint was placed on him when he pulled out of the Southern Sun group — which he started originally — taking with him the over-border hotel/casinos which he placed in his new company, Sun International. Southern Sun retained a 25 percent interest.

Gallimore, however, says that progress has certainly been made "Sasria has responded positively to the major buyer's need for greatly reduced premiums" The maximum discounts now available run up to 80% on a more favourable scale, compared to a maximum of under 50% previously. Gallimore also says that discussions with Sasria on a number of problems are following a favourable course. In any event, Schneeberger says that the difficulties are overstated

KRUGERRANDS

Selling strategy

People who think they can make a fast buck out of short-term speculation in the Krugerrand market could well get their fingers burnt. There has been much talk of brokers cashing in on the difference between the secondary market prices for coins and the official Reserve Bank price.

Some brokers have it that the Bank is currently losing out to heavy dumping of coins over its counters by speculators who are taking advantage of the higher price paid by the Reserve Bank as buyer of last resort.

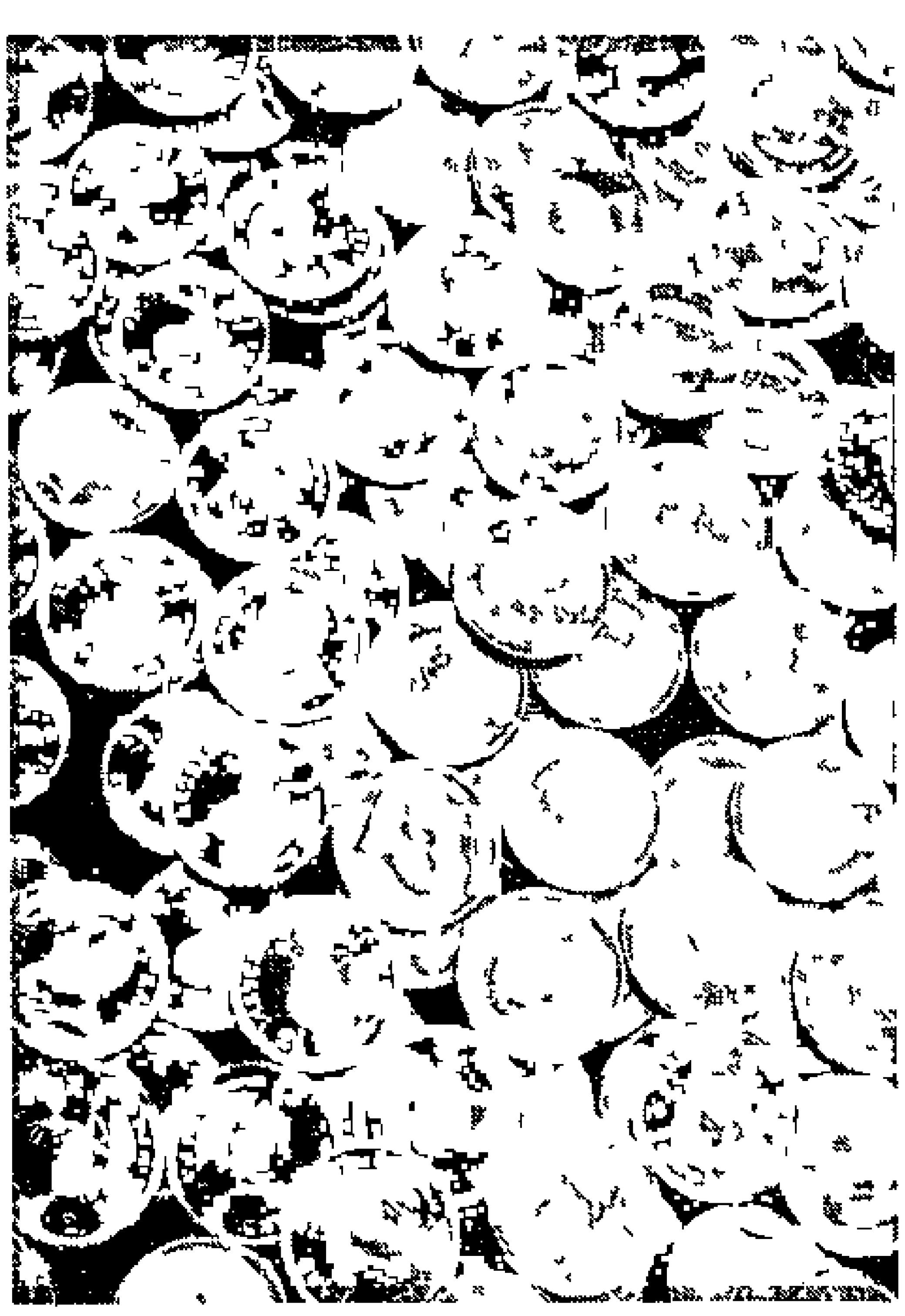
But the price paid by the Reserve Bank is the rand price of gold determined by, firstly, the average of the last two London gold fixes, and, secondly, whatever the exchange rate happens to be when the coin is physically presented

Anyone trying this quick route to riches could find that the exchange rate has experienced one of the wild fluctuations now so characteristic of the forex markets and has actually turned against them

As buyer of last resort, the Reserve Bank will buy coins from anyone who presents them at Pretoria or one of its branches But the Bank pays the same price for the coins as it pays for bullion from the mines — a price which more often than not differs from the price set in the secondary Krugerrand market in which most coins change hands

One broker maintains public money is being used to make up the difference between the Reserve Bank price and that of other gold markets But since the Bank does not resell into the secondary coin market, but usually swops them for an equivalent amount of bullion, it is unlikely the Bank loses out. Any dealings in coins done by the Bank are with the overseas markets where they can be exchanged for dollars, again without loss if the transaction is covered forward

Certainly, brokers' prices look very attractive following the rise in prices of Krugerrands to record levels But since clients can deal direct with the Bank, they have nothing to lose by comparing prices.



Gold coins ... who's making the profits?

COMPETITION BOARD

New powers

232

FM 25/1/85

The Competition Board continues to sharpen its teeth Proposed legislation will come before Parliament in the next few weeks to give the board much wider powers

Certain restrictions will be lifted allowing the board to probe the activities of all financial institutions, including insurance companies, banks and building societies. It will also free the board to investigate agricultural control boards and co-operatives.

At the same time, the board itself will be beefed up by the appointment of additional experts to support its new expanded rôle The new members will be the governor of the Reserve Bank (or any person designated by him), a member nominated by the Minister of Finance, a nominee from the Minister of Agricultural Economics and Water Affairs, and the chairman of the National Marketing Council

The amendments, once approved by Parliament, will put the Competition Board one step closer to chairman Stef Naude's ideal of having all SA businesses and industries under a single system of competition law It follows the board's new brief as reported in an *FM* cover story late last year (December 7) This is to investigate what Naude describes as "a broad section of restrictive practices which are believed to cut across the entire economy and hinder competition"

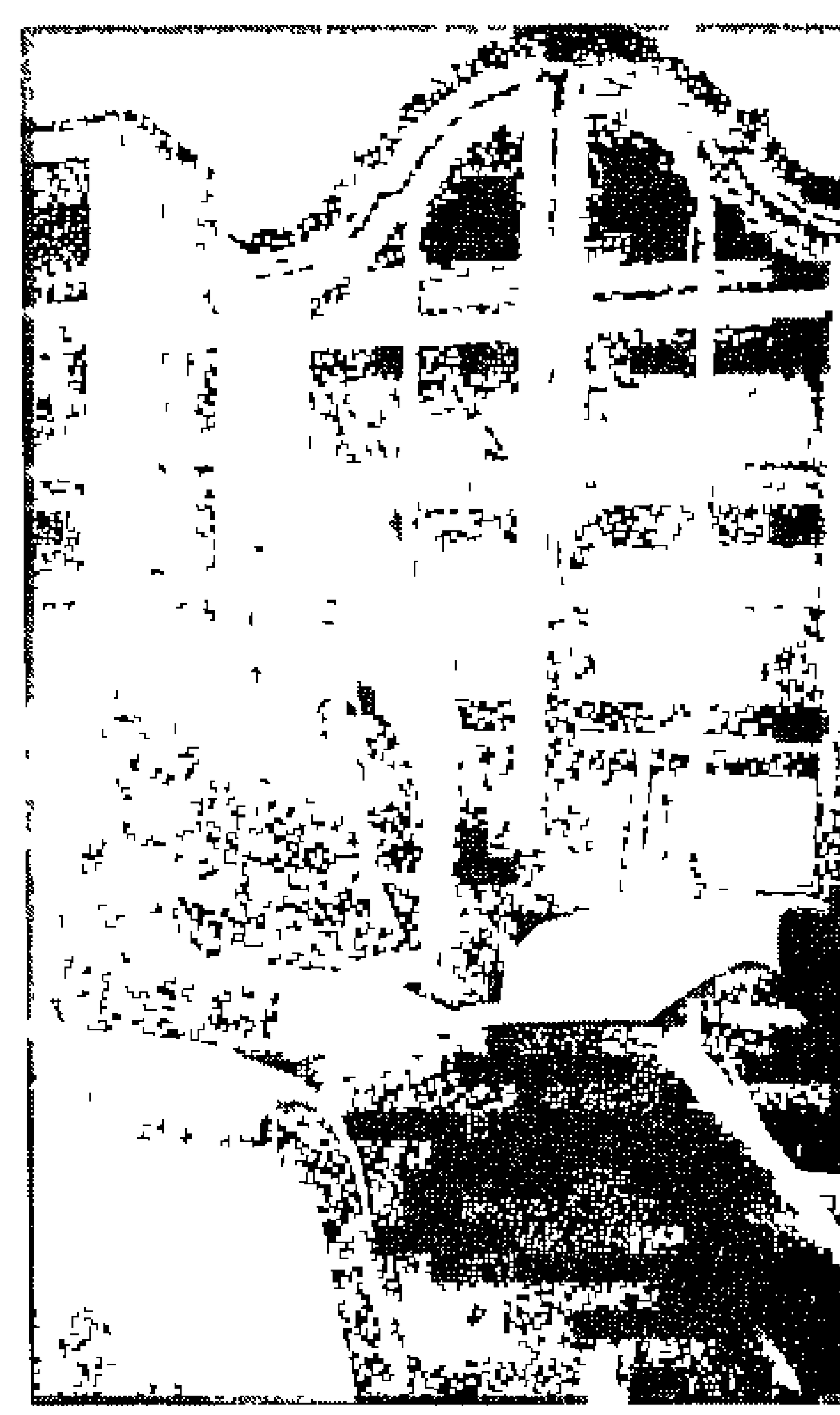
Financial institutions are in fact to be included in the current investigation But in terms of the Maintenance and Promotion of Competition Act of 1979, special permission from the Minister of Finance was necessary But by scrapping section 16, the proposed amendments to the Act will do away with this provision. Section 2, which severely limits the board's activities in relation to agricultural control boards and co-operatives is also to be amended

The *FM* hears that the amendments are the subject of heavy political lobbying at present by banking, insurance, and building society chiefs, not to mention agricultural leaders The amendments are highly significant, particularly in the light of the broad definition of financial institutions in the Act.

The *FM* understands that the amendments arise from strong feelings in high government circles that the financial institutions, in the light of their enormous influence and the high degree of cross interests, ought to be brought into line with other industries on the question of competition. Collusion on issues such as interest rates and insurance premiums could well construe price fixing, the inquiry may find.

As far as the proposed new powers over the agricultural control boards and co-ops are concerned it must, of course, be pointed out that the Competition Board will by no means be able to ride roughshod over the control boards The umbrella protection of the Marketing Act and the Co-operative Societies Act will still apply But at least, on a broad level, agricultural policy will become very much Competition Board territory, even if it is limited to making recommendations to government

And here lies the rub Even with these amendments, the board's bite is blunted in that the Minister of Trade and Industries still has the final say on whatever recommendations it makes Government's failure to implement the board's recommendations on the break-up of the liquor industry,



Competition Board's Naude ... experts appointed

(232) FM 25/1/85

for example, still rankles. ~~And the~~ political weight of the insurance and banking lobbies is considerable, and that of the agriculture lobby legendary.

Only time will tell how effective the board's new role will be, starting with government's response to the current investigation But in any case, the principle that all industries be subject to the same scrutiny is sound.

Limited it may be in its powers, but there is little doubt that the entry of the Competition Board into the financial and agricultural fields will have the desirable effect of tempering at least some of the more obvious excesses which hinder the free market system

BOTSWANA

Pop goes the pula

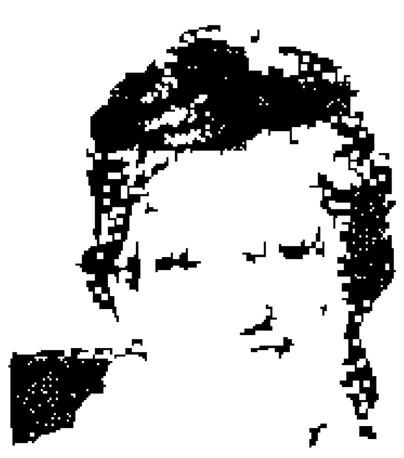
Botswana has devalued its currency, the pula, by 15% against the rand with effect from January 9. The pula is pegged to a basket of currencies which suggests it should be a lot less susceptible to movements in the dollar than is the rand. Yet the pula has been devalued against the rand before — only six months ago — by 5,07%.

The Bank of Botswana has no rigid policy on devaluations It justifies them on the ground that a rapid appreciation of the pula can have adverse effects on the external competitiveness of domestic production The sectors of concern are those engaged in import-competing and non-traditional export activities, with the objective of diversifying the economy

In the first few days of 1985, there certainly was a notable appreciation of the

SUE KELL

Monetary signals distorted



Sue Kell is an economist at the Discount House of SA, a specialist bank that deals in financial securities. This extract is from the House's January bulletin.

The current level of interest rates and of the exchange rate is at the heart of the economic policy controversy which is coming to the forefront in SA. There is a growing lobby which argues that the existing market-orientated monetary policy is too stringent, and is an inappropriate weapon since it is not producing the required results. In contrast, so the argument runs, direct controls of various kinds would cure the ailment without killing the patient

It may be possible to orchestrate some measure of more rapid relief from high interest rates, a high inflation rate, and a low exchange rate resulting from balance of payments pressures However, historical experience in this country shows that the relief will be short-lived, and that the cost burden will be distorted, compounding the difficulties in the medium term.

Indeed, the situation today is more a legacy of past controls than the outcome of failed monetary policy. And SA is still paying a high price for previous attempts at control and intervention. It is doubtful whether the economy can afford another round For example

- Artificially low long-term interest rates in the period 1973-1983, made possible by higher prescribed asset requirements, will ultimately cost investors about R14 billion in lost returns,
- Credit ceilings prior to September 1980 resulted in the alarm signal attached to money supply growth being sounded more than a year after the pressure began to build up, and
- Negative real prime rates until 1981, and then too-low Ladofca (usury) ceilings, permitted consumer credit to ride rampant on the back of inflationary expectations and huge increases in public sector salaries.

Over the past months a considerable amount of attention has been given to the level of and growth in government spending, which now accounts for an historically high proportion of gdp. In particular, the sharp acceleration in current expenditure relative to total expenditure and the consequent emergence of dis-saving by the public authorities is cause for concern However, there is nothing new about the pattern of government spending. In real terms, current spending has remained high over the last 20 years, it increased by an average of over 7% a year in the Sixties, over 6% a year in the Seventies, and close to 9% a year in the Eighties

Why then has it only recently been regarded as a problem?

Much of the answer lies in the present acceptance of market-determined interest rates In effect, what has changed is the cost of that spending — or rather, the distribution between visible and invisible costs The visible costs, in the shape of taxation and interest on public debt, have risen sharply since the relatively halcyon days of 1980 The levels and rates of taxation are causing more than the normal amount of dissatisfaction, and the interest on public debt has suddenly become the biggest single item in the Budget

On average, between 1962 and 1972, there was a positive real rate of return of 3% a year on government stock. However, the advent of double digit inflation, interest rate controls and, most importantly, the large increases in prescribed asset requirements in 1971, reduced the return to a negative 1,5% over the next 10 years. Positive rates were restored in 1983.

Assuming that the return should have been a compounded 4% a year higher on average, and taking into account all stock issued during the period, it seems that the cost to the holders of that stock of those negative returns will ultimately amount to about R14 billion in terms of lost interest, or capital losses on sales prior to maturity.

The point at issue is not the cost *per se* — that would have been incurred in any event — but who bears that cost. Ultimately, it was a tax on savings. Insurance companies, pension funds, building societies and banks and their beneficiaries paid the price. Secondly, if that cost had been visibly accounted for in the interest on public debt, the much-discussed deficit before borrowing would have been closer to 4% than to 3% in the last five years (except 1980) and thus would have triggered the policy alarm much earlier. (The IMF recommends a rate of 2%-3%.)

As it is, too-low interest rates prior to 1981 gave rise to inappropriate responses across a wide spectrum of activities fiscal policy, consumer spending and saving patterns, house-buying and capital-labour ratios in the production process. The costs of these distortions are incalculable, but have certainly emerged in the inflation rate.

It will be recalled that credit ceilings were imposed in 1976 and lifted in September 1980 The money supply, as measured by the official statistics, exploded in 1981 when growth rates of 30%-40% were recorded. Except for brief periods of slight relief, it has remained a problem ever since, despite high and rising interest rates, prompting some suggestions that credit ceilings would be a more effective dampener.

Once again, history teaches another lesson. From the time that the upswing

Putco to take over municipality service

Sowetan 10/6/85

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PUTCO bus company, is to take over the Alberton Municipality's black bus service.

According to *Putco News*, a journal of the company, an offer by Putco to take over the service has been accepted, subject to approval by the Administrator of the Transvaal and the Local Road Transportation Board.

In terms of the offer, Putco will pay R6,4 million for 89 buses, a 3,36-hectare workshop depot, spares and equipment. It is expected that most of the municipality's black employees will join the company.

Alberton Municipality will still operate its white bus service.

Merger may see hotel costs shoot sky high

COM 17/4/85 (232)

By SUE FAULKNER

HOTEL accommodation costs will rocket as a result of the Southern Sun Hotels takeover of Holiday Inns, Mr Robin McGregor, author of "Who Owns Whom," said yesterday

Slamming the takeover Mr McGregor said the economy was becoming concentrated more tightly than ever.

He said it was "inexplicable" that the Competitions Board had approved the takeover.

Competion at major centres would be minimal as most of the independent hotels were scattered across the country, he said

The PFP's acting spokesman on Finance, Mr Ken Andrew, said the merger meant that the public would find little choice between competing hotel groups in major cities

A spokesman for the Consumer Council said the Council was monitoring the hotel situation closely and would appeal to the Competition Board if unreasonable price increases were introduced

Since Southern Sun acquired Holiday Inns from Safren, the company has a 70 to 80% stake in the South African hotel industry

APEX MERGER BLOCKED

RDM 18/4/85 (232)

By Financial Reporter

THE application by Apex Mines to have its merger with Clydesdale Collieries sanctioned by the Supreme Court has been dismissed.

Mr Acting Justice Harms this week ruled in the Witwatersrand Division of the Supreme Court that Apex Mines could not lead further oral evidence on the motion and he declined to confirm the merger.

Mr Bernard van Rooyen, executive director, finance, ~~for~~ the controlling mining house, Gold Fields of South Africa (GFSA), said yesterday he was not sure of the legal implications of the decision.

He said GFSA intended to take advice from senior counsel before deciding on its next move.

RDM 24/4/85

Apex to appeal on merger

232

Financial Reporter

APEX MINES is to appeal against a Supreme Court decision to dismiss the company's application to confirm its merger with Clydesdale Collieries

The merger was approved earlier this year by a majority of Apex shareholders, but it had then to be confirmed by the Supreme Court for the terms to be binding on all shareholders.

The application for confirmation of the scheme was opposed by a number of minority shareholders who felt the ratio of Clydesdale shares being offered for their Apex shares was too low.

The Witwatersrand Division of the Supreme Court declined last month to confirm the merger, but granted Apex leave to apply for permission to lead more evidence on key points.

A subsequent application to lead evidence was dismissed at the same time as an application for confirmation of the merger scheme

Metboard buys P-E Corporate Services

RDM 24/4/85

232

By HOWARD PREECE

METBOARD, a leading trust and financial services group, has taken over P-E Corporate Services, South Africa's largest management consultancy and training group

Financial details of the deal have not been revealed

Metboard, a part of the Unisec group, has funds under administration of about R420m

In the 18 months to June 1984, it made a pre-tax profit of R4,495m

Net profit attributable to ordinary shareholders was R2,553m — roughly R1,7m on an annualised basis

Mr John Perkins, the managing director of Metboard, says the acquisition of P-E should boost earnings by 10% to 15% in 1985-86

P-E, formerly P-E Consulting Group, was set up in 1950 as a subsidiary of the international P-E group

In 1978, however, control was bought by the South African management headed by Mr John Fleming, who has been the executive chairman and the majority shareholder

There is no longer any direct financial tie with P-E International but, according to Mr Martin Westcott, the managing director of P-E, there are still some important working links.

Mr Fleming is to take up a position in the City of London with effect from July 1 this year.

Metboard will have 80% of P-E, with the remaining 20% held by the executive directors of P-E

P-E found itself in some financial difficulties last year after a computer software venture

That led to P-E seeking some advice and assistance from Metboard

That, in turn, led to the take-over of P-E by Metboard

P-E is one of the main executive recruitment agencies in South Africa — a business worth close to R15m a year countrywide.

It also lays claim to being the largest group in South Africa in management training (annual industry turnover is reckoned at R20m) and general management consultancy (annual turnover is in the R15m to R20m)

(232) Star 25/4/85

Council finding on English Press

No boardroom controls

CAPE TOWN — A South African Media Council committee found no evidence that either a shareholder or a board of directors dictated or controlled editorial policy on the English-language newspapers

The committee was appointed in terms of Article 1,7 of the Council's constitution "to investigate and report publicly on developments that may tend towards greater concentration or monopoly in the media, including changes in ownership, control and growth of media undertakings"

It also found that the imminent demise of the *Rand Daily Mail* was not attributable to monopolistic action, but to "marketing operations"

The committee was chaired by Mr M A Diemont with media representatives Messrs P W McLean and H Pakendorf, and public representatives Messrs G Hugo and R Parson

It submitted a report at the fourth meeting of the Media Council in Cape Town today saying no evidence had been placed before the committee to establish that any major financial institution was controlling the editorial policy of any English-language newspaper.

Another committee was formed under Section 1,6 of the constitution to "keep under review developments likely to restrict the supply of information of public interest and importance, and to investigate the conduct and attitude of persons, corporations or Government bodies at all levels towards the media and to report publicly theron"

It was chaired by Mr L de V van Winsen with media representatives Messrs Ton Vosloo and Ed Linington and public representatives, Professors T van der Walt and S A Strauss

This committee found that in the case of the police it was generally felt that despite the existence of an agreement with the Press Union the Press had at times had difficulty in reaching an official who had the information the Press required. A further complaint was that there were no official channels for obtaining information from the Security Police

The committee recommended that the Council seek representation on the Press Liaison Committees of the Police and Defence departments

The committee recommended that a request by the Editor of *The Star*, Mr Harvey Tyson, that the Media Council conduct an inquiry into the issues which arose from an article published in *The Star* of January 11 on the alleged relationship between Dr Allan Boesak and Miss Melanie Scott be referred to an ad hoc committee

This committee should be appointed in terms of Section 1,9 "to enquire into, and report on specific matters of public importance concerning the good conduct and repute of the media" — Sapa

More complain about media

CAPE TOWN — Complaints received by the Media Council had increased from 89 listed in August last year to 157, the council's conciliator/registrar, Mr Bob Steyn, said in Cape Town today

Delivering his interim progress report at the fourth meeting of the council, Mr Steyn said 48 complaints had been resolved through conciliation and mediation Four complaints were adjudicated, one was awaiting adjudication, 24 had been withdrawn, 31 had lapsed, 30 had been rejected and 19 were pending

He said terms of office of public representatives on the council would expire on October 31 and the present constitution appeared not to provide the machinery for these appointments beyond that date.

Mr Steyn also said that the council might wish to consider cutting costs by reducing the size of the present council and of investigating committees "I should like to recommend that a special constitutional reform committee be appointed to examine this question," he said. — Sapa.

Mercury, Thursday, April 25, 1

NM 25/4/85

Apex appeals

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JOHANNESBURG — Apex Mines is to appeal against a court decision to dismiss its application to confirm its merger with Clydesdale Collieries which was approved by a majority of Apex shareholders but had to be confirmed by the Supreme Court for the terms to be binding on shareholders.

The application was opposed by some Apex shareholders who felt the ratio of Clydesdale shares offered was too low

The court declined to confirm the merger but granted Apex leave to apply for permission to lead more evidence A subsequent application to lead evidence was dismissed with an application for confirmation of the scheme. — (Sapa)

Nedbank takes on the travel market

RDM 26/4/85

232

By PRISCILLA WHYTE

NEDTRAVEL, trading as American Express Travel Services, has emerged as a spinoff from the merger of Thomas Cook Rennies Travel and Freight Services.

The chairman of Nedtravel is Mr Anton van der Merwe Vance, the deputy managing director of Nedbank.

Nedtravel, a wholly owned travel subsidiary, was formed because South African regulations prevent it from holding International Air Travel Association licences in its own name

It has controlled the American Express card in SA for the past 17 years.

It now has the American Express travel services franchise, previously owned by Freight Services,

American Express in the US is one of the 15 companies constituting the Dow Jones industrial index

Before the merger, Rennies Freight Services (Renfreight) had a 100% shareholding in Freight Services Travel (previously known as American Express) and a 50% stake in Thomas Cook Rennies Travel

GORDON YOUNG . . . new MD at Nedtravel.

The American Express travel services 10-year franchise had seven years to run.

However, due to the recent Rennies and Freight Services merger, Rennies was forced to choose between Thomas Cook and the American Express franchise

Mr Gordon Young, the new managing director of Nedtravel, said that the decision of newly merged Renfreight to hold onto Thomas Cook was prompted by Rennie's original joint shareholding with Thomas Cook in Thomas Cook Rennies Travel.

Negotiations over whether Renfreight would choose the Thomas Cook or American Express options lasted six months

The upshot was that Renfreight took the Thomas Cook route and agreed to sell American Express cheques

Mr Young was unable to divulge what Rennies had paid American Express (in the US) to break the franchise.

He said Nedtravel, trading as American Express Travel Services, had five offices — in Johannesburg, Pretoria, Durban, Port Elizabeth and Cape Town.

The firm had plans for further expansion.

He said American Express in the US faced disinvestment pressure from stockholders about being in South Africa.

But the board held the view that total international travel representation was necessary and was leaving the development of the SA travel market to local partners

Previously, under the Freight Services umbrella, American Express Travel Services had a reputation as a travel agent in the corporate market.

Nedbank had a similar corporate reputation. There was fierce competition in the business travel market, he said

Mr Buddy Hawton, the chairman of Thomas Cook Rennies Travel, said at a Press conference earlier this month that the newly merged company would control 25% of the SA travel market.

Mr Young felt the situation in the R900m a year travel industry was too fluid to quote market shares Customers were still deciding which firms to give travel accounts to But American Express Travel Services was hoping to achieve a 10% market share

He thought that 20% to 25% was a reasonable stake in the travel market.

"With a 20% to 25% share in the market, a company is at saturation point. If market share is increased thereafter, too much has to be spent by the company to defend its share," he said.

Mr Young said the depressed state of the economy did not encourage hopes that the travel market would grow in real monetary terms.

He said that in the travel industry, the gross revenue rate was 8,25% to 8,3% (revenue to turnover)

Travel agents made 9% on international air tickets and 7% on domestic airline tickets

Large air ticket sales volumes were the only way to achieve profitability in the travel business and that meant chasing corporate travel accounts.

ABERDARE MERGER MEANS LOW-COST CABLES

RDM Own Correspondent 26/4/85

232

PORT ELIZABETH.— The merger of Aberdare Cables with the cable interests of the Powertech group and rationalisation within the Aberdare group will help to produce cables at the lowest possible cost

This is the view of the group chairman, Professor L van Biljon, who addressed the annual general meeting before the official opening of the Contronics plant in Markman Township, near Port Elizabeth, earlier this week.

He said the merger would enable the group to obtain maximum benefits from labour conditions in various industrial areas.

While prospects for this year would not be materially better than in the past year, he said, the group would feel the positive effects of these steps, as well as of continued modernisation and internal reorganisation.

This would enable the group to react favourably to market opportunities and other challenges, particularly since the introduction of a 4% tender preference on goods produced in the Port Elizabeth-Uitenhage area

He said the commissioning of the new Contronics factory allowed the group to address an increasingly important market in the instrumentation and control field.

The group has declared a final dividend of 21c a share for a total of 25c a share (40c a share in 1983).

The dividend cove has been improved from 1,79 times to 1,96 times.

The Contronics factory, which has been relocated from the Reef, represents an investment in excess of R5m and provides jobs for 100.

At the adjacent cable plant the company has started to produce optical fibre cable. It is already showing signs of running into capacity problems because of increasing demand.

The cable is made from imported and some locally produced optical fibres The group is looking into the possibility of producing its own optical fibres.

The Argus
BUSINESS TODAY/SPORT

R6-m payout for three Frame group directors

Argus 26/4/85

232

By DEREK TOMMEY
Financial Editor

THREE Frame group directors are each to get R2-million for agreeing not to work for a competitor should they leave the group

They are Mr A Berman, Mr S Lurie and Mr S R Peimer, joint managing directors of the four Frame group companies.

This and the promise of a revised Frame group dividend policy are contained in a statement issued by the group today

The proposed payment of R6-million has been written into service contracts offered the three men by the Frame family and is part of a move to resolve the conflict between the two parties

The statement says the Frame family, which owns 75 percent of the group, believes there is an inherent conflict between the three men's position as trustees of the will of the late Philip Frame and their role as executive directors

SIX MONTHS NOTICE

The three men do not agree with this contention but are willing to respect the view of the Frame family.

They have agreed to the reconstitution of the board of the Frame trust which now comprises four persons nominated by the Frame family — C Friedman, M E King, G H Stein and C A Stride They have also been appointed to the board of the main companies

The service contracts stipulate that the three men will continue as joint managing directors of the Frame group However, in the event of control changing, they or the board of trustees will have the right to terminate their contracts on six months' notice

FUTURE POLICY

The three men have agreed not to work for a competitor for a period of five years should they leave the group

The statement adds that the future policy of the group, including its dividend policy will be decided by the reconstituted boards

In view of today's statement the way at last seems open after several years of dispute for the Frame family to make the best use of their inheritance, either by selling it or by accelerating its growth through share isues or raising loan capital

The late Philip Frame's policy of financing the group's expansion entirely from internal resources, while it may have had the merit of keeping the group free from debt, must have greatly retarded its expansion

This policy is even more to be regretted as the inflation of recent years would have rapidly reduced any debct burden incurred

SA DRUGS FIRMS IN COURT WAR

W/C Argus 27/4/85

232

By IRVING STEYN
Weekend Argus News Editor

DRUGS manufacturers are to take the Pharmacy Board to court for ruling that pharmacists may substitute cheaper alternatives to medicines prescribed by doctors.

The ruling has brought a major split in the industry's Pharmaceutical and Chemical Manufacturers' Association (PCMA) — one of its largest members is siding with the Pharmacy Board

The association has voted financial support to a number of members who are to take the board to court over an ethical rule which allows pharmacists to substitute cheaper brands of the same medicines on doctors' prescriptions.

The row, which has been simmering for some time, erupted at a meeting of the association yesterday at which money was voted for the court action

Copied

This led one of the country's largest pharmaceutical manufacturers, SA Druggists, and its subsidiary, Lennon, the largest manufacturer of generic medicines, to withdraw from the association.

Generic drugs are those on which the original manufacturer's patent has expired and which may therefore be copied and sold under other names by other companies — generally at prices about 25 percent lower.

The deputy managing director of SA Druggists, Mr Tony Karis, said it was "absolutely nonsensical" for the industry to try to prevent what was happening all over the Western world.

Of the 62 members of the PCMA (out of about 80 drug manufacturers), only five major companies, all South African-owned, make generic medicines

It is estimated that generic medicines account for only 10 percent of the R400-million total wholesale turnover in pharmaceuticals.

Statement

If generally implemented, replacement of other medicines with generics will give the local pharmaceutical industry an opportunity to expand considerably.

The Pharmacy Board's ruling, in November last year, came after a statement by the late Minister of Health, Dr "Nak" van der Merwe, in February last year, that the pharmacy profession should help the nation by adopting generic substitution.

Opposition to the step has come primarily from the multinational drug companies, which say lower sales of their brand name drugs will reduce finance available for research.

The Pharmacy Board rule permitting substitution was, the PCMA decided, not necessarily in the public interest nor in the interest of the pharmaceutical industry.

Those in the industry say it is a "non-starter" and the minimal saving does not warrant the risk of cheaper drugs being pushed on the market And more important, they say, doctors could lose control of their patients' medication.

RDM 27/6/85

Amcar could drop Peugeot

(232)

By DAVID FURLONGER
Industrial Editor

AMCAR, which joined forces with Ford earlier this year to form Samcor, is thinking of dropping its Peugeot dealership.

Amcar officials are re-assessing their ties with the French motor manufacturer following the decision to forge a new corporate identity for Mazda and Mitsubishi, Peugeot's partner in the Amcar stable

From the beginning of next month, Mazda and Mitsubishi dealers will trade under a new corporate logo, MMI, short for Mazda, Mitsubishi Incorporated

The exercise, to be accompanied by an increased publicity campaign, is expected to be completed by October The estimated R2m bill will be shared between Amcar, the Japanese parents of Mazda and Mitsubishi, and South African dealers

Mr Spencer Sterling, Samcor's managing director, said yesterday the change was intended to give dealers a clearer market identity

"Our dealers have accepted the new name with enthusiasm and we are sure that MMI will very quickly become a familiar name to all South Africans," he said

Until now, Peugeot vehicles have been sold with Mazda and Mitsubishi through the Amcar dealership and before that Sigma

Mr Sterling said yesterday that Peugeot spares and service would continue to be available through MMI dealers

He added that ways were being sought to improve Peugeot's performance in this country

"Amcar and Automobiles Peugeot of France will study alternatives aimed at determining the most appropriate arrangements for Peugeot to adopt in order to recapture the position it enjoyed previously in South Africa," he said

According to Amcar sources, these alternatives include a possible parting of the ways between Amcar and Peugeot

One said yesterday "Nothing has been decided at this time but that is one of the alternatives being considered"

ARGUS 21/3/85 232

Tiger Oats investment earnings soar by R9-million

INVESTMENT income of Tiger Oats soared to R11-million from R2-million in the half-year to March, reflecting the short-term investment of the R164-million received from the sale of its stake in J Bibby and Sons of Britain.

The interest more than offset the drop in the group's share of associated companies' profits, which fell to R3,6-million from R7,1-million.

Earnings rose 24 percent to R43-million (R34,8-million) and the interim payout is up 25c to 90c.

Group turnover improved by 36 percent to R1 394-million.

TRADING PROSPECTS

A satisfactory return will continue to be achieved in the group's short-term investments, say the directors.

But trading prospects are not expected to improve and operating profits for the second half could be about the same level.

Earnings for the full year are unlikely to rise as much as the first half's 24 percent.

● Final dividend of Associated Furniture Companies is being halved to 12,5c from last year's 26,3c, making a total payout of 40c (59,3c).

Net profit dipped by 32 percent in the year to March to R18,5-million from R27-million and next year's earnings could be even lower, the directors warn.

"Highly competitive trading conditions adversely affected margins and sales mix."

"The furniture and building industries are historically the most severely affected in any major economic downturn. Containing the decline in earnings to 32 percent for the full year is, therefore, considered to be a noteworthy performance."

Turnover was 10 percent higher at R295-million but operating profit dropped to R24,6-million (R28,3-million).

Contraction in demand for furniture and related products is expected to continue through most of this year.

Earnings for the six months to September were expected to be well down, with an improvement coming in the second half.

Tom Hood

Tiger Oats raises earnings and div

CT 2/5/85

JOHANNESBURG. — Tiger Oats showed a substantial increase in attributable profits in the six months to March — thanks chiefly to the sale of its investment in J Bibby & Sons Plc, which injected R164m in cash into the group.

Attributable earnings were up 24 percent to R43,1m, compared with R34,8m in the same period of last year

Earnings per share were 318c (257c)

The group has declared an interim dividend of 90c a share, against 65c in the comparable period.

The directors explain in the interim report that this is in accordance with the policy of reducing the disparity between the interim and final dividends

Group turnover showed a substantial increase of 36 percent to R1 394,5m, while group operating profit was up 11 percent to R75,8m (R68,3m)

The proceeds from the Bibby sale have been deposited in short-term investments and consequently investment income, in the period under review, increased to R11m, compared with R2,1m in the previous half-year

Due to the sale of its interests in Bibby, the group's share of associated companies profits declined from R7,1m in the previous period to R3,6m, but this was more than offset by the income from the funds realized, the directors say

Discussing prospects for the remainder of the financial year they say a satisfactory return will continue to be achieved in the group's short-term investments

"Trading prospects, however, are not expected to improve in the immediate future and operating profits for the second half of the financial year are likely to be in line with those achieved in the first six months

"Bringing into account all these factors, the rate of increase in earnings for the full year is unlikely to be at the same level as that achieved in the period under review." — Sapa

232 C. Pres 2/5/85

CB finds wide range of cartels

By CHRIS CAINCROSS

CARTELS, market agreements, price-fixing and other restrictive trade practices seem to be widespread.

This is the conclusion of the Competition Board chairman, Dr Stef Naude, who made it clear when he announced the investigation last year that he believed these restrictive practices to be rife.

Dr Naude said that evidence suggested these practices existed to a far greater extent than even he had expected.

The board's field work was completed and its report was being put together, Dr Naude said.

But it seems as though findings must still be thrashed out at a full board meeting in Pretoria this month, after which they will be submitted to the Cabinet.

The board had given the investigation and its findings priority, and hoped to see the probe act as precursor to an umbrella body of legislation to outlaw such practises — which were detrimental to the maintenance of a healthy, free economy, Dr Naude said.

Sectors expected to be brought under the CB spotlight included cement, steel, packaging, insurance, bakering and coal distribution.

But it was also submitted that many of the monopolies that fall under Government ambit — like the parastatals — should be included if the probe were to comprehensive.

The board's eventual ability to effect change if, indeed, any is needed will ultimately lie with the Minister of Trade and Industries, who has the final say on recommendations made and accepted.

Fuelled by Government's treatment of past CB recommendations, like those concerning the coal sector, there is sceptism as to how far the board will be allowed to go with this latest, and eagerly-awaited, study.

Dr Naude stressed that while all restrictive practises brought to the board's attention would be scrutinised, it was not the CB's intention to "injure any healthy tissue".

The avoidance of disruptions within the economy was vital from the point of view of policy, Dr Naude said.

TCL beats forecasts with 29% profit rise

CAPE TIMES 3/5/85

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By ADAM PAYNE

JOHANNESBURG. — Transvaal Consolidated Land and Exploration company (TCL) has beaten forecasts with a 29 percent rise in after-tax profits and an increased interim dividend of 85c (75c).

In spite of an increase of R20m in its tax burden — mainly because of the recently-imposed 15 percent surcharge — TCL's bottom line profits were R51,1m (456c a share) in the half-year to March 31, compared with R39,7m (354c a share) in the first half last year

Included in these results is a once-off net profit, after minority interests, of R7,3m for 65c a share on the sale of Thesens

Operating profits in the second half of the year are expected to match those of the first half

Total earnings for 1985 will show an improvement and accordingly the total dividend for the year will be higher than last year's 280c, the company says in its interim report.

The balance sheet at the halfway stage is strong showing a current ratio of assets to liabilities of 1 44 and total borrowings to equity of 0 15

Turnover

Group turnover for the six months was up by 16 percent from R256,9m to R297,6m

Group operating profit rose by 38 percent from R63,1m to R87,2m

In line with the higher rand gold price, dividends from (mainly gold) investments rose by 23 percent from R10,4m to R12,8m, which after exploration expenditure of R4,7m (R2,8m) left pre-tax profit up 48 percent from R70,7m to R105m

Because of the tax surcharge, the tax bill for the half-year went up by 86 percent from R23,5m to R43,8m Of this R31,4m (R21,2m) is normal tax while the balance represents deferred tax which jumped from R2,4m to R12,4m

The interim report points out that the added tax surcharge pruned R3,6m or 32c a share off the company's bottom line

In addition, it created an additional deferred tax liability of R34,2m — R25,6m of which is attributable to TCL shareholders

Minority shareholders' interests in after-tax profits rose from R7,5m to just over R10m

TCL says that the main reasons for its strong performance in the first half were

First, considerable improvements in the coal and base minerals division where export proceeds were boosted by the decline of the rand against the dollar

Secondly, the increase in the rand price of gold which enhanced the profits of RMP's sand treatment plant at Crown Mines and raised dividend income from gold investments

TCL adds that the profits of the property division of RMP held up well in the face of a severe decline in demand for both industrial and commercial properties

Commenting on TCL's performance, the chairman, Mr D T "Dammy" Watt, says that the coal division was well ahead of budget, thanks to the exchange rates and higher export tonnages

"The group's chrome operations were also better than expected for the same reason, and the timber division — Lotzaba Forests — performed well," says Mr Watts

"When the economy comes out of the current trough, the property division will come into its own again

"Possibly the main gratifying aspect of the first-half results was that TCL was able to forge ahead so strongly in spite of the big tax knock which it had to take because of the additional tax surcharge imposed on mining companies in the last Budget" ket commentary with the The contrary school ar- loser in its own right

Cape Times 6/5/85 232

Clothing industry casualties

Nearly 4 000 West Cape clothing workers are out of work, part of a general decline in the manufacturing sector generally, says the National Clothing Federation's president, Mr Mike Getz. Employment levels are fast approaching those that obtained in 1978 and the buying of clothing is shrinking rapidly. What kind of companies have gone to the wall and what can be done about this?

By ROBERT GREIG

WHO has gone to the wall in the clothing industry, and what can be done?

According to the National Clothing Federation's president, Mr Mike Getz, the companies that were under-capitalized have been vulnerable

So, surprisingly, have the companies making "basic products", like socks and underwear

Conventional wisdom, attributing rationality to consumers, would assume that they continue buying the essentials even in recession

The practice is the reverse Consumers put fashion before function and buy to face the world So manufacturers of basics suffer

Third on the list of likely casualties are those enterprises dependents on one or two customers

In the clothing business, where three groups — SA Breweries, Wooltru and Foschini — account for 50% of retail sales, this can be hard to avoid

Says Mr Getz "Particularly vulnerable have been cut, make and trim operators, a very important part ofn the industry traditionally providing flexibility and quick turnaround"

With their small capital base — rented accommodation, low-cost labour and leased machinery — they are where the industry lets in entrepreneurs — the

on quick movement of stocks Some may be inclined to change emphasis, too, from marketing-related to accounting skills

This, says Mr Getz, can amount to a shifting of risk from the retailer to the manufacturer who has to become sensitive to the need for shorter product runs and lead times

Again, this depends on the fleetness of textile manufacturers

What can be done?

According to Mr Getz, the NCF will be consulting its customers about trying to alleviate hardship within the industry as the retail sector adjusts to present and expected conditions

It will also discuss with suppliers what can be done to retard "the sharp escalation in the cost of raw materials, bearing in mind that this established trend is leading to

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Malbak-Protea Holdings merger proves profitable

By ELIZABETH ROUSE

THE Malbak-Protea Holdings merger is working to the advantage of shareholders, thanks to the group's broader base and the benefits of reorganisation

The holding company, Malbak, has raised its interim dividend by 1c to 11c. The 83%-held operating company, Protea, will pay out a 4c interim, according to results released yesterday.

With major write-downs out of the way, Malbak's earnings for the six months to February 1985 showed a 40% rise to 35,7c from 25,5c Protea's earnings were up 56,2% to 11,4c from 7,3c

Mr Grant Thomas, chief executive of the enlarged group, expects results to improve in the next six months. If the Protea forecast of an improved second half is achieved, the final dividend will also be increased.

The directors say in the interim report that management remains confident it will achieve all its major structural objectives by the August 1985 year-end

But the 11-month results from Malbak and the eight-month figures from Protea reflect tight trading conditions and continued non-recurring costs as a result of rationalisation

Because of the different reporting periods, both companies have restated their figures to give comparative six-month figures for 1984 and 1985.

Group turnover rose by 8,7% to R416,3m from R392,9m on a six-month basis It was R640,7m for the full reporting period.

From this turnover Malbak achieved a 6,2% improved operating income of R24,7m (R23,3m). Net interest paid rose by 28,5% to R12,1m (R9,4m) as a result of increased borrowings at higher interest rates, following the raising of funds to finance Protea's acquisition of Malbak's operations.

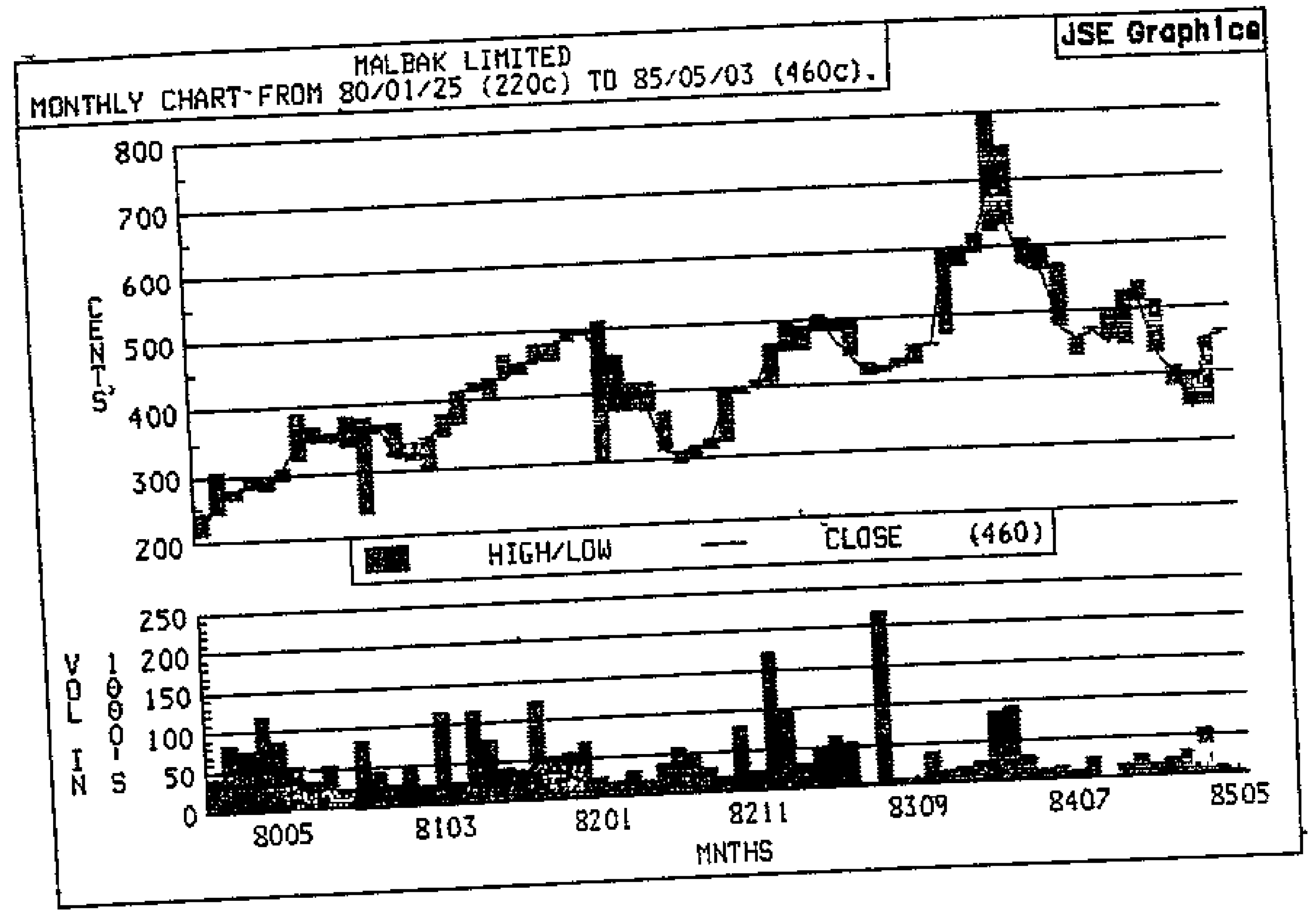
Higher interest charges accounted for taxed profit reflecting a decline of 9,4% to R5,2m for Malbak and 8,1% to R5,7m for Protea, before the large stock write-down in 1984.

Taking the 1984 write-down into account, Malbak's attributable taxed profit was up 45,2% to R5,2m for the six momths and Protea's up 58,6% to R5,7m compared with the corresponding period in 1984

The merger took place under very difficult economic conditions, with Protea sinking under forex losses. The writedowns were huge and Protea had to borrow heavily to take over Malbak's operating divisions.

However, the balance sheet is looking healthier. Mr Thomas says gearing is within stated objectives and is being improved. Interest-bearing debt at the end of February 1985 amounted to R116,4m, equivalent to 66% of permanent capital.

There are no uncovered foreign exchange positions.



Mr Thomas says the earnings figures take account of all costs incurred to date for the rationalisation of Malbak's operations into Protea and the costs of selling certain businesses which fall outside the group's field of activity

All group companies' financial structures have been re-evaluated and where necessary, additional capital has been injected. This has resulted in all group companies being financially self-sufficient. Companies are autonomously managed and in future there will be no group guarantees or cross lendings, says Mr Thomas.

Turnover in most divisions increased but the fiercely competitive market place, the weak rand, high interest rates and the continued high inflation rate have impacted on costs and eroded the group's gross margin and operating profit to turnover ratios.

In addition, those divisions which supply Government and provincial administrations — such as health care and electronics — had their turnovers, margins and returns reduced by cutbacks in State spending

The trading companies performed better than the less flexible manufacturing operations, where demand declined. The manufacturing divisions are being cut back to take account of lower demand with as little adverse effect on their infrastructures as possible.

According to Mr Thomas, the farm machinery division — which in the enlarged group becomes a relatively smaller contributor — continues to run profitably, in spite of the three-year drought.

Its profits should be maintained at the year-end as a result of tight management control and flexible trading policies

The motor retailing and tyre retreading operations continue to perform particularly well and run counter to the industry's trend. The electrical division's performance has also improved

The chemical trading companies reported record profits. However, these were offset by reduced profits from manufacturing

Results from the packaging, electronics, health care and workwear divisions have been disappointing but are receiving attention, say directors.

COMMENT: The Malbak-Protea results are better than expected, as the group reported a slump in profits in the first quarter to November 1984 and Mr Thomas foresaw no improvement, at that stage, in results at the August 1985 year-end

Judging by the success of re-organisation so far and the buffer of good spots in a broader-based group, both shares will be good recovery stocks in better times

Stanprop opts for Inn on the Square

By HAROLD FRIDJHON

STANDARD Bank Property Fund (Stanprop) has entered into a R9,5m purchase and lease back transaction with the Southern Sun hotel group for the Inn on the Square in Cape Town

Mr Peter Polson, managing director of the Standard Bank Property Fund Management Company, said that this was the first major property acquired for Stanprop since the fund was established in 1983

The basic rental gives Stanprop a 12½% pa initial yield In addition there are escalation and turnover clauses

The lease which covers repairs and insurance extends for a 20-year period and offers a further 10-year option

The deal provides Stanprop unit holders with an attractive initial return, and prospects of sound long-term growth

McCarthy buys Perkins in R8,6-million cash deal

ARGUS 7/5/85

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JOHANNESBURG — The McCarthy group has taken over one of the Witwatersrand's best known motor trading organisations, Dan Perkins and Company (Pty), for R8,6-million cash, the two companies said in a joint statement today

The deal strengthens the McCarthy group's stake in the Toyota and BMW franchises in the Transvaal and takes it to market leadership in truck rental in South Africa, Sapa reports

It is the largest acquisition the R900-million a year McCarthy group has made since it bought Yamaha in 1981

Controlled by Trade and Industry (TI), Dan Perkins and Company's sales are currently running at around R100-million a year

In terms of the acquisition, McCarthy's takes over the retail motor interests and truck hire operations of Dan Perkins, but not its Hendlers heavy transport arm nor its engineering company, Dinsa

The retail motor interests consist of three Toyota outlets in Johannesburg, at Wynberg, Malvern and the central city, a BMW outlet in Sandton, two specialist used car operations and a Hino heavy truck centre in Johannesburg

Also acquired is the R6-million a year Dan Perkins truck rental division which operates from three branches

This, together with McCarthy's existing national operation, Fleetrent, takes the group to the number one spot in truck rental in South Africa

Until now, McCarthy's Toyota interests in the Transvaal have been confined to dealerships in Pretoria, while its BMW interests have been confined to dealerships in Benoni, Germiston, Roodepoort and Vereeniging

The Dan Perkins deal thus gives McCarthy a first-time entry into the Toyota and BMW markets in the greater Johannesburg area

● Springs Dagga Gold Mines, the reclamation project on the East Rand, is to get its R41-million, it appears, and fully justify the optimism that pushed up the price of the shares of Egoli, its parent company, from 110c in April to 253c before they were suspended on Monday last week, writes Financial Editor Derek Tommey

Egoli at present owns 75 percent of Springs Dagga and the other 25 percent is owned by the Mariner Mining Corporation

Egoli is to be partnered by the Canadian-incorporated and London-listed mining group, Cobra Emerald Mines, and Golden Dumps in this venture, the company announced today

In terms of the agreement, Springs Dagga will issue Cobra 71,8-million shares for R41-million and will issue Golden Dumps 5,9-million shares for R10 000

This will give Cobra 61 percent and Golden Dumps 5 percent of the enlarged share capital of Springs Dagga The Egoli-Mariner group will retain its holding of 40-million shares, which will represent 34 percent of the enlarged capital

The funds will be used primarily for the erection of a new gold recovery plant and for expanding the development underground mining operations

The transaction has had no effect on the share capital of Egoli, and it is not expected to have any significant effect on the earnings of Egoli for the current financial year ending March 31 1986, though it should improve earnings in future years, the company says.

Cobra will make a rights issue in London of £25-million to enable it to pay for its shares in Springs Dagga

Business Mercury

NM 8/5/85

McCarthy group acquires Dan Perkins & Co

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JOHANNESBURG — McCarthy Group has acquired Dan Perkins & Co from Dan Perkins Holdings for R8,6m in cash, Standard Merchant Bank announced.

The deal, subject to DPH shareholders' approval, gives McCarthy the Dan Perkins' retail motor operations but leaves DPH with the Dinsa engine rebuilding subsidiary and Hendlers industrial carriers.

A cash adjustment to the deal will be made based on audited consolidated earnings of Dan Perkins for the nine months ended March 25.

The maximum price would be R9,7m and the minimum the audited consolidated tangible net asset value of Dan Perkins at March 25 plus R1m.

Based on the financial year ended June 30, 1984, the deal would have reduced McCarthy's net asset value per share to 487 cents from 501 and increased earnings per share to 86 cents from 81.

The net asset value per DPH share would have risen to 150 cents from 117 cents, and earnings would have fallen to 22 cents from 34 cents. — (Reuter)

Malbak's merger shows its worth

Star 7/5/85

(232)

By Peter Farley

On the surface, the recently merged Malbak/Protea appears to have done well in its latest reporting period, with the bottom line of the operating company showing a near 60 percent improvement But the restructuring of the two companies since the reverse of the one into the other, the issue of new shares and the different reporting periods makes strict comparisons difficult at this stage

For the purposes of a better evaluation both companies have issued restated figures for the six months to end-February, with pro-forma comparisons for the year-ago period.

Having reversed its assets into Protea, in return for shares, Malbak's main asset is now an 83 percent stake in Protea This combined group pushed turnover up to R416,3 million in the six months, from R382,9 million in six months to end-February 1984.

But although the bottom line shows a spectacular improvement, it must be realised that this is after a R2,6 million stock writedown in Protea in the year-ago period that unnaturally depressed the comparative profits. Had that not been on the books attributable profit would have been slightly down on last year at R5,7 million.

At the operating level, margins were down to 5,9 percent from the previous half year's 6,1 percent. Further down the line, further strain was placed on distributable earnings with a 25 percent increase in Protea's interest bill to R14,1 million Gearing is currently around 66 percent. Nevertheless, given the wide product mix, the amount of management effort that has been required to put the two diverse groups together and a number of hardy teething problems, the group has done well to stay in the black.

The stock market was expecting worse, but recently anticipated the results by marking both shares up in the last few weeks with Malbak at 460c and Protea at 165c yesterday. As recently as early March the companies traded at lows of 350c and 115c respectively.

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● Charles Bothner

Merger leads to birth of broking giant

B Day 15/5/85

By CHRIS CAIRNCROSS

TWO of the country's oldest and largest insurance brokers, Robert Enthoven & Co and Willis Faber South Africa, have joined forces to create one of the largest insurance broking groups in the country.

The new company, to be known as Willis Faber Enthoven, currently handles premiums of at least R150m a year. This makes it the fourth-largest broking group in the country after Bowring Barclays, PFV and Minets.

The merger has been the subject of speculation for some time and follows the continued rationalisation of Safmarine and Rennies holdings, combined under the umbrella of the enlarged Safren group. Safren held 50% of the shares of each company.

In terms of the new arrangement, Safren has a controlling interest in the new broking group with 60% of the equity. The remaining 40% is held by Willis Faber of London.

The new company will have the support of Safren's substantial resources in Southern Africa, and access to the international strengths of Willis Faber. The latter has an exclusive association with Johnson & Higgins, one of the largest insurance broking companies in the United States.

Chairman of the broking group is Bill de la Harpe Beck, deputy chairman and chief executive is Charles Bothner and group managing director is Chris Marais.

Enthoven's founder, Robert Enthoven, maintains his association with the broking group as a director and president.

Kersaf gets 40pc stake in Kunick Leisure Group

232 16/5/85 NM

JOHANNESBURG— Kersaf Investments have reached a conditional agreement to acquire a 40 percent interest in Kunick Leisure Group, through the issue of new Kunick shares, UAL Merchant Bank said

Kersaf will allot 2 662 330 ordinary shares to Kunick, at an effective price of 900 cents per share, and acquire 25 642 433 new Kunick shares

Kunick has arranged to place the Kersaf shares with institutional investors in the U K, providing it with about £9,7m before expenses, strengthening Kunick's capital base and allowing it to expand its activities. Kunick shares are not listed but Kersaf said once the deal was completed it would ask Kunick's board to consider obtaining a listing on the London stock exchange

Kunick shares were last reported trading at 46 to 49 pence per share. Kersaf's investment is based on a price of 38 pence Its stake in Kunick would be held through Kersaf's U K subsidiary, Sun Hotels International.

At September 30, 1984, Kunick had about £4m invested, mainly in tourist attractions, in the U K leisure and entertainment fields It will be seeking to grow through acquisitions into a more broadly-based group, UAL said

Kunick will be Kersaf's principal vehicle for expansion in the U K and European entertainment industries — (Reuter) from the cession problem there are a number of other questions over the contract wordings that give the product the 'tainting of uncertainty.' "

Hewitson points out that the deal locks an employee in for 10 years. "The last thing I'd want to do is to receive a salary increase and then give it back to the employer," he adds.

A restraint of trade clause is an option in the Federated contract, notes Hewitson The intention would be to avoid an employee receiving his cash lump sum during or at the end of the 10 years and then setting up in opposition to his former employer However, "Revenue has a very jaundiced view of restraints, and might see payment as a disguised salary "

In answer to the criticisms, Bernie Goldman, assistant GM (sales and marketing) Federated Life, says· "According to our leading senior counsel, there's no question of the policy being considered as company-owned And as far as the cession is concerned, the uncertainty in the law is irrelevant The sixth schedule to the Income Tax Act indicates that a person who cedes a policy in security does not lose ownership

"It is also quite incorrect to say that an employee is 'locked-in' to his employer. The object of KIP is to reward an employee after 10 years' loyal service So the agreement merely gives him the right to an *extra* benefit on top of salary — not instead of part of his salary."

On the question of insolvency, Goldman says "One of the benefits of the KIP arrangement is that the employee is in a much better position than he would otherwise be with a policy taken out by the employer. The service agreement under KIP entitles the employee to have the policy returned to him, whereas under a company-owned policy, he would be in no better position than as a concurrent creditor."

Says Arnold Basserabie, MD of Federated Life "I believe KIP is a very marketable product The response has already been very satisfactory.

"However, we welcome constructive comment from our colleagues At the end of the day I am satisfied that sufficient care has been taken in preparation of the plan so that it complies with the law "

Indeed, according to reliable sources, another life assurer is just about to launch a similar product that will rely precisely on the same legal principles ■

IN MY OPINION

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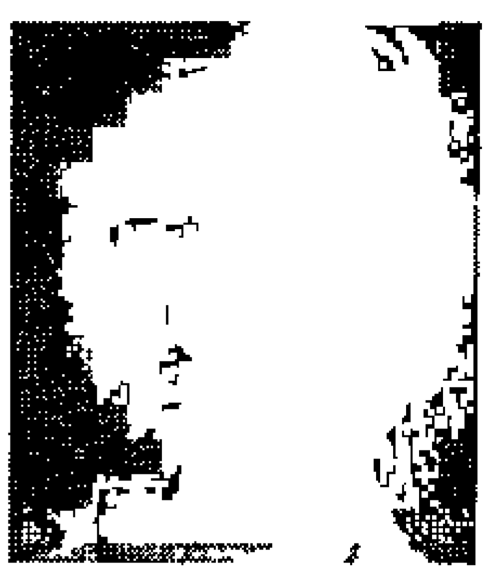
DUNCAN INNES

Competition and concentration



Duncan Innes is a senior lecturer in Industrial Sociology at Wits and author of Anglo American and the rise of modern SA.

Southern Sun's recent takeover of Holiday Inns has been hailed by many as a triumph for the local hotel industry.

Now that the merger of these two hotel giants has been secured, so we are told, the industry can be sensibly rationalised to the everlasting benefit of tourism Indeed, the cherry on the top is the suggestion that prices of hotel accommodation may even be reduced in the future

Similar arguments did the rounds following the Amcar-Ford merger Especially important was the emphasis placed on how important such rationalisation was to overcoming the harmful effects of competition in the motor industry The fact that, as a result of the merger, the number of motor manufacturers was reduced from 11 to 10 was seen as an undiluted blessing for the industry — never mind the fact that 2 000 jobs were to be lost in the process.

Such arguments are, however, strange to find in an economy professing to believe in the spirit of free enterprise Where are the free marketeers now? Where are those who have so relentlessly criticised the State monopolies in electricity, transport and postal services? And what of their arguments, used against the State, that monopolies are inefficient and unwieldy because they hamper the free flow of competition?

Of course, it will be argued that in neither Southern Sun's case nor in the case of the motor industry's Samcor is there a total monopoly. After all, there are still other independent hotel groups and other motor manufacturers Besides, the Competition Board — that stalwart defender of the little man — has okayed the deal

But these arguments all miss the point

Southern Sun does not need to control each and every hotel in the industry to dominate the market. Prior to the recent takeover, Holiday Inns and Southern Sun between them controlled virtually all hotel accommodation from a three-star basis upward. These categories of hotel accommodation are now firmly under the single control of Southern A monopoly of these key upper category hotels gives Southern virtual control of the whole industry, since it now controls the most important segment

This argument is crucial to understanding the power that large corporations can wield in the economy as a whole. Competition can be effectively reduced in a sector simply by one company gaining control over the most profitable areas within it That company is then in a position to dictate the levels of prices and the quality of services in the sector as a whole.

If Southern raises the price of accommodation in three-star, four-star and five-star hotels, independent one-star and two-star hotels are more than likely to follow suit Indeed, they would be foolish not to If Southern reduces its staff's wages, the independent hotels would again be foolish not to follow

What must be clearly recognised is that in the SA economy today the fundamental trend is towards greater centralisation of ownership and control, not necessarily 100% control

But certainly the movement is significant, for as far back as 1977, the Mouton Commission noted that 5% of firms in manufacturing accounted for 63% of that sector's turnover; 5% of firms in the wholesale and retail trade accounted for 69% of turnover; 5% of firms in construction accounted for 63%, and 5% of firms in transport accounted for 73%. While in the cigarette industry, three firms controlled 98% of turnover; in the blanket industry three firms controlled 79% of turnover, and in the tyres and tubes industry 86% of turnover was controlled by three firms

Since that time there has been a substantial increase in the pace and extent of mergers and takeovers, particularly during the Eighties Anglo American took a 30% stake in Consolidated Gold Fields, bringing two of the leading mining houses closer together Two of the country's largest sugar producers, Tongaat and Huletts, merged C G Smith took control of Tiger Oats, which in turn took control of Fattis and Monis.

More recently, a consortium of Anglo, JCI and Liberty Life took control of Premier Milling, Old Mutual took control of Rennies; Rennies merged with Safmarine, Gencor took control of Tedelex, and Anglo American Life merged with Southern Life The list is seemingly endless

As I said earlier, most of these takeovers are justified on the grounds of introducing greater rationalisation and efficiency into an industry by restricting the harmful effects of competition However, this argument is in direct opposition to the philosophy of the free market that the role of competition is precisely to enhance efficiency and productivity.

South Africans must decide Do they now reject the free market philosophy and allow a few relatively large corporations to take charge of the economy Or do they still believe that the role of competition is a healthy one and needs to be preserved? If so, then the time has come to curb the power of large corporations in our economy — if it is not already too late. ■

21/5/85

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Watchdog

WHILE digging into the bread scandal, WATCHDOG was approached by Mr Benjamin Trisk, executive general manager of Premier Milling, who kindly offered to supply insider's figures on the industry

The figures show that the bakers and millers are, if not starving, at least not too happy with their profit margins

According to these figures the big milling and baking concerns would be better off putting their money in the Post Office.

Figures

But read Mr Trisk's account for yourself I cried all the way through it If it leaves you none the wiser it will at least help you appreciate your daily bread

The figures (in the table on the right) for brown bread are made up in a similar way although the actual numbers are different.

Note that the baker's profit margin is in fact less than the retailer's profit margin.

Costs

The total cost of a loaf of brown bread is 54,1c, from which a subsidy of 14,1c per loaf must be deducted to provide a maximum selling price for brown bread of 40c

Your loaf in the hands of a powerful few. . .

WORKING hard to ensure the truth of the old Biblical injunction that man shall not live by bread alone, are a group of monopolists and carteliers

In 1984 the price of bread rose twice — brown bread by 25 percent and white by 22 percent — at a time when the inflation rate was running below 16 percent.

This week the price of white and brown bread is expected to jump by 10c and 8c respectively — or 16,6 and 7,4 percent since the last price rise seven months ago.

The percentage price increase in the last 18 months now totals 32,4 for brown and 38,6 percent for white — and this for a product which is subsidized to the tune of R200 million a year.

Funny things happen on the way to the flour mill. In 1983 the Department of Agriculture admitted that it had overspent on the bread subsidy and couldn't account for the money. In other words, R26 million vanished because of a computer error which apparently confused the number of loaves produced with their mass in kilograms.

The subsidy, incidentally, goes to producers and retailers. The whole elaborate dance confuses the hell out of the average consumer.

Between them, these three
J D Louw (Fedfood), T

Figures show industry ends up with the crust

COST FACTORS IN THE PRICE OF WHITE BREAD (c/loaf):

Price payable by baker for flour/meal	**35,9**
This can be broken down into a number of separate inputs beginning with raw wheat:	
Producer's price of wheat	23,3
Storage cost of wheat	3,4
Inward railage — wheat to mill	1,3
Milling cost of wheat	6,7
Outward transport — flour and meal	1,0
Wheat Board levy — administration	0,2
TOTAL.	35,0
Cost of ingredients other than flour/meal	2,7
TOTAL COST OF INGREDIENTS.	38,6

Monopoly profits: How the big boys make heavy dough

WATCHDOG asked Symond Fiske — an agricultural economist, Farmer's Weekly columnist and expert on the Dairy, Maize, Egg, Meat and other Boards which have permanent hands in your pocket — for his view on how the milling companies make their dough.

tion even further

Worse still, the bakery licences actually stipulate the size of the oven a bakery may use So, even if a bright young baker gets a licence (which is not easy) he has no guarantee that he will ever be able to expand his business

jority) obliges again by using the (multi-million rand) subsidy, which the Minister gives it, to subsidise the poor product that only the owners of the scarce bakers' licences are permitted to produce

The Maize Board (with another built-in farmer

A safeguard for your rights. Edited by BOB MOLLOY

...af in the hands ...werful few. . .

...low 16 percent.

...week the price of ...nd brown bread is ex... ...to jump by 10c and 8c ...ively — or 16,6 and ...cent since the last ...se seven months ago.

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The subsidy, incidentally, goes to producers and retailers. The whole elaborate dance confuses the hell out of the average consumer.



Between them, these three men control some 80 percent of the industry. They are, from left: J D Louw (Fedfood), Tony Bloom (Premier Milling) and Tony Norton (Tiger Oats)

...w industry ...n the crust

...OF WHITE BREAD (c/loaf):

	35,9
...separate inputs beginning with raw	
	23,3
	3,4
	1,3
	6,7
	1,0
	0,2
	35,0
	2,7
	38,6

Monopoly profits: How the big boys make heavy dough

WATCHDOG asked Symond Fiske — an agricultural economist, Farmer's Weekly columnist and expert on the Dairy, Maize, Egg, Meat and other Boards which have permanent hands in your pocket — for his view on how the milling companies mak[illegible] tion even further.

Worse still, the bakery licences actually stipulate the size of the oven a bakery may use. So, even if a bright young baker gets a licence (which is not easy) he has no guarantee that he will ever be able to expand his busi-...

...jority) obliges again by using the (multi-million rand) subsidy, which the Minister gives it, to subsidise the poor product that only the owners of the scarce bakers' licences are permitted to produce.

The Maize Board (with ...

Commodity increases from 1978 to 1984 compared with inflation

THE accompanying tables are courtesy of the Housewives' League and Robin McGregor, author of "Who Owns Whom".

More detailed commentary on corporate choreography can be ...

Main suppliers of Commodities on attached schedule

Mealie meal	Premier, Tiger, Tongaat & Fedfood
Bakers' margin	Premier, Tiger, Bokomo & Fedfood
Bricks	Tongaat
Eggs	
Brown bread	Premier, Tiger, Bokomo & Fedfood
Oranges	
White bread	Premier, Tiger, Bokomo & Fedfood
Cheese	
Butter	
Wheat Millers margin	Premier, Tiger, Bokomo & Fedfood
Meat	Kanhym, Vleissentraal etc
Railage.	
Petrol	BP, Shell, Caltex & Mobel
Coal	
Frozen chickens	Rainbow, Premier, Tiger
Breakfast cereals	Kelloggs, Bokomo, Pro Nutro, Premier & Tiger
Sugar	Tongaat & CG Smith
Detergents	Many
Frozen vegetables	I & J, I C 6, Table Top
Teabags	Becketts Unilever, Brooke Bond & CTC
Beer	SA Breweries
Creamers	Becketts, Carnation, Borden
Coffee	Becketts, Nutritional Foods, Ferco & CTC
Toothpaste	Unilever, Beechams, Colgate

Ultimate controlling shareholders of above

Premier [illegible]

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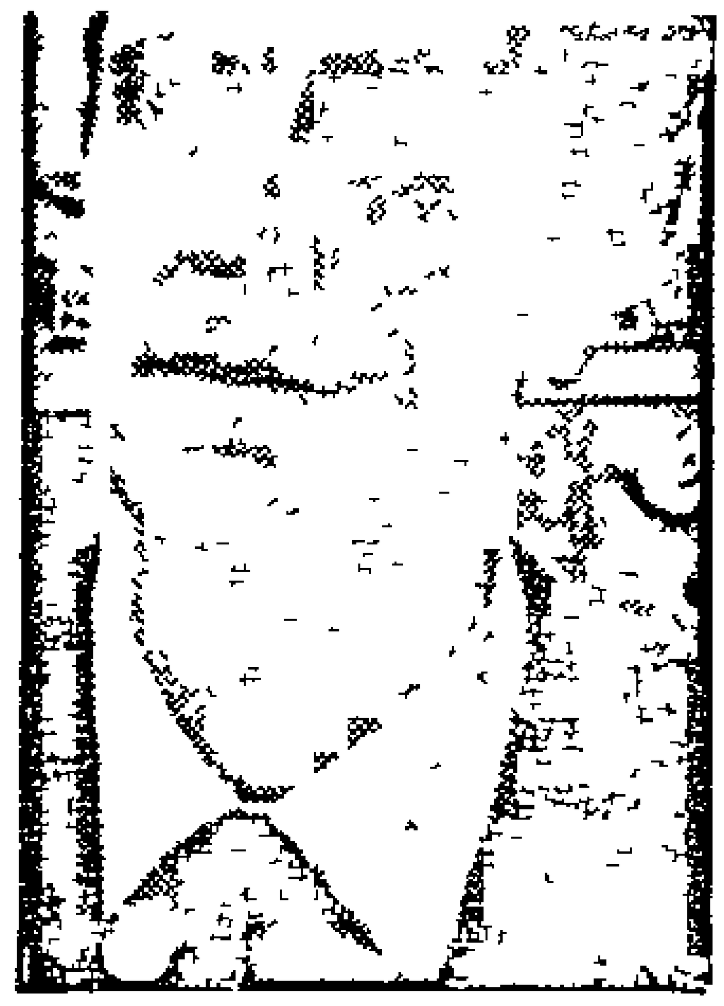
words, R26 million ...ed because of a com- error which apparent- ...nfused the number of ...es produced with their ... in kilograms.

...e subsidy, incidentally, to producers and re- ...s. The whole elaborate ...e confuses the hell out ... average consumer.



Between them, these three men control some 80 percent of the industry. They are, from left: J D Louw (Fedfood), Tony Bloom (Premier Milling) and Tony Norton (Tiger Oats).

poly profits: he big boys heavy dough

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Worse still, the bakery licences actually stipulate the size of the oven a bakery may use. So, even if a bright young baker gets a licence (which is not easy) he has no guarantee that he will ever be able to expand his business

Oven size

Is it surprising that the big millers have been systematically buying up bakery licences? They needed them to consolidate their respective positions in the milling cartel, which the Wheat Board (with farmer majority) so generously organized on their behalf

To do that, they had to protect their markets for flour

The Wheat Board is fairly free in granting confectionary licences, which allow tearooms to bake cakes. The millers don't mind that because they want to sell flour and know that there is no risk of a sticky buns and icing handler growing too big for his boots

Proper baker's licence (which allows you to make fancy breads) falls half-way between the other two. If a persistent applicant struggles long enough and promises to behave himself he may eventually get one But, just to keep him down, the (farmer controlled) board stipulates that he mustn't use a proper baking tin That's why all the best bread in South Africa comes in unloaf-like shapes

But bad bread can't compete with good on even terms So the Wheat Board (with farmer majority) obliges again by using the (multi-million rand) subsidy, which the Minister gives it, to subsidise the poor product that only the owners of the scarce bakers' licences are permitted to produce.

The Maize Board (with another built-in farmer majority) decided, in its infinite wisdom, to rationalize the maize-milling business in exactly the same way "Thank you very much," said Tiger Oats, Premier Milling, Tongaat Foods and the like who thereby found themselves in a position to dominate the animal-feeds business as well

They had a head start, of course, in that the Wheat Board (with farmer majority), Maize Board (with farmer majority) and Oilseeds Board (with farmer majority) fixed things up so that it was almost impossible for any small, independent feed compounder to lay his hands on a reasonably priced regular supply of bran, pollard, or oil cake

More recently Abakor and its fairy godmother Meat Board (with farmer majority) have managed to create the right environment for the big groups to gain control of the blood-meal market as well.

Control

Fishmeal quotas (fixed up by another generous government department which has only just come under the wings of our minister) gave the big companies control of another important ingredient

Commodity increases from 1978 to 1984 compared with inflation

THE accompanying tables are courtesy of the Housewives' League and Robin McGregor, author of "Who Owns Whom".

More detailed commentary on corporate choreography can be found in McGregor's subscriber newsletter "Takeover Talks".

The Housewives' League table shows an increase of 237 percent for white and 184 percent for brown bread between 1978 and 1984

The inflation table shows that price increases in bread have consistently exceeded the average inflation rate by a large margin.

But, even with those enormous advantages, the over-capitalized feed millers couldn't compete with the ordinary farmer who tried to mill and mix in his own backyard

So the big milling groups found it necessary to have tame customers That's why they started moving downstream into livestock.

And which particular branch of the livestock industry did they find it easiest to gain control of? Why, the egg industry, of course That was the only one that promised to restrict the entry of competitors.

They found an Egg Board (with regulation farmer majority), which was prepared to play into their hands just as the Wheat and Maize boards had played before.

There is only one reason why the big millers are prepared to lose millions to gain a dominant position in the egg industry They know that, once they have cornered the market, they will be given all the protection they need to ensure that no one will ever be allowed to compete with them again

The minister doesn't need to pass a law to stop vertical integration He needs to repeal existing laws and withdraw subsidies that play into the hands of big business

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Detergents	Many
Frozen vegetables	I & J I C S, Table Top
Teabags	Becketts, Unilever Brookebond & CTC
Beer	SA Breweries
Creamers	Becketts, Carnation, Borden
Coffee	Becketts, Nutritional Foods Perco & CTC
Toothpaste	Unilever Beechams Colgate

Ultimate controlling shareholders of above

Premier	Anglo
Tiger	SA Mutual via Barlows
Tongaat	Anglo
Fedfood	Sanlam
Bokomo	Co-op
Kanhym	Sanlam
Vleissentraal	Co-op
Rainbow	Stan Methven
Pro Nutro	Anglovaal
I & J	Anglovaal
I C S	SA Mutual via Barlows
C G Smith	SA Mutual via Barlows
Table Top	Sanlam
Becketts	Anglovaal
SA Breweries	Anglo
Perco	Brookebonds

Basic Food Increase -	October 1978	May1984
Butter 500g	59c R1 99	+ 237%
Milk 1 litre	25c 64c	+ 156%
Rice 1 kg	69c - 99c	+ 43%
Cake Flour 2 5 kg	65c - R1 47	+ 126%
Instant Coffee 750g	R1.39 R2 85	+ 105%
Teabags 100's	92c R1 99	+ 116%
Tea 250g	59c - R2 09	+ 254%
Sugar 2 5 kg	45c R1 64	+ 264%
Eggs large/dozen	38c R1 04	+ 173%
Chickens frozen/kg	92c R1 79	+ 94%
fresh	98c R2 09	+ 113%
Margarine 250g	24c - 66c	+ 175%
Mealie Meal 2 5 kg	35c R1 04	+ 197
Brown Bread 900g	13c 37c	+ 184%
White Bread 900g	16c - 54c	+ 237%

Commodity increase price controlled by:

	%	STATE	PRIVATE SECTOR	
MEALIE MEAL	167	control board	cartel	FUELLING INFLATION
BAKERS MARGIN	160	price control	cartel	
BRICKS	157	price control	monopoly	
EGGS	152	control board	monopoly	
BROWN BREAD	150	price control	cartel	
ORANGES	147	control board	monopoly	
WHITE BREAD	140	price control	cartel	
CHEESE	138	control board	monopoly	
BUTTER	135	control board	monopoly	
WHEAT MILLERS MARGIN	135	price control	cartel	
MEAT	130	control board	cartel	
RAILAGE-COAL	126		monopoly	
INFLATION	115			

# of a powerful few

WORKING hard to ensure the truth of the old Biblical injunction that man shall not live by bread alone, are a group of monopolists and carteliers.

In 1984 the price of bread rose twice — brown bread by 25 percent and white by 22 percent — at a time when the inflation rate was running below 16 percent.

This week the price of white and brown bread is expected to jump by 10c and 8c respectively — or 16,6 and 7,4 percent since the last price rise seven months ago.

The percentage price increase in the last 18 months now totals 32,4 for brown and 38,6 percent for white — and this for a product which is subsidized to the tune of R200 million a year.

Funny things happen on the way to the flour mill. In 1983 the Department of Agriculture admitted that it had overspent on the bread subsidy and couldn't account for the money. In other vanis... puter ly co... loaves mass

The goes ... tailers dance of the

Figures show industry ends up with the crust

supply insider's figures on the industry

The figures show that the bakers and millers are, if not starving, at least not too happy with their profit margins

According to these figures the big milling and baking concerns would be better off putting their money in the Post Office

Figures

But read Mr Trisk's account for yourself I cried all the way through it. If it leaves you none the wiser it will at least help you appreciate your daily bread

The figures (in the table on the right) for brown bread are made up in a similar way although the actual numbers are different.

Note that the baker's profit margin is in fact less than the retailer's profit margin.

Costs

The total cost of a loaf of brown bread is 54,1c, from which a subsidy of 14,1c per loaf must be deducted to provide a maximum selling price for brown bread of 40c.

I have also looked at the increase in production costs over the period 1975/1984.

Actual costs

The baker's actual costs (excluding the cost of raw materials and replacement and depreciation allowances) escalated from 5,1803c per loaf in October, 1975 to 15,4640c per loaf in September, 1985.

The compound increase is therefore 11,56 percent per annum over the period.

Wage index

Note that the interest allowed to the industry to both fixed and floating capital is below the current cost of money, in the case of fixed capital, significantly lower; and you should not forget, in assessing a compound rate of growth in production costs, that labour is included in these figures.

If you are able to obtain relevant figures for wage costs over the period I believe you will find that the wage index has increased more sharply than the overall CPI (Consumer Price Index).

Insofar as the miller's actual costs are concerned, the figures I have worked on do not include recent adjustments to the wheat miller's margin just announced.

Increases

You will appreciate that it is not normal to adjust the margin in midyear.

It was done because cost increases for the 1983/84 season were disallowed by the Minister last year and a promise was made to examine these costs again in March, 1985.

In addition, cost adjustments have had to be made because the fuel price went up by more than 40 percent in January.

Wheat

(Bear in mind that cost increases are only adjusted annually in arrears in both the milling and baking industries. To this extent the industries thus lose the present value of the increases weighted by the rate of increase through the year)

I have expressed the increase in miller's actual costs per ton of wheat milled as this is the accepted method when examining milling costs.

For the period October, 1975 to March, 1985 (I have not used end period 1985 in view of the interim adjustment) production, distribution and administration costs together rose from R17,70 per ton to R55,76 per ton, a compound increase of 12,82 percent per annum (9,5 periods)

However, within these costs are a number of costs over which the miller has no control — such as fuel and energy.

COST FACTORS IN THE PRICE OF WHITE BREAD (c/loaf):

Price payable by baker for flour/meal		35,9
This can be broken down into a number of separate inputs beginning with raw wheat:		
Producer's price of wheat		23,3
Storage cost of wheat		3,4
Inward railage — wheat to mill		1,3
Milling cost of wheat		6,7
Outward transport — flour and meal		1,0
Wheat Board levy — administration		0,2
TOTAL:		35,0
Cost of ingredients other than flour/meal		2,7
TOTAL COST OF INGREDIENTS.		38,6
Production cost of bread		10,0
The production cost is a global figure made up of a number of separate calculations These individual figures, established for the period from October 1, 1984 to end-September, 1985 were:		
Direct production	6,4611	
Administration	2,6060	
Depreciation and replacement allowance	0,9573	
RUNNING TOTAL:		48,6
The delivery cost, also made up of running costs as well as depreciation and replacement allowances, is		6,9
RUNNING TOTAL:		55,5
To this figure can be added the baker's margin (profit) which is made up of interest on fixed and floating capital		1,3r
RUNNING TOTAL.		56,8
Retailer's profit margin		2,0
TOTAL COST:		58,8
Add subsidy from white bread towards brown bread		1,2
MAXIMUM SELLING PRICE OF WHITE BREAD		60,0

Mono... How t... make

WATCHDOG asked Symond Fiske — an agricultural economist, Farmer's Weekly columnist and expert on the Dairy, Maize, Egg, Meat and other Boards which have permanent hands in your pocket — for his view on how the milling companies make their dough. He replied with this extract from his book "Ploughing a Furrow".

I find it quite incredible that neither the government, nor the Opposition can see where the big feed companies get their strength from and why it pays them to lose millions of rands in their effort to knock independent farmers out of the poultry business.

In fact, the apparent blindness to what is going on leads me at times to suspect that it can't only be their ignorance that prevents them from seeing what has been happening Some of their advisers must actually want the big milling companies to succeed at the expense of the independent farmer

For their information and yours, this is what has been happening .

The milling companies are heavily protected by the Wheat Board (with farmer majority) By restricting the number of wheat milling licences and baking licences th... (farmer controlled board effectively ensures that competition restricted in two highl... profitable industries

Monopoly profits a... made by all bakers a... millers, especially thos... able to buy enough licen... ces in one area an... thereby narrow compet...

Cape Times 2/5/85

Pepkor profits soar 47%

IN spite of adverse trading conditions, Pepkor Ltd increased sales by 41 percent to R582m (1984 R412m) and operating profits by 47 percent to R47m (R32m) in the financial year ended February 28, 1985

The final dividend paid is up 1,5c a share to 45,5c (44c) making a total of 69c (67,5c) a share for the full year

Only a greater-than-anticipated interest burden — which more than doubled to R23m (R9,6m) — and the failure of two divisions to meet sales forecast in the second half prevented the group from achieving its pretax profit forecast

Earnings a share increased by 22 percent to 235,5c (193,2c)

Cover taken shortly after the start of the rand's dramatic decline in July last year limited the group's potential extraordinary losses due to currency fluctuations to R20m after tax

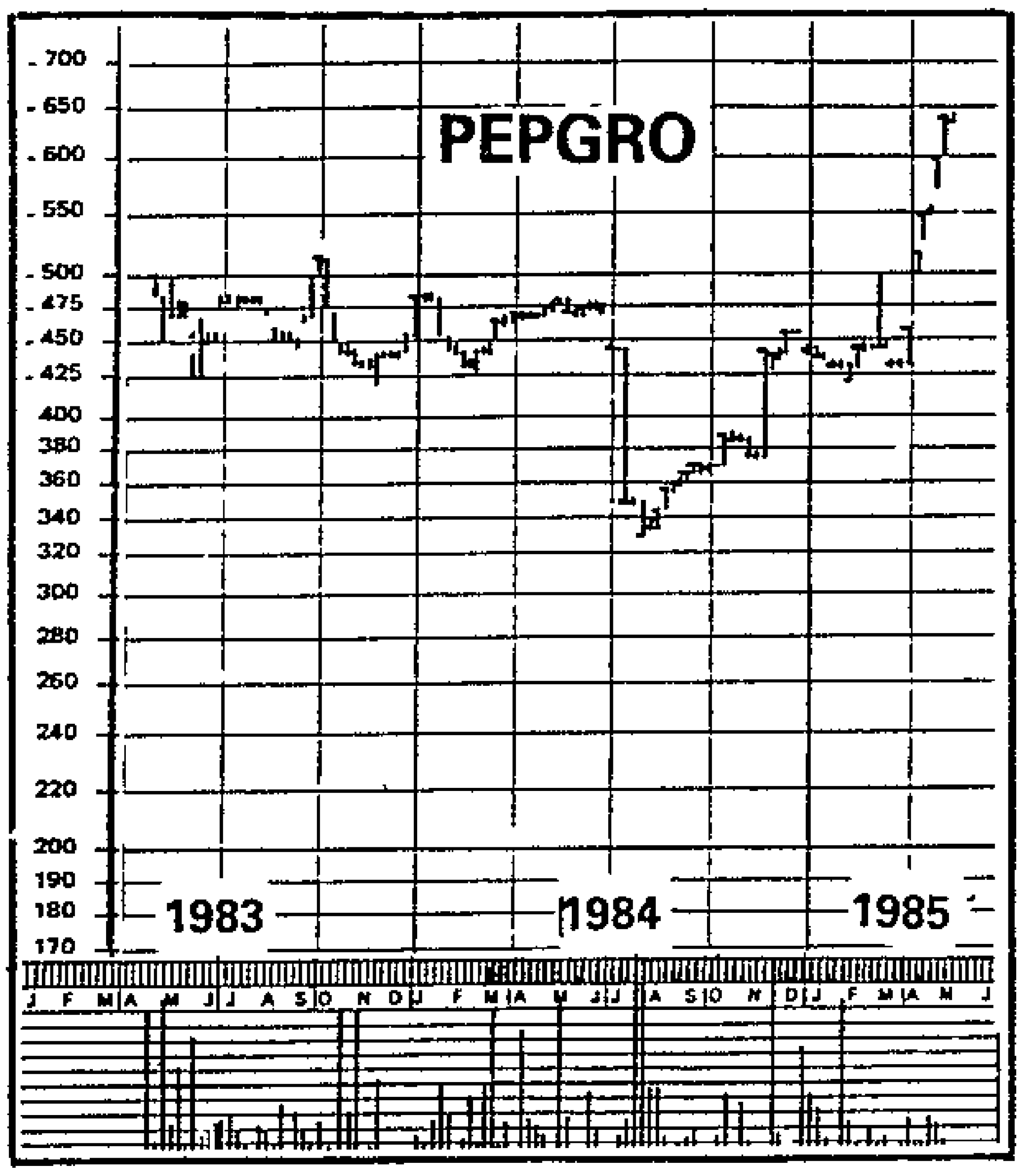
In line with Pepkor's belief that the current foreign exchange situation is totally extraordinary and distorts the reporting of their on-going trading position, this unrealised loss — which has no impact on cash flow — has been totally written off and is shown as an extraordinary item below the line

The loans, which for the major part are medium-term loans, will be rolled over and the company will remain covered until there is greater clarity in the currency markets

In the company's interim report published on November 1, 1984, the directors stated that they expected the debt equity ratio to be restored to their stated goal of 1 1 by the end of the year under review

This objective has not yet been reached although helped by the disposal of all the group's properties to finance companies, gearing has improved marginally to 1,21 1 (1,22 1)

The sale of these properties is part of the group's policy of channelling funds into trading activities rather than locking them into fixed properties and yielded an extraordinary profit of R42,6m and contributed to an increase in shareholders funds from R67m to R104m (after accounting for forex losses)



The directors say that they are examining various alternatives to strengthen the capital base of the group

Flowing from this, the board is considering new debt equity objectives

Until such time as these have been finalized, the dividend cover for the year under review has been raised from 2,86 to 3,41

Future takeovers will be structured in a manner which will not adversely affect the group's stated debt equity ratio

The recent Bertish acquisition, which will largely be settled by way of a non-redeemable preference share issue, will further improve the debt equity ratio

Exports are encouraging Sales in the 1984/85 financial year reached R1,5m and these are expected to reach R8m this year

The Ackermans chain, acquired by the group in March 1984 and which broke even after finding its full interest burden in the past year, is expected to contribute to profits in the coming year

Pepgro, which derives its income from its sole investment — a 54 percent holding in Pepkor Ltd — has maintained its dividend at 21,5c a share

Coffee (232)

SA coffee growers push for monopoly

B. Day 21/5/85

By LAWRENCE BEDFORD

SOUTH African coffee growers are pushing for a monopoly on supplies

Not only do they appear to be seeking price protection from imports, but also freedom to increase planting without reference to the needs of roasters and consumers

Total coffee imports in 1984 amounted to 17 200 tons Of that, 22,3% was the arabica variety, and the rest robusta.

World prices of arabica are between 460 and 480c a kg Robusta prices are 350c to 360c

The development depends largely on government acceptance of an Industrial Development Corporation (IDC) report on the viability of large-scale production of a coffee crop.

The chairman of the SA Agricultural Union's national coffee committee, Johan Cronjè, says development of an industry could create between 20 000 and 30 000 jobs in depressed areas of the Lowveld

Such jobs could be created for about R6 000 each, compared with R25 000 for jobs in Reef industries, he says

The industry is also considering the effect on imports of the rand-dollar exchange rate and the recent decision by the International Coffee Organisation to raise prices to non-members, such as SA.

As a result recent prices quoted to South African roasters have risen by 40%, says Derek Varnals, chairman of the SA Tea, Coffee, Chicory Association (Satcca)

IDC GM Malcolm Macdonald says if the ICO situation changed, South Africa could take the necessary action to ensure that coffee prices remained realistic.

The SAAU coffee committee met on May 7 to compile a final price agreement to go to Satcca.

South Africa has about 750ha of land under coffee at present.

Coffee growers seek monopoly on supplies

3 Coffee 232

NM 22/5/85

Mercury Correspondent

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Prices up

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Premier Group sees difficult year ahead

232 CAPE TIMES 22/5/85

JOHANNESBURG — Premier Group Holdings Ltd achieved a reasonable performance for the year ended March 31 at the level of trading, but profits were negated by a heavy interest bill, increased minorities and higher taxation the chairman, Mr A H Bloom, said yesterday

He said the result was that net profit after tax attributable to ordinary shareholders had decreased by 21 percent to R95,5m

However, the ordinary dividend for the year of 54c a share matched that for 1984 and with the interim also matched the 1984 total dividend of 86c a share

Mr Bloom said "it's been a tough, hard year and we anticipate another tough, hard year ahead"

He hoped but would not commit himself to, saying the results this year might match those for 1985

Group turnover increased by 12,8 percent to a record R2,3 billion (1984 R2 billion) and trading profits also showed a satisfactory increase of 11 38 percent to reach a figure of R141,4m (R127 1m), Mr Bloom said

He said he believed it was a "reasonable performance" in what had been a most difficult year for South African business generally

Because of a 67 percent increase in net interest paid of R72,2m (R43,3m) and a foreign exchange loss of R7,4m (nil), the profit before tax was down 18 percent at R101,8m (R124m)

Mr Bloom said that in spite of the "disappointing drop" in earnings a number of positive achievements had taken place in the year

The group budget for operating margins had been maintained at 6,1 percent (6,2 percent)

Mr Bloom said that forecasting the future earnings trend for the next financial year was "virtually impossible"

The most recent month's trading had shown that the recession was still very much with the country and it was only when consumer confidence returned and personal consumption expenditure picked up that a return to the growth pattern of previous years could be resumed

"Obviously a reduction in interest rates would be of material benefit to the group and indications are that rates are softening," Mr Bloom said

The group's investment and diversification programme had paid dividends in the year and South African Breweries (in which the group holds a 36 percent interest) had turned in a "creditable performance" in spite of the fact that retail interests were badly affected by lower consumer demand and the government austerity measures Attributable earnings were up three percent

Other sections of the group's diversified interests had also performed well, notably CNA Gallo and the pharmaceutical division

Plans for a major international diversification were being held in abeyance because of the weakness of the rand and that the punitive levels of intest rates made financial returns unattractive

"The group would simply have to be patient and wait for the right proposition to present itself," Mr Bloom said — Sapa

CAPE TIMES 22/5/85

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Protea—Phoenix merger approved

THE acquisition of Phoenix Prudential Assurance was given final approval by shareholders of Protea Assurance at a special meeting held in the City

The resolution was carried with a majority of 83 percent.

The merger flows from the aquisition in the UK of Phoenix by the Sun Alliance group, holder of 74 percent of Protea's equity

To finance the deal, 1 750 000 new Protea ordinary shares will be issued to the Sun Alliance

The Phoenix operation in South Africa will be absorbed into Protea Assurance and the enlarged group will operate under the name Protea Assurance Co Ltd

Figures for 1984 give the group total assets of some R110m, with a combined gross short-term premium income of over R136m

The board anticipates that the effect on earnings will be positive although it is nevertheless expected that the enlarged Protea Group's earnings a share for 1985 will reflect a marginal decline compared with those of 1984, primarily as a result of continuing difficulties in the short-term insurance market.

Dividends are not expected to be adversely affected in the short term, while in the longer term the expected benefits of the merger should enhance dividend prospects

On the basis of the audited consolidated balance sheets of Protea and Phoenix Prudential as at December 31, 1984, the pro forma effect on the net asset value per Protea ordinary share, with investments taken at market value, would have been an increase of four percent from 678c to 704c.

Commenting on the Phoenix acquisition, Protea's managing director, Mr Tony Crank, says that it offers the potential of significant rationalization, lower expense ratios and increased profits

"We are now firmly positioned as one of South Africa's largest composite insurers

"Our general management has been strengthened, our operating and marketing base has broadened and our prospects for profitability and growth, particularly in the longer term, are excellent," he said

Merger to form Samcor sealed

NM 23/5/85

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JOHANNESBURG — The merger between Anglo American Corporation and Ford Motor Company to form the South African Motor Corporation (Samcor), was sealed yesterday.

Mr Leslie Boyd, an executive director of Anglo American, who is the chairman of the new company, and Mr Lindsey Halstead, vice-president, Ford Motor Company U S with responsibilities for South Africa, signed the merger agreement at Anglo American's head office in Johannesburg

In a joint statement issued after the signing Mr Boyd and Mr Halstead said 'This consolidation reflects a present need for greater efficiency by both companies in a constrained, highly competitive national market with minimal prospect for short-term growth

Output

'We are confident that this merger will soon strengthen our product range, productive capacity, market competitiveness and our long-term presence in South Africa

'This merger, which is based on business considerations, is both timely and on target Discussions between Ford and Anglo American began nearly 14 months ago Final signing of the Samcor agreement could only be effected after the 1984 balance sheets of both partner companies were available

'Reflecting assests and liabilities shown in these statements, Ford Canada will hold a 42 percent interest in Samcor while Anglo and associates will have a 58 percent share

'In South Africa as in a number of other countries, such mergers now represent a necessary adjustment to changing competitive realities As part of this process, but particularly because of the continuing depressed state of South Africa's economy, Samcor will find it necessary to achieve facility rationalisation — (Sapa)

Sappi details R200m refinancing plan

CAPE TIMES 24/5/85

232

JOHANNESBURG. — Sappi Ltd has announced that it is raising approximately R200m by way of a rights issue to reduce its interest burden and improve its debt:equity ratio the chairman, Mr Basil Landau, said at the company's annual meeting here yesterday.

He said that the refinancing will consist of an offer of 12 percent preferred ordinary shares of R1 each The shares will be issued at a price of R10,50 in the ratio of one preferred ordinary share for every two existing ordinary shares and one preferred ordinary share for every five existing participating preference shares

The prefs will earn a fixed annual dividend of 126c a share and will be converted to ordinary shares once the dividend on the existing ordinary shares equals that on the new prefs

Mr Landau said that Sappi's projections indicate that, even after the conversion of the new equity, shareholders can continue to expect satisfactory growth in their earnings and dividends a share "in the longer term"

The major shareholder, Gencor, is following its rights and underwriting the balance of the issue

He said it would be prudent for Sappi to defer consideration of the dividend for 1985 until the year's result is known meaning that no interim dividend will be paid

Chief executive of Sappi, Mr Eugene van As, said it "was not possible to say if the final dividend for the year will meet that of last year"

He said "If interest rates come down and if everything goes right we will meet it But at this stage it is not possible to give a firm predicition"

Mr Landau said that all major units at Ngodwana have now been commissioned, but in the first quarter, difficulty was experienced with the pulverized fuel boiler which provides steam for the entire mill

The boiler had to be taken out of commisssion for repairs by the supplier and was out of action for six weeks

The repairs were successfully completed and the boiler has been operating satisfactorily since the end of April, he said

The new pulp plant was operating close to budget, he said, and the operating difficulties on the newsprint machine in 1984 had been "largely overcome"

The machine had now achieved a daily output of 443 tons, believed to be a new South Africa record and recent average daily output had exceeded budget

Referring to Sappi's re-capitalization, he said the substantial extra costs had been incurred on the Ngodwana project in terms of finance related expenses and start-up costs

The extra costs were financed in large part by debt at prime interest rate

The debt equity ratio is higher than Sappi considers prudent and can not be brought down at the current high interest rates as rapidly as the board considers to be necesssary

He said that because Sappi is not in a tax-paying position there is no current tax relief from interest charges That is why Sappi has looked to an injectioin of capital to reduce the interest burden and improve the debt equity rartio — Sapa

FACE TO FACE

232

SOL KERZNER

Explaining the Kunick deal

After signalling its intention some time ago of shifting its focus to international interests, Kersaf has paid R24m for a stake in a UK company, Kunick. In an interview with the *FM*, Kersaf MD Sol Kerzner explains the thinking behind the move.

***FM:* Given its interests in water-theme parks, waxworks and other tourist attractions, Kunick seems an unusual vehicle for Kersaf's UK expansion. Its activities don't seem to fit Kersaf's glamorous image. Why did you choose this company?**

Kerzner: Kunick's current activities are not that important Guided by us, Kunick will grow by acquisition, and will diversify its interests

Structurally, it is a perfect vehicle for Kersaf's expansion It has solid, proven management, it has strong institutional investors among its shareholders, and, importantly, it is actively traded over the counter (OTC) in London, with the potential for an eventual primary listing. When scouting for a UK investment, these are the qualities we were looking for

Kersaf paid R24m for a 40% stake in Kunick, which translates into a price:earnings ratio of 27 times. Isn't this an excessively high price for such a young company?

The p e ratio is deceptive, because it is based on historic earnings. If you take into account the interest Kunick will earn on the R24m we have injected into it, the p e ratio works out to less than 20 The mistake you, and others, are making, is that you ignore the fact that we are not buying the shares from outside shareholders We have acquired our holding by injecting assets into Kunick

Also, consider Kunick's recent profit performance In 1983, its first year of trading, profits totalled R318 000 In 1984, this was doubled to R920 000, and projected profits for 1985 are just as impressive You may laugh at their waxworks and water-theme parks, but these results indicate they are doing tremendously well with those assets With further acquisitions, and with us aiding them, Kunick's growth potential is enormous If the p e ratio seems high, it's because we are buying into growth potential, and quality management, and not into Kunick's historical earnings

Moreover, don't forget we paid 38p for the Kunick shares, compared with their 46p trading price immediately before the deal Subsequently, the share has risen to 67p If UK investors believe the share is worth 67p, how can anyone accuse us of overpaying at 38p?

With much of Kersaf's overseas expansion being directed through Kunick, why did you settle for a non-controlling 40% stake in the company?

Foreign-controlled companies wishing to break into the UK gaming scene face tremendous problems Consequently, Kersaf had to obtain effective control of Kunick, without being seen to have control In effect, it's like walking a tightrope, with the 40% stake giving us just the right balance between pure control, and effective control

What type of activities will Kunick be expanding into? Will it move into casinos, for example?

Any major move into casino resorts will be directed through Kersaf's UK subsidiary, Sun Holdings International This company contains our collective expertise in these markets Kunick will represent our overseas leisure arm, and could get into areas such as concert promotions, where Kersaf already has a great deal of expertise

Eventually, however, we hope to move Kunick into the lucrative UK gaming scene, although this is a difficult market to break into

I can tell you, though, that Kunick is currently negotiating for a stake in a R250m tourist project That gives you some idea of the likely scale of its future operations

How will Kunick finance acquisitions. Will it pay for assets by issuing shares, for example?

By placing its Kersaf shares with institutions, Kunick has already raised R24m Because of its negligible gearing, it can comfortably raise its cash pool to R45m, giving it plenty of scope for cash acquisitions However, we'll have to be careful about issuing large quantities of Kunick shares, because the balance of control I mentioned earlier could shift against us if our shareholding is materially diluted ■

Amcar may drop its Peugeot dealership

NM 30/4/85

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JOHANNESBURG — Amcar, which joined forces with Ford earlier this year to form Samcor, is thinking of dropping its Peugeot dealership.

Amcar officials are reassessing their ties with the French motor manufacturer, following the decision to forge a new corporate identity for Mazda and Mitsubishi, Peugeot's partner in the Amcar stable.

From the beginning of next month, Mazda and Mitsubishi dealers will trade under a new corporate logo, MMI, short for Mazda, Mitsubishi Incorporated.

Publicity

The exercise, to be accompanied by an increased publicity campaign, is expected to be completed by October. The estimated R2m bill will be shared between Amcar, the Japanese parents of Mazda and Mitsubishi, and South African dealers.

Mr Spencer Sterling, Samcor's managing director, said at the weekend the change was intended to give dealers a clearer market identity.

'Our dealers have accepted the new name with enthusiasm and we are sure that MMI will very quickly become a familiar name to all South Africans,' he said.

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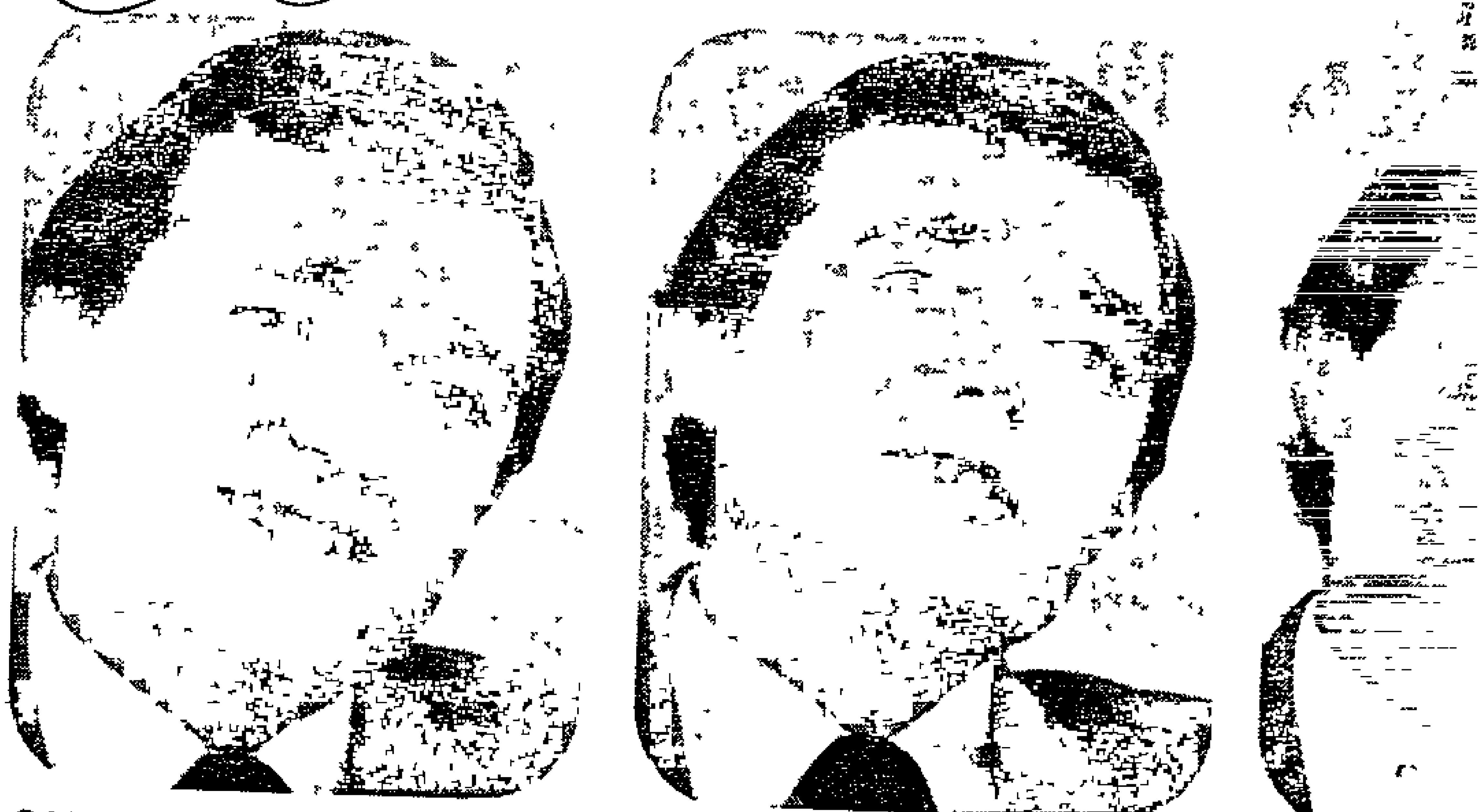
PROFILE/Margaret McAllister



● PETER BACON ... "Sun International is a grassroots company" Pictures.

Bacon off to fly SI flag in Brita

IF SUN INTERNATIONAL is set to become an international empire, then deputy managing director Peter Bacon will surely be one of its prime emperors.

Debonair, diplomatic and ambitious, Bacon is at the helm of the hotel company poised to make its mark in the world of leisure and entertainment And far from being daunted by the mammoth task of establishing the new Sun International-Kunick offices in London, Bacon is thriving on the challenge

When he says that Sun International's success can be attributed to the way it has faced challenges head on, he's talking about himself, too

Bacon, who moved across to Sun International (SI) from Southern Suns soon after Kerzner broke away in 1983, saw a new challenge and didn't hesitate to become a part of it

"Sun International is a grassroots company, and the team works well together. Certainly I enjoy working with Kerzner, who has tremendous vision and talent It gets the adrenalin going and that's what spurs us on," he says

Bacon left Southern Suns early in 1983, spent five months at San Francisco's Standford University on an executive programme — an invaluable experience, he says — and walked straight into his airy office at the new SI headquarters in Sandown

His interests have always been with international business and his move to SI seems to bear the stamp of his long-term career objectives As joint deputy MD with Ken Roseveare, Bacon takes charge of all development within the company as well as offshore expansion, while Roseveare oversees on-going operations

And with Kerzner having effectively stepped down from day-to-day operations of the group, the triumvirate of Bacon, Roseveare and Eugene Joannides (director of strategic planning) — all key "old boys" from Southern Suns — is sitting squarely in the driving seat Obviously reportbacks to Kerzner are comprehensive and regular.

Bacon will be transferring to London within the next few months to set up the new office for SI As a member of the Kersaf board, he will be there to look after SI's R25m investment in the venture In addition, he will be seeking new investments and acquisitions in the hotel, leisure and entertainment industry Two to three other key SI people are also likely to relocate to London at a later stage

"It's a major step for the company, and I'm very excited to be at the hub of the new developments in London," says Bacon

Bacon sees that now SI is 20 months old, its consolidation period is over and the time is ripe to take a more aggressive approach

"We've established our identity, separate to that of Southern Sun, and we're looking at major expansion on a very broad base We'll be going for major resorts, as opposed to city-centre operations After all, this is where the strength of our company lies

"The Kersaf-Safren deal gives us a market capitalisation of R650m, which gives us the means to make substantial acquisitions and investments But while the spotlight is on our offshore developments, we still see plenty of scope in Southern Africa, where we own 4 500 rooms," he says

SI has three exciting projects either in the pipeline or nearing completion — the Riviera Hotel on the Vaal Dam, which incorporates the Vereeniging country club and is being revamped at a cost of R12m, the Thaba 'Nchu ... near Bloem... ness orientated Mauritius

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Cultural boyc... City's enter...

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PROFILE/Margaret McAllister

"Sun International is a grassroots company"

Pictures: ROBERT TSHABALALA

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SI has three exciting projects either in the pipeline or nearing completion — the Riviera Hotel on the Vaal Dam, which incorporates the Vereeniging country club and is being revamped at a cost of R12m, the Thaba 'Nchu Sun in BophuthaTswana, near Bloemfontein, and a new business orientated hotel in Port Louis, Mauritius

Bacon describes himself as optimistic but realistic about South Africa's tourist position, and he admits he's worried about the recent drop in incoming tourists and South Africa's "image problem".

"There's no doubt that incidents like the Uitenhage confrontation affect the tourism image," he says "But it need not spell gloom and doom It just means that we have to work much harder at increasing our share of the growing world tourism market"

Cultural boycotts which affect Sun City's entertainment drawcard are undoubtedly also causing headaches in high places, but Bacon is characteristically quick to point out that Sun City's dependence on the Superbowl has lessened considerably during the past year

"Sun City has changed profile over the last two or three years," he says "It's firmly positioned at the top end of the international resort market and its strength now lies more in its casino, restaurants and conference facilities and events like the Million Dollar Golf Challenge The rand-dollar rate of exchange has also obviously made international star importations very expensive What we'll obviously do is make more use of local acts"

Bacon, the epitome of the unruffled, personable hotelier, seems cut out for the challenges ahead. And, most important, he thoroughly enjoys his work

"A holiday job at a hotel in Dartmouth convinced me that hotels were my line, and I promptly gave up my boring engineering studies I haven't looked back since," says Bacon.

Four years of study at the hotel school in Cheltenham put Bacon on his feet and his move up through the Trust Houses Forte company was sure Working on the personnel side, Bacon was active in the launching of hotels in such far-flung destinations as the Caribbean and the Far East

In London in 1973, Sol Kerzner met Bacon and asked him to set up the personnel department for his young, fast-growing company After careful deliberation, Bacon took the job and moved to South Africa

His role in the burgeoning of the Southern Suns company is legendary — he was active in opening St Geran, Maharani and Sun City Now 12 years after arriving here, Bacon is packing up to return to London, this time in very different circumstances

He'll probably miss the cross-country riding with his wife and three horse-crazy daughters aged 10, eight and six. And the weather in England might not be so good for the tennis he so enjoys

But, by his own assessment, great things will be happening overseas shortly

30/5/85 232 ~~288~~

A brighter Sun at TFC

B. Day

By LAWRENCE BEDFORD

SOUTHERN Sun Hotels has acquired 50% of the TFC Travel Group

Announcing the deal in Johannesburg last night, hotel group managing director Bruno Corte said its shareholding in the largest wholesale tour operator was a commitment to Southern Sun's promotion of international tourism to South Africa

It gave his group access to existing fully-operational marketing and selling structures which would otherwise have taken considerable time and money to establish

TFC would maintain its present identity and day-to-day management control under founder John Foggitt Snr, who would retain the other 50% The acquisition, for an undisclosed sum, would not materially affect Southern Sun earnings and net assets

TFC maintains the country's largest general travel sales agency division, representing 45 principals and including overseas airlines, shipping companies and hotels worldwide

It has a major shareholding in a travel newspaper, 12 franchised offices in SA, and 10 TFC offices in nine foreign countries

In order to progress further, Foggitt said, it was necessary to take on a partner with huge resources, muscle and high ambition With Southern Sun, it would set up a sophisticated administration and sales machine to bring overseas tourists to SA

Hoechst sells out to Gallia

JOHANNESBURG— Hoechst S A has sold its interests in the South African cosmetic industry to the House of Gallia, the two companies announced in a joint statement.

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It makes Gallia the largest privately owned cosmetic company in South Africa supplying selective distribution, with a turnover of R10 million projected for this year.

NM 27/5/85

Gallia takes over the Juvena, Lutsine Marbert Man and Balanciaga fragrance ranges from Hoechst, together with key cosmetic marketing and sales staff

Brands

It also gives Gallia a major share of the skin treatment market and expands their presence in the fragrance and male toiletries sectors

'Hoechst remain actively involved with the development of these brands through our international ownership of Roussel Laboratories (Lutsine), Marbert and the Fragrance House of Balenciaga, says Mr Volker Schmidt, a director of Hoechst

Jhirmack, the hair care range, will remain with the Cassela-Med division of Hoechst Pharamaceuticals — (Sapa)

must be explained

Hulley's harangue

27/6/85 F. Day 232

Why does the PFP get its economics so muddled? Last week Roger Hulley sounded off in the Assembly about the evils of the concentration of economic power, calling for "stringent restrictions and curbs on the exercise of that power".

Without our having seen the full text of his speech, it seems to us that he is missing two points ..

One point is that in a country as heavily dependent on trade as is South Africa, there is a need for large business organisations that are able to compete abroad.

The second is that the very concentration about which he complains is a direct result of retrictions and curbs: exchange control, a Banks Act that limits access to foreigners, and so on.

Competition Board calls for outlawing of price collusion

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Mercury Correspondent

JOHANNESBURG— The Competition Board has recommended that resale price-maintenance and collusion on price, conditions of supply, market share and tenders be outlawed, with certain exceptions.

This was announced by trade and industry minister Dr Dawie de Villiers during his budget vote.

Dr De Villiers has promised, however, that the board, because it places a high premium on consultation with the private sector, will send out the draft notice for comment before formally presenting its final recommendations to him.

NM 3/6/85

He reminded the House that the Competition Board had launched an investigation in November into certain types of business agreements.

232 B. Day 5/6/85

LETTERS

Missing my points

Dear Sir,

ALLOW ME to set the record straight in response to your editorial "Hulley's harangue" (*Business Day*, June 3) which, somewhat astonishingly, was written "without our having seen the full text of his speech".

Firstly, I did not "miss" the two points you made in your editorial. I accept there is a need for some large businesses which are able to compete internationally. My concern is more with the behaviour of large companies rather than with their size and structure as such, although I do think that the present level of concentration of economic power has reached a level of concern (Robin McGregor tells me that the latest figure is that only three firms — Anglo, Sanlam and Old Mutual — now control 76,4% of the JSE).

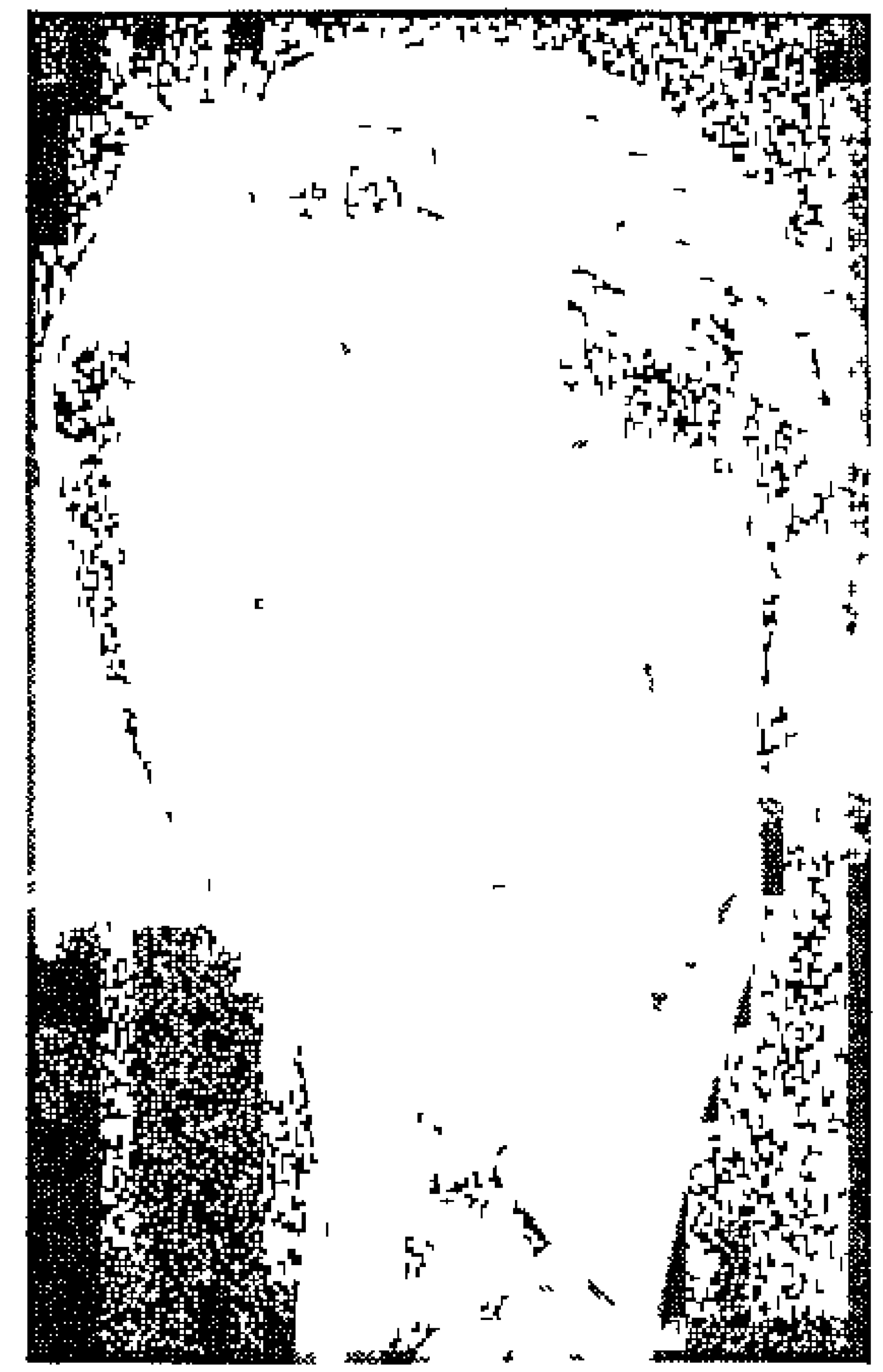
The major problem that I have with the Competition Board is its failure to have built up a body of prohibitions and regulations against undesirable practices. The board has the power, in terms of section 10 (1) (c), to Gazette prohibitions against a whole range of undesirable and restrictive trade practices. The only existing prohibition which is on record is the prohibition of the maintenance of resale prices, which was notice R1038 of June 25, 1969, although it has now been announced that certain others are in the pipeline.

The reason that I wish to call for the Gazetting of a comprehensive range of prohibitions is because I believe it has become vital to protect free competition by circumscribing the power which large combines have acquired in recent years Such circumscription is accepted as axiomatic in the US.

Incidentally, much of the concentration of power which has occurred in the last five years would have been prohibited in terms of US anti-trust laws, but now that we have arrived at a situation where such a concentration exists, and to a large measure we have to live with it, I believe that the only adequate response at this stage is to impose stringent restrictions to prevent any abuse in the exercise of that power.

It has been said that "competition is a battle in which incompetence dies". This, in a pure free market, is indeed a sound dictum; but in a situation where a big company may choose to use its power against a small company it is not necessarily so. For example, a small man starting up may find himself subjected to a very specific and selective underpricing campaign which would blow him out of business. For a large company it is very easy to slash a single loss-leader price below cost in order to eliminate a small competitor to whom that single price might underpin his entire market. Such a trade practice should be outlawed. There are many other examples which are also embodied in the US anti-trust laws.

To my mind the key test of a free market is the freedom of entry into the market on the part of small new entrepreneurs If free entry is not blocked, and if the subsequent competition between the small man and the big man takes place on the basis of fair ground rules, subject to market forces, then the present concentration of economic power will tend to correct itself over time as new entrants succeed and make headway.



● ROGER HULLEY

But if the existing concentration of power is coupled with the unfettered freedom of the present giants to use their power against small competitors and to influence the rules to their own advantage, then the ideal of a free market in South Africa will not survive and prosper.

ROGER HULLEY, MP
House of Assembly

Argus 5/6/85 (232)

SA firm must sell control in Australian subsidiary

TOM HOOD,
Property Editor

PRESSURE by the Australian Government is forcing the South African building giant LTA to sell off a controlling interest in its 100-percent-owned Australian subsidiary

LTA's deputy chairman, Mr Mike Ridley, said today the decision to sell shares followed a decision by the Australian Government to take steps to see that federal building contracts are not given to companies with a majority South African ownership

A ban on South African building firms from taking part in Government projects was announced in Melbourne yesterday

Immediate

In a joint statement, the Minister for Foreign Affairs and the Minister for Housing and Construction said the policy would take effect immediately

The Foreign Minister said the decision was aimed at strengthening the Government's anti-apartheid stance, but he added that it did not restrict relations between individual companies of the two countries

The Australian Government has been embarrassed by the granting earlier this year of a R16-million contract for work at Brisbane Airport to LTA Doval Construction (Pty), a wholly-owned subsidiary of LTA Ltd of South Africa, reports the Argus Foreign Service

However, this contract will be allowed to stand

Mr Ridley said that LTA has been building in Australia since 1974, when it won a contract for cooling towers

Good hearing

The recently-formed LTA Doval Construction was 100-percent manned and run by Australians and had just landed its first major contract

He believed the building ban was sparked off by a disappointed bidder for the airport work

"I went over to Australia and talked to the trade unions about our employment policy in South Africa," he said. "We had a good hearing from them and there was no objection against us from the unions

"Obviously we will have to take staps to sell control of our Australian company, but we won't close it down.

The subsidiary did not contribute much to LTA's profits and, until now, its work had represented "about three or four days" of the group's total turnover

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KWV steers away from bottle battle

6/6/85

By LAWRENCE BEDFORD

THE wine farmers' co-op, KWV, will not involve itself in the battle between members and major liquor groups trying to squeeze own-label brands off retailers' shelves.

Co-operatives, responsible for 85% of total wine production purchased, blended and marketed by companies under the Cape Wine Distillers (CWD) umbrella, distribute about 15% of their own wine themselves.

KWV's official position — spelt out at its annual meeting this week — is that it cannot get involved in negotiations between the 70 wine co-operatives and the producer wholesalers.

Other points to emerge were.

- KWV had negotiated with producer wholesalers to increase premiums paid for good wine (above the minimum good wine price) from R5m in 1984 to R7,5m this year;
- A warning that wine farmers' profitability was being prejudiced by rising input costs,
- Sales figures for the first quarter of 1985 were disappointing, with sales of natural wine, resistant to the recession until now, declining In the spirit market, brandy sales were under pressure

Exchange rate hits motor leader

Now even Toyota feels the pinch

By ALAN PEAT

EVERYTHING'S not going right, Toyota.

Even the motor industry's runaway leader is feeling the pinch in these embattled times.

Vice-chairman Bert Wessels said the company has not yet recouped the heavy losses it faced with the adverse exchange rate early this year.

"We have not fully recovered these cost increases even with our recent price rises. We expect to recover the balance by gradually increasing our prices during the next 12 months," he said yesterday.

"This type of cost pressure, due to the weakened rand, is being felt throughout the industry."

He said Toyota was guilty in 1984 of having a number of uncovered long-term loans, but all loans had been covered since late last year

The company remained heavily dependent on currency fluctuations, with its trading finance half-covered

Toyota has increased its share of the total vehicle market this year but the rapidly declining market — total industry sales for April fell 30% on March — has required a drastic stock adjustment.

"We have been fortunate," said Wessels, "with the Japanese assisting us significantly in this adjustment."

Industry sales figures for May might also see Toyota losing some of its share in certain segments of the market.

"I believe that the May figures may be better than those of April due to the introduction of two new competitive models, the General Motors Kadett and the VW Golf.

"But this would be an artificial condition. Frequently, high single unit sales are recorded during the launch month. But the indications are that, while this may have affected the overall apparent market size, conditions are still as depressed as they were in April."

The new high-tech Toyota Corollas, due to be launched this month, may also help retrieve some of the company's losses, despite their being at the higher end of the market sector. And the company's planned introduction of new body shapes at the same launch will also give a boost.

'Forex controls must go'

ZURICH. — French Economics Minister Pierre Beregovoy said in an interview with the Zurich weekly *Die Weltwoche* that foreign exchange controls in France must eventually be lifted, but he warned that this would only happen in stages.

Competition between states and between enterprises was necessary whether it involved financial or industrial companies.

It would be a mistake to take unnecessary risks.

He remained vague about the timing of his programme.

"The controls can be completely lifted as soon as the healing process of the French economy has been completed," he said. — AP-DJ.

Financial Mail

LIFE OFFICE TAXATION

The net tightens

Life offices have experienced two substantial tax shocks this year and there are pointers suggesting more are on the way Finance Minister Barend du Plessis, by imposing the R70m life office supertax in his debut Budget, appears to think they are not paying their fair share of tax

With his effective ban of pure endowments (PEs) — life contracts which contain not a cent of life cover — he apparently wants to tax life office sa ings on a more equitable basis than before

For what has happened is that the tax shelters in pure *life insurance* have been extended to what is no more than *normal savings* placed with the life offices

In the past the life offices have been allowed to market products which offered returns not otherwise readily available. One life office, for example, boasted that for an outlay of R250 000 in a PE, the investor could expect R6m after 10 years tax free

These tax shelters helped the life offices attract an income which now amounts to R29m every working day The enormity of this income encourages concentration of power in the corporate sector, by one estimate, life offices now control companies which make up 70% of the JSE's market capitalisation.

A further concern of the authorities — and no doubt the Margo Commission on tax — is that savings could be more mobile and accessible than they now are The best way to achieve this is to tax long-term savings, mainly in pension funds and life offices, more as normal savings That way, people would save out of choice and not because of the tax advantages available

If all savings were taxed identically, individuals would look for the highest underlying economic yields For other reasons, they would no doubt also continue to contribute to pension funds and buy life insurance Parity of savings taxation would make all savings more mobile, and SA would become more entrepreneurial And the concentration of share ownership by the life offices would slow down

What should be guarded against, however, are *ad hoc* changes to the law The retroactive nature of Du Plessis' banning of PEs is unprecedented in our fiscal law — businesses which had bought PEs often signed contracts based on the projected cash-flows to buy goods in the future

Their projections included the cash from tax shelters, which have been retroactively removed That action, added to the continuing recession, could see many businesses defaulting on those contracts Yet it was not their fault that the law allowed the tax breaks

It is to be hoped that Du Plessis will drop the retroactive nature of the PE ban, since all such decisions made by him should be aimed at payment of the correct amount of tax — no more and no less — in a manner that is firmly grounded in law No matter how firm he is in changing the law, it is also essential that his administrative practices be fair and be seen to be fair ■

MONOPOLIES LEGISLATION

Let's make it stick

232

Many in business and the professions will have had a note from the Competition Board this week to say that it is investigating collusive and monopolistic practices in SA

The proposal is to give the Minister of Trade and Industry the power to outlaw resale price maintenance (RPM) and horizontal collusion on price, supply, market sharing and tendering

RPM is already a crime (except if government does things like ban price-cutting on petrol), but exactly how the board plans to achieve the rest, it doesn't say What it does say is that it wants to have more views from the private sector before putting final recommendations to the Minister and the Cabinet Here, at least, its heart is in the right place

Whatever the board finally comes up with, the *FM* wishes it luck Too much of the economy is already controlled by rings, cartels and monopolies Even government itself is far from blameless, and it is encouraging to see that its monopolies, too, are coming under scrutiny.

But the brief glimpse the board has given of its preliminary thinking suggests that the crackdown is going to be anything but tough There are loopholes everywhere — exemptions would be commonplace and most professions would continue to have the right to set fees

Exemptions, perhaps, are understandable For example, how could SA Breweries be anything but a monopoly while no one is prepared to challenge it in the marketplace? Hard thinking would be needed before forcing SAB to split along the lines of Ma and Baby Bell in the US

And how would the small men compete through common-buying pools (Link and Plus for pharmacists and Spar for grocers are examples) without being able to advertise prices in the same way as the major supermarkets?

In such cases, there will clearly be a case for concessions But can doctors, lawyers, architects and the rest of the professions lay claim to similar treatment, as the board proposes? We would say not.

Exemptions may be necessary on occasion, but if we are going for anti-trust legislation, let's do it with feeling ■

COMPETITION BOARD

Not far enough

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The Competition Board (CB) has just released a draft report on its recent investigations into various undesirable marketing practices. But before recommendations are submitted to Minister of Trade and Industry Dawie de Villiers, industry is being given the opportunity of having another crack

Though few businessmen currently receiving copies were prepared to comment at this stage, there was general agreement with the provisions, but uncertainty as to how effective the measures will be

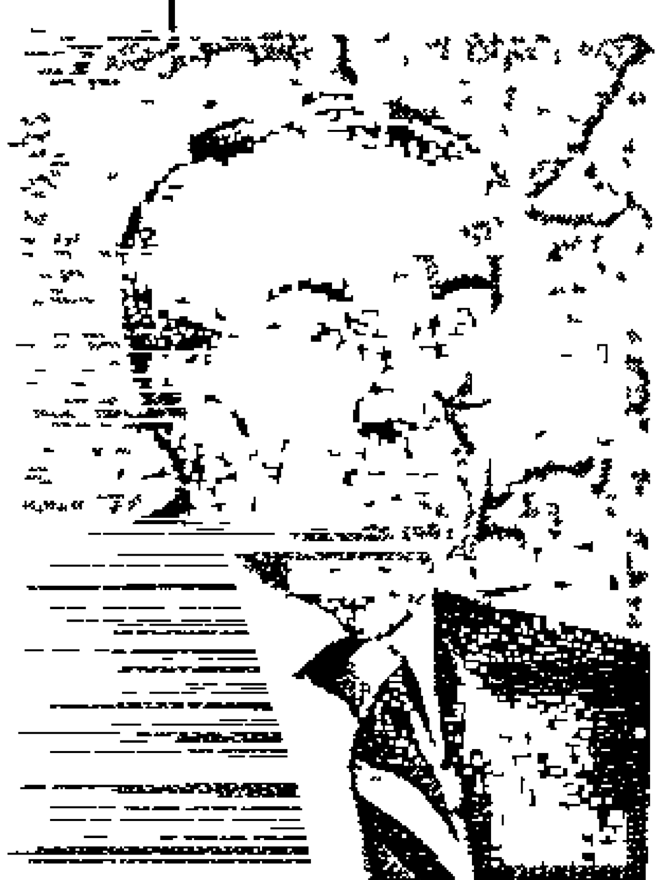
Explains CB chairman Stef Naude "We don't want to surprise anyone and decided to give people an idea of our recommendations well in advance " He adds that industry has until July 1 to reply

Resale price maintenance is already prohibited in terms of government notice No R1038 of 1969

The new recommendations, which will have widespread implications for industry, commerce, professionals and financial institutions, are that the following additional practices be prohibited in terms of the Maintenance and Promotion of Competition Act 1979, with penalties of up to R100 000 or five years' imprisonment or both

- Horizontal price collusion;
- Horizontal collusion on conditions of supply;
- Horizontal collusion on market sharing, and
- Collusive tendering

In terms of the Act, the Minister has the power to declare any agreement, arrangement, understanding, business practice or method of trading to be unlawful However, the new proposals will not be published in the *Government Gazette* until the industry has made its final comments and, of course, provided the Board's proposals are acceptable to the Minister



Naude

Naude says the major significance is that "we are recommending prohibition of things that have in the past been perfectly legal, that is to conspire with prices " He also regards the inclusion of professionals and financial institutions as "very important "

However, Robin McGregor, editor of *Who Owns Whom*, feels the provisions do not go far enough and fail to deal with the activities of the large corporate groupings He says "Cartels are taken care of but it is very disappointing to see that monopolies and neo-monopolies remain untouched "

Duncan Innes, senior lecturer in industrial sociology at Wits, agrees "The measures are a move in the right direction, but do not go far enough in curbing the excessive power of the large companies "

McGregor has already called for the legal limitation of companies' market share to 30% of a given industry He adds that, should a parent company control over 30% of its subsidiary, it should be compelled to make an offer to all the shareholders

Most affected

The professions most affected by the new provisions will be those that do not have statutory protection providing for minimum or fixed price agreements They include advocates, estate agents and engineers In future, it will be illegal for them to go further than to *recommend* certain fees, so that members will be able to compete on a price basis without jeopardising their membership of the profession The same goes for conditions of supply and marketing

Unfortunately, some professions are protected from the CB by Act of Parliament The medical profession, for example, has minimum fees entrenched in law Neither does the prohibition apply to the control boards, something it is not possible to change for the present, says Naude

He adds, however, that there will be exemptions, although they "will have to be motivated Exemptions are essential to provide flexibility for unforeseen circumstances, although we will certainly look at applications very carefully indeed "

Certain exceptions to the rule have been recommended For example, provisions will not apply to collusion between holding companies and their wholly-owned subsidiaries, or between close corporations and their members, or between persons in relation to goods which are to be exported to countries other than Botswana, Lesotho or the TBVC countries

Small businesses

Requests for exemption may also be made, for instance, where small businesses wish to collude to facilitate competition against the large companies, when demand is permanently declining and an arrangement is made to bring about an adjustment in production, or, when an arrangement to restrict competition is considered "in the public interest "

But McGregor says "Such measures bring about serious loopholes And there should be nothing discretionary, but only mandatory, in the conditions "

However, Naude gives the assurance that "all cartels which are not in the public interest will be phased out "

Says Innes "Who is to determine what is in the public interest?"

The CB intends to phase in the new provisions gradually Says Naude "Otherwise we'd kill industries overnight " So, many of the exemptions will be time-linked, giving firms a period of time to phase out agreements and rearrange their affairs

Innes says "We must wait and see how effectively these measures will be implemented before we know the impact " The CB's record in clamping down on various activities has been far from satisfactory, he adds

Despite all the scepticism, Naude is convinced that "the effect is going to be very considerable" and that significant changes will take place He is confident that the measures will succeed in curtailing harmful cartels ■

PURE ENDOWMENTS

A nest of abuse

There was more to Finance Minister Barend du Plessis' recent ban of pure endowments (PEs) Apart from ending their use for tax avoidance purposes, the move is part of a process to tax savings diverted into life offices in a more equitable manner

One of the effects of the PE ban will be that life offices pay more tax on behalf of policyholders This is in line with Du Plessis' R70m life office supertax imposed in the last Budget and is in partial response to the disquieting trend, from Pretoria's point of view, that the tax protection afforded the industry has extended to what are nothing more than savings

Indeed, life offices clearly indicated their feeling of vulnerability when they created a lobby of their own to eradicate PEs used for large-scale tax avoidance purposes This action was conducted independently in a bid to pre-empt Du Plessis' moves. Yet there are likely to be even further tax clampdowns on life offices in the near future

A PE is simply a policy that carries no life cover, although it must be contracted on the life of a natural person To qualify for tax advantages, the policy must be classed as "standard" in terms of the legislation Such policies must run for a period of 10 years or more and receive at least five annual premiums The policyholder may borrow up to 90% of the premiums paid into the policy at any time

(232) B. Day 10/6/85

Consol to pay R13m for Gundle Plastics

By DAVID FURLONGER

CONSOL is to buy AECI's Gundle Plastics division. The acquisition will become effective on July 1.

Consol will acquire Gundle for R13m, the book value of its net trading assets, payable over two years

Agreement has also been reached on taking over Gundle's plant and divisions. Officials refuse to disclose the take-over price for this part of the deal.

Gundle is AECI's only plastics division specialising in polyethylene conversion AECI will retain its other interests in PVC conversion.

Financial director George Thomas said "The acquisition will have no material effect on the net asset value or earnings a share of Consol or AECI."

Anglovaal subsidiary Consol has embarked on a steady diversification campaign in the past two years

As well as specialising in glass, plastics and paper conversion, it holds a leading position in the glass packaging and tableware markets, and holds interests in the corrugated board and liquid packaging markets.

Consol group MD Piet Neethling says of the Gundle takeover: "This acquisition is a further move in establishing Consol as a broad-based packaging company, which is also taking cognisance of the potential of plastics in non-packaging applications."

CAPE TIMES 1/6/85

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De Beers in diamond deal with Russians

From JOHN BATTERSBY

LONDON — De Beers, the world's major supplier of uncut diamonds, has struck a deal with the Soviet Union to prevent the flooding of the market with Russian polished diamonds

The understanding was reached by the London-based Central Selling Organization (CSO), the De Beers marketing monopoly, and will come as a relief to the depressed diamond market.

A spokesman for De Beers in London confirmed yesterday that the CSO had been "authoritatively informed" that the Soviets would not increase the supply to the West of polished gem diamonds and that current price levels would be maintained

The spokesman declined to elaborate on how the understanding had been reached

It is an open secret, however, that contacts between executives of the Anglo American Corporation and representatives of the Soviet marketing organization — some of them in Moscow — have taken place over the years

Flooding

The news of the Soviet decision is likely to give the depressed diamond market a major boost and increase the sale of rough diamonds by apprehensive diamond cutters

Yesterday De Beers broke the news to its buyers at its selling "sight" in London

Diamond dealers have complained that the Soviet Union is flooding the market with polished stones

A sudden increase in the volume of sales of cut-price quality diamonds from the Soviet Union last year undermined market confidence

Tailed off

The flooding of the market with cut-price Soviet gems last year came during a seasonal downswing in the market and raised fears that the Soviet Union could hijack the polished diamond market

The Soviet sales suddenly and inexplicably tailed off in September last year

It was widely speculated at the time that the CSO had played its part in the Soviet restraint although it was never fully explained why they had flooded the market in the first place

Business Report, pages 15, 16 and 17

BUSINESS BRIEF

Gold (close)	$312,75
Rand	$0,4990/$0,5000
FT index (close)	991,30
JSE	1059,70
Dow Jones	1 318,44

Liberty Life in R430-million bid for UK company

ARGUS 12/6/85 232

Argus Foreign Service

LONDON — Liberty Life Association, South Africa's third largest life company, has put in a cash bid for Capital and Counties, pricing the company at R430-million

The move is in line with the current vogue among South Africans for building up assets outside the country, says Patrick Weever of The Standard

Liberty Life bought just under 30 percent of Capital and Counties four years ago and yesterday lifted the stake to 34,5 percent ahead of the announcement The cash bid of 225p a share does not look very exciting as the last balance sheet showed net assets worth around 250p a share, says Weever

He adds "The modest price offered clearly indicates that the South Africans want to get control so that they can use Capital and Counties as an investment vehicle rather than acquire the whole company

Taximen to hold more talks on merger

Sowetan 12/6/85

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By MZIKAYISE EDOM

THE Natal region of the National Association of Taxis and Transport Operators will meet next Thursday (June 20) in Newcastle to hold further talks on the merging of Natto and its rival, the South Africa Black Taxi Association.

For the past three months officials on both Natto met on several occasions for the unification of the rival taxi organisations Mr Noel Mlokoti, the general secretary of Natto yesterday said negotiations between the rival bodies were about to be completed

He said "Only a few things have to be sorted out by the two taxi organisations before they call a meeting to announce the formation of the new national taxi organisation".

Mr Mlokoti also said Natto's members will be given a report back on the latest development towards the merger He said "the executive committee will also ask the members to give it a mandate on how to go about merging with Sabta"

Mr Mlokoti said the split has served no purpose but has instead caused a lot of confusion among taxi owners He also said little progress have been achieved by the bodies since the split

The merger will bring to an end squabbling and legal battles between Sabta and Natto The latter was formed last November when the previous executive of Sabta was not re-elected This executive broke away to form its own association

Mr Mlokoti could not say when the national taxi organisation will be formed He said only after negotiations with Sabta are completed will a new organisation be formed

CAR-Trip 15/6/85 232

Bid for Kaap Kunene increased by R6m

By PAUL DOLD
Financial Editor

KAAP KUNENE'S controlling shareholders — the Du Preez and Neethling families have increased their offer to minorities by R6m to R54m, and the bid has been increased from 420c to 475c a share with the Suiderland offer now up 14c to 144c

The increased offer followed negotations between Mr Issy Goldberg (on behalf of minorities) and the controlling shareholders

Both the Kaap Kunene and Suiderland shares were suspended at the request of the companies yesterday and the group must be congratulated on the secrecy which surrounded the revised offer

Senior staff and their auditors worked late into the night to prepare the new circulars to some 6 000 shareholders

Certainty

There is no certainty as yet whether the increased bid is sufficient to gain the acceptance needed for the offer to be approved The house has not yet approached institutional shareholders

Mr Issy Goldberg said yesterday that the revised offer was in his view fair and reasonable, while a spokesman for one of the groups of institutional shareholders opposing the offer said that he was unlikely to vote in favour if the bid remained below 500c

Mr Du Preez made it clear last night that the 475c offer was final and would not be increased

This is bound to weigh

Mr Issy Goldberg . successfully negotiating a R6m bonus for shareholders

heavily with most shareholders but several institutions have said that they would rather remain invested in Kaap Kunene than exit at a price which they consider well below their net asset value estimate of over 600c

Thus shareholders are faced with the choice of taking 475c cash now or remaining invested in the shares and sitting out the recesssion The share price could fall if the offer is rejected

Offer

In their statement last night, Mr Du Preez and Dr Neethling said the increased offer flowed from the higher price of the stake in I&J which had risen in market value by R2,8m or 20,3c a share since the original announcement.

After talks with Mr Goldberg it had also been decided to include the R3m profit on the expropriation by Armscor of the company's De Hoop property as a special bonus This totaled some 21,8c a share

The third factor which led to the increased offer was that payment to shareholders on the approval of the offer will now be far later than was envisaged Although the offer was first mooted in February it had only recently been possible to make a formal bid

Investors

Mr Goldberg said that investors were faced with the vulnerability of the shares due to

- SWA-Namibia sourced income
- The exposure in Chile which could result in a loss of R10m
- The state of the property market and the group's undeveloped land in the Port Elizabeth area
- The poor demand for timber products and the virtual closure of the Piet Retief sawmill
- The vagaries of the fishing industry

Mr Goldberg said he was fully aware that various critical analysts have put the asset value per share of Kaap Kunene at anything between 550c and 650c

"This may or may not be correct Analysts have been known to make mistakes

"However, asset values should not be the prime factor for consideration What they produce in terms of income and dividend are of paramount importance to shareholders Certain shares are trading at a third of their net asset value," he said

F

The Board launches international investment trust

CAPE TIMES 15/6/85

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SOUTH AFRICANS will be able to invest in overseas companies following the acquisition by The Board of Executors of a controlling interest in a UK investment trust.

The implications of this transaction — providing South Africans with a rand hedge and an opportunity for an international portfolio spread — amount to a major "first" for The Board of Executors

The managing director of The Board, Mr Bill McAdam, said approval had been obtained from the South African exchange control authorities for a rights issue of £10m (R25m)

Listing

The authorities had also agreed not to block the listing of the resultant units on the Johannesburg Stock Exchange (JSE)

The investment trust in which The Board has acquired a 50,8 percent controlling interest is Oceana An offer has also been made to acquire the shares of minorities for 550c

Oceana is registered in the UK, but listed on both the London and JSE It has been approved by the UK Inland Revenue as an investment trust for tax purposes

Mr McAdam said that under The Board's control Oceana would provide a unique investment opportunity for South African resident investors

"By purchasing units in the trust, clients of The Board of Executors and the South African investing public at large will be able to achieve a geographical spread in their portfolios and a hedge against the rand — features which have historically not been available to South Africans

Oceana presently has assets of approximately R1m, comprising an international share portfolio and mineral rights

Equities

It is The Board's intention to develop Oceana into a fully-fledged international investment trust with investments in carefully selected, top-quality, growth orientated international equities

The underlying portfolio will be reasonably concentrated and not too widely spread

Within the parameters of Oceana's investment trust status, the managers will be looking specifically at investments in the financial services sector

In the rights issue prospectus, which will be published as soon as possible, will emphasize that the trust is likely to have a relatively low yield because of the spread and blue-chip status of its investments and that the managers will be paying special attention to spreading currency risks

Development

A recent development in the investment trust sector of the UK market has been strong interest from international investors, particularly those from dollar denominated investment houses

Investment trusts have traditionally traded at a discount to net asset value and they are therefore often regarded as a cheap means of entering the equity market These developments are expected to accelerate

The Board has established a subsidiary, The Board of Executors (UK) Ltd, which will have its registered office in London The management of the trust's investments will be contracted to this company

Mr Bill McAdam approval obtained from for a rights issue of (R25m)

Three years ago, The Board was instrumental in floating First Southern Investment Co Ltd, a Luxembourg-based company, with its entire investment in South African industrial equities

First Southern's portfolio is managed by the London-based Global Investment Management Ltd

The Board holds a large minority shareholding in Global Its partner in Global is Lombard Odier International Portfolio Management which is the London arm of Lombard Odier, a prestigious, private Swiss bank, managing assets exceeding $8 billion

Mr McAdam is chairman of Global and through this international link, The Board of Executors has developed ties with Mr Robert van Maasdyk, who is the managing director of Lombard Odier International Portfolio Management.

The activities of Global are to be rationalized with those of The Board of Executors (UK) Ltd, as the management company for Oceana

Services

The Board aims to develop the expertise of its London-based subsidiary to provide a comprehensive range of financial services for South African residents who own international assets

In addition, the UK management company will continue to promote the investment attraction of South Africa to overseas investors

There has already been considerable interest in the proposed rights issue from the existing shareholders of Oceana, clients, brokers and several major institutions

The sponsoring brokers will be Rowe & Pitman in London and Fergusson Bros Hall Stewart & Co in Johannesburg.

15/6/88

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Request for Hortors not to vote at meeting

By PAUL DOLD
Financial Editor

HORTORS board should abide by a stock exchange request and allow a free vote on the proposals to acquire Caxton

The offer documents disclose that the JSE has asked the representative of Hortors Ltd to abstain from voting at the general meeting to consider the deal

The Hortors Ltd board of directors however, believes that it is in the best interests of all parties concerned that the company should exercise its vote

The Argus group owns 50,6 percent of Hortors which in turn owns 50,1 percent in Hortrio It also owns 50 percent of Afmed which in turn has a 79,3 percent stake in Caxton

Whatever the merits of the deal itself, it is in minorities interests for a free vote to be taken at the meeting

The JSE's predicament — in that there is no legal requirement preventing Hortors from voting — underscores the need for a city takeover panel with teeth.

The deal is being effected by Hortrio acquiring Caxton's assets in exchange for shares in Hortrio Rand Merchant Bank has valued Caxton at R40,3m of which R30,7m relates to publication titles and will be paid for through the issue of 11,5m new Hortrio shares at 350c

The motivation for the deal is that Hortrio and Caxton operate in complementary fields and the directors believe that marketing and production benefits will flow from the ability of the merged companies to

offer clients, particularly advertisers, a complete service.

This covers not only the selling and publishing of advertisements in the national and regional press and a wide range of magazines covering all sectors of the consumer market but also the production of advertisements, colour inserts and catalogues.

"In addition, shareholders will participate in the strong growth potential of the publishing interests of Caxton's highly successful regional newspapers and national magazines.

"Regional newspapers have proved to be a section of the publishing industry which has shown exceptional growth overseas in recent years, unaffected by television advertising which has had an adverse impact on many national and daily newspapers

"Caxton is following this pattern in South Africa and has already made substantial progress in this direction"

Mr T D Moolman is to be appointed chief operations officer of the group and Mr M J Weston will be appointed managing director of the printing and packaging operations of the group

After the deal, Caxton will have a total stake of 55,2 percent in Hortrio with the Argus group owning 43 percent

Based on the estimated earnings per share of Caxton and Hortrio for the year ended March 31, the deal would have had the effect of reducing the Hotrio earnings by 10,4c

But the directors believe that any decline in earnings after the acquisition will be temporary and is justified by the improvement in the company's financial base and longer term benefits Net asset value, however, would rise by 48c from 272c to 320c a share

(232)

Merger consolidates Bosch SA interests

B. Day
17/6/85

Business Day Reporter

AUTOMOTIVE equipment, power tool and household appliance manufacturer Bosch of West Germany has consolidated its interests in South Africa under the name of Robert Bosch (Pty).

It involves the merger of Auto Electrical & Engineering (AEE), of Brits, the manufacturing subsidiary and supplier of original equipment (OE) with Diesel-Electric (DESA), Johannesburg, Bosch's distribution and product servicing subsidiary.

Thomas Wagner, joint MD, production, finance and administration, said. "The establishment of Bosch as a single entity in South Africa heralds a new era of growth and development for the company".

It also offered significant operational benefits, Wagner said The merger would shorten lines of communication and ultimately enable Bosch to respond more swiftly to changes in the markets in which it operated. Wagner is AEE's former MD.

Until the merger, AEE and DESA ran in parallel. Elements of AEE and DESA will remain intact, and no closures of branches or agencies or retrenchments directly related to the amalgamation accompany the change.

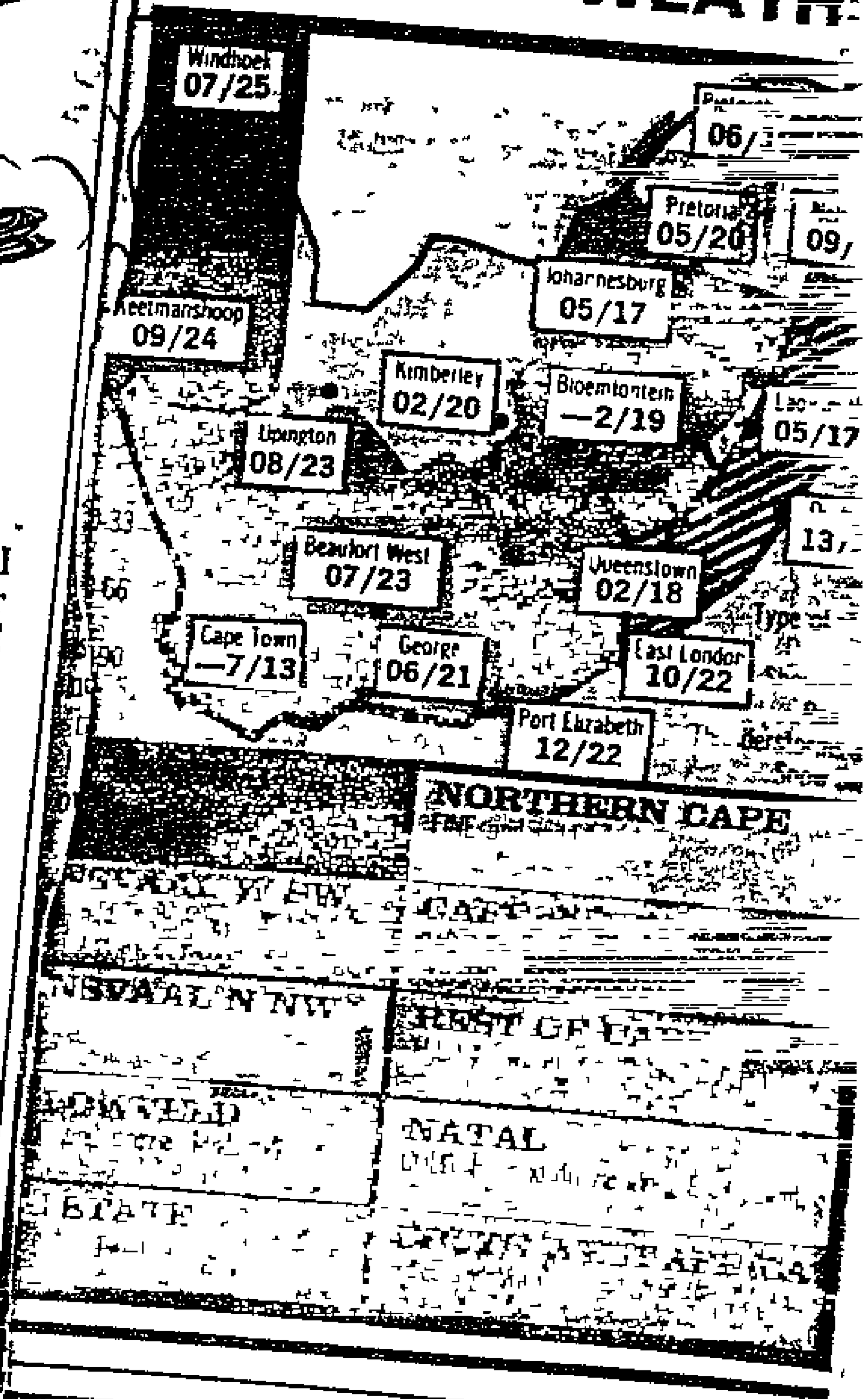
By August of this year — under the West German parent's conditions for the merger — all of DESA's wholesale distribution network of 40 branches across the country will have been sold to independent franchisees.

Wagner said Bosch West Germany's South African interests could not go ahead until they had met its stringent organisational requirements. "It was decided that this point in time had now been reached"

In May the former AEE factory at Brits began to export alternators for the replacement markets in the US and West Germany. Gordon Wright, joint MD, sales and marketing, said, the business had a volume behind it worth about R3m a year or about 10% of Bosch's SA turnover in this line.

About 75% of all locally manufactured cars generate their on-board electricity by means of Bosch alternators, and almost every SA-built vehicle carries one or more of the company's products

INESS DAY WEATH



LINE MOVEMENTS

Air Schedule

burg to Cape Town

Arr / Flight
1050 SA301
0935 SA305
1135 SA303
1345 SA315
1505 SA327
1620 SA307
1645 SA371
1805 SA319
2005 SA325
2130 SA321
2225 SA333
0135 SA397

0800 0900 SA502
0845 0945 SA506
1030 1130 SA532
1315 1415 SA510
1600 1700 SA512
1715 1815 SA514
1900 2000 SA516
2100 2200 SA538
2255 2355 SA594

Johannesburg to Port Elizabeth
0705 0925 SA401
0805 0940 SA403
1005 1320 SA411
1215 1510 SA407
1730 1905 SA413
1750 2010 SA405
2200 2335 SA397

n to Johannesburg
1015 SA300
0955 SA304
1215 SA312
1435 SA308
1425 SA302
1625 SA314
1855 SA342
2025 SA332
1925 SA328
2045 SA318
2359 SA390
2245 SA340
0300 SA398

Port Elizabeth to Johannesburg
0700 0910 SA400
1005 1130 SA402
1125 1520 SA404
1405 1615 SA412
1550 1800 SA414
1945 2155 SA420

New York to Johannesburg
1930 1730 SA202

urg to Durban
0800
0900 SA501
1230 SA525
1515 SA509
1630 SA511
1815 SA513
1915 SA515
2015 SA523
2210 SA517
2355 SA519
SA595

Johannesburg to Frankfurt
1915 0800 LH541

Frankfurt to Johannesburg
2225 1105 LH540

Johannesburg to London
1845 0700 BA054
2000 0820 SA234
2040 0725 BA056

to Johannesburg
0800 SA500

London to Johannesburg
1815 0805 SA235
1930 0750 BA057

3 (232)

June 1985

Nampo to acquire Triomf Fertiliser

THE maize farmers organisation, Nampo, is to take over Mr Louis Luyt's Triomf Fertiliser, which has assets approaching R90-million

Both parties have agreed to keep the price a secret and Nampo has not disclosed how it will finance the deal

Nampo chairman Mr Hennie de Jager said it would acquire a 50 percent stake in Maizechem (Pty) which, in turn, acquired the shareholding of the Louis Luyt Group Investments (Pty) in Lanchem Ltd

The decision was taken by Nampo because it believed conditions in the fertiliser industry may soon result in only two suppliers surviving

And this, in Nampo's view, "will not be conducive to free enterprise"

● **Caxton's** net profit soared by 47 percent in the year to February to R2,7-million after turnover of rose to R43-million from R32,3-million

Earnings a share were 457c (415c) and a 45c final dividend brings the year's total to 90c, up from 80c

● The **Morkels** furniture chain opened eight new stores in the past 12 months and plans to raise the number from the current 63 to 100

In the new financial year, stores in Pretoria North and Somerset West have come on stream and others are scheduled for Outdshoorn, Bloemfontein (making three), Parow (making two), Ladysmith, Empangeni and Table View

With 10 extra stores operating by March 1986, the chain is looking to increase market penetration by a further 17,3 percent, says the managing director, Mr Carl Jansen

● **Pepkor** forecasts an earnings rise of 10 percent for 1985

The chairman, Mr Christo Wiese says in his review retail trading results for the first two months of the new year have been satisfactory, indicating that Pepkor is better placed than many other retailers to ride out the recession

Pep Stores achieved a profit growth unmatched by results of other retailing groups published this year The Shoprite chain's growth both in sales and profit was also unmatched by other food retailers, he says

Tom Hood

Big coup for maize farmers

(232)

Louis Luyt selling off to farmers

B-Day 20/6/85

By CHERILYN IRETON

MAIZE farmers clinched a deal with Louis Luyt yesterday which gives them a stake in and ultimate control of Triomf, one of the country's biggest fertiliser producers.

Yesterday Luyt signed the deal with the National Maize Producer Organisation (Nampo) which will gain control of Triomf within five years

A new company, Maizechem — which gains control of the Luyt Group's 80% shareholding in Lanchem — has been established. Nampo and the Luyt Group each control 50% of the new company.

Lanchem holds 51% of Triomf Fertilizers

The industry is involved in a debilitating price war sparked by the emergence of two newcomers at a time when the local market was severely depressed. This price war had threatened to eliminate some of the smaller fertiliser producers

Nampo chairman Hennie de Jager said the decision to buy into Maizechem was taken in view of these circumstances which he believed could have resulted in only two of the five suppliers surviving

The industry has a capacity to produce 5-million tons of fertiliser, but last year only 2,4-million tons were produced

Local sales were down as a result of the drought, but the export market had also dried up

Triomf had to cut back on 50% of all activities at their Richards Bay factory.

De Jager said the move was not designed to give Triomf a greater market share. "We are convinced the transaction will prove to be of great benefit to Nampo members and fertiliser consumers Our involvement will be in the interests of the industry's future," he said

Triomf is believed to have a 23% market share, second only to Fedmis.

Nampo considers the fertiliser industry to be of stategic value

Nampo will put their views to the other manufacturers on Friday They believe joint action by the manufacturers could give rise to cost savings in the industry

Though there will be no control changes within Triomf, Nampo will get to nominate directors and the chairman of the company's board.

Neither Luyt nor De Jager would reveal the cost of the acquisition

Luyt had little to say about the deal, but described it as "upmanship"

Zaire diamonds may slip through De Beers' fingers

Argus Foreign Service

LONDON - De Beers' Central Selling Organisation, which markets more than 80 percent of the world's rough diamond output, may face a second severance in relations with Zaire, probably the world's biggest producer

Negotiations have failed to produce a renewal of the contract between the two which expired three months ago, reports George Milling-Stanley in the Financial Times

Zaire previously decided to market its stones independently of the London-based CSO and its South African parent, De Beer s Consolidated Mines, in May 1981

That caused a serious blow to the CSO's pride, says Milling-Stanley, and aroused fears that other diamond producers in Africa, already uneasy about the closeness of their relationship with a South African group, might be tempted to follow suit

AD HOC BASIS

In the event, none did, and Zaire returned to the CSO a little under two years later, as a result of pressure from De Beers and the World Bank, and falling revenue from sales to the independents as the downturn in the market intensified

At present, the CSO is continuing to handle Zairean diamonds on an ad hoc basis

There is, however, much speculation surrounding the latest batch of diamonds representing a month's production from the big Miba mine

Belgian interests are known to be eager to re-establish their traditional footing in Zaire's economy, and there have been suggestions recently that the whole of last month's diamond output was sold outside the CSO

Although probably the largest producer in the world by volume, Zaire's importance in the diamond business is lessened because the bulk of its output consists of the lower-value industrial material, with comparatively few gems

Mine security is lax and many of the better stones are smuggled out of the country

Milling-Stanley says the consequences of a renewal of the struggle between the CSO and one of its leading suppliers would much more serious than the first breach

"Antagonism towards South Africa is running much higher among the neighbouring black states than was the case four years ago, owing to a combination of the recent unrest in the country, the armed incursion into Botswana and the installation of a South African-sponsored interim government in SWA/Namibia

LARGEST MARKET

"This can only intensify the pressure which will be brought to bear on the other diamond-producing countries, Botswana, Angola and Tanzania, to sever their connections with South Africa"

But a second withdrawal by Zaire would not be the worst thing that could happen to the CSO

"That, without any argument, would be another downturn in economic activity in the industrialised world, especially the US, which is by far the largest market for diamond jewellery"

In any event, he adds, Zaire could probably be persuaded to toe the line again fairly rapidly

"With diamond stocks as high as they are,and the large Australian production of mainly industrial stones imminent, the CSO would have no trouble in adjusting the flow to the market so that Zaire quickly suffered the financial consequences of any further disloyalty"

Parts-maker is sold for R2m

(232) E Post 22/6/85

IN a deal reputedly worth more than R2 million, control of PE-based Grundy SA (Pty) Ltd is to pass to another PE company Fawick Africa Holdings

The men behind the move are Mr David Stobie, owner of Fawick — presently in America negotiating export contracts for the new company — and Sir Stanley Grundy, chairman of the London-based International Grundy Group

Automotive component manufacturer Grundy SA has been on the market for some time, and evidently for mixed motives

The sharp downturn in the motor industry had almost halved turnover from a peak of R7 million to around R3,5 million, according to a Grundy spokesman

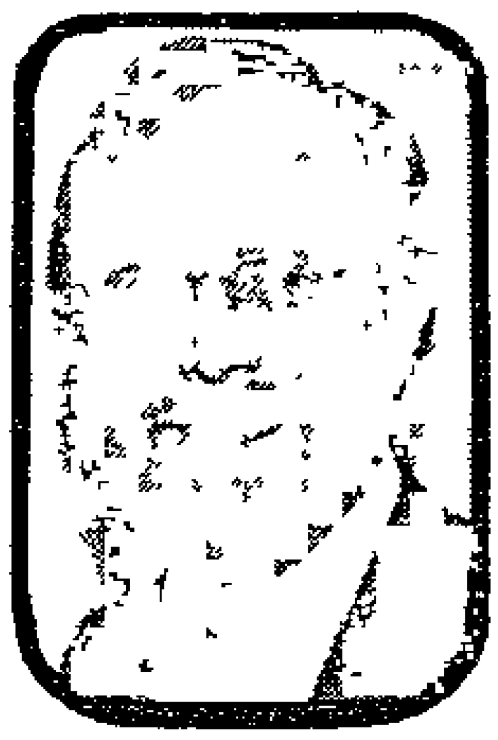
"It was for this reason, coupled with the very bad press on this area in particular that greeted Sir Stanley most mornings over his bacon and eggs in England, that Grundy decided to disinvest its SA interests"

The new company now formed is to be known as Fawick Corporation and Grundy SA (Sir Stanley Grundy will remain on the board with a modest shareholding)

Chief executive of the corporation will be PE-based entrepreneur Mr Stobie, who some seven years ago launched Fawick, which has now taken over the entire share capital of Grundy SA (Pty) Ltd

Mr Stobie is the principal shareholder in a personal capacity in the new corporation

Synergy behind the takeover is the marriage of the productive manufacturing resources of Grundy — now operating at well below capacity as a result of the downturn in the motor industry — with a buoyant order book from Fawick



By Louis Beckerling
Business Editor

Due to Fawick's relatively limited productive resources, it was obliged to sub-contract manufacture

"The price is confidential, at the request of the sellers," said the spokesman, but once the package is totted up it amounts to well in excess of R2 million

Explaining the background to the deal, he said Grundy SA (Pty) Ltd served the motor industry in three different divisions

- As motor component manufacturer, producing some 150 components and smaller pressings,
- Press tool manufacturer
- Manufacturer of special tools required by franchised dealers for the repair and maintenance of vehicles

Grundy, he said, was a "middle-of-the-line" company with a turnover of between R5 million and R7 million "though this has been reduced to around R3,5 million as a result of the downturn in demand in the motor industry"

"Fawick are involved in a number of areas not directly related to the automotive market — industrial power transmissions, clutches and brakes, and instrumentation In addition Fawick Manufacturing (Pty) Ltd, manufactured conveyor systems"

Fawick's turnover, the spokesman said, was "in the vicinity of R2 million"

"But Fawick's expansion has been hamstrung for a long time by the fact that they did not have manufacturing facilities but were obliged to source their manufacturing contracts elsewhere and import

"So here is Grundy with reduced capacity in its manufacturing line and another company, Fawick, which has a lot of manufacturing contracts, but can't get them out — and there's the synergy"

Negotiations began during May, according to the spokesman, and effective date of the takeover now concluded will be July 1

While Mr Stobie will become chief executive of Fawick Corporation, Sir Stanley will "withdraw over a period of years but remains a minor shareholder, and on the board"

Mr Stobie, who returns to Port Elizabeth shortly, was described by the spokesman as a "local boy who started Fawick from scratch six or seven years ago and does not share the opinion that South Africa is a banana Republic"

"He's putting his money where his mouth is, and he is particularly confident in this city

"It offers the engineering and manufacturing infrastructure he requires, the skilled workforce he requires, and is well situated as an export port"

According to the spokesman the change of control will not affect Grundy substantially, though since a number of Fawick's operations will become absorbed by Grundy, potential exists for upward promotion of Grundy staff

"Definitely exports is now becoming the name of the game, and our targeted turnover by the end of next year is R10 million, with a target of between R22 and R30 million by the end of the '80s"

Sats worst monopoly culprit — US economist

ARGUS 27/6/8?

232

JOHANNESBURG. —Competition Board seriously wants to remove monopolies in South Africa then it should make a start with the SA Tranport Services and other Government-controlled bodies, which were the worst culprits in restricting the operation of a free-market system in this country.

This is the view of Dr Thomas Hazlett, an economist from the United States who visited South Africa as a guest of the Free Market Foundation

"If you want to understand a monopoly try to ship something from one city to another in South Africa without using SA Transport Services. That is a classic monopoly," Dr Hazlett said.

Commenting on the draft Government notice containing proposals to prohibit a number of restrictive practices and which the Competition Board has submitted to the private sector for comment, Dr Hazlett said any intervention by Government in the operations of free market forces, including so-called restrictive practices, was disruptive to those forces

LOWER PRICES

In the United States it was now widely accepted that practices such as resale price maintenance, oligopolies and other trade controls instituted by private enterprise were not monopolistic as they had previously been thought to be They resulted in greater efficiency, more output and lower prices

The test was that if such market structures could sustain themselves over a long period within a system where Government barriers were absent then they were justified and ultimately beneficial to the end user

These findings had led to steps being taken since 1978 to dismantle the Anti-trust Laws in the United States

VESTED INTERESTS

The clearest example showing that this was the correct course was the fact that since the deregulation of the airline industry in the US was carried out prices of air travel had dropped, passenger miles had increased and the wages of airline employees, previously among the highest in the country, had dropped to realistic levels.

Dr Hazlett said South Africa was beset with many Government controls on the economy which were hampering growth. Almost without exception these had a political basis or motivation and protected vested interests, although in some instances they appeared to be aimed at providing equal opportunity

GLARING EXAMPLE

The most glaring example of this was the setting of minimum wages by the Government — equal pay for equal work — which appeared to be aimed at providing more job opportunities for blacks but in fact served as a barrier to entry for unskilled blacks to do such work

If employers and workers were left to settle terms of employment without Government interference more employment would be provided and vested interests would be removed.

Dr Hazlett conceded that many existing vested interests in South Africa, particularly within the public service, were difficult to change in practice even if the Government agreed in principle that most restrictions on free market forces ought to be removed.

IMPORT CONTROLS

"But I think people in this society understand that change is mandatory and that you have to concern yourselves with economic growth, not protecting vested interests," he said

If commercial and political leaders in South Africa believed there would be less political resistance to efforts to remove governmental controls on the informal sector than would be the case with Government-controlled institutions like Sats or SA Airways, then they should concentrate on that area initially — Sapa.

Should SA have a take-over panel?

(232) B. Day 28/6/85

Local share market conditions are so different from those, say, in Britain, that arguments justifying the establishment there of a take-over panel are not applicable locally.
So argues Richard Crick, former MD of Hill Samuel (SA)

HAROLD FRIDJHON

SOUTH AFRICA does not need a take-over panel. A few simple amendments to existing JSE rules and a clear and concise definition of what constitutes "control" of a public company would obviate the necessity of creating an expensive structure that would be under-employed and over-paid.

This is the considered view of Richard Crick, former MD of Hill Samuel (SA) and now a corporate division director of Hillsam's British parent in London

On the eve of his departure from a seven-year tour of duty in South Africa, where he studied closely the JSE and the SA corporate environment, Crick discussed, in an interview with *Business Day*, his attitude to a proposed take-over panel here

The SA scene, he said, is totally different from that in Britain There, many hundreds of public companies are quoted on the stock exchange and there was an urgent need to protect the minority interests of hundreds of thousands of small investors

The London scene is not dominated, as it is here, by a handful of powerful financial institutions and the British environment was very much a free-for-all which required some measure of regulation.

Because of the traditional structure of London's financial markets, the take-over panel was created on the basis of the informal — but powerful — relationship which exists between the Governor of the Bank of England, the merchant bankers and the committee of the London Stock Exchange

The take-over panel is not a formal structure enshrined in any laws It came into being as a result of consultation between the elements which make up The City. The take-over panel was formed by negotiation and discussion in that envied informal manner of the British It created its own rules and regulations to govern take-over practices and to ensure protection for minorities.

These rules and regulations are not rigid They are a code of practice and can be altered to meet changing circumstances. But what does not change is the consistency of the philosophy underlying its practices

The code is totally reviewed every three or four years in order to cope with the ingenuity of merchant bankers to create new devices for financing and structuring companies.

Detached

There is no permanent head of the take-over panel The merchant banks have to nominate a senior member of their corporate staff to act as chairman for a set period and, during the time that he is in office, he is in complete secondment, detached from the affairs of his bank.

What makes the panel work in London is the power and influence of the Governor of the Bank of England through his use of moral suasion, which really means that his wish is virtually law and merchant bankers and the finance houses are careful not to step out of line

The United States does not require a take-over panel because of the completeness of the control of the SEC, which operates a large bureaucracy with extraordinary wide powers. And SA does not need any furtherance of bureaucratic influences.

And the SA market is too small and too concentrated to support a take-over panel It is unnecessary and could prove to be tremendously expensive Crick estimates that if the chairman of the proposed panel is to be a man of the calibre required, and if he is to be supported by people of equal stature and an administrative staff, the total cost could be of the order of R500 000 a year. And who is to foot this bill? The South African Reserve Bank? the Johannesburg Stock Exchange? The Merchant Bankers' Association?

And where are we to find people of the necessary calibre who can be spared from more constructive and productive work to spend a few hours a week on the occasional problems arising from company take-overs?

SA should not look for elaborate structures. A clear definition of four major principles would eliminate any need for a take-over panel. These principles are.

- A straightforward and unequivocal definition of control
- The elimination of "non-voting" shares through the use of pyramids.
- The abolition of the rule that no offer need be made to minorities if control passes from one party to another across the floor of the Stock Exchange.
- Whenever a proposed deal involves a change of control the buyer has to make an equal offer to minorities

The JSE has this fourth principle as one of its rules — and it is a good rule. There has been a lot of controversy in SA on the issue of "has control passed from one party to another". If the definition of control is sharp enough, clear enough and concise enough there should be no equivocation.

Weakness

The JSE has said in the past that it does not favour pyramids, but nevertheless pyramids have been and continue to be created without any regard for the fact that once a strong pyramid has been formed the shareholders in the underlying company have to all extent and purposes been disenfranchised. On the pyramid issue the JSE has shown an ambivalence and this has been its weakness.

Crick feels that SA cannot afford to have elaborate supervisory bodies. In any case, bearing in mind the relatively few "doubtful" take-over bids made in this country, setting up an organisation is not cost-efficient We must cut our cloth according to our measure and look for controls that are not rigid and bureaucratic

And perhaps we should be more amenable to the power of moral suasion because, after all, the Governor of the Reserve Bank does wield considerable power over the banking sector.

Cape Wine squeeze on co-ops

232

30/6/85 S. Times

By Ciaran Ryan

CAPE Wine & Distillers (CWD), which controls 80% of the wine industry, has again come to the attention of the Competition Board for allegedly pressuring co-operatives to stop selling directly to retailers.

Simonsvlei Co-operative stopped direct supplies to bottle stores. At least two other co-operatives have admitted that CWD partners Stellenbosch Farmers' Winery (SFW) and Oude Meester threatened to stop buying from them if they continued selling to retailers.

Denial

SFW denies that it is putting pressure on co-ops. Production director Francis Bayly says the co-operatives are free to sell to any retailer.

"To my knowledge SFW has never threatened to stop buying produce from the co-operatives. But if we buy less of their produce, they can do what they like into it."

But Competition Board chief Stef Naude says he is "watching the situation closely".

Liquor producers were investigated by the Competition Board in 1982 when it was recommended that CWD be split up.

CWD came into being in 1979 when South African Breweries (SAB) bought Inter-Continental Breweries from Rembrandt in return for shedding SFW to CWD in which SAB, Rembrandt and KWV each acquired a 30% share.

Higher prices

The Government ignored the Competition Board's recommendations. Instead of being ordered to split, CWD was given permission to acquire 300 liquor outlets. SAB and Rembrandt were forced to sell their outlets.

CWD's alleged attempts to squeeze co-ops out of the market mean consumers may be faced with a smaller variety of wines and higher prices.

John Hooper, managing director of Solly Kramer's Discount Liquor Stores — owned by SAB — says about 45% of his firm's natural wines came from co-operatives. Wine accounts for about 14% of Kramer's sales.

Solly Kramer's pioneered the sale of co-op wines and spent large sums on their promotion.

Imports

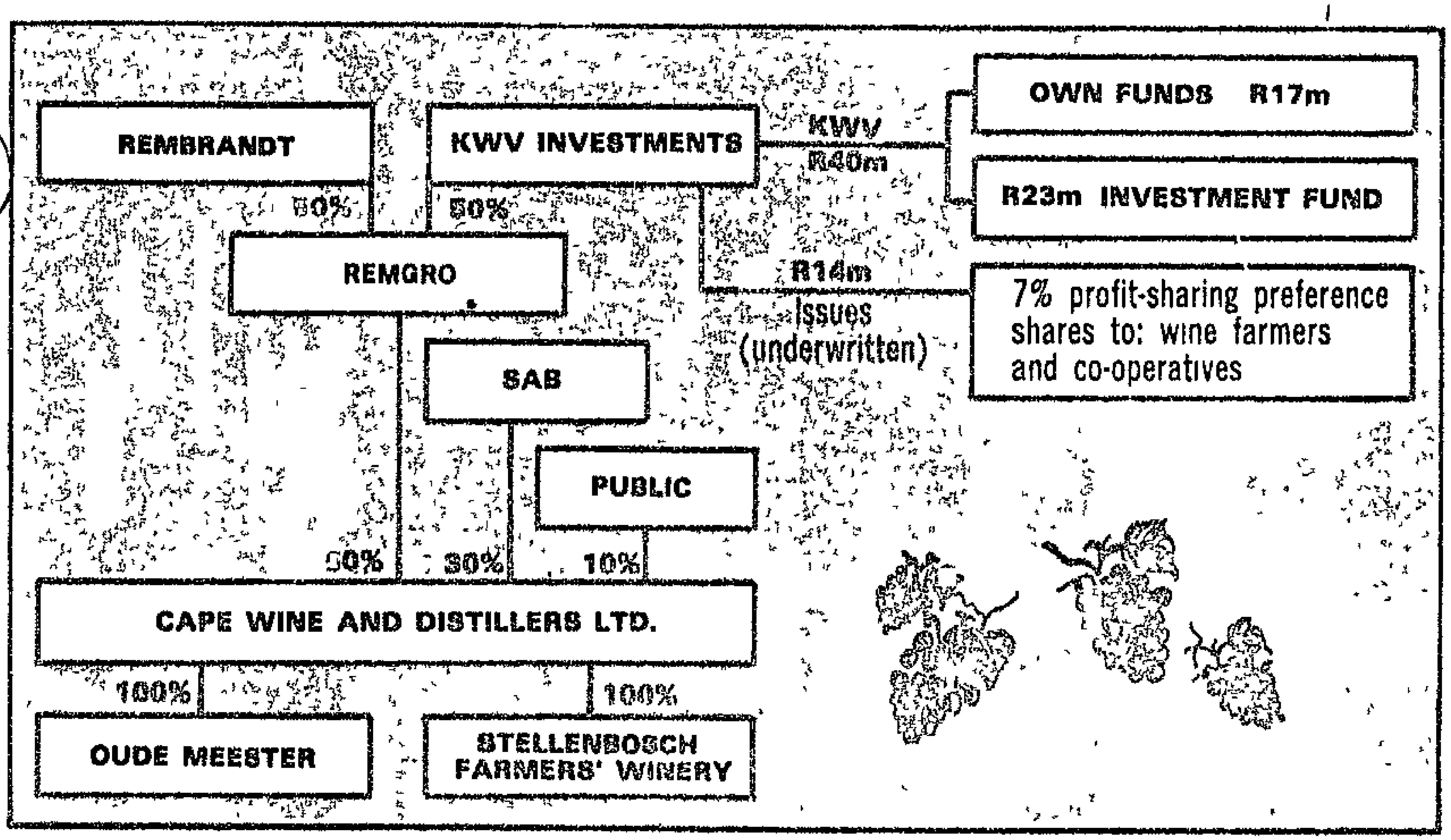
Mr Hooper says. "A Simonsvlei Riesling, which is a co-op wine, sells for about R1,60 a bottle compared with a Nederburg Riesling, produced by SFW, which cost about R4,00. The wines are similar in quality and taste."

How can the co-ops produce wines at less than half the cost of SFW wines?

Mr Hooper says: "Co-ops have lower overheads and labour costs, and they don't advertise."

Mr Bayly says if SFW sold its wines at R1,60 a bottle it would be out of business in no time.

Yet imported wines from Spain and France can be bought for about the same price as their South African counterparts.



Who owns whom in the liquor industry

SFW and Oude Meester, which are wholly owned by CWD, have tied up an estimated 80% of South Africa's wine market.

Most co-operatives sell about 90% of their wine to CWD. By selling to bottle stores co-ops were a serious threat to CWD control of the wine industry, it is claimed. In the past few years Solly Kramer's wine sales have had a 6% growth rate compared with a 20% increase in sales by co-operatives, according to one estimate.

High tax

There is resentment at CWD's control of the wine industry among independent retailers and producers.

SAB has complained long and hard about discrimination against beer which is highly taxed. Wine is not subject to excise, but beer is. Wine, but no beer, can be sold in supermarkets — on the grounds that wine is taken with food.

Solly Kramer's has 75 stores compared with 128 in 1979. This year and every following year it will sell off another 13 stores until it reaches its maximum legal entitlement of 12. CWD is building up its chain and has more than 60 stores.

Rebel Discount Liquor Stores has 63 stores. Rebel is owned by Gilbeys, an independent wine and spirits manufacturer. Arthur Freedberg, head of Rebel's wine division, says wines account for 50% of its liquor sales in the Cape and co-operatives supply a subtsantial percentage.

CWD is building up its chain of outlets by buying Western Province Cellars and Liquor Town outlets from Rembrandt. The rationale used to justify SAB's and Rembrandt's forced disposal of their liquor chains — that vertical integration among liquor producers should be disallowed — was brushed aside in the case of CWD.

Licences

Another sore point in the industry is KWV's issuing of farmers' wine licences. No licences have been issued for several years and an estimated 10% of the land for which licences has been issued are under dams and roads.

Only about half the licences are used for growing grapes and until recently they were not transferable.

According to Tim Hamilton-Russell, a wine producer, the quota system and the guaranteed minimum price for grapes have resulted in an oversupply of wine and inefficiencies in the industry.

"Producers wanting to manufacture quality wines cannot get licences to grow grapes in the right area. Anyone should be allowed to grow grapes to make wine and he should be paid a market price for the crop.

"The system is keeping inefficient farmers in business."

Luyt won't budge on Lanchem deal

(232) S. Times

By Ciaran Ryan

30/6/85

LOUIS LUYT says the Johannesburg Stock Exchange can leave Lanchem suspended if it does not accept his version of the deal between the National Maize Producers Organisation (Nampo) and himself.

The JSE says control of Lanchem has passed and an offer must be made to minorities Mr Luyt insists that control has not changed

Triomf was relisted this week because the JSE accepted control had not changed

Mr Luyt told Business Times "We have supplied details of the transaction to the JSE and they have asked for more information"

Pyramid

Louis Luyt Group (LLG) held 82% of Lanchem before the deal LLG and Nampo set up a pyramid, Maizechem It acquired LLG's Lanchem shares and LLG and Nampo have 50% each of Maizechem

The JSE argues that control has moved to Maizechem, but Mr Luyt argues that he still shares ultimate control with Nampo

He says "We will make another statement to the JSE and if they still refuse to relist the share then the share will have to stay off."

JSE president Hugh Boonzaier says. "We want more than Mr Luyt's opinion that no change in control has occurred If we reach an impasse then one of the results could be that the share is permanently delisted"

Competition

Mr Luyt has 14 days to reply to the Competition Board's request for information on the deal. Neither he nor the Competition Board would disclose what information was requested

The board is worried that if maize farmers, who use 70% of SA's fertiliser, acquire an interest in the industry this may lock other producers out of markets

Nampo chairman Hennie de Jager defends the deal on that grounds that if it does not go ahead there will be only two producers left, suggesting that the deal is a rescue

The JSE wants Mr Luyt to spell out what price was paid by Nampo for a stake in Lanchem, if indeed cash changed hands.

Mr de Jager says Nampo will take control of Lanchem within five years, but no date is mentioned

Mr Luyt says "This is a private deal between myself and Nampo and I do not feel obliged to disclose information on a private deal"

Insider probe

The JSE has called for returns from stockbrokers of all dealings in Triomf and Lanchem shares between June 3 and 19 There are suspicions of insider trading or the possibility of a leak during negotiations.

In the first three weeks of June almost 450 000 Triomf shares were traded compared with a monthly average of 100 000 Their price rose from 70c in May to 115c before the share was suspended.

Less than 4% of Lanchem's issued share capital of 31,6-million shares is available for trading and the share price rose from 55c in May to 65c when the share was suspended.

An average of about 2 800 Lanchem shares are traded on average each month, but 6 500 were traded in the two days before suspension

COMPANIES

Natbolt takeover zips up the fastener market

(232) B. Day 3/7/85

By PRISCILLA WHYTE

NATIONAL BOLTS, a member of the industrial holdings group Form-scaff, has acquired the entire industrial-fastener business of Cut Steel and Lennings, and their subsidiaries, for R20m.

National Bolts chairman Jeff Liebesman said last night that the benefits arising from the acquisition and subsequent rationalisation of the industrial fastener operations of Natbolt, Cut Steel and Lennings would substantially enhance the profitability of Natbolt.

Some R10,5m in compulsory convertible preference shares have been issued to finance the deal.

JCI, the former controlling shareholder of Cut Steel, gains a 25% stake in National Bolts as a result of the takeover.

Liebesman said: "The structure of the company's balance sheet will be strengthened. It will also provide Natbolt with much-needed suitable production capacity for the export market in which it has made significant inroads."

Competitions Board chairman Dr Stef Naude said yesterday that National Bolts had consulted with the board in terms of the Maintenance and Promotion of Competition Act regarding its acquisition of Cut Steel, a subsidiary of Lenning which is, in turn, a wholly-owned subsidiary of JCI.

"Based on the information currently at its disposal, it is the opinion of the board that this acquisition is not contrary to the public interest."

The US market size in fasteners is $3,5bn of which it imports about $600m, mainly from Japan, Taiwan and Korea.

With the acquisition of Cut Steel's more modern plant and machinery, Natbolt now has a stronger base to increase its share of the giant US market because of more efficient machines and longer production runs.

In SA the level of demand for fasteners is low and, due to enormous manufacturing overcapacity, further rationalisation of the R250m-R300m fastener industry is necessary, said Liebesman.

"Since both National Bolts and Cut Steel have high levels and duplication of stock holdings, significant reduction in these levels is now possible," he added.

It is apparent that National Bolts will be in a better position to be a more efficient producer and, if it is to succeed abroad, must concentrate on becoming a low-cost quality producer of international repute.

National Bolts is aiming at exporting 25% of production.

Building companies merged into Group 5

CAPE TIMES 5/7/85 232

GROUP Five one of the top construction groups in the country has launched a new division placing all its building companies under one umbrella

Involved in the changes will be the group's three regional urban building companies — Combrink Construction in the Transvaal, Stevenson Construction in Natal and R H Morris in the Cape — and the three CMGM building companies, which operate mainly in the rural areas

All these companies will in future be known as Group Five Building while retaining in varying degrees the existing company name For example, Group Five Building-R H Morris

Mr Monty Collie managing director of Group Five Building, says the changes are part of a long-term strategy decided upon some years ago when the group was looking at the expansion of its operations

"At that time our building activities were mostly confined to low-cost housing and some industrial work undertaken by the CMGM building companies around the country," he says

"But with the merger of the D & H Construction companies into Group Five at the beginning of 1984 we acquired at a stroke three major urban building companies

"These companies, coupled with our existing capabilities, made us an important national force in the building industry, with the ability to tackle in-house virtually any project of whatever size or complexity"

The new division will start off in a fairly strong position with most companies having pretty satisfactory order books, in view of current conditions in the industry

R H Morris, for instance is busy on the R32,5-million contract for Escom s Western Cape regional headquarters at Bellville, and is making good progress on a contract worth R11 5 million for the new education faculty building on the middle campus of the University of Cape Town

Also at UCT, the company is building a new zoology building and has a third contract for refurbishing work The combined value of its work at the university is about R20 million

Group Five Building Cape Districts — formerly CMGM Building (Cape) — is also looking healthy Under new managing director Mr Peter Kay, a Capetonian who has spent the past five years in the Transvaal with CMGM Building, the company has already filled its projected turnover figure for 1985

Its largest current project is at Bredasdorp, where it has a R10,8-million contract for the provision of site housing, stores and other services for a major client

It has a R5-million contract for the provision of hostel accommodation and a canteen at the University of the Western Cape, now nearing completion, and a R5,5-million contract for the construction of the six-storey G J Lamprecht Medical Centre at George a development that will also feature shops and offices

And at Deal Party Estate, PE, where the comany built a 14-bin silo complex and works tower for Sasko it is now building a seven-storey flour mill, including workshops, a canteen and administrative offices for the same client

Mr Monty Collie, managing director of Group Five Building

Taking the country as a whole, Collie continues Group Five Building has work worth about R200 million on its books

"Of course it is profit, not turnover that really counts, and frankly no one is making large profits in present conditions But I am confident this venture will be a success and Group Five Building has a very bright future indeed"

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Dairy move may rescue 1 300 jobs

B-Day 10/7/85

Business Day Reporter

THIRTEEN hundred jobs may be rescued after yesterday's announcement by 73 Natal dairy farmers that they were prepared to invest in the newly-restructured Creamline Dairies to save the ailing company from collapse.

Four weeks ago the firm crashed after admitting debts of R20m and assets of only R11m. It was placed under provisional liquidation in the Durban Supreme Court.

Howick dairy farmer Brian McKenzie said yesterday the group of farmers, known as DCD, who produce approximately one third of the province's fresh milk supply, would be taking up a 30% share in the company. The move will have to be approved by the provisional liquidator.

A majority of the members of DCD were the previous owners of Creamline before it was sold to Transvaal interests in July 1975 and DCD Trust still owns the Pinetown factory from which Creamline operates.

McKenzie said the farmers took the move because they believed it was not in the public's interest to have only one distributor serving the province and they believed in the importance of a tie-up with the distribution of their products.

McKenzie said the question of reduction in the price of milk, if any, could be decided only by the Milk Board.

Cape Times 13/7/85

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350 to lose jobs in Natal

Own Correspondent

DURBAN — Three hundred and fifty workers in Durban's Toncoro building material factories will be retrenched next week, executive chairman, Mr Cedric Savage said yesterday

"We have already had to lay off 3 000 workers and by the end it could be 4 000," he said

The cuts were due to the slump in the building industry, which Mr Savage said, had reached a "depression" Sales of Toncoro products had fallen 35 percent in the past year

Asked whether the trade unions would accept pay cuts rather than unemployment Mr Savage said it was doubtful especially regarding their high demands at past wage negotiations

Yesterday Mr Chris Saunders, the chairman of the parent company, the Tongaat-Hulett conglomerate, said there would have to be retrenchments at all levels in certain divisions

Rand Mines merges coal interests

PMC 232 Star 16/7/85

By Duncan Collings

Rand Mines is to merge ~~its two~~ coal mining interests — Witbank Colliery and Welgedacht Exploration

Witbank will offer one new share for every 10 Welgedacht. TC Lands, which owns 71 percent of both companies, will underpin the deal by offering Welgedacht shareholders an alternative of R68,50 in cash for each Witbank share that they are entitled to

The deal will have a minimal effect on Witbank's earnings a share for the year to September 1986, but Welgedacht shareholders will benefit They will get the forecast Welgedacht final dividend for the current financial year of 10c, making 15c for the year In the 1986 financial year Witbank is expected to pay at least a total of 440c on the higher issued share capital — the same as the 1985 forecast on the old capital

On this basis Welgedacht shareholders will receive in 1986 the equivalent of 44c for each of their old Welgedacht shares If the deal does not go through Welgedacht is forecast to pay only 30c in 1986 because of its heavy capex commitment

A further sweetner for Welgedacht shareholders is that the offer places a value of R6,85 on each Welgedacht share against the pre-suspension price of R4,80 on the JSE

Better utilisation of Welgedacht's export allocation and rationalised operations will result in more efficient financing of the combined capex programme

18/7/85 (Maize) (232) B. Day

Nampo explains Triomf deal

By GERALD REILLY

THE maize price was kept artificially low for political reasons to the disadvantage of farmers, according to the National Maize Producers' Organisation (Nampo).

Justifying its purchase of a 50% interest in Maizechem, in its journal *Maize*, Nampo said maize farmers could reduce their mountain of debt and arrear interest payments only with profits earned from maize production

Through the deal, Maizechem had acquired the Louis Luyt group shareholding in Lanchem, and this transaction would enable Nampo to gain control "in time" of Triomf Fertilizer

The decision was taken after careful consideration and in view of prevailing circumstances within the fertiliser industry, which could soon result in the survival of only two suppliers

This would not be conducive to free enterprise, and the organisation was convinced the transaction would greatly benefit members of Nampo and other users of fertiliser Its involvement in the fertiliser industry — which supplies one of the most important agricultural inputs — would, likewise, be in the interests of the industry

It had contacted other suppliers of fertiliser to discuss its objectives, and believed joint action by fertiliser manufacturers could save costs

Major role for SA as merger creates manganese giant

ARGUS 19/7/85

3 (AAA) (232) (UA)

Argus Foreign Service

LONDON — The Delta Group is merging its South African managanese refining interests with those of Electrolytic Metal Corporation, a company associated with South Africa's Gencor group, to create the world's largest producer of manganese

Delta said the combined company would have about 50 percent of the world's manganese refining capacity, with an output of about 35 000 tons a year

South Africa is the world's largest source of manganese which is used extensively in making special steel and aluminium alloys

Under the deal Delta is exchanging an 85 percent stake in Delta Manganese for 49 percent of the voting rights in a new company, Manganese Metal Company

The other 51 percent of the voting equity will be in the hands of Electrolytic Metal Corporation

In addition, Delta will receive R7-million cash and possible further profit-related payments

Delta's 70 percent stake in Delta EMD, previously held through Delta Manganese, is excluded from the deal and will stay in Delta's hands

Delta said the aim of the deal was to rationalise the electrolytic manganese metal business to win cost savings But both Delta Manganese's plant and the refinery owned by Electrolytic Metal would remain open

Delta said there would be no material impact on its attributable profits While net assets employed in electrolytic manganese production would fall by £0,8-million, this would be more than offset by the cash payment

FM 19/7/85 (232)

CREAMLINE DAIRIES

Rescue bid

A consortium of 73 of Natal's dairy farmers, seeking an interest in a restructured Creamline Dairies after two group companies were placed under provisional liquidation last month, is about to make its offer to creditors.

The group is part of a partnership of trusts, comprising mainly business and farming interests, which is seeking to gain control of the company. Spokesman for the trust is Natal businessman and former Midlands dairy farmer Russell Stevens. He says the proposals should be ready any day now.

At this stage, the extent of the liabilities of Creamline's Natal operations is unclear, but the national company is said to have debt of around R20m.

If creditors find the consortium's offer acceptable, it will be the first time a group of private dairy farmers, outside the co-ops, has had a stake in a major milk distributing company.

A long-standing gripe among farmers, particularly dairy farmers, is that they are too far down the supply pipeline. Now this group, at any rate, stands to get its wish by moving closer to the customer

However, this is unlikely to lead to lower milk prices. Though the zoning agreements between Creamline and Clover in Natal have largely fallen away, margins are said to be "too thin for any serious price cutting."

Creamline has about 43% of the major milk markets in Natal, and, according to Stevens, the farmers' consortium is responsible for some 35% of Natal's milk supply. The farmers would be offered seats on the board of the reconstituted company. ■

CAPE TIMES 20/7/85

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Heavy profits for stags

Southern likely to be pitched at 425c

By PAUL DOLD, Financial Editor

THE Southern Life issue is likely to be pitched in the region of 425c at a generous yield of 4,58 percent providing investors with the most lucrative stagging opportunity in years.

Although the price will only be announced tomorrow I understand it is likely to be around the 425c level — which is well below the 475c — 500c currently being estimated by the stockmarket.

At 425c the share could yield a high 4,58 percent as against the 2,9 percent of Liberty Life and the Pru's 2,8 percent with the potential of at least a 50 percent immediate stagging profit if the industrial market remains firm

Analysts are predicting the largest ever response from the public to an issue and due to the relatively small number of shares available, investors who can hold onto their allocations for several weeks are likely to make even larger profits once the initial stagging operations are over

The Southern's share price trend may be as spectacular as Liberty Life's and earnings growth could be impressive in the medium term particularly in view of the link with the country's largest bank — Barclays

The recently launched new range of Adaptable policies has been enthusiastically welcomed by brokers market and sharply rising sales should eventually be reflected in the profit statement

SOUTHERN

Both Barclays which has 30 percent and Anglo American with 40 percent are unlikely to offload any of their shares, and other institutions seeking to buy strategic investment stakes in Southern for their portfolios will have to pick up shares in the open market.

This could lead to very keen bidding for the shares and a sharp rise in the price

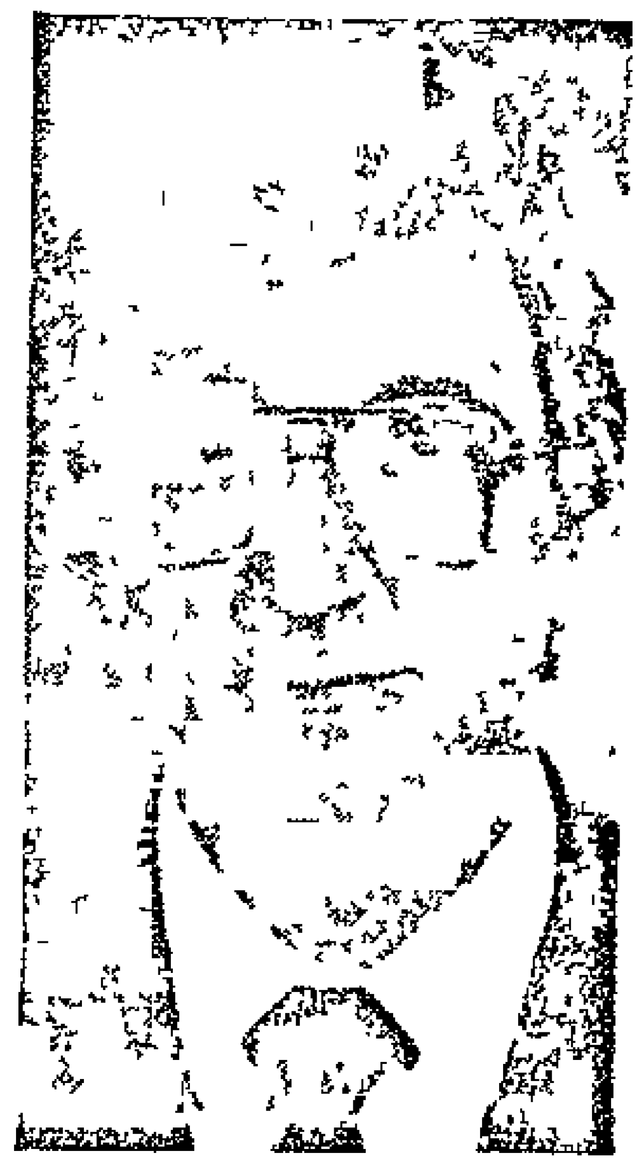
Some 41m shares (25 percent) will be on offer to 400 000 policymakers, staff, pension fund clients and the public Comparatively few will thus be available to the general public

One point which Southern should seriously consider is weighting the allocations in favour of policyholders

Southern Life itself was previously a mutual company owned by policyholders and it seems more than fair that this group of investors should actually be given a significant stake in the new Southern and not merely a preferential right to apply for the shares

The method of allocation will not be announced until after the offer has closed but at a guess I would expect Southern to favour small applications from individual investors to gain a wide spread of the shares

The prospectus will be available from the three sponsoring stockbrokers — Davis Borkum, Max Pollak and George Huysamer



Mr Neal Chapman, chief executive of the Southern Life Association

Analysts believe that the inflow of funds to the issue will be so large that trading in industrials on the JSE may be in low key until after the funds are returned to the market

There have already been signs of profit-taking in the market ahead of the issue as investors go liquid to subscribe for the issue

Major tie-up on the cards for Peugeot, Renault

Argus 23/7/85 232

Argus Correspondent

JOHANNESBURG — There is increasing speculation that a tie-up is imminent between Peugeot and Renault — and it may also involve Leyland (including Land Rover and imported Jaguar/Daimler luxury cars) and Alfa Romeo

This follows notice given earlier this year by Amcar, which currently assembles Peugeot, that it wishes to cut loose the French manufacturer following the merger with Ford

Since then, it has been no secret that Peugeot is talking to Renault with a view to building its cars alongside Renault's R9 and R11 models, which are manufactured (along with Land Rovers) at Leyland's former car plant near Cape Town

Below capacity

Now it has been reliably learned that Leyland held talks last week with Alfa Romeo, whose Brits plant is presently operating at only 35 percent of capacity The source said that Leyland would like to move its manufacturing up to the Reef

"Certainly it would seem logical for the country's smallest car marques to combine forces in some way, especially as at dealer level there are already a number of joint franchises that include two or more of the marques in question

One is Arnold Chatz, whose group includes both Alfa and Renault dealerships He said "In my view, if Alfa is to rationalise, that would be the route to take — either to build in partnership or to subcontract"

Viewed favourably

He said he also viewed favourably the idea of a link-up between Renault and Peugeot

While no Leyland spokesman was available for comment yesterday, a Renault spokesman confirmed that in recent months Peugeot had held talks with several manufacturers, including Renault

"In Renault and Peugeot you would appear to have two willing partners," he said "Both are of French origin, and they have product line-ups that complement rather than clash with each other"

Collaboration

However, he stressed that while such a collaboration looked logical in South Africa, an overall agreement would have to be signed in France

"This is a matter of wait and see," he said "The two companies' association is not that rosy in France, where they are deadly rivals But considerations of profit and practicality should determine what happens here

"It looks good, but until the big boys in France give the green light, nobody knows," he said

Liberty, UBS to form new life insurance group

25/7/88

LIBERTY LIFE is forming a new life insurance company in which South Africa's largest building society — the United Building Society (UBS) — will have a 20 percent stake

Guardian National's life business is to be transferred to the new company and the other shareholders will be Liberty Life with 41 percent and Guardian National with 39 percent.

A Liberty spokesman says that the new life insurance company will seek to expand its penetration of the market through the introduction of new marketing systems and will also continue to develop its existing business through its traditional broker connection

"The introduction of the UBS group as a significant participant in the new life insurance company, should in view of its vast client base accelerate the market penetration and momentum of the new life insurance company's future development."

Liberty Life's chairman, Mr Donald Gordon ... a strategic link with South Africa's largest building Society — the UBS

Early in March it was announced that the life business of Guardian would be transferred to a new life insurance company

Liberty Life and Guardian National would in aggregate have subscribed in cash for R14 000 000 of capital in the new life insurance company which was to have been held as to 51 percent by Liberty Life and 49 percent by Guardian National

"In accordance with the objective of developing new marketing opportunities to enhance the penetration of certain sectors of the South African life insurance market not presently catered for, arrangements have been concluded with UBS Insurance (wholly owned by the UBS) for it to participate with Liberty Life and Guardian National in the development of the new life insurance company"

A new company has been established as a subsidiary of Liberty Life which will be held at approximately 67 percent by Liberty and 33 percent by UBS Insurance

This company will be capitalised with approximately R10,6m and Guardian National will acquire a 39,2 percent interest for R6 9m

The new life insurance company will utilize approximately R10,5m to acquire Guardian's life business

"Save for the revised equity holdings in the new life insurance company attributable to Liberty Life, Guardian National and UBS Insurance and the additional

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Sanlam's heavy vehicle merger

B. Day (232) 23/7/85

CHERILYN IRETON

SANLAM has reinforced its base in the heavy vehicle industry through a merger between Gradtek, the construction equipment company, and Premier Metal, an offshoot of Messina

Through Sankorp, Sanlam holds a 50,5% interest in Messina, which has a 75% controlling share in the new company, Premier Equipment

Delta SA, Gradtek's holding company, remains a substantial minority shareholder.

The tie-up follows a merger between the companies' overseas principals, Volvo BM and Clark Michigan Euclid, in the Netherlands earlier this year

Premier Equipment has exclusive distribution rights for Volvo BM, Clark Michigan and Euclid products, as well as Hitachi, Coles, Grove and Ford construction products and Clark forklift trucks

Premier Equipment chairman Tony Buchan said the merger would eventually lead to a rationalisation of the company's product lines

"Although there are areas of overlap, our activities are complementary"

Construction equipment will be the biggest section of the new company's business. Its strength will be the heavy duty front-end loaders and large mining and construction trucks manufactured by Clark/Euclid and Volvo's small-to-medium range of front-end loaders and articulated trucks

Clark forklifts will continue to run as a separate handling division within the new company.

Peter Law, GM of Premier Metal will be MD of the new company and a member of the Board of Directors Other board members are Paul Smits, Delta's chief executive and Brian Wright, a director of Gradtek

(232)

B Day 25/7/85

UBS shareholders set to score

Liberty deal will challenge Cape giants

BRIAN ZLOTNICK

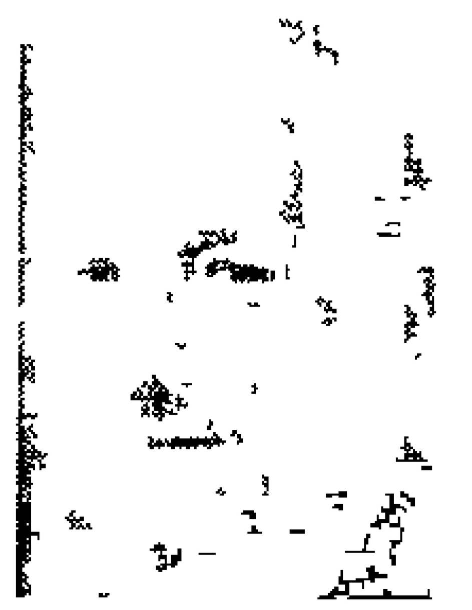
LIBERTY Life has done a remarkable deal with the United Building Society (UBS) that could propel its market share rapidly towards challenging those of the two Cape-based mutual giants It could also provide future shareholders in the UBS with a major growth asset

The deal might pip Southern Life's likely marketing thrust once it changes its status from a mutual to a quoted company — which it is doing through a share offer now current — through its association with Barclays, the country's largest bank

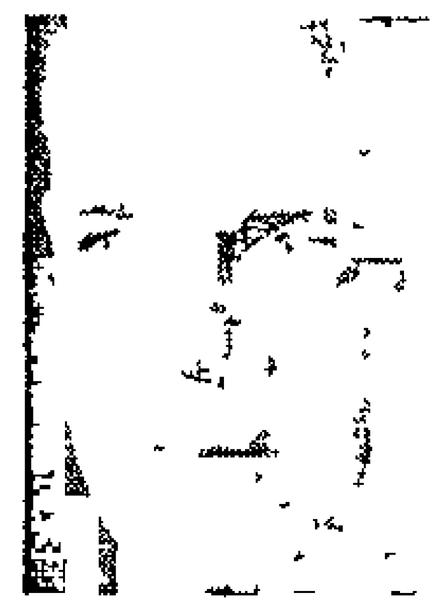
In terms of the deal, the UBS will acquire a 20% stake in the new life assurer, Charter Life Insurance, which was to have been owned by Liberty and associate Guardian National and is planned to spearhead a drive in the medium and lower end of the life market

Charter will now be held effectively 41% by Liberty, 20% by the UBS and 39% directly by Guardian National

The neat arrangement will leave Liberty free to continue to concentrate on its main preserve insuring the lives of rich citydwellers



● Donny Gordon



● Piet Badenhorst

Charter will no doubt draw on the UBS' vast client base It probably already has access to clients of Stanbic, which together with Donald Gordon controls Liberty's equity Liberty has already swapped directors on a reciprocal basis with the UBS Liberty chairman Donald Gordon is joint vice-chairman of the UBS and Piet Badenhorst, UBS senior MD, is on the Liberty board

UBS general manager Martin Keyser said "We have a vast client base which we will make available only on a selective basis"

Liberty director Farrell Sher said " Charter Life will operate and market its products independently but will be able to draw on Liberty's technological, financial and marketing resources'

Charter is to kick off with the life business of Guardian which it is to acquire for R10,5m cash Guardian in turn acquires a 39,2% stake in Charter for R6,9m

The balance of Charter's equity is to be held through an intermediate company, whose equity will be held 67% by Liberty and 33% by UBS Insurance, a wholly-owned subsidiary of UBS

The intermediate is to be funded in proportion to Liberty's and UBS's shareholding and will pay R10,6m for its 60,2% holding in Charter

Charter initially will have total assets of some R70m and premium income of R19m Surplus funds of R7m in cash can be quickly deployed to finance the new business drive

UBS Insurance is to appoint a director to Charter's board

Of course, Liberty Holdings, Liberty's pyramid holds 43,5% of Guardian's equity

According to Sher, the deal should be of considerable benefit in the longer-term to both Liberty Life and Guardian.

The permission of the revelant authorities is required before Guardian's life business can be transferred to Charter Life

Liberty Life and UBS join forces in new insurance deal

232

July 1985

By Duncan Collings

The Liberty Life group has brought the United Building Society in as a substantial minority shareholder in its new life insurance company, now named Charter Life, giving the new assurer access to the enormous UBS client base

Charter Life is being formed to take over the life business of Guardian National, and will concentrate its efforts in the lower end of the market

Originally it was to be owned by Liberty and Guardian National, but now will be held 41 percent by Liberty, 20 percent by the UBS and 39 percent by Guardian National

The tie-up with the UBS could give Charter Life a healthy start to life — together with the life insurance base it will acquire from Guardian National — if it taps effectively into the potential new business from the UBS client list

The deal is a further cementing of the ties between the Liberty/Guardian insurance grouping, Standard Bank and the UBS and appears to be a further step towards a single financial entity providing all financial services

In terms of the deal UBS Insurance and the Liberty group will hold 33 percent and 67 percent in a new intermediary company capitalised at R10,6 million

The new intermediary company will acquire a 60,8 percent interest in Charter Life for R10,6 million, with the balance in Charter acquired by Guardian for R6,9 million

Charter Life will acquire the life insurance business of Guardian for R10,5 million

(232)

S. Times 28/7/85

Renault, Peugeot to link up in SA

By Don Robertson

RENAULT and Peugeot are almost certain to merge in South Africa

All that is needed is the blessing of the two boards in France, expected before the end of December

However, the French Government's decision to ban new investment in South Africa could have a bearing on the rationalisation of Renault and Peugeot

Peugeot's marketing activities have come to almost a standstill and the single South African representative, Pierre Michel Fauconnier, is in France

Peugeot and Samcor have agreed to severe their links

Renault, however, does not believe that the French Government's move will disrupt its operations Renault Africa is wholly owned through Euro Motors by Nefic, Nedbank's long-term financing division

Johan Theron, public affairs manager at Renault Africa, says additional investment could be raised in SA Recently, R42-million was raised to tool up for the Renault 9 Equipment was bought from Japan and only components came from France

The next model launch from Renault will be the 21 Renault 19, but it is not expected until 1987 n/a — not available n/c — not comparable n/p — not applicable

Hard times for cement cartel

232 S-Times 28/7/85

By Kerry Clarke

SOUTH Africa's cement producers are using only 60% of their capacity and are unlikely to increase output before the end of next year.

Berry Pavey, general manager of Cement Distributors of South Africa, the central selling organisation for SA's Big Three cement producers, Pretoria Portland Cement (PPC), Anglo-Alpha and Blue Circle, says the industry has an annual capacity of 11-million tons and will sell only 6,5-million tons this year

Sales are down by 16,3% this year, and there will be no increase for at least another 12 months, possibly longer

Profits fall

The poor state of the industry is shown in the interim results of two of the Big Three producers

Pretoria Portland Cement (PPC) and Blue Circle both suffered considerable profit declines for the six months to May and June respectively Anglo-Alpha's results for the six months to June are due soon, and will probably follow the pattern

PPC's pre-tax profit fell by 18%, and Blue Circle, the company in which Darling & Hodgson took a controlling interest only a month ago, suffered a pre-tax profit decline of 53%.

However, the decline in the cement market might not hit Anglo-Alpha as hard as the other two Although cement is its main business, it makes up a smaller part of turnover and income than is the case with Blue Circle and PPC

Competition

In 1984, cement comprised 57% of Blue Circle's turnover and 84% of income before finance charges and tax. PPC sourced 71% of its turnover and 64% of income before interest and tax from cement

Anglo-Alpha depends on cement for 49,5% of turnover, and 59,8% of income after tax and before finance costs

Competition Board investigations into the Big Three's market-sharing and price cartel could affect profitability if the board acts against it.

Such a move would undoubtedly result in higher costs for the Big Three, and would lead to price competition

They save large sums in transport costs as customers place orders through the CDSA, which routes them to the nearest Big Three factory Without this system, each company would have to transport cement long distances to reach customers

Imports

All three have also been hit by competition facing their joint interest, Natal Portland Cement. Mr Pavey says profitability of the controlling companies has been affected

Competition from imports cement has kept the cement price in Durban down to R70 a ton compared with R84,80 on the Reef

Blue Circle says this is one of the main reasons for the uncertain outlook in the current year

All three companies are also bearing the cost of considerable expansion programmes undertaken in the past few years

They all have extra capacity planned or recently commissioned, and begun long before the recession started.

Mr Pavey says "Three years ago people were anticipating a boom and said the cement industry was not prepared fo it. We felt a lot of pressure to expand and now the plans we made then are coming on stream at a bad time

Boom bust

"We believe we now have enough excess capacity to take us well into the 1990s"

PPC's R300-million Dwaalboom cement plant near Thabazimbi should be commissioned early next year Construction began in March 1983

Blue Circle has completed a five-year, R160-million project to increase capacity at its Lichtenburg plant, and Anglo-Alpha's R250-million Ulco cement factory was opened last December

PPC and Blue Circle both express pessimism about the current six months, PPC predicting a continuing decline in volumes and both companies forecasting poorer results compared with 1984

Dividends

It remains to be seen if Anglo-Alpha can live up to annual report predictions of achieving 1985 earnings "comparable with 1984" and dividends "in line with inflation"

In its previous six month earnings a share were 46c and the dividend was 22c Dividend cover was 2,1

PPC maintained its dividend for the six months to March at 14c, but cover dropped from 5,5 to 4,3 Blue Circle also maintained its payment for the six months to June at 11c, and cover fell from 2,3 to 1,9.

Diskom lifts turnover 41%

CAPE TIMES 3/8/85 (232)

THE Diskom chain purchased by Clicks in March 1984, now has 15 stores and has increased its turnover in the year ended June 30, 1985 by 41 percent.

Diskom operates a discount toiletries and gift chain in the Cape Peninsula and retails primarily to the lower-income group The acquisition has broadened the Clicks' customer base

Clicks has introduced improved advertising and marketing techniques, integrated the administration and warehousing operations of the two groups and introduced effective training and merchandising programmes into the Diskom stores

The Diskom group's managing director, Mr Rollo Norwitz, says that, "nothwithstanding the difficult trading conditions in the Western Cape, Diskom has achieved encouraging positive growth in sales for the year ended June 30, 1985

"In the past year or so we have streamlined operations and systems to provide the infrastructure for future development '

"At the same time our main focus has been to improve and englarge our present stores where possible and to this end we have just recently relocated our Wynberg store.

Mr Rollo Norwitz

"Before the end of 1985 we will have relocated two further stores into bigger and better sited premises

"We are also negotiating for a store in Mitchells Plain which will be opened before the calendar year end

"Further negotiations are under way for sites in George and Port Elizabeth which will represent our initial thrust outside the Western Cape"

Mr Norwitz sees Diskom as having the potential to expand throughout the Republic

Current planning is, however, to take full advantage of the opportunities that the market now has to offer

"Diskom will then be well-placed for rapid expansion once the upturn in the economy has begun"

Financial problems force agency merger

232 Star 3/8/85

Financial problems became the main motivation for this week's merger of Interpublic agencies' Campbell Ewald (CE) and McCann Erickson (ME)

And chairman of the local holding company, Graham de Villiers, says that if the economy does not get better there will either be more mergers or a flurry of bankruptcies

He said the advertising market is heavily overtraded and no longer has the ability to make a consistent profit

He stressed, however, that both CE and ME have been trading at a profit The main problem was that expenses were not coming down in line with lower billings

In the past 12 months CE's billings have slipped to R15 million from R16 million, purely through lower client adpsends, while ME's has fallen to R17 million from R20 million because of both reduced client spending and the loss of a couple of accounts

The new merged operation will benefit from reduced overheads, a fact borne out by the use of a single premises and the axing of some 25 employees in both companies

Though the deal is strictly a merger, it is fairly clear that CE has come out on top.

While CE is relinquishing its intown premises and moving into the plusher Partown offices of McCann, the senior management of the merged company is virtually all drawn from the old Campbell Ewald

The managing director is to be CE's Gustav Preller, while the positions of deputy managing director, creative director and senior client services director are all drawn from the CE camp

It has been clear for some time that although McCann's had a strong client base, it lacked the management to get out there and attract new business Hopefully this new arrangement will give the company the thrust it so badly needed

The synergy of the merger is apparent in that there are no conflicting accounts

Ironically, however, CE recently picked up the Fanta brand, while McCann retains its traditional Coke business

However, the new agency will have to deal on the client side with former McCann SA managing director Tony Manning, who recently "left" the agency after a management reshuffle

Gencor looks at Carbide deal

232

S. Times

4/8/85

By Brendan Ryan

PERSISTENT mining-industry rumours of an imminent buy-out of Union Carbide's South African interests by Gencor have strengthened.

Union Carbide South Africa's group personnel manager, Cedric Robertson, confirmed yesterday that the giant US chemical group was holding discussions with several parties about the sale of its entire international metal and mining operations

Partner

These operations were recently combined into one wholly owned subsidiary

He said negotiations were being conducted from the United States

Steve Ellis, the head of Gencor's base-metal operations and chairman of Samancor, said Gencor was studying certain proposals from Union Carbide

"We are, however, not involved in actual negotiations at this stage."

Mr Robertson said Union Carbide intended to either sell off its entire division or bring in a partner. It did not want to sell its interests piecemeal.

Union Carbide's metal and mineral interests contribute a tiny portion of its annual turnover of about $9-billion.

Union Carbide has 49% of the Tubatse ferro-chrome plant in the Eastern Transvaal It also has a vanadium mine in Bophuthatswana and some chrome interests

Its interests include uranium in the US and Canada, tungsten in Brazil and the US, and coal in the US.

Neat fit

Gencor owns the other 51% of Tubatse The plant is managed by Samancor, which Gencor controls

Mr Ellis says "Because of our stake in Tubatse we have to be interested in Union Carbide's plans"

The Union Carbide interests would fit in well with Samancor's operations and Gencor might not be averse to picking up some international mining interests. It recently moved into Brazil.

Mining sources believe Gencor is particularly interested in Union Carbide's vanadium interests and plans to expand its operations into ferrovanadium.

Gencor's only problem might be paying for the additional stake. The mining house has plenty on its capital funding plate, with at least two rights issues by industrial subsidiaries coming up

Cape Times 9/8/85

reflecting the higher

Haggie raises profits 32%

JOHANNESBURG — Haggie has achieved a 32 percent increase in attributable profits in the six months to June, with earnings a share of 101c, compared with 77c in the same period last year

Attributable profits totalled R19,4m (R14,7m) and profits before taxation were 35 percent up at R41,1m (R30,5m)

Turnover increased 53 percent to R283,7m

The group has declared an interim dividend of 25c a share (20c)

The directors state in the interim report that "generally conditions in the local market have proved to be extremely difficult but the group is fortunate in being a major supplier to the mining industry and has developed a substantial export market

"Exports could reach R85m this year compared with R40m in 1983

"The increase has been not only in rand terms but there has also been a significant improvement in volumes"

The directors expect results for the year to be an improvement on the those of 1984

They point out that the results for the period under review are not directly comparable with those of the previous period as the results of Macdem (Pty) have been consolidated from July 1 last year, when the company's holding was increased to 51 percent, while those of Chloride Holdings SA are no longer included as control was relinquished on October 31 last year

"This is particularly relevant as regards the increase in turnover but the effect on the group's earnings for the period is minimal" they state — Sapa

Hotel complex planned for Ga-Rankuwa

Kersaf improves earnings by 33%

CAPE TIMES 14/8/85

JOHANNESBURG — Plans by Sun International to establish a new hotel and entertainment complex at Ga-Rankuwa north of Pretoria were disclosed yesterday by the head of the hotel group, Mr Sol Kerzner

He also released the results for the first year of trading for Kersaf Investments, Sun International's holding company, whose earnings for the year to June 30 represent a 33 percent improvement over pro-forma earnings of the previous year

In addition, he announced a R40m rights issue aimed at achieving the listing on the Johannesburg Stock Exchange of Sun International's Bophuthatswana company, Sun International (Bophuthatswana) (Pty)

The rights issue for the Bophuthatswana company will increase the company's share capital by about 20 percent

One of the first projects which the company will undertake after the proposed listing will be to establish a new hotel and entertainment complex at Ga-Rankuwa, which would cost an estimated R30m, Mr Kerzner said

There was a big concentration of population in this area and a specific need for a such a complex existed there

It would serve the needs of both the local population and inhabitants of nearby cities, such as Pretoria

However, Mr Kerzer said it had not yet been decided whether or not to include a casino in the proposed complex, which would compete with the lucrative casino facilities at Sun City

The hotel facilities would be at a "good three-star" level, he said

Kersaf, which has a 72 percent holding in Sun Hotels International Plc — the UK registered company which incorporates Sun International in Southern Africa — had attributable earnings of R15,8m or earnings a share of 53,5c in the year to June

A final dividend of 18c a share has been declared, bringing total distribution for the year to 34c

The directors attribute the good results mainly to the strength of Sun Hotels International which, "achieved excellent growth in revenue, operating profit and attributable earnings"

In their comments accompanying the audited profit statement, they state "This performance is all the more remarkable because it took place in a depressed economic climate which saw occupancies of South African three, four and five star hotels drop by around six percent

"By contrast, Sun Hotels International's occupancies at 67,5 percent dropped by a marginal two percent, while total room nights sold increased by seven percent with the additional rooms coming on stream at Sun City"

They point out that several major acquisitions came into effect in June this year

"If all acquisitions had contributed earnings for a full year, attributable earnings would have amounted to approximately R37m and return on equity after revaluation of fixed assets would have approximated 15 percent"

Mr Kerzner said prospects for the immediate future were uncertain in view of the effects of the state of emergency, which was likely to cause a delay in the country's expected economic recovery

However, taking into account the group's recent investments and the resilience of its casino interests in par-

To page 26

GFSA lifts pr

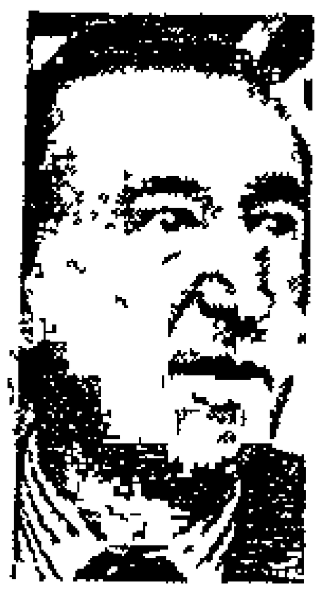
JOHANNESBURG — GFSA group holding companies Witwatersrand Deep, New Wits and Selected Mining Holdings, as well as Gold Fields Property Co, announced their preliminary results yesterday

Vogelstruisbult Metal Holdings, another holding company in the

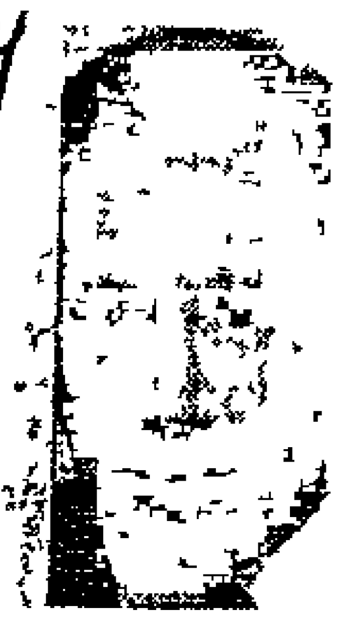
Barclays PLC forgoes rights on issue to raise R254m

Barnat control returns to SA

(232) B. Day 15/8/85



● Basil Hersov



● Chris Ball

HAROLD FRIDJHON

CONTROL of Barclays National Bank (Barnat) will return to South Africa after a rights issue to raise R254m announced yesterday.

As parent company Barclays Bank PLC of London will not follow its rights — which will be taken up by the Anglo American group and Southern Life Association — the control of the bank will once again be in SA hands after a lapse of 60 years

At present Barclays PLC controls Barnat with a 50,4% shareholding After the rights issue (of 14,5-million preferred ordinary shares at 1 750c a share) the parent's interest in Barnat will drop to 40,4% with Anglo becoming the seond largest shareholder with a 25% stake, up from 19% Southern Life's holding will rise from 3% to in excess of 7,5%

The change of control will also bring about a change of name "within a few years", according to Barnat chairman Basil Hersov at a Press conference in Johannesburg yesterday

Barnat MD Chris Ball added that the parent company did not approve of the use of the Barclays' name when it did not control a bank A case in point was the Union Bank of Nigeria He also said that when Barnat went international as it would in time, the use of Barclays in the bank's name could cause confusion in foreign financial circles

BARCLAYS

But Barnat was in no hurry to bring about a change of name "As far as we are concerned it's business as usual."

Hersov insisted no form of disinvestment by Barclays PLC was involved "It had not sold any shares and would continue to be the largest single shareholder in Barnat

"The shareholding of PLC in Barnat started to reduce in 1973 when we went public It reduced further on the acquisition of Wesbank, on the acquisition of our interest in Southern Life and as a result of sales of shares in Barnat by PLC to SA investors On this occasion PLC again had decided not to subscribe"

However, NEIL BEHRMANN reports from London that banking analysts believe the timing of the announcement, especially when linked to a name-change, indicated political pressure was a major factor

Chief general manager of the UK bank, Peter Lesley, was overwhelmed with questions relating to disinvestment at yesterday's London Press conference Barnat's assets of some £6bn are 8,2% of total Barclays assets But pre-tax profits, as high as 25% in previous years, are now running at only 0,9%

Barclays PLC had systematically allowed its percentage holding in Barnat to drop following the request in 1973 by the South African monetary authorities for foreign banks to lower their shareholdings in their SA subsidiaries to 50%

Hersov said the decision to proceed with the rights issue at this stage was motivated by Barnat's capital needs and because funds were available in the marketplace at present

"With the outlook for growth and profitability now improving, we decided this was the appropriate moment We had to weigh the implications for the bank against the need to improve its capital structure"

The capital position of SA banks had been eroded in the last few years by the rapid increase in the demand for credit.

● Turn to Page 2

Barnat control for SA

(232) B. Day 15/8/85

● From Page 1

At the same time there had been a general re-assessment around the world of banks' capital requirements This had been precipitated to some extent by the international debt crisis

In South Africa these trends had resulted in amendments to the Banks Act which modified the method of measurement of capital adequacy.

In addition Barnat had embarked on a huge capital expenditure programme aimed at enhancing its electronic systems and this investment had to be funded from capital resources.

Ball estimated this capital expenditure would amount to about R140m in the current financial year, the same amount as had been spent in the previous year.

Hersov said the profit outlook for the next few years was good.

"While we appreciate the political situation at this time is difficult, we believe there is a good chance the climate both inside and towards South Africa will improve over the next few months and we clearly had to take a long-term view"

The change of control does not mean there will be any change in the relationship between PLC and Barnat — including lines of credit and facilities which Barnat enjoyed

The new preferred shares which will be issued on the basis of one new share for every four held will pay a fixed non-accumulative annual cash dividend of 157,5c, payable half-yearly This will give a yield of 9% a year on the issue price of 1 750c. The preferred ordinaries will automatically be converted into ordinary shares when the ordinary dividends amount to 157,5c for the year. The cost of paying the preferential dividend will be R22,9m in a full year.

Ball pointed out that the rights issue will result in a saving of interest to the bank of about R44,5m before tax if the funds were used to redeem deposits costing 17,5%. The net after-tax saving will be about R22,9m.

Ball forecast results for this year at a level not much different than those of last year "in view of the high level of bad debts in the current recession"

232

Sanlam, Anglo under fire

Motor rivals in fleet sales row

16/8/85 B.Day

ALAN RUDDOCK

MOTOR industry rivals are accusing Anglo American and Sanlam of putting pressure on subsidiaries to buy fleet vehicles from manufacturers controlled by the two conglomerates.

Sanlam has effective control of Nissan, while Anglo holds a controlling interest in Samcor, which makes Ford, Mazda and Mitsubishi vehicles.

Rivals accuse Sanlam and Anglo of distorting free market forces. They are worried Sanlam will try to force rationalisation on the industry and point to comments by Sanlam chairman Fred du Plessis that there is room in the market for only three manufacturers. "By supporting the two weaklings in the industry, Sanlam and Anglo have prevented a natural rationalisation by free market forces," they say.

Nissan estimates the Sanlam fleet to be about 40 000-strong. Anglo sources say that even before taking its subsidiaries into account, Anglo controls about 13 000 fleet vehicles.

Rival carmakers point to official figures showing that while Amcar — the former Mazda-Mitsubishi operation — saw its market share in the first six months of this year fall 3% to 10,2% from the same period last year, its share of the OFS gold fields market rocketed from 17,6% to 36,6%.

More Mitsubishi Tredias were purchased in the Anglo-dominated OFS gold fields during the first six months of the year than in Natal or the Cape.

"That cannot be from choice," says a manufacturer.

Sanlam denies it influences the buying decisions of its subsidiaries. An Anglo spokesman says: "We do not buy Samcor products exclusively."

Samcor MD Spencer Sterling is on record as saying Samcor does have an entree at Anglo head office, but that Samcor competes on merit with other manufacturers. Sanlam's Marinus Daling rejects out of hand suggestions that it puts pressure on its subsidiaries.

Nissan marketing director Stephanus Laubscher says: "Our connection may help us get in the door for a presentation, but we sell on merit."

Replying to the accusations that he has called on foreign competitors in the motor industry to pull out, Sanlam's Du Plessis said: "I am on record as saying that if foreigners who advocate disinvestment as an action to influence the political process in South Africa are willing to take the social and political consequences of that action, for their account I would encourage them to go ahead, because their action would allow me and other SA businesspeople to buy foreign assets in SA at bargain prices.

"I have never encouraged any foreigners in the motor industry to withdraw from SA and I do not intend to do anything at this stage about rationalisation in the motor industry.

"I am very interested to see that Sanlam is not seen as a participant in the free market. If we decide to make an investment, we apparently prevent the free market from operating. Could somebody explain to me how this is possible or is it just a thinly-veiled attack on Sanlam by people who worry about their ability to compete in the free market?"

of manufacturers' price-cutting moves, outside the usual discounts on fleet sales. "We're not in the banking business," affirms marketing director Brand Pretorius

Nissan chairman Peter Whitfield says that jugular marketing to make sales is likely to leave dealerships in worse shape when the discounting ends. Even Toyota has been largely powerless to stop its dealers discounting heavily to shed stock quickly


Whitfield

The split in strategy on discounts and special incentives between makers has created a "hawks" and "doves" rift in the troubled industry.

Alfa Romeo (AR), which fired the first public shot, is extending its sales blitz for another month. Samcor, however, will not say when its Mazda 323 promotion ends

The doves, who oppose discounts, say cut prices will merely delay the inevitable fall in AR and 323 sales. They expect Naamsa's monthly new-sales figures to show the discounters rapidly losing market by the fourth quarter of the year, as a result of bringing sales forward.

There may, however, be other motives for the apparent madness The current Mazda strategy appears to be designed to clear stockyards before a new model 323 is launched, towards the end of the year Samcor is banking on the current sales drive to give the new 323 an extra push.

Clearly, the industry's troubles are far from over, and a very different manufacturer-dealer scenario is expected to emerge in the next year. It will certainly be a leaner industry, but whether it will be healthier only time will tell. ■

FM 16/8/85

MANGANESE 232

Ex unitate . . .

The merger last week of the world's two largest manganese metal producers — Delta Manganese and the Electrolytic Metal Corporation (Emcor) — creates a new company which carries heavy clout in world markets for the metal

The new company, the Manganese Metal Company (MMC), exports 98% of South Africa's production which, in turn, meets 75% of the West's demand for electrolytic manganese — a high-purity metal used for high-strength, low-alloy (HSLA) steels and aluminium and copper alloys, particularly in the motor industry

Delta Manganese is a subsidiary of the UK's Delta Group Delta Manganese and Gencor-controlled Emcor have worked together in the past, following each other's price leads

But the new deal will lead to rationalisation benefits, and inevitably strengthen the producers' bargaining power in overseas markets

Delta's Nelspruit plant, with a rated capacity of 26 000 t/year, will operate at full capacity while Emcor's smaller Krugersdorp facility will absorb the overflow and the smaller runs.

MMC stresses that there are no moves to close Krugersdorp "The main thrust behind the merger was to rationalise plants and pool resources and shipping arrangements to avoid duplication," says MMC MD John Jacobs "We are not carteling," he adds

Although the Delta plant is bigger, Jacobs explains that it was agreed that Gencor would have the majority shareholding Emcor now owns 51% of the merged operation.

The move is in line with most of Gencor's acquisitions, which tend to give it a majority stake.

Emcor is to pay R8m to Delta's shareholders in an immediate down payment, and a further tranche may be paid on a performance-related basis in 1988.

Abroad, the depressed state of manganese markets has triggered a spate of mergers to combine resources and establish corporate ties with consumers — the SA Manganese Corporation, for example, owns a ferro-alloy plant in the US

Elkem, the major Norwegian ferro-alloy producer, recently acquired a minority shareholding in Gabon's Comilog It also manufactures electrolytic manganese in the US, along with Kerr-McGee

The manganese industry has suffered from stagnant demand, tumbling prices and the fact that manganese is a virtual hostage to the steel industry.

Electrolytic manganese has fared rather better, but virtually static demand in the Seventies and early-Eighties mothballed the Foote plant in the US and squeezed Yamagata of Japan out of the market altogether

Currently, manganese metal prices are buoyant, but there are storm clouds on the horizon

Competition for the SA producers will increase when Brazil's Metallur electrolytic manganese plant comes on stream with possible production of around 20 000 t/year This is likely to upset the market unless demand picks up

(232)

In April, Delta MD Langham Carter told a minor metals conference in Paris that a new plant coming on stream "will provoke aggressive retaliation from producers," which will severely dampen prices

Since SA producers currently control 60% of world market sales it is hoped the newly-formed MMC will be a potent force in counteracting the Metallur threat

Already the industry is shouldering the financial penalties of excess capacity Although world sales increased from 44 000 t to 58 000 t between 1981 and 1984, installed capacity is around 76 000 t/year

"Merging the two plants," says Jacobs, "will undoubtedly help us take up the slack."

Other SA exporters, particularly of strategic materials, are bound to look increasingly at similar moves to strengthen their bargaining position in world markets as the sanctions threat grows ■

M & R's offer for Poole finds favour

STAR

323

232

16/8/85

By Frank Jeans

Creditors of the troubled Poole Industries group are "enthusiastically in favour" of construction group Murray & Roberts' (M & R) offer to take over the company

For an undisclosed sum, M & R's consumer products operation would bring Poole — one of the country's largest manufacturers of trailers and tippers — into M & Rs CI Trailmobile activities.

Poole Industries has been hit by the economic downturn and a dramatic drop in demand for its products.

A report by the joint provisional judicial managers says "In spite of efficient management and effective cost-cutting measures, the company was unable to contain and cover its fixed and semi-variable overheads

BORROWINGS

"In order to fund the resultant losses incurred, the company was forced to increase its borrowings from financial institutions and group shareholders.

"The high cost of borrowings together with losses on foreign exchange have had a devastating effect on the company's profitability and cash flow."

The company will remain under provisional judicial management as there is an unaudited surplus over liabilities of nearly R2 million

OPERATION

Mr M de Villiers of Deloitte Haskins and Sells Trust and one of the judicial managers says that in the light of the response received at a meeting and his assessment of the M & R terms, he has asked that company to prepare a formal offer which will be put to creditors at statutory meetings

M & R has made it clear that the operation of the Poole companies will be carried on substantially as in the past and at Poole's Rosslyn and kwaZulu locations

Poole's judicial managers recommend that it is in the best interests of creditors that judicial management should be continued since "any forced realisation of large volumes of highly specialised plant and machinery and valuable industrial land and buildings in present market conditions, would have disastrous results".

FM 23/8/85

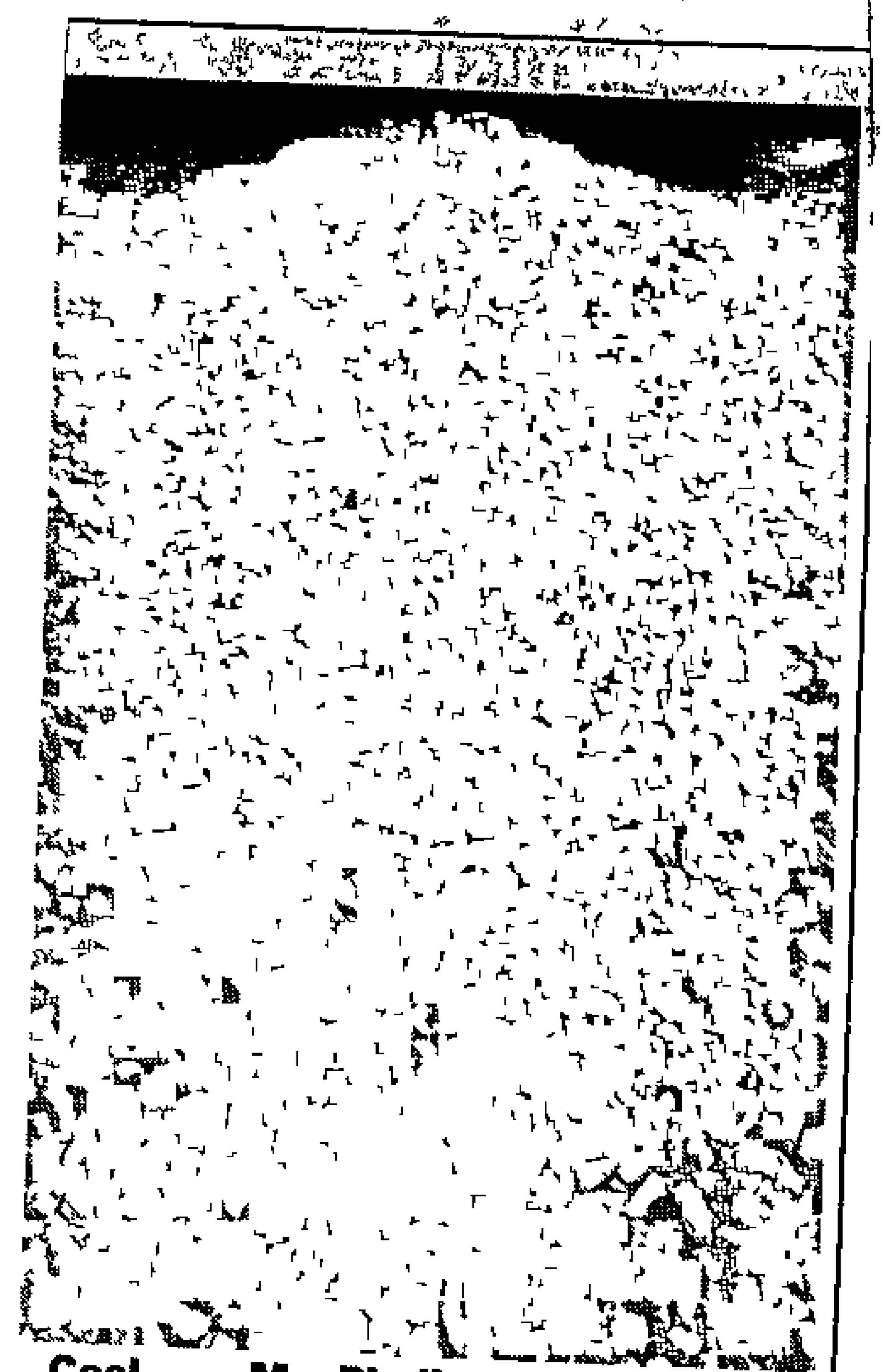
COAL WHOLESALING 232

More for Mac

The acquisition of wholesaler Southern Coal Traders (SCT) by coal merchant MacPhail marks the end of the vertical integration between the Transvaal Coal Owners' Association (TCOA) and wholesale agents The move was the first of the Competition Board's recommendations on the inland coal industry (*Business*, July 13, 1984) to be implemented

On the flip side, it makes MacPhail, hitherto the largest coal distributor on the Reef, indisputably the largest distributor in the country

SCT has wholesale and retail operations in Kimberley, Bloemfontein and Port Elizabeth, and MacPhail has recently started retailing coal in Cape Town MacPhail will now be distributing a massive 2,5 Mt of coal a year — more than any other merchant in SA



Coal . . . MacPhail on top of the pile

MacPhail bought a 74% stake in SCT For R444 000 this week The remaining 26% has been bought by S Weintroub of East London

The TCOA has now relinquished its shareholdings, and permanent chairmanship of the boards of directors, in both of its original wholesaling agents — SCT and Highveld Coal Traders (HCT) — in accordance with the Competition Board's recommendation

Earlier this year, HCT was put into voluntary liquidation The aim of the recommendation was to open up the industry to natural market forces, says a government source

But, predictably, the TCOA's efforts have not satisfied everyone

Aluchem/Reef Coal was denied the right to wholesale TCOA coal after a recent court action (*Business* July 27) Aluchem director Paul MacNaughton believes that Omega, MacPhail's sister company, was appointed wholesaler by the TCOA to replace HCT and that the sale of SCT only entrenches the position of both the TCOA and MacPhail TCOA wholesalers are expected to supply only TCOA coal, which, MacNaughton says, is "tantamount to restrictive practice "

Aluchem plans to make further representations to the Competition Board which also recommended ending exclusive supply agreements which limit coal merchants to particular sources ■

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Rembrandt buys Huntcor for R57,5m

B. Day 3/9/87

MERVYN HARRIS

THE REMBRANDT Group has bought control of Huntcor, the pyramid of Hunt Leuchars & Hepburn, for R57,5m cash

Rembrandt has paid 625c a Huntcor share for the 60% stake, previously held by the Hancock and Hepburn families, and will extend a similar offer to Huntcor minorities

The deal was effective from Friday, August 30 and would not have any material effect on the net asset value or earnings a share of Rembrandt, said Rand Merchant Bank

Huntcor shares rose 20c to 600c on the JSE yesterday ahead of the announcement

HLH chief executive Neil Morris said that both the executive and senior management of the group claimed they were pleased with the deal

"Rembrandt is an exciting group to be associated with and, with Rembrandt as a partner, we now have the opportunity to further develop HLH's strategic position in the timber industry in South Africa

"Hardwood timber, where HLH's strength lies, is a key natural renewable resource for this country We believe HLH has a vital role to play in the further development of the country's timber industry"

Morris said that now that ownership of the group had been clarified and settled, management would be in a position to focus its full attention on running the business

"Management of HLH will not alter as a result of Rembrandt buying control of Huntcor The 64% holding which Huntcor has in HLH will not be affected by the transaction."

Rembrandt had been tipped in market circles as a possible bidder for HLH which, over the past two years, has sold Blaikie-Johnstone and Wolhuter Steel for a total of R120,4m

The major obstacle in the way of a takeover of HLH was believed to be the 49% interest in the timber division held by Mondi, with a pre-emptive right to buy another 2%

Mondi chairman Reg Donner had said his company had no intention of relinquishing the 2% option

In March Amic, Mondi's holding company, was involved in negotiations believed to concern a change of control at HLH Shares of HLH and Huntcor were suspended from February 2 to March 4

However, the Competition Board was reported to have blocked the deal, and the negotiations were called off

Egoli gains 59% of WWGM in complex share-swap deal

ROY BENNETTS

EGOLI has effectively gained 59% of West Witwatersrand gold mine by acquiring 3,75-million WWGM shares in exchange for the issue of 4-million Egoli shares

Before the transaction Egoli held 40% of WWGM equity, with Australian-based Jimberlana holding 60%. This deal dilutes the Jimberlana holding from 60% to 41% with Egoli holding the remainder through other interests

Counter-point on the deal is that Egoli will give Jimberlana 25% of Brakpan Van Dyk Mines' equity in exchange for 3,7-million Jimberlana shares and R3,5m in cash Egoli still retains 75% of Brakpan and increases its interest to 14,3% of Jimberlana's equity

Like most Egoli deals, this transaction is based on several share swaps, with a cash payment as a bottom-line factor in Egoli's interest.

It was announced in Canada, at the end of August, that Jimberlana had acquired an interest in Parmour Mines, which controls the Porcupine Mine, for $34,1m (Canadian)

Porcupine Mine is reported to recover more than 100 000oz of gold and 60 000oz of silver a year.

Deputy chairman of Egoli, Don Grant-Hodge, says that the decision to increase the interest in WWGM follows a renegotiation of the tribute agreement between WWGM and Randfontein Estates, which has increased the underground tribute area to approximately twice its former size

Grant-Hodge says that the decision was further motivated by the need for capital to develop the Brakpan Van Dyk area and the consideration that Egoli will be increasing its holdings to approximately 15% in Jimberlana

West Wits was acquired by Egoli in 1980 by the issue of 1,4-million Egoli shares at an effective price of R3,5m

The original agreement with Randfontein allows WWGM to process 40 000 tons a month of gold-bearing material with an estimated in-situ grade of 1,13g/ton

WWGM's target for the current financial year is to the recover 800kg of gold from the No 9 shaft and 460kg of gold from the re-treatment of sands

UK firm buys Vulco

By Zelda Zaayman

A GIANT British company has defied the disinvestment campaign.

Smith & Nephew Associated Companies has bought Vulco Latex Industries of Johannesburg

Kenneth Lunn, Smith & Nephew's director responsible for South Africa, says "The purchase had nothing to do with politics — it was an excellent business oppurtunity"

Smith & Nephew, with a turnover of about £375-million in 1984, is a leading manufacturer of health-care products

Earlier this year the group bought an American company, Affiliated Hospital Products One of its subsidiaries, Perry, is the largest manufacturer of surgical gloves in the US

Vulco Latex, with an annual turnover of about R10 million, is SA's major manufacturer of rubber latex products It is Smith & Nephew's second acquisition in the surgical and examination glove business

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S Times 8/6/86

Takeover king

loses Dion and Checkers

S. Times (232)

By DAVID CARTE

NATIE KIRSH, the multi-millionaire who became South Africa's takeover king of the early '80s, is to lose control of the greater part of his empire.

Within days, control of Checkers, Dion, Russells and Metro Cash will slip into the orbit of Sanlam, the insurance giant.

In a rescue operation rights issue, Sanlam will put more than R100-million into Kimet, the holding company for Kirsh Trading, which controls a wholesale and retail empire with sales of R3 000-million a year.

The rescue follows a meeting of more than 100 creditors of Kirsh companies in Johannesburg this week.

This is Sanlam's third huge cash injection into the Kirsh Group.

It acquired 49 percent of the company in May last year for an undisclosed sum, estimated at R50-million.

Days later it bought and leased back R70-million of Checkers properties

Mr Kirsh's withdrawal from management was said to be part of the arrangement for the latest rescue.

Mr Kirsh will become a minority shareholder in the group.

He remains a wealthy man and will henceforth concentrate on his extensive other interests in South Africa and Swaziland.

Kirsh control of AA Mutual Insurance company is not affected.

Former Supreme Court judge, Mr Mervyn King, will stay on as chief executive of Kimet, assigned the task of reviving the retail empire's fortunes.

8/9/85

Independent

Until last year, Kirsh Industries was the second biggest independent company in SA outside the sphere of influence of the giants, Anglo American, Old Mutual, Sanlam and Rembrandt.

Mr Kirsh was regarded as a golden boy who could do little wrong until he bought control of Checkers, the third largest supermarket chain in South Africa, from Federale Volksbeleggings, Mr Isaac Kaye and Mr Dusty Miller in 1981.

Mr Kirsh made his first millions trading in Swaziland, Potchefstroom and in the Eastern Transvaal

His first coup was grabbing control of Metro Cash from Tiger Oats and Premier.

Metro performed like a steam train and was the basis for most the subsequent transactions.

In a lightning stock exchange raid, Mr Kirsh obtained control of Russells, one of SA's biggest furniture chains, from the Mankowitz family.

Challenge

Together with Mr Jan Pickard, he took control of Union Wine, intending to challenge the monopoly of Cape Wine and Distillers

This caused the celebrated bear squeeze that cost speculators millions in 1981 A bid for Tiger Oats was defeated only by Old Mutual coming to the rescue of the Frankel family.

Other purchases were Constantia and AA Mutual insurance companies.

In lengthy and expensive litigation, minority shareholders contested the Checkers takeover

Shortly after the takeover, Mr Kirsh discovered that Checkers was a financial disaster. He laid a complaint against the previous management with the commercial branch of the SAP.

The price of the deal was knocked down from R25 to R15 a share and R26-million was written off stocks and other assets.

Mr Kirsh closed Greater-

□ To Page 2

Death-knell for Kirsh empire

(232) S. Times 8/9/85

□ From Page 1

mans department stores and Checkers warehouses and under the management of Mr Gordon Utian spent more than R100-million on 35 new Checkers stores covering 126 000m²

The company returned to marginal profitability — but then recession struck

Mr Utian left for Premier and Mr Clive Weil took over at Checkers

Dion one of the hottest performing domestic goods store chains in the country was badly hit by last year's austerity measures as the public cut down on expensive purchases So was Russells

Metro Cash had two bad years but was brought back to spectacular profitability by Mr Weil last year It is still doing well

A Kirsh associate said Mr Kirsh might have been able to keep control of his sprawling empire if he had had the cash flow to keep his stores operating for another two years

Sanlam has been the most active buyer of companies in South Africa in the past year, mopping up control of Kirsh Murray & Roberts Malbak Protea Messina and Nissan

Its associate, Gencor, acquired Tedelex Kanhym and Kohler in the past two years

Sanlam and Gencor have together put a sum approaching R500-million of additional capital in troubled downline companies in the past six months (see Page 2 Business Times)

Sanlam's move guarantees the survival of ailing Checkers Dion and Russells

Now that they will no longer be crippled by interest costs they will be better able to compete against rivals such as the OK and Pick n Pay

Sanlam to control Kirsh interests

232 B. Day 11/9/85

BRIAN ZLOTNICK
Investment Editor

SANLAM and the Kirsh camp have confirmed (subject to certain conditions) that control of Kimet, Metro and Kirsh Trading Group (KTG) — SA's second-largest consumer-oriented group based on turnover — is to pass to Sanlam

However, both parties remain tight-lipped about the mechanics of the deal.

Marinus Daling, director of Sankorp, Sanlam's investment holding company for strategic interests, said yesterday "All I am prepared to say is we do have a deal in principle. It is subject to several conditions precedent upon further announcements to be made on September 21 "

Daling nonetheless confirmed that, "there are no management changes in the Kirsh Trading Group on the cards"

The thorny problem appears to be how the takeover should be structured so the JSE finds the terms of the deal acceptable Furthermore, considering the economic significance and size of the takeover, the Competition Board's approval is almost certainly required.

More than a year ago, the JSE was at loggerheads with the Kirsh/Sanlam camp when Sanlam purchased a 49,9% stake in Sanki, which owns 55% of Kimet and is KTG's pyramid

The JSE initially argued that a change of control had occurred in Sanki, but subsequently withdrew from the fracas.

The rights-offer route apparently is to be used to recapitalise cash-strapped KTG and give Sanlam control

It is believed KTG is to hold a R100m

● To Page 3

OM eyes carmakers

232

B. Day 12.9.85

ALAN RUDDOCK

OLD MUTUAL had not ruled out investment in the car industry, MD Mike Levett said yesterday.

"If we saw the right company at the right price, we would be interested. However, the motor industry needs to go through significant rationalisation first and someone has to get hurt.

"After that happens, there will be a few viable companies left and one would conceivably get a good return on investment with them

"We would rather see the industry collapse first and then wait to pick a winner"

Levett would not comment on rumours that OM had been approached by General Motors

"There has been speculation in the motor industry that GM is looking for a local investor/buyer to reduce its own exposure in the SA market

GM spokesman Peter Sullivan said the company was aware of the rumours, but said "they are just rumours"

OM already has a stake in the motor industry through its interest in Wesco Investments, which controls Toyota and the McCarthy Group

Renault, Peugeot may combine SA operations

CAPE TIMES 17/9/85 232

JOHANNESBURG — Speculation that more international motor vehicle manufacturers may pull out of South Africa was intensified by an announcement yesterday that Renault will delay the introduction of new models in this country

But Mr Bernard Vernoux, managing director of Euromotors (Pty), trading as Renault Africa, who has just returned from France, said that no decision had been taken by the parent company to discontinue operations in South Africa

Mr Vernoux disclosed that discussions have been held with Peugeot France with a view to rationalizing the Renault and Peugeot manufacturing operations in this country

But he warned that "due to the current state of the economy and the restriction that the very low value of the rand places on any expansion of operations, negotiations between Renault and Peugeot are expected to take some time"

A final decision on closer co-operation between the two companies was not expected before November

Mr Vernoux said his recent discussions with Peugeot France in Paris were positive

A mission from Peugeot was expected in South Africa soon to evaluate the condition of the existing tooling for the continued manufacture of the Peugeot range in this country as well as tooling for the introduction of the Peugeot 504 pick-up

Discussing recent speculations about the future of Renault in South Africa, Mr Vernoux said "The decision of the French Government to freeze new investments in South Africa does in no way prevent Regie Renault from continuing to do business in South Africa through the supply of components, parts and imported models

"No decision has been taken to discontinue Renault models from the South African market"

Renault Africa would continue with the manufacture and marketing of its product ranges in South Africa

Mr Vernoux said Renault Africa's performance in South Africa in the past few years was well above the objectives set

Since 1983, when the company took charge of the local operations, Renault's market share increased by over 100 percent from 2,5 percent to 5,2 percent this year

Renault's national dealer network grew from 112 outlets in 1983 to 138 at present, an increase of almost 20 percent, he said

Industry spokesmen have pointed out that the decision by Alfa Romeo last week to cease operations in South Africa would make it easier for other international companies to pull out

Mercedes Benz and Volkswagen both suspended production last week as a result of labour troubles

And a question mark hangs over the future of General Motors in Port Elizabeth in spite of assurances from its new managing director in South Africa, Mr Bob White, that "the company is in South Africa to stay"

Mr White said yesterday that the entire motor industry in South Africa was going through difficult times and it was thought that every manufacturer was making losses

"Obviously, manufacturers who are responsible to shareholders cannot continue on this basis indefinitely and accordingly some rationalisation must take place

"In the case of a multinational company such as GM, it is often more important in terms of its global strategy to be based in a country in spite of financial losses, and GM has no plans to disinvest in South Africa at this point in time" — Sapa-Reuter and Finance Reporter

US d R31,8

WASHINGTON — The United States' foreign trade registered a near-record $31,8 billion deficit from April until June, confirming that the

L & GV now 100 pc South African owned

STAR 18/9/85

232

By Stan Kennedy

Legal & General Volkskas Assurance (L&GV) is now 100 percent South African owned after the announcement today by Volkskas that it had acquired the remaining 30 percent stake in L&GV held by Legal & General UK.

The deal concludes a process of domestication which was started as far back as 1976 and the company will be renamed in due course

The statement accompanied the 1984 annual report, in which the L&GV chairman, Dr M D Marais, says that the prospects for a real and sustained recovery of the economy in the next year must be regarded as "poor", since it will depend on the lasting improvement of certain structural imbalances.

"To ensure that the surplus on our balance of payments is maintained without resorting to a further depreciation of the rand is perhaps the most important challenge.

"This can only be achieved by a drastic decline in the inflation rate. This, in turn, demands that public spending be further curtailed so that the despairingly high tax trends can be reversed and the dwindling savings base of the private sector restored"

All these fundamentals will take time, he says, and will be painful and require determination

He says any recovery based on a windfall such as an increased gold price or on a premature-managed fall in interest rates will be short-lived and only make the recovery more difficult

The next few months will show whether the monetary authorities can reduce the high growth in money supply and whether the Treasury really has effective control over public spending

Says Dr Marais: "The degree to which these measures will succeed will be decisive because they will determine which route of recovery South Africa is going to follow and also what the economy will look like a decade from now.

Plans to privatise State departments announced by PW

ARGUS 20/9/85

(232)

Political Correspondent

A COMPREHENSIVE programme to privatise the State departments and public corporations was announced today by President P W Botha

At the National Party Transvaal Congress in Pretoria, Mr Botha said the Commission for Administration had already undertaken its study

This study was supported by a recent inquiry into privatisation in England and West Germany by a representative from the President's Office and another specialist from the private sector

The programme will have implications for personnel in the Civil Service, will create a smaller but more effective and better-paid public service, will further discipline Government spending and will extend the income tax base of the country

Mr Botha said the Government did not regard privatisation as an aim in itself

It was a means to be used in the pursuance of a sound and balanced relationship between private entrepeneurship and State administration

"With the privatisation programme, the activities of State departments will be viewed in depth

"Activities that could possibly be managed as well or even better by the private sector, will be privatised," he said

Mr Botha gave four reasons why State departments had to be privatised

- The permanent ideal was a smaller but more effective personnel core
- Officials could only be paid fittingly if their numbers were limited to the minimum
- For economic reasons, it was essential to control Government spending in a disciplined manner
- The extension of the private sector could broaden the income tax base of the country, thus generating additional income to finance the essential programmes to be carried out by the State

Mr Botha said that the privatisation action would be launched by the State President's committee on national priorities and institutions such as the economic advisory council, the central economic advisory service and the Competition Boardwould also be involved

The task would be performed in close consultation with the departments themselves and other specialist institutions

An activity will, however, only be privatised with the specific approval of the Cabinet

● See Page 11

State departments to be privatised — P W

232

STAR 20/9/85

By David Braun, Political Correspondent

A comprehensive programme to privatise State departments and public corporations (parastatals) was announced today by the State President, Mr P.W. Botha

20/9/85

At the National Party Transvaal Congress in Pretoria, Mr Botha said the Commission for Administration had already undertaken its study of the matter This study was supported by a recent inquiry into privatisation in England and West Germany by a representative from the State President's Office and another specialist from the private sector

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Mr Botha said the privatisation action would be launched by the State President's Committee on National Priorities and institutions such as the Economic Advisory Council, the Central Economic Advisory Service and the Competition Board would also be involved

sunrise finance

Sanlam puts R175 m in to Kirsh and takes control

21/9/85 STAR (232)

By Peter Farley
Investment Editor

Sanlam yesterday announced plans to inject R175 million into the Kirsh Group's embattled retail empire.

The insurance group's chairman Dr Fred du Plessis told a press conference that the capital injection — via a rights issue of preference shares — will give Sanlam 100 percent of Kirsh's unlisted pyramid company Sanki.

The group's founder and former chief executive Mr Natie Kirsh will remain a director of the group, but will not participate in management Dr du Plessis said that Mr Kirsh indicated he was no longer interested in being directly involved in running the group

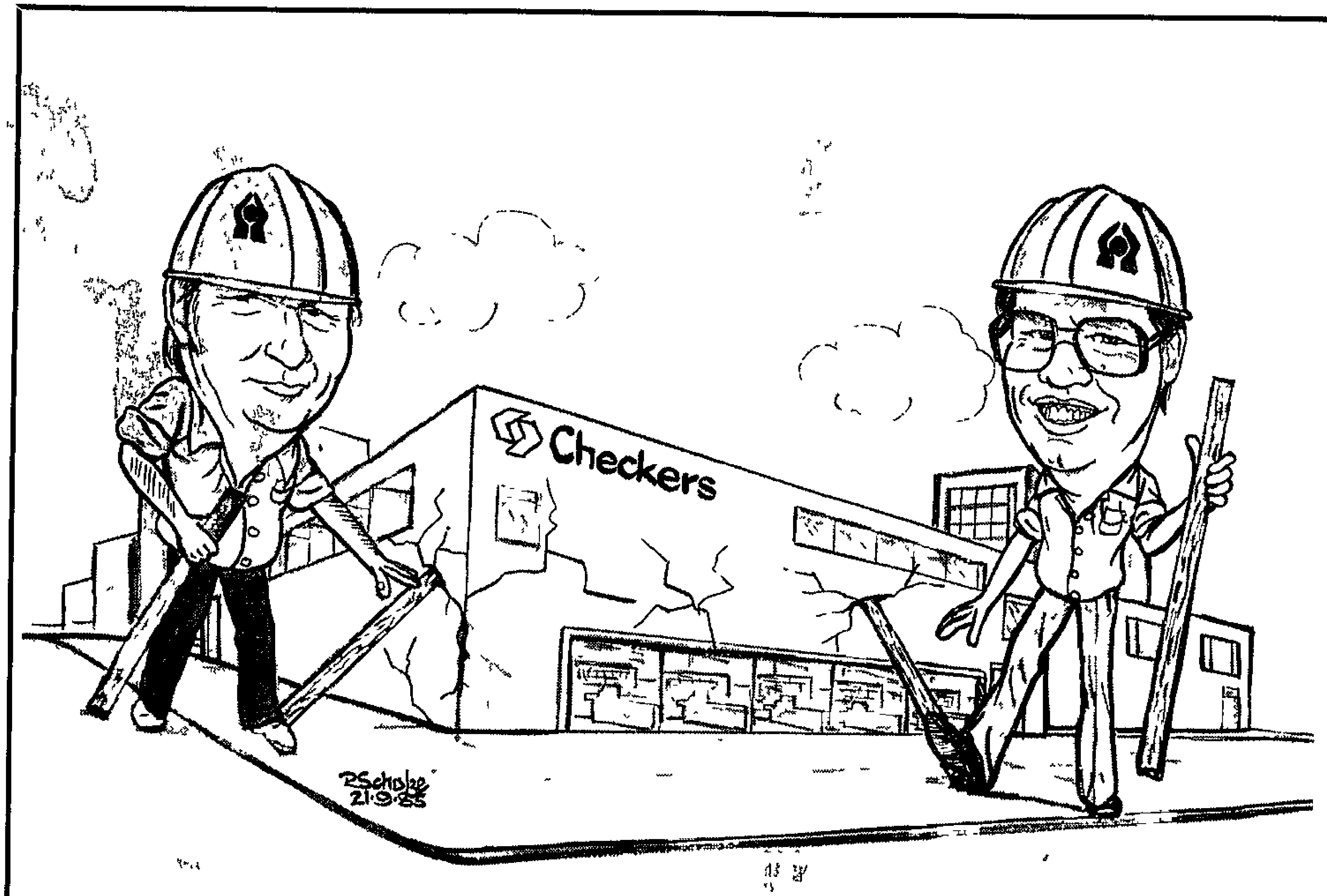
He added that Mr Kirsh was being paid a sum of money as a restraint of trade, but declined to detail how much Sources close to the company said, however, that it was around R5 million This restraint did not, however, apply to Mr Kirsh's Swaziland business interests

Mr Mervyn King has been nominally chief executive since April and will retain that position, while Sanlam's Mr Marinus Daling comes in as the group's new chairman

Though Dr du Plessis would not give full details of either the income statement or the balance sheet, he did say that the group's borrowings were in excess of R400 million and that gearing was currently around 166 percent

He added that the figures due out next week would show an attributable loss for the group of some R22 million

The effect of the rights issues -- R100 million in two tranches of prefs is being offered to existing shareholders, while R75 million has been placed privately with the company's bankers — is expected to reduce gearing to around 30 percent.



Sanlam's Fred du Plessis and Marinus Daling propping up ailing retailer Checkers

This, however, is also dependent on Russells' hire purchase book — currently around R260 million — being capitalised.

Dr du Plessis would not confirm whether negotiations had taken place to sell off any of the group's component parts in a bid to alleviate the debt problems, but did not rule out this sort of action in future

It is understood, however, that the group came close to selling Russells to SA Breweries' Amrel but that the deal fell through

Dr du Plessis stressed, however, that the Kirsh group was still in a position to meet all its financial obligations and that there was no necessity for a debt moratorium of payments to suppliers

He said that the recent meeting with suppliers had merely been to acquaint them with the new management team

Dr du Plessis went to great lengths to stress that Sanlam was not in the business of buying so called "lame ducks" and that all the recent acquisitions had been of a strategic nature

"If you do not have an economic slump, you do not get the opportunity of buying into worthwhile companies cheaply," he added

He said, however, that it was impossible to predict when the fortunes of the Kirsh Group may improve, given the unknown variables in the economy "If the economy revives next year," he noted, "it is possible there could be an immediate improvement"

Apart from the debt problems, the overly aggressive expansion of the Checkers chain had been a major factor compounding the group's problems New chairman Mr Marinus Daling said that the trading side would now have to be consolidated before any fresh moves could be made

Trading in the shares of all three listed companies, Kirsh Trading, Kimet and Metro are to resumed on Monday The full details of the rights issues will be announced in the next few weeks

For the record, however, seven percent participating compulsorily convertible cumulative preference shares and 13 percent unsecured subordinated compulsorily convertible debentures are to be issued Both are to be priced at 150c each

At the same time, Metcorp and Kimet will also both have rights issues at 660c and 135c each to raise respectively, R58 million and R30 million

CAPE TIMES 21/9/85 232

Sanlam gets control of Kimet, Kirsh and KTG

JOHANNESBURG. — Sanlam which is to obtain the controlling interest in Kimet, Kirsh Trading Group (KTG) and Metro Corporation, yesterday announced a R175m rights issue to strengthen the capital base of the re-organized group

Following the announcement earlier this month that control of Kimet, and indirectly of Metcorp and KTG would pass from Kirsh Industries (KI) to Sanlam, the details of the change of control arrangements were disclosed at a press conference yesterday.

It was also disclosed that the current chairman of the companies concerned, Mr Natie Kirsh, will not have any direct involvement in the management of the companies but will continue as a director.

Mr Marinus Daling, executive director of Sankorp — Sanlam's strategic investment company which will acquire control of the three companies — becomes chairman and Mr Mervyn King will be chief executive and deputy chairman of the three companies

The chairman of Sanlam, Dr Fred du Plessis, said yesterday that KI, the present controlling company of Sanki — the unlisted pyramid company created last year and in which Sanlam has a 49,9 percent interest — had decided not to follow its rights and accordingly the control of the group after the rights issue would go to Sankorp and Sanlam.

"Other Kirsh Industries investments, outside the trading group, are unaffected by this transaction. After the rights issues have been completed Sanki will distribute 7,5 per cent of its assets to KI, and Sanki will become wholly-owned by Sanlam and Sankorp," he said

Dr Du Plessis said that approval of the change of control arrangements had been obtained from both the Johannesburg Stock Exchange and the Competitions Board

He also announced that KTG will sustain an attributable loss of R21,8m in the year to June this year, equivalent to a loss on an undiluted basis of 66,7c a share or 32,6c a share on a diluted basis

The group's preliminary profit statement is due to be released next week.

KTG will increase its equity base by about R175m by means of

- A rights offer to its shareholders of about R100m in the form of seven percent participating compulsorily convertible cumulative preference shares and/or 13 percent unsecured subordinated compulsorily convertible debentures or a combination of these, at 150c a "Instrument"
- A private placement of R75m of the instruments at 150c each to the company's bankers The reason given for the private placement is "to avoid overloading the stockmarket with rights to the detriment of existing shareholders wishing to trade their rights".

"Nevertheless, shareholders wishing to maintain their shareholding may apply for an additional 75 percent of the instruments, in addition to their entitlement, to maintain their percentage shareholding at the date of the rights offer," says the rights offer announcement

Metcorp and Kimet, as controlling shareholders of KTG and Metcorp respectively, will proceed with simultaneous rights offers. Metcorp will raise about R58m at a price of 660c per instrument and Kimet will raise R30m at 135c per instrument.

All the rights offers will be underwritten by Sanlam

Organizations under KTG's control include Metcash and the loss-making Checkers, Dion and Russells, which have an aggregate turnover of about R3,5 billion.

Dr Du Plessis said the management was confident that with the strengthened financial structure the group would be successful Depending on economic circumstances the companies currently in a loss-making situation could be turned around as early as next year, he said.

Dr Du Plessis emphasized that Sanlam's recent acquisition of Nissan and now of KTG was not an exercise in "picking up lame ducks" as some critics alleged

Sanlam's primary aim was to achieve a handsome return for its policyholders and secondly to contribute to the development of South Africa.

"We have been highly successful in terms of our investments and we are one of the forerunners in terms of our payouts to policyholders," he said

He added that Nissan and KTG ventures represented only two percent of Sanlam's total investments

Sanlam had taken advantage of the economic slump to make investments in industries it considered had growth potential.

KTG was one of the largest retail groups in a country in which retailing was one of the most attractive sectors of the economy, and thus an investment in this field was attractive in the long term, he said.

He said that in terms of the deal between Sanlam and Kirsh Industries, a retraint agreement on Mr Kirsh applied within South Africa to ensure that he did not compete with the companies formerly under his group's control

— Sapa

Big security firms merge

232 STAR 26/9/85

By Stan Kennedy

With the incorporation of Rennies Electronic Security (RES) as a division of its company, **Fidelity Guards** has expanded its operations to cover a new range of security services

Chairman Mr Roy MacFarlane says RES will continue to specialise in the design, installation and maintenance of integrated security systems, tailor-made for each particular application

The systems include card access control, physical security barriers, intruder detection, closed circuit television and specialised monitoring

The monitoring system is computer-operated from RES headquarters in Wynberg and takes care of special factory plant, supermarket freezer systems and other similar key areas

RES will continue to trade under its existing name from its premises in Johannesburg, Cape Town and Durban

□□□

Major engineering company **Edward L Bateman** has installed computer and office automation equipment worth more than R1 million from Datapoint, a division of Computer Sciences

The company, which operates internationally and specialises in project management and equipment supplies, particularly to the mining industry, has invested a similar amount on software

Its commitment to high technology goes beyond in-house operations This year it acquired an OEM agency for the full range of IBM PCs

One of its operating companies markets process control computers and, in addition to developing software in-house, markets a number of well-known packages for overseas principals

The company has developed a master programme for the Datapoint equipment which a US software house is keen to market

□□□

Industrial and utility boiler manufacturer **International Combustion (ICAL)** has been awarded a R2 million contract to supply a coal-fired watertube boiler to the Brits factory of Firestone SA

The boiler will be designed to supply 15 metric tons of saturated steam an hour at a pressure of 1 725 Kpa

Boiler units of this size are normally of the shell and tube design but because of Firestone's requirement for a unit capable of staying on line continuously and burning D grade coal, a VU-10 watertube boiler fitted with Ical's special L type travelling grate was preferred

□□□

A new computerised system for insurance brokers has been launched by **Liberty Life**

The system, called Adlib, is available to brokers and agents with a Liberty Life selling contract

It runs on BarlowMicro's Panasonic Senior Partner PC, a self-contained unit with built-in screen and printer

Its integrated word-processing system allows consultants to prepare accurate, documented financial analyses for potential clients in minutes, as well as promotional literature on a selective basis

Direct access to client records on Liberty's mainframe is being developed, using telephone line communication modems

Users may contract for software and communications links only, or rent the entire package

Currently 40 brokers and agents are participating in the scheme, with many more scheduled for inclusion in the near future

Long-term benefits in Safren merger, says MacMillan

STAR 30/9/85

232

By Peter Farley

The long-term benefits rging Safmarine and Rennies (Safren) are expected to materially outweigh the immediate costs, says new executive chairman Mr Alistair MacMillan in the new group's first annual report

Though not detailed, he says that substantial costs were incurred in putting the two companies together and certain additional rationalisation costs will also have to be met this year

However, Mr MacMillan hesitates to forecast what sort of performance shareholders may expect this year after receiving a 76c dividend on earnings of 125c in the year under review

The group generated an operating profit of R327 million on combined group and associate turnover of R2,3 billion, but saw R170 million go in interest and depreciation charges and another R45 million in tax payments

On the balance sheet gearing has been distorted by the inclusion of Safmarine, which has traditionally operated on a high ratio However, interest bearing debt of around R630 million is almost equal to the R690 million net shareholders' funds

Safren now has four main legs These are 100 percent of Safmarine, 75 percent of Renfreight — with Anglo's Freight Services an outside shareholder, 77 percent of Kersaf — with management and minority shareholders holding the balance and all of the industrial and services division

The performance of Kersaf/Sun International has been well documented and should continue to provide shareholders in the top company with significant earnings growth in the immediate future

A material decrease in import volumes has impacted badly on the shipping side and, with increased costs due to the weak rand, there is unlikely to be any substantial bottom line contribution for these operations in the foreseeable future

Renfreight, with a wider base given its security, travel and transport, should be better able to hold its own — particularly with additional tax benefits likely to mean more being distributed to the holding company

The trading side remains under pressure, with its exposure on the retail side through Makro and Jordans The liquor division and Sparletta were sold to Kersaf last year

Overall, the group is strongly placed for the years ahead But in the immediate short-term the weaker parts of the wide base are likely to take the shine off the more profitable areas

Drop in SA tourism 'crisis proportions'

W/E NEWS 2/11/85 [illegible]/236

Weekend Argus Correspondent

JOHANNESBURG — The dramatic slump in the flow of overseas tourists into South Africa has reached crisis proportions inside the travel industry as losses run into millions of rands a week.

And travel business leaders have given warning that it may take as long as three years to repair the damage to tourism caused by unrest and the imposition of the state of emergency which has been blamed for a wave of tour cancellations.

An emergency plan to boost the country's tottering tourist industry starts in Durban today when more than 200 overseas South African Airways and Satour managers arrive for a week-long conference.

More than a dozen large travel firms have collapsed in bankruptcies and retrenchments are now widespread among tour operators.

A full dossier on the extent of the disaster is being compiled by the South African Tourism Board and the Travel Agents Board in readiness for emergency talks with Mr John Wiley, Minister of Environment Affairs and Tourism.

Detailed accounts are being gathered from the Association of South African Travel Agents, the Federation of Hotel Associations South African Airways, the Hunters' Association and road and rail travel operators.

Mr Peter Botterill, chairman of the Travel Agents Board, estimates that more than 113 000 nights' hotel bookings by overseas tourists have been cancelled since the state of emergency was declared in June.

The number of tourists coming in from abroad had plunged by more than 50 percent and there was little prospect of any turnaround in trend until the emergency was lifted.

"Overseas travellers are scrapping their bookings because they have been scared off by newspaper reports about the scale of unrest," he said.

"In normal times they would have been flocking here in their thousands to take advantage of the tremendous bargains created by the weakness of the rand.

"But the temptations are drowned in all the fears that have spread about their safety here. The cancellations are costing tens of millions of rands.

"More than a dozen quite big travel firms have closed down in recent months — aside from the crop of disasters among small agencies.

Govt to implement privatization

CAPE TIMES 8/11/86

(232)

JOHANNESBURG. — A committee of Cabinet Ministers had been appointed to pilot a programme to implement the government's privatization action, the State President Mr P W Botha, said last night.

This, one of the first concrete decisions on how to handle the matter, had been taken at the latest meeting of the National Priorities Committee under his chairmanship, he told guests at the Johannesburg Afrikaanse Sakekamer's annual dinner

Investigation

In September, the government announced a Commission for Administration investigation into which sectors of the public service it would be feasible to privatize and a later statement said some 20 divisions had been identified among a number of departments

The Minister of Economic Advisory Services and Administration, Mr Eli Louw, would chair the new committee, and he would be assisted by the Minister of Finance, Mr Barend du Plessis, and the Minister of Trade & Industry, Dr Dawie de Villiers, Mr Botha said.

The committee had been instructed to co-opt the relevant ministers as soon as other department's functions and assets were considered, and it would be expanded to include members of the private sector, in consultation with Mr Louw

"The government trusts that its objectives (with regard to privatisation) will be achieved with this action, as well as to keep State spending within acceptable limits and to achieve the operation of a smaller and more efficient, and well-remunerated, public service," Mr Botha said

Understanding

He also hoped the action would be successful, with support and understanding from the private sector

Earlier, the State President said smaller companies would be given preference in the privatization progamme as part of a secondary purpose in the campaign to reduce the concentration of economic power and increase competition

Mr Botha said it seemed to him there was a good deal of confusion in the public debate on deregulation and privatization

On deregulation, the government had in mind placing the entrepeneur in a position to act without unnecessary restrictions to increase the efficiency of his management and private initiative

"When it comes to privatization, a distinction must be made between government activities and the parastatal or State-controlled undertakings

Distinction

"There must be a distinction between the privatization of services supplied by the State and the privatization of the State's assets," Mr Botha said

On the privatization of certain government services, the following methods could be considered

- The private sector could be offered the opportunity to tender for services currently supplied by the State and semi-State undertakings . in this instance there would be no question of alienation of State assets, and,
- Where new services were concerned, the private sector could be offered the opportunity to provide them within the framework of their market-orientated disciplines

State assets

When it came to privatization of certain assets of the State, and of State or semi-State undertakings, the following methods could be considered

- Public companies could be aimed at, along the route of State corporations, and the broad population could have the opportunity to acquire shares in particularly the para-Statal undertakings,
- The private sector could get the opportunity to acquire total interests in State and semi-State institutions on a tender basis or private allocation (privaatplasing), and
- The management and employees of smaller State undertakings could be given the opportunity to acquire total interests in these concerns

Mr Botha said that, using these methods,

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rates, which have not been revised since 1983 Rates for all areas remain

- □ R10 for a vehicle,
- □ R2,50 for every R1 000 of the value of a house; and
- □ R10 for every R1 000 of industrial and commercial risks

The riots, however, have cost SA much more than R47m Sasria claims, after all, relate only to risks insured with it and exclude uninsured risks and losses incurred by the police and defence force — for which the State carries its own insurance

The police estimate damage since September last year at over R100m In total 615 schools, 1 920 private homes, 460 homes of policemen, 525 shops and factories, 180 development board buildings, 25 churches, 15 clinics, 165 beer halls and 75 bottle stores have been damaged or destroyed This is in addition to 3 140 private vehicles, 1 600 police vehicles, 3 300 buses, 200 development board vehicles, 38 post office vehicles, one train course and 12 bulldozers that have been burned Of course this list only details the material costs In human lives the costs are unquantifiable — over 800 people have died

Schneeberger says while Sasria complies statistics according to various risk categories, these are confidential He notes that most claims are from bus companies and development boards The bus industry as a whole, according to Gerrie Prinsloo, executive director of the SA Bus Operators Association, has lost R30m in damages and revenue

Putco, SA's largest bus transport company, has lodged claims in excess of R2m While this seems relatively little, most Putco buses are repaired and not written off whereas other companies replace buses — which cost around R150 000 each

No regional figures are kept — only a national figure But Schneeberger discloses that the pattern of claims is consistent, most coming from the PWV area, particularly the Vaal Triangle The Oranje Vaal Development Board estimates it has lost almost R20m in riot damages. The eastern Cape provides the second biggest claims

Notes Schneeberger. "The brief period when claims poured in from Natal and claims currently arriving from the western Cape are exceptions to the claims pattern"

In Natal, claims from the Port Natal Development Board (PNDB) total some R500 000 — the major one being for a burnt school in KwaDaveka used by PNDB for offices.

According to Schneeberger it is too early to ascertain how many have taken up Sasria's offer (since March 1) of limited consequential loss cover — which provides for indirect losses incurred as a result of material damage

It must be remembered, however, that while items such as lost wages, interest and rent are covered, loss of profits as a result of rioting is not covered — for this, cover must be bought overseas

Sasria is an association of local short-term insurers, plus Lloyd's of London, that provides cover against losses through political riot and related disturbances The government is the ultimate reinsurer Commerce, industry and the public are covered, as well as certain government and local authorities

Cover under Sasria is certified by a coupon in the case of fire and a self-standing motor policy for motor vehicles Both are issued by member insurance companies who act as agents to Sasria and collect premiums on its behalf Agents receive a commission of 10% and brokers a maximum of 5% ■

US PROTECTIONISM

Durr hits back

It was not planned that way, but Kent Durr, Deputy Minister for Finance, Trade and Industry, arrived in Washington last week just as protectionist gunfire erupted all around him Some of the shots were aimed at SA

Durr was ostensibly on a multi-city tour of South African trade promotion offices, which have a tough enough time keeping the export flow to the US steady around \$2,6 billion a year

One of the less well-kept secrets is that textiles from SA — including a lot of semi-finished apparel — have enjoyed extraordinary market penetration among New York Third Avenue wholesalers and Fifth Avenue fashion houses The reason is pretty well known, too South African cutting and sewing shops offer a better product at cheaper prices than sweat-and-sew emporiums in such low-wage havens as Haiti and Puerto Rico The strength of the dollar versus the rand has helped, too

As a result SA textile exports to America — \$9,2m in 1983 — more than trebled to \$30m last year and are soaring again this year For the first five months of 1985 South African fabrics worth \$44m were tallied by US government customs valuators But not without some protest, not surprisingly

Sore losers among the competition have been quick to protest to the Reagan administration that South African products subsidised by apartheid-depressed wage rates should not be allowed to displace workers being exploited by American apparel concerns The logical extension of this argument is that if the poor are to be victimised, at least let them be American poor The argument, admittedly, does have some acceptance among Reagan trade strategists

The result is that secret talks start this week in Washington with the Americans trying to win agreement from South African negotiators to limit textile shipments "voluntarily" to escape mandatory quota limits Behind that, of course, is the real threat that the Reagan administration might be forced, if unwillingly, to listen to anti-SA protests and ban textiles altogether just as it did Krugerrand sales

All this left Kent Durr arguing to anyone who would listen that expanded trade with SA was an essential ingredient to any plan to dismantle apartheid

"You cannot have political reform of the kind you want — and I want — without economic growth After all, the industrial revolution was a pre-condition for the reforms that followed in England and elsewhere and the same is true in SA," Durr told a Washington press gathering

Sanctions, he said "create an atmosphere that works against productive investment in SA, even by South Africans Without that investment it is unrealistic to expect any movement toward political freedom"

What will happen in the textile talks is an

Deputy Minister Durr . . . arguing for trade links

open question SA's problem is that the Reagan officials who direct policies involving southern Africa are not concerned directly with textiles, while trade negotiators are proscribed from considering Durr's political analysis — even though the issues are closely intertwined ■

FM 8/11/85

ASSURANCE

232

Sanlam's turn

SA's assurers seem to be accumulating vast amounts of capital As they go from strength to strength one wonders whether the growth of these giants is inexorable Recession even seems to have speeded up this process

Sanlam is the latest assurer to come out with record results, for the year ended September 30 Bonus rates have been declared of 17,5% on retirement annuities (RAs) and 16% on ordinary policies

Losses in Kirsh, Nissan and Gencor have a negligible influence as Sanlam says they make up only 2% of total assets — now R7,8 billion

This is still well behind Old Mutual, which

(232)

broadened its asset base by R2,6 billion to R13,5 billion at June But Sanlam maintains its number two position with the asset value of nearest rival Liberty Life just over R5 billion at June

Of the three largest assurers, Liberty, however, shows the largest increase in asset base Its 36% increase is largely a result of foreign investments which, when converted to rands, have performed amazingly and boost the book value of total assets Liberty has far larger foreign holdings than Sanlam or Old Mutual, whose total assets increased 25% and 24% respectively.

Total assets of the 41 members of the Life Offices' Association increased by almost R4 billion in the first six months of this year to reach R33,3 billion in June This means that the three largest life assurers now control just under 80% of the industry's assets

The nature of the insurance industry goes some way to explaining why these three life offices are among SA's five largest corporate groups They are flush with policyholders' cash and are able to invest plenty of it Premium income grows every year, giving excellent investment opportunities.

Certainly policyholders have benefited too Old Mutual's benefits paid to policyholders totalled R836m (up 41%) Sanlam's policy payments are R759m In the first half of this year the life insurance industry as a whole paid out R1,2 billion in benefits, though the number of new policies sold during this period declined from 574 000 to 546 000

Sanlam reports a 22% increase in premium income (R1,6 billion) which is, MD Pierre Steyn notes, "the same growth as in the first 60 years of Sanlam's existence." Investment income of R872m (27% up) represents a return of 13,8% on average assets

For its part, Old Mutual recently announced rises of 14% in premium income and 31% in investment income to R1,8 billion and R1 billion respectively It declared a 17% bonus on RAs and 16% on ordinary life policies

For the industry as a whole over the first six months of this year total premium income increased by R82,4m to reach almost R3 billion and investment income rose to R1,75 billion (up R181m) Total income (premium and investment) exceeds R4,7 billion, up 39% over the same period in 1984

Sanlam's portfolio shows some interesting features In 1980, interest investments comprised 61% of Sanlam's assets, yielding 58% of gross investment income

Interest investments have increased slightly to 62% of the portfolio, but give a larger yield of 69% of investment income, reflecting high interest rates over the past five years. Steyn says "Because we considered interest rates had moved to relatively high levels, we accelerated the rate of investment in prescribed stock and invested more than the required minimum during the year"

Old Mutual has also reduced its level of untradable stock in client portfolios in favour of highly marketable investments, especially South African-prescribed securities

Sanlam bought and sold options on stock in excess of R200m By using the options market Sanlam took advantage of interest rate movements and buffered itself against capital losses

Around half Sanlam's new investments in stock have terms of five years and under Sanlam has also been converting long-term stock to short-term stock

About half the new funds were invested in prescribed assets, 10% in other interest bearing investments, and 20% each in equity and properties

Sanlam's equity purchases include AFC, Anchusa, Barlows, Beatrix, Dorbyl, Messina, Safren and Sappi Its largest holdings are in FMB/Gencor, Sasol, Barlows, FVB, SA Breweries, Nissan, Bankorp, Kirsh, Safren and Malbak

Of the R270m invested in property, R200m was in non-risk investment such as leasebacks At present Sanlam is developing properties worth R280m, the largest being

FM INVESTMENT CONFERENCE

Ten of the 13 speakers at this year's *International Investment Conference* (now fully booked) have been featured in the *FM* over the past few weeks. Before delegates take their seats at the Carlton ballroom next Thursday they may be interested to know something of the remaining three

Julian Baring, Mining Partner in James Capel & Co, one of the UK's largest stockbrokers, will be one of the speakers on Thursday morning Baring spent the first eight years of his business career with Anglo American in Zambia and Rhodesia, as it then was, before returning to England in 1974 to work for Charter Consolidated.

In 1976 he moved to James Capel, which was recently acquired by Hong Kong & Shanghai Bank, to help set up a new mining department. He was appointed partner in charge of a team which, for several years, has been rated top in the Extel survey of financial analysts As well as specialising in gold and gold shares, Baring manages international gold portfolios for some of the firm's private clients.

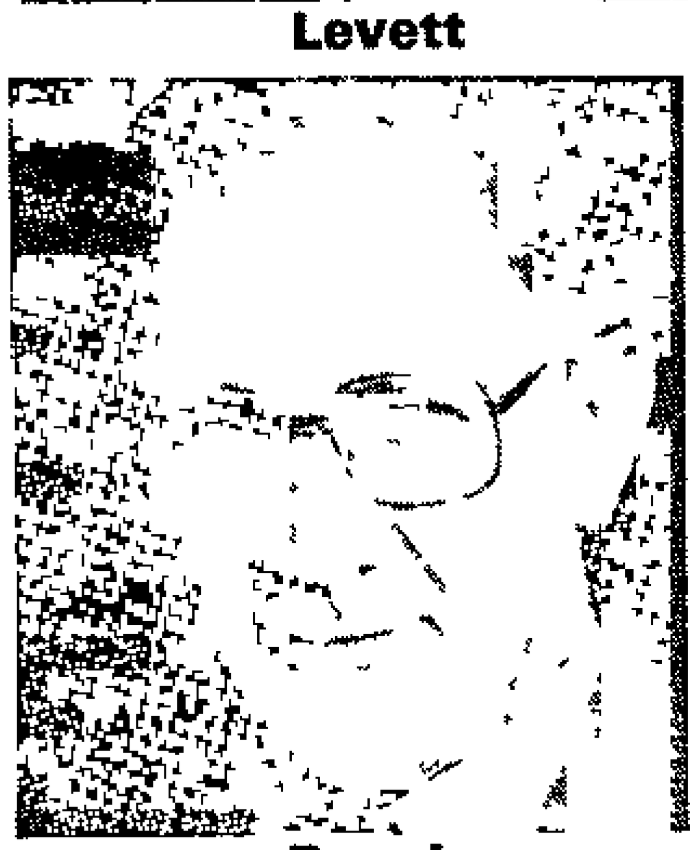
Due to speak immediately after Baring is Simon Brand, chief executive and chairman of the Development Bank of Southern Africa

Brand has served on so many important councils, commissions and committees that he is already well known, at least by reputation, to most businessmen Currently he serves on the State President's Economic Advisory Council, the National Manpower Commission, the Energy Policy Committee and the boards of the First National Development Corporation of South West Africa and the Small Business Development Corporation (SBDC) He holds a B Sc and D Sc in agriculture from the University of Pretoria and an MA from Stanford In the Sixties, he received a fellowship from the Rockefeller Foundation and an Earhart bursary from the Relm Foundation.

He has been a lecturer and senior lecturer in agricultural economics and has held chairs at RAU and the University of SA Between 1978 and 1980 he was Economic Adviser to the Prime Minister and chairman of the PM's Economic Advisory Council He again served in these capacities on a part-time basis between 1982 and June this year

The address on Friday morning by Old Mutual MD Mike Levett on the outlook for industrial shares is likely to be followed with special interest Levett was appointed MD in July this year, having spent his entire career with SA's biggest life office. A B Comm (UCT), Levett is a Fellow of the Institute of Actuaries in London, Fellow of the Faculty of Actuaries in Scotland and Associate of the Society of Actuaries in the US Having worked in the actuarial and investment areas at head office since 1959, he was seconded to subsidiary Mutual & Federal (M & F) in 1971 He was appointed MD of M & F in 1980 — a position he held until becoming MD of Old Mutual In the interim, however, he served as GM (Pensions) and GM (Investments). He is chairman of Lydenburg Platinum and sits on the boards of the Central African Building Society, the SBDC, SA Breweries and several other companies


Levett


Brand


Baring

232 FM 8/11/85

Sanlam Plaza West in Pretoria

In total Sanlam paid out almost R200m in death claims and more than R500m accrued to policyholders Its universal life product, the One Policy, launched three months ago, is already responsible for over 25% of new business premiums Steyn says more than 15 000 One Policies have been sold "We only hoped to sell 10 000 by the end of the year so to have exceeded this goal already is remarkable "

Sanlam's market share for pension and group business increased to 32% and its market share of total premiums reached 30% ■

FEATURE

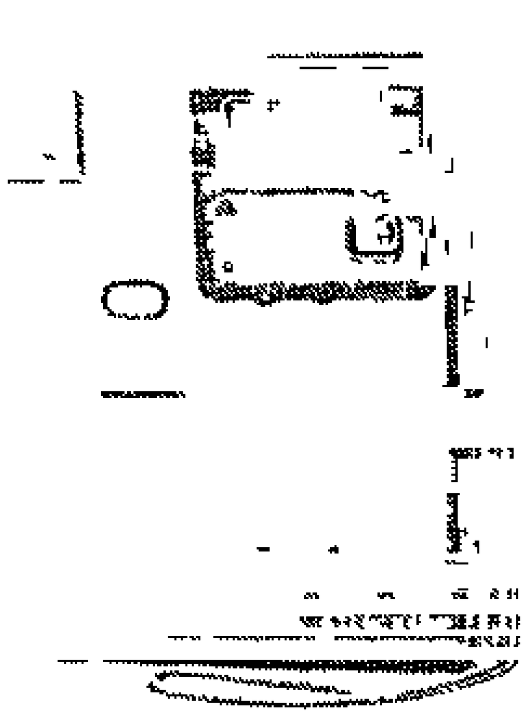
ALTERNATIVE INVESTMENTS

Liquid assets the answer?

Small investors may find it pays to put cash into crates of good red wine. And not only because, if the worst comes to the worst, the contents can be put to good use Its relative advantage over other assets is due to the current distortion in conventional investment patterns.

Historically, recessions bring low interest rates as demand for money drops, while booms generate high interest rates to attract funds that otherwise go into inflation hedges Perversely, the recession of 1984-1985 saw interest rates reach record highs, with prime peaking at 25% early this year Now, as interest rates drop, another anomaly emerges

Traditionally, investors turn to property when interest rates fall But with violence spilling out of the townships into white business and residential areas, enthusiasm for immovable property is low



Krugerrands are always a possibility, but their value is linked to the fortunes of gold and the price has proved erratic in the past It remains to be seen whether the premium value of proof Krugerrands will survive the collapse of the SA Gold Coin Exchange, but many observers are doubtful

Institutional investors are buying on equity markets, pushing up the prices of quality shares; so the small investor must either buy expensively, turn to more speculative stocks or look elsewhere

Wine seems a promising alternative Unlike works of art and collectors' items, it doesn't need specialised knowledge

Says Sothebys' Stephan Welz "You have to store it correctly and you have to know when to open it But if you buy from a reputable source they will tell you these things "

Registered collectors are permitted to auction their wine so it is marketable Though cheaper wines are in oversupply, good wines have appreciated remarkably over the past few years and should continue to as the price of imported wine rises in rand terms

FM wine writer Michael Fridjhon sees both advantages and drawbacks to wine as an investment

In its favour "It increases in rarity as people drink it And the product gets better as it matures The result is you can keep ahead of inflation and more

"If I were to spend R50 000 on good wine today, in five years' time it would be worth about R120 000 In that time the value of money would have halved so the profit would be about R20 000 "

The investor's path has been smoothed by an innovative scheme launched last year — Cape Wine's Bergkelder Vinoteque Explains marketing manager, Giel Groenewald "We have put our storage facilities at the disposal of the purchaser Should he want any of his wine we arrange delivery to Johannesburg "

To get a collector's licence you have to establish that you collect wine, which Bergkelder's documentation does "A case in the garage and one in the broom cupboard is a little more difficult to prove," says Groenewald

While wine works as an investment on a small scale, the catch to buying large amounts, points out Fridjhon, is that you can sell too much of a good thing "You get a wine like Meerlust Rubicon which has been a wonderful investment over the past few years Now nobody's drinking it and the market's getting soggy "

Large quantities for sale destabilise prices because the market can't absorb them So wine is a good proposition for small investors only — and not too many of them

The secret of real success is to find something that hordes of other people haven't — and there are a few of those

Says Welz "Probably one of the best fields is books There are numerous examples of people picking up books at SPCA sales for a few cents and finding they are very valuable "

Other suggestions from Welz are scientific instruments, cameras, wrist watches "An early Rolex Prince, popular in the Twenties, is now worth R6 000-R8 000 Silverware is a possibility, because there are handbooks available "

Stamps, coins and works of art he advises against, as they require both information and experience

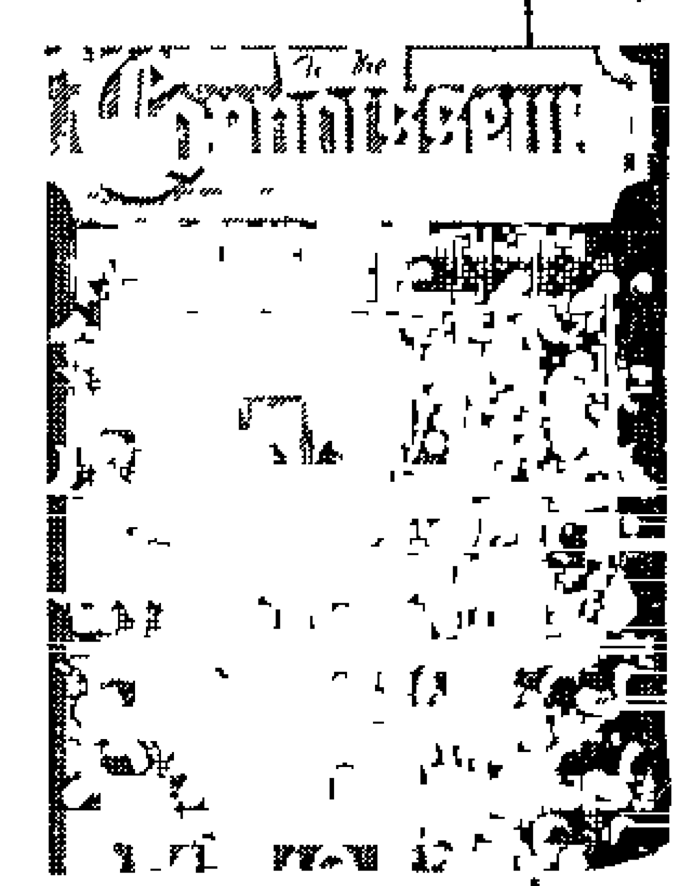
Persian carpets says Jean Temkin, coeditor of *Money* magazine, need months and months of study — and the services of a reputable dealer

Diamonds she would avoid — "They're in oversupply "

What then?

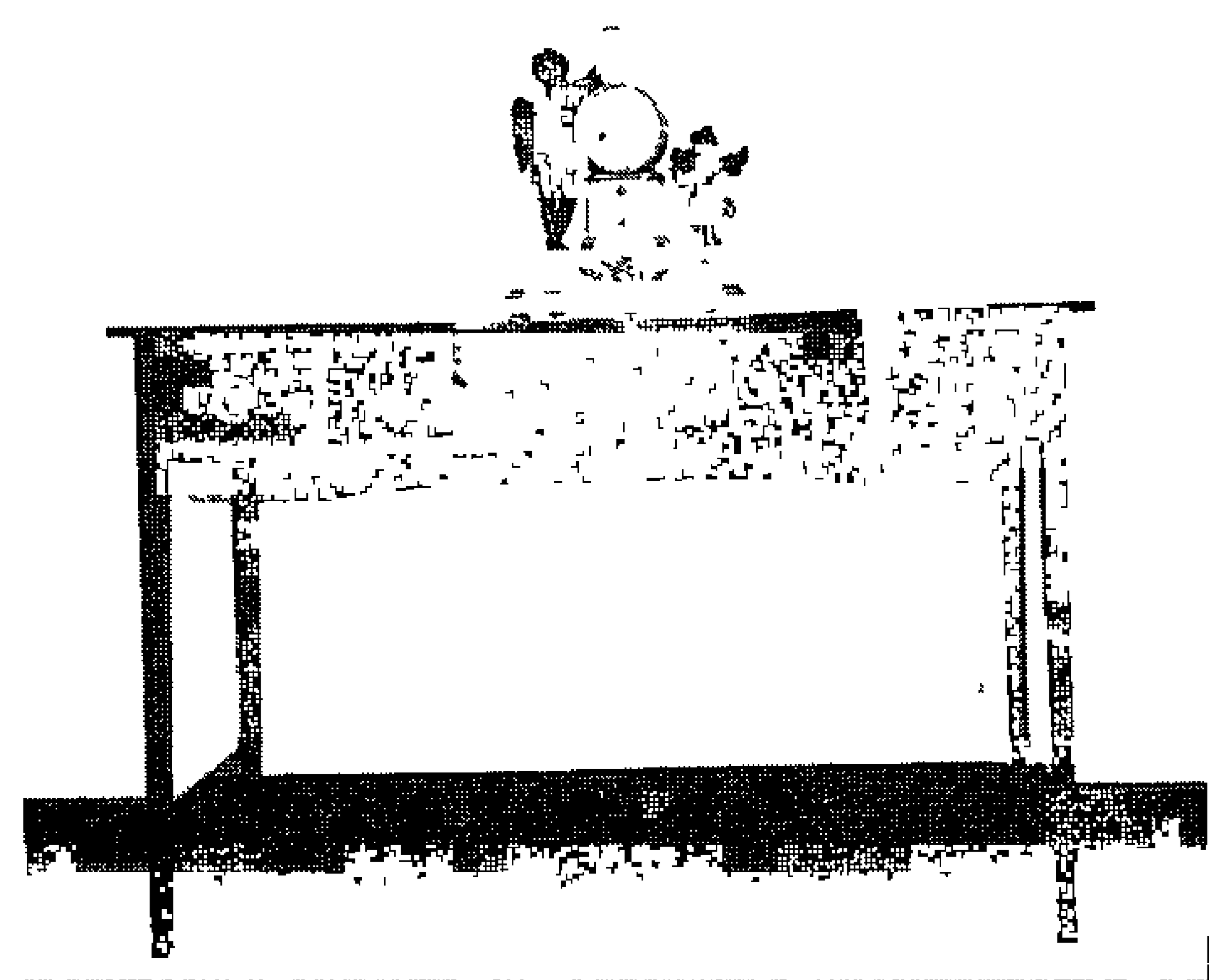
Temkin believes antique furniture made of good wood has potential

"Trees take hundreds of years to grow and deforestation is making them terribly scarce "



On a very small scale, consumer durables may pay off With the cost of imported goods and components rising, things you are likely to need in a few months' time — like TV sets, hi-fi or video recorders — are better bought now

Motor cars are a good example Generally speaking, a motor car drops drastically in value when you drive it out of the showroom But if prices rise steeply enough, the "second-hand" label may acquire a new meaning



INDUSTRY 232 B. Day 15/11/85

General Electric talks start

ALAN PEAT

SA GENERAL ELECTRIC MD James Douglas confirmed yesterday that negotiations were taking place between local employees and the US parent company on buying out the local subsidiary

However, he added that while discussions were taking place, nothing was near the signing stage.

"We cannot finalise the deal until the whole restructuring of the operation is complete and until we get firm financial commitments," he said

He expected the end-result to show four companies operating under separate management, splitting GE's present operations into the most appropriate divisions

"But the companies will still have complete access to GE internationally. All four could be backed by GE on technological research and development, maintenance of units, supply of parts and licence agreements And the companies would still be involved on a buy-and-sell basis, distributing from overseas GE sources

"It would be business as usual under new ownership, with profits retained here in SA."

SA GE's current set up is Ownership of electrical workshop operation Reid and Mitchell; manufacture of capacitors and lighting arrestors, a major relay contract with Escom in association with GE in the US, separate divisions in plastics and medical systems, a locomotive business in consortium with Dorbyl, and an information systems office tied in with GE's international Geisco operation.

President of the American Chamber of Commerce (Amcham) Fred Lubke said this could be the start of a chain reaction

"Not every American-owned company in SA is doing well, and this could influence any number of companies in disposing of their SA assets"

JBMWU, to the extent that hardly had it been

Rationalisation move will ensure viability of Durban newspapers

232 Star 15/11/85

Financial Staff

The Argus has entered into an agreement with Durban-based company, Robinson, to rationalise the facilities of the Argus Durban branch and the latter's newspaper business, by merging them into a newly formed company named Natal Newspapers Pty.

This company will own, print and publish the *Natal Mercury*, *Daily News*, *Sunday Tribune*, *Ilanga* and *Post Natal*.

This agreement became effective on November 1 this year, and Argus and Robinson will be equally represented on the board of the new company.

The Durban branch of the Argus Company and Robinson will dispose of all their assets used for their newspaper businesses, excluding cash, some investments and buildings to Natal Newspapers.

The cost of the acquisition will be implemented by Natal Newspapers issuing 70 percent of its shares to the Argus Company and 30 percent to Robinson and crediting the balance of the total cost to the loan accounts of Argus and Robinson in the books of Natal Newspapers.

The loan accounts will be repayable from future profits.

The effect of the rationalisation is that, through Natal Newspapers, the Argus acquires 70 percent of Robinson's merged assets for R7,42 million and Robinson acquires 30 percent of the Argus Durban branch's merged assets for R13,29 million. These figures are subject to audit.

The merger will result in significant savings and, once the initial costs of rationalisation have been absorbed, profitability from the group's Durban operations is expected to improve.

There will be no material effect on net assets or, in the short term, group earnings, but the merger will ensure the future viability of newspapers in Durban.

Subject to the conditions that the power to appoint the editor of the *Natal Mercury* must be vested in the board of directors of Robinson, where it has always been, and that the editor must have complete responsibility for the editorial policy of the *Natal Mercury*, the Competition Board recorded the opinion that there is no likelihood of the existence of circumstances which would not justify the merger in the public interest.

Both these conditions are contained in the agreement.

The Minister of Home Affairs has stated, in terms of the Internal Security Act, that he has no objection to the transfer of the newspapers to Natal Newspapers.

The Minister of Trade and Industry has indicated that he intends to instruct the Competition Board to re-examine the merger and submit a report to him.

However, as all relevant information was made available to the Competition Board at the time it considered the merger, the board of directors of the Argus Company does not anticipate that the Competition Board will alter its opinion.

Members will be kept informed.

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CAPE TIMES 21/11/85

232

21/11/85

Fralex buys 49% of firms

JOHANNESBURG — Fralex Ltd bought 49 percent of Coal Spinners (Pty) Ltd, Residue Disposals (Pty) Ltd and certain trading operations of J G de V Leach for R1,67m Fralex ordinary shares at R2 each, Rand Merchant Bank Ltd announced yesterday

The statement said, "based on the 1985 audited results of Fralex, the deal would have cut net asset value a share to R1,18 from R1,32 the purchase is effective from November 7" — Reuter

CAPE TIMES 27/11/85 232

Mines merger gets govt approval

JOHANNESBURG — Anglo American Corp of South Africa Ltd s proposed merger of its Free State gold mines has been given government approval

"Official approval had been granted," a spokesman from the Mineral & Energy Affairs Ministery told Reuters

"The company was informed by letter over the past weekend he said

Trading in shares of Free State Geduld Mines Ltd President Brand Gold Mining Co Ltd and Western Holdings Ltd Welkom Gold Mining Co Ltd and President Steyn Gold Mining Co Ltd was suspended on Tuesday at Anglo's request

The suspension was with immediate effect until Monday, November 25 so as to allow for negotiations on the proposed merger of the mines, originally announced in December last year

Share movement

Anglo is making no commment at this stage but may hold a press conference on Friday

A gold analyst told Reuters that he believed the local market had already discounted the proposed merger and he did not expect much share movement if the merger was finalized

He said now Anglo would need shareholder approval and could set up a meeting in the next month

The chairman of Anglo s gold and uranium division, Mr Peter Gush said in February that the proposed merger will maximize dividend yield optimize exploitation of the remaining ore reserves and extend the lives of the mines

Ore reserves of the merged mines would total around 350m tons containing about 2 500 tons of gold

Anglo expected around 20m tons to be milled a year with an average grade of 5,5 g/t — Reuter

B. Day 22/7/88 (232)

Barlow forms R200m group

MATTHEW WHITE
Technology Editor

REUNERT, Barlow Rand's electronics and high-technology subsidiary, has merged the Persetel and BarlowData groups to form SA's largest locally-owned computer organisation, Reunert Computers, with a projected turnover of R200m for the current year.

Roux Marnitz, the former Persetel chief who has been appointed MD of Reunert Computers, told *Business Day* that the group will be geared to serve the local market and to exploit identified export opportunities.

"The significance of this reorganisation is the strategic thrust into local manufacture, with a greater emphasis on products which are designed and developed in SA," he said.

"We have taken two companies that are already active in this field and merged their manufacturing activities."

The group will be structured in four major divisions

□ Persetel, specialising in IBM-compatible mainframe computer systems, has Marnitz as executive chairman and Hermus Erasmus as GM and director

□ Perseus Computer Systems, distributing Data General mini and supermini computers, has Andre Botha as MD.

□ Reunert Computer Manufacturing, which consolidates existing development and manufacturing capabilities, also includes Andromeda Electronic Systems, Advantech, BarlowCAD, Sapec, AOS and Vector Graphics. Doug Henwood, deputy MD of the group, is acting CE

□ Reunert Computer Sales, which will market locally-developed computer products, has James Smit as MD

Saco Systems will not be part of the new organisation and remains in the Reunert Information Systems group.

Savings bank and Finansbank merge

26/11/85

ALAN SENDZUL

THE Cape of Good Hope Savings Bank Society is to merge with Finansbank's Cape Town branch operation to form a registered bank called the Cape of Good Hope Bank 183. (Ltd)

Finansbank will hold an 80% stake in the equity, and the society 20%. However, the voting rights are to be 60:40 in favour of Finansbank.

Says Finansbank chairman Piet Liebenberg: "The new bank's business will be chiefly industrial-leasing and financial-advisory services backed by Finansbank's merchant-banking expertise."

The benefit to Finansbank will probably be a more effective thrust into established Cape finance. Apparently the merchant bank believes the Cape society to be a better vehicle than its existing branch in Cape Town.

The move will provide the society with the ability to expand its capital base through the issue of share capital. The merger will free Cape of Good Hope from its present rigid structure which inhibited expansion.

Liebenberg does not envisage a JSE listing for the new bank. Instead shares will be placed privately with selected clients of the society at a market-related price.

Argus 28/11/85 CAPE

General Motors, BMW talk of 'rationalisation'

Argus Bureau

PORT ELIZABETH — In a new blow to this recession-hit city General Motors and BMW are discussing "rationalisation" of excess manufacturing capacity of their plants.

But BMW public relations manager Mr Pierre de la Rey emphasised that the talks were not concerned "at the present" with mergers or takeovers.

"We are talking only of some form of co-operation," he said.

"With the car market in the state it is, with total capacity more than three times greater than the present market, plant utilisation is crucial."

Mr de la Rey said BMW had also had talks with other manufacturers about excess manufacturing capacity.

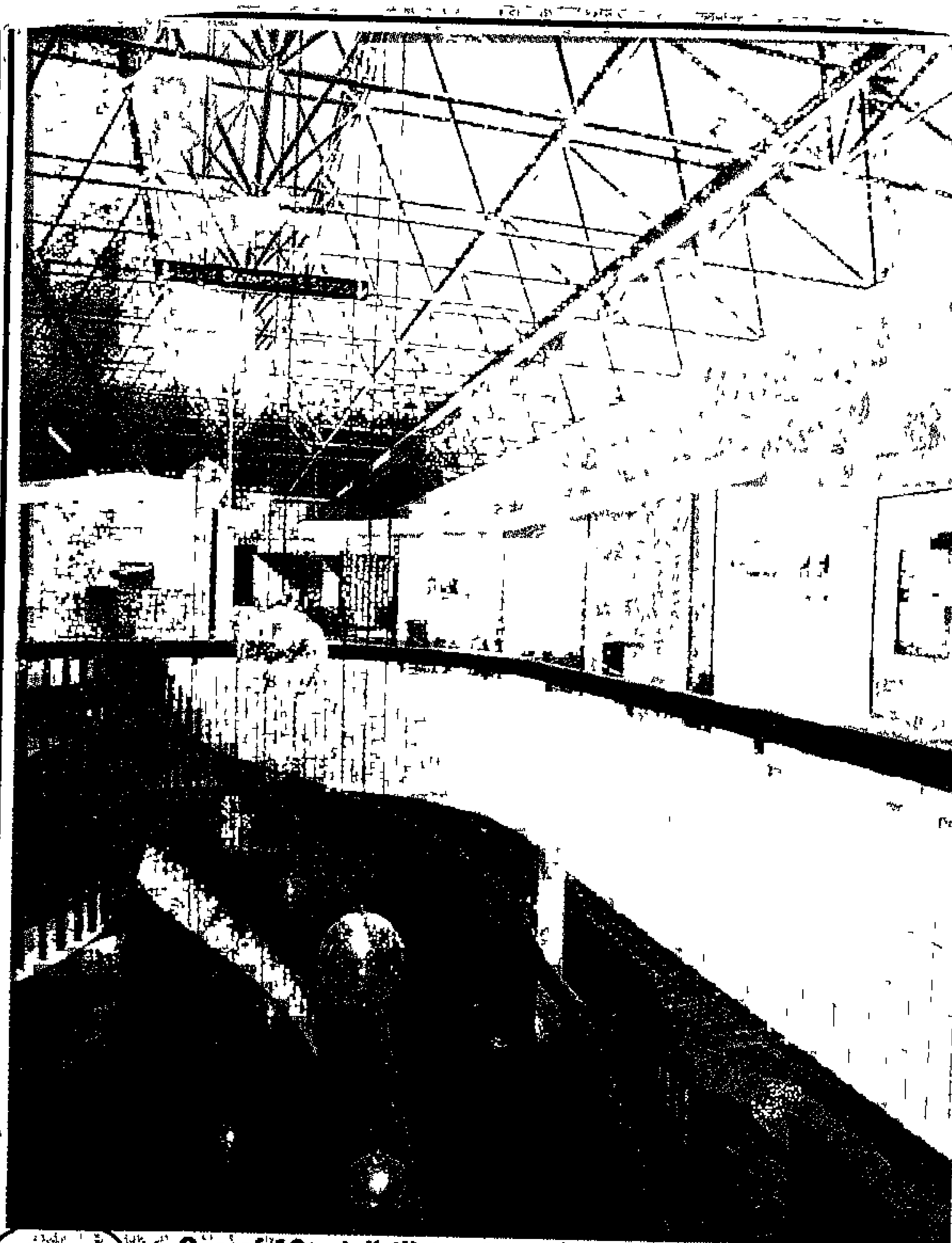
"In fact all the companies are talking to each other and looking for an answer to the problem."

It was announced yesterday that 1 300 workers at the Ford division of Samcor in the city are to lose their jobs on December 13 as part of the rationalisation between Ford and Mazda.

Mr de la Rey said General Motors and BMW executives had agreed that no details of their talks were to be released to the Press and so he could not say how long the talks had been going on or what stage they had reached.

But he emphasised that "no one is going to take us over."

Mr Peter Sullivan, public relations officer of General Motors in Port Elizabeth, said the company had no comment on the talks.



232 One of 10 retail tile outlets in the new company 1/12/85 S. Times

R40m turnover tile giants link up

By Kerry Clarke

TWO large companies have joined forces to form South Africa's biggest ceramic group, with an estimated turnover of R40-million.

Italtile, an importer and distributor of Italian and other ceramic tiles, and Samcatiles, which makes floor and wall tiles, announced their merger to Business Times this week, and said the move was not motivated by poor business conditions.

Gianni Ravazzotti, chairman of the new group, says Samcatile's monthly production of 100 000m² is insufficient to meet demand, and the group plans to expand the manufacturing facility to produce an additional 70 000m² of tiles every month.

Mr Ravazzotti says although the number of homes being built in SA has declined, the group has always sold mainly to the renovation market, which is still active.

Ceramic tile sales in SA total about 14-million square metres a year, and 4-million square metres are imported. Mr Ravazzotti says Italtile has between 20% and 35% of the imported tile market.

Italtile will be Samcatile's main retail arm, and together they will have about 20% of the ceramic tile market.

The group includes a R7-million ceramic tile factory at Babalegi, Bophuthatswana, and 10 retail outlets, including five Italtile centres and five budget operations operating as Ceramic Tile Market.

The group's main competitors are Boumat's retail outlets on the retailing side, and Johnson Tile in manufacture.

BUS DAY 2/12/86

Foskor gearing up to go private?

ROY BENNETTS

FOSKOR, the state-owned phosphate mine at Phalaborwa, looks to be gearing up for its eventual move into the private sector.

The recent appointment of John Stanbury as managing director is in itself a move away from the somewhat bureaucratic form of management normally associated with public sector-run operations

Stanbury joined Foskor early this year, and was appointed to his new position in May.

Previously, he had been general manager of Silicon Smelters, a division of Samancor

Foskor's move into the marketplace is not expected until the company is in a strong profit-making position and has cleared away the present short-term borrowings of R5,3m (R7,4m)

Stanbury has made it clear that his priority is to improve Foskor's cash flow

Privatisation will also depend on the commissioning of the enlarged Richards Bay export facility

The combination of these factors would suggest a date towards the end of 1987.

Trading results at Foskor are tightly interwoven with its wholly-owned subsidiary, Foskem, so that the balance sheet of both companies must be considered when assessing the position of the company.

In the financial year to end-June, the combined turnover amounted to R152,6m, compared with R122,6m in the previous year.

Taxed profits were R2,7m (R2,2m), after an interest payment of R16,5m (R9m)

A breakdown of Foskor's total sales of 2,8-million tons, in the 12 months to end-June, shows that 1,5-million tons went into domestic consumption while 1,3-million tons, in processed and rock form, was exported

Domestic sales at about R36 a ton contributed R54m to turnover, with exports at least matching this amount

The sale of 12 863 tons of copper and 5 142 tons of baddeleyite brought in another R45m

Export sales were enhanced by the low rand exchange rate.

The Richards Bay export terminal is expected to have a second ship-loading facility early in 1987, which should at least double the present capacity.

This should promote the export of the 2-million tons of phosphate rock that Foskor claims to have indentified as having potential overseas markets

Entry into new overseas markets is considered to be the button that will activate Foskor's move into the private sector

One of the major mining houses is tipped to buy the phosphate producer.

BUS DAY 3/12/85 232

Western Cape-based bank needs a cash injection

Two banks prepare for a marriage of mutual benefit

CHRIS CAIRNCROSS

THE marriage proposed between the Cape of Good Hope Savings Bank Society and Finansbank is one of economic necessity for the Western Cape-based institution

Inhibited by its rigid structure from independently creating a capital base from which to expand, Good Hope has been faced with the prospect of seeing its limited empire whittled away by more powerful institutional competition.

The problem has been under review since 1982, says Good Hope chairman John van Niekerk.

He has been chosen to chair the child to be spawned from the proposed marriage.

Various options had been looked at, including that which would have meant a radical change in Good Hope's make-up, from a mutually-owned society into a proprietary company

None was considered suitable, until Finansbank's Piet Liebenberg suggested there appeared to be considerable "synergistic" benefits in linking the two institutions.

For Finansbank, the marriage gives it an immediate power base in general banking in the Western Cape.

For Good Hope, the arrangement will provide a means of injecting new life and financial muscle into the organisation, enabling it to rise above the limited platform that led to its creation by an Act of Parliament in 1831

The marriage still requires the seal of approval of Good Hope's 160 members, who are elected each year, at a meeting scheduled for December 9.

After that the partnership is expected to become effective from April 1 next year.

Van Niekerk says the make-up of the Cape of Good Hope Savings Bank Society will remain largely unchanged by the arrangement.

It is to dispose of its banking interests to the new bank, which in turn might mean introducing some cosmetic changes to the Act under which it was created.

In return, the society will have 20% of the issued share capital in Good Hope

Finansbank is to place all its instalment credit activities within the umbrella of the new Cape institution, and will acqure 80% of the issued share capital.

A private placing of the bank's shares will also take place next year.

The offer will be made to members of the society and to some of its Cape-based clients.

"We have not yet decided what we will require in additional capital, but we could be looking for between R5m and R10m initially," says Van Niekerk.

In its latest available annual report, for the financial year to December 1984, Good Hope's total assets stood at R159,2m.

Depositors' balances stood at R149,7m, and reserves at R8,1m. Net taxed income was R500 000.

Good Hope's current client base, all in the Western Cape, is about 65 000.

Its main business has been in providing home mortgage bonds, and offering instalment sale and leasing services.

The bank has also had a penchant for providing venture capital.

In the process it has acquired an odd assortment of investment interests. These include stakes in Cart-Ad, a company selling advertising space on supermarket trolleys, Powdermet, a company producing high technology products from powdered metals, and Chelsea Arms a Cape Town restaurant

GM and BMW may be merging in SA

CAPE TIMES 5/12/85 (232)

Own Correspondent

DURBAN. — Motor industry sources claimed last night that General Motors and BMW had concluded a deal which could lead to the two organisations joining forces.

The sources said the deal, if it led to a merger, would mean the end of much of the American-based company's local range.

The popular Opel Kadett range would be manufactured by BMW at their plant in Rosslyn, while the rest of the range, including Ascona, Rekord, Commodore and Senator would be dropped, the sources, based in the Eastern Cape and Johannesburg, said.

But neither of the two companies was prepared to confirm the deal last night.

GM managing director Mr Bob White said "The current trends in the economy lead vehicle manufacturers to consider ways and means to remain viable and competitive through rationalizing to the greatest extent possible and effecting economies in the process.

"A number of potential avenues are being explored and General Motors has talked to other manufacturers in similar positions.

"It is no secret that the international vehicle manufacturing industry is doing the same thing in order to offset the rapidly escalating cost of research, development and production."

Meanwhile, Renault, which recently announced its withdrawal from South Africa, is thinking again.

A spokesman confirmed. 'Yes, we are still busy talking.'

It is possible that Renault cars could be built by another manufacturer and distributed through the existing dealer network as was the case before 1982.

Renault will have 2 700 built-up vehicles when its contract with Leyland at Elsies River ends next week, so stocks will continue to be available until May or June, the spokesman said.

CAPE TIMES
5/12/85
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Fishing grounds 'up for grabs'

From NOEL BRUYNS

WINDHOEK — SWA/Namibia's rich fishing grounds are up for grabs again

On December 9, the cabinet in Windhoek will decide on the reallocation of fishing licences They lapse on that date in 25 years' time

A number of South African fishing concerns will be affected by the decision

For example, Marine Products, a Cape Town-registered company, a full subsidiary of Fedfood SA, has three wholly-owned subsidiaries in SWA/Namibia

When the cabinet allocates licences it will also reallocate quotas each licencee may catch

But some cabinet members and quota holders want the quota for certain South African interests increased

Another faction, however, wants a better deal for the territory itself Only the quota of Consortium — the only locally-owned concession holder — should be increased, they say

SWA/Namibia is also anxious to protect its fishing resources from "foreign fleets".

According to analysts, the industry has over the years brought in a profit of almost R500 million, of which only a small part has been put back into the territory

"Blessed with one of the richest fishing grounds in the world, we had to watch how everybody, with the exception of locals, climbed in and got rich — including some countries whose names we could hardly spell," complained an editorial in the Windhoek Advertiser

Finger in pie

International interest will be aroused by the interim government's reallocation of licences and quotas next week as the United Nations also has a finger in the pie.

In New York, the UN Council for Namibia decided to proclaim a 200-mile-wide protective zone which will be closed to foreign fleets

The Soviet Union opposed the idea Of the top seven countries fishing off SWA/Namibia, it stands at the top of the list with a catch of 357 000 tons

South Africa's catch, by comparison, is an annual 46 000 tons

6/12/85 BUS DAY 232

GM, BMW link-up 'imminent'

ALAN RUDDOCK

GENERAL Motors and BMW are expected to announce joint rationalisation plans within the next two weeks

Industry sources say a draft contract was tabled last weekend and both companies have reached agreement. An announcement, they say, is "imminent".

GM and BMW have not confirmed or denied the speculation surrounding the two companies. A GM spokesman said he "finds it counter-productive to even comment". He denied that GM plans to assemble vehicles outside of its present production facilities. BMW's Mike Brandt said "no comment".

The apparent reluctance of BMW and GM to kill the growing speculation about their talks lends credibility to the speculation

Sources say the likely outcome of the agreement is that BMW will assemble some GM models at its Rosslyn assembly plant near Pretoria.

A link-up between the two companies would have political and economic benefits for both, say business analysts.

The better economies of scale resulting from rationalisation would help shore up both companies' financial position while, politically, neither company would be seen to desert an established market because of temporary political inconvenience.

PRICE MOVES AT A GLANCE

REUTERS

KEY MARKET MOVEMENTS — DECEMBER 4 to DECEMBER 5

	Gold		JSE	Previous			Latest		Johannesburg Stock Exchange		
	$/oz	R/oz	Krugerrand	$/R Commercial	$/R Financial	DM/$	£/R	3 months B A	All Gold BD Index	Industrial BD Index	JSE Overall Index
Previous	324,60	901,66	926	0,3600	0,2985	2,5265	0,2439	13,40	1 192,7	1 135,8	1 316,1
				NO MOVE							
Latest	322,40	895,55	915	0,3600	0,2926	2,5180	0,2422	13,35	1 183,3	1 133,0	1 309,2

Southern gobbles Frame's Frasers holding for R13m

232 S. Times 15/12/85

By Zelda Zaayman

SOUTHERN Life has bought the Frame group's 28% holding in Frasers for R13-million The deal was transacted off the market

Frasers chairman Donald Campbell confirmed the sale at the company's annual meeting this week.

The announcement prompted a group of shareholders to start spreading rumours that Southern was going to launch a drive into retailing "the way that Liberty did through Edgars and Sanlam did through Kirsh".

The shareholders referred to market rumours that Pepkor, Score or Amrel could propose a takeover bid This, they said, would be advantageous to Southern, as it lacks a retail arm equal to Liberty's SAB connection or Sanlam's with Kirsh

The shareholders, who understandably would like to see the Frasers share price run, talk about Southern Life "flexing its financial muscle" in the "development of a megachain"

Southern Life would not comment, but Mr Campbell said he understood it was no more than a portfolio investment

Robbie Williams, chairman of Tiger Oats, said a shareholder agreement meant a change of control without reference to Tiger was out of the question The Macdonald family has 36% of Fraser pyramid, Frascon, and Tiger has 18% They have a pre-emptive right to each other's shares.

John McDonald, vice-chairman of Frasers, is only 40 and apparently a firm believer in a company that is performing well but would be performing exceptionally were it not for consumer boycotts

GM says 'merger rumours unfounded'

Cape Times 20/12/85

Staff Reporter

THE public relations manager for General Motors SA, Mr Peter Sullivan, yesterday said that the report in the Cape Times supplement, Carfinder, about rumours of a merger between General Motors of Port Elizabeth and BMW South Africa, was "completely unfounded".

He said the rumour was doing General Motors "a tremendous amount of harm" through lost sales and having repeatedly to deny the rumour.

He referred to a statement made by the managing director of GM, Mr Bob White, on December 6, which said.

"As we have stated on numerous occasions, it is General Motors' intention to remain in South Africa. We have no intention of leaving

"Further, we have no plans to assemble vehicles outside of our present facilities in Port Elizabeth.

"As to the speculation regarding any possible discussions with any other company, I can only say that I find it counter-productive to even comment on such rumours.

"I stress that continued speculation by the media will only have a negative effect on Port Elizabeth and its employment situation," Mr White said

Cape Times 28/12/85

Argus probe official

PRETORIA — Official notification of the Competition Board's intended investigation into the Argus group's acquisition of the Durban morning newspaper, the Natal Mercury, was published in the Government Gazette yesterday.

Anybody may submit representations on the matter to the board within the next 30 days

The announcement recently that Argus Printing and Publishing would acquire the newspaper interests of Robinson and Company led to a controversy over newspaper monopolies The Minister of Trade and Industry, Dr Dawie de Villiers, said he had instructed the Board to investigate the matter

The Argus group owns the Durban afternoon newspaper, the Daily News

According to yesterday's notice, the board is to ascertain whether an "acquisition . . has been, is being or is proposed to be made, and the nature and extent of the controlling interest held and acquired, being acquired or proposed to be acquired" — Sapa

B

Ownership & Control

1986

Jan. — Dec.

Top tug operators to pull together

ST 5/1/86

(232)

By Kerry Clarke

TWO of South Africa's biggest tug operators have pulled together in an attempt to secure a slice of the R3 500-million worth of action being contemplated at the Mossel Bay synfuel project.

Pentow Marine, the company which was this week formed by the merger of Land and Marine Salvage, a Murray & Roberts company, and Safmarine's tug division, represents a major force in the SA marketplace, with a fleet of 10 tugs and numerous other small vessels

Murray & Roberts regional director Bob Harvey says Pentow Marine will have a complete range of vessels well able to compete with international tug operators, many of whom have the backing of state subsidies

"Unlike many other countries, we have no local protection and we have to fight large companies from countries like Holland, Germany and Japan. In the US there is an Act which precludes any non-US vessel from operating in US waters."

Mr Harvey says the new group will have the muscle necessary to get new business overseas and simultaneously fight foreign competition at home.

Two biggest

He says that if the group can pick up some good contracts there is a strong possibility it will extend its tug fleet. A medium-sized tug today costs about R20-million.

Pentow Marine's tugs include Safmarine's Wolraad Woltemade and John Ross, the biggest tugs in the world, and Land & Marine's medium-sized deep-sea tugs, the Causeway Adventurer and the Causeway Salvor.

Land & Marine also has four small coastal tugs dedicated to work in the Durban harbour area.

It has been suggested that Safmarine will be glad to get the Land & Marine tugs on its side, as its giant tugs were sometimes undercut on contracts by these smaller vessels with their lower running costs

But, Mr Harvey says, although the two groups have competed on jobs in the past, 90% of the time they have complemented each other and worked together on big contracts — the work done after the explosion and sinking of the oil tanker Castillo de Bellver being a case in point.

In addition to the tug fleet, the Pentow Marine stable will include the Murray & Roberts company SA Diving Services, SA's biggest diving company. The company's 50 divers work throughout Southern Africa, doing everything from maintenance work on inland dams such as Kariba to salvage operations on ships off Mozambique

The M & R company Southern Off-Shore Suppliers will fall under Pentow Marine, adding 10 small service craft to the group. These craft provide harbour and immediate offshore services to ships, carrying anything from groceries to medical personnel to ships at anchor

A variety of other craft which served Land & Marine's interests in the oil-terminal operating business will also come under the Pentow Marine wing, as will the vessels of the small boating company Sealink, which has been bought from Renfreight.

Approved

The formation of Pentow Marine, owned jointly by M & R and Safmarine, has been approved by the Competition Board.

The merger sees further consolidation of the marine-services business in the Safmarine stable. In addition to its 50% of Pentow Marine, Safmarine also has 40% of Unicorn Shipping Holdings Unicorn's tugs are tied into a number of dedicated, long-term contracts with Soekor

Southern plans big expansion

CAPE TIMES 15/1/86.

(732) (68)

Municipal Reporter

NEWLANDS can expect a massive injection of commercial activity over the next few years if insurance giant Southern Life goes ahead with plans to expand its corporate headquarters on the corner of Dean Street and Main Road from 11 500 to 40 000 sq metres

Southern, which merged with Anglo American Life in 1984 to form the third-largest life assurance company in South Africa, says it is under "intense pressure" to establish a consolidated head office to accommodate its growing staff

If the company was unable to expand, it might have to consider moving its central operation to Johannesburg

Demolition

The expansion plans, which will necessitate the demolition of the picturesque Great Kimble block of flats behind the Great Westerford site, are currently before the City Council.

Southern also hopes to build a parking garage for 735 cars next to the Newlands rugby ground to provide staff parking

The garage would be available to rugby fans at weekends

At a press conference yesterday, Southern executives said they were "fully aware" of the possible environmental impact of the development and would try to preserve the existing natural features of both sites to the "fullest possible extent"

The additions to the head office will be built in the same style as the existing building and will be restricted to four storeys above ground

The parking garage, which Southern says will be designed to suit the suburban environment, will be linked to the head office by means of a public walkway along the Liesbeeck River

Although Boundary Road will be used initially to give access to the parking site, the council has suggested that Klipper Road be extended through the Schweppes site to the garage at a later date

In future years, the company intends developing a further 20 000 sq metres of office space on sites in the corridor between the railway line and Main Road.

The first phase of the development, which is expected to cost around R40-million, will begin in 1988 if the council gives Southern the go-ahead.

The ward councillor for the area, Mr Arthur J Wienburg, has criticized the expansion on the grounds that it will destroy the residential character of the area

He says although he is in favour of Southern expanding its headquarters, it should be restricted to the Great Westerford site and should not threaten existing residential accommodation

Mr Wienburg also questioned whether Southern would be able to persuade its staff to park at the remote rugby ground site and said he feared the failure to provide additional on-site parking at Great Westerford would increase parking and traffic problems in the surrounding streets

The driving of a road through the Schweppes site and the possible development of further office space there was also regrettable as this site would be better suited to residential use, he said

FM 24/1/86

(232)

TAKEOVER PANEL

Now it's official

Controversy has frequently hit the JSE committee in recent years over its handling of various takeovers and mergers. The lesson of this has been that a committee without means of effective sanction is powerless against a determined opponent. The clubby London method of a disciplined self-regulation of mergers, with the sanction of commercial ostracism, has not worked in SA

A takeover panel with statutory powers of enforcement would appear essential if fairness is clearly to be done to minorities, and the Margo Committee on company law obviously agrees. Its draft proposals for a takeover panel were gazetted last Friday.

The commission envisages a 17-member panel drawn from the JSE, government regulatory agencies, industry, the banks, unit trusts, life offices, the Chamber of Mines and the legal and accountancy professions. The panel would hold powers to regulate takeovers or transfers of control of companies, both listed and unlisted alike

It could investigate any merger with a view to ensuring that it is fairly carried out. It will prescribe rules such as disclosure to minorities, and who should or should not vote at meetings, as well as acting as a body of appeal from decisions of the executive committee Precedents set by the London takeover panel will have persuasive but not binding authority Day-to-day decisions will vest in a three-man committee, consisting of the chairman of the panel, a full-time executive director and one other member

The crucial point is that the panel would seek to regulate the procedural aspects of a merger and not decide on the terms, nor on the economic or business aspects, which are issues normally adjudicated by the Competition Board. Statutory sanctions would rest either on an interdict to prevent a merger or on measures to "unscramble" steps already taken towards a merger.

"The panel would express its disapproval on grounds of commercial fairness," says Judge Margo "It would aim to ensure that offers are made fairly." Says JSE president Tony Norton, "the JSE supports the panel. We believe it is necessary to have a body with power to support its rulings."

The JSE committee should know. It got a bloodied nose over its attempt to enforce an offer to minorities in the Sanki and Lanchem affairs, and hit plenty of flak over its handling of the Greatermans takeover. Successes there have been — the recent offer to minorities in National Veneer is one example — but these are limited Other controversies have centred on controlling shareholders who vote their bloc to force their will on a dissenting majority of the minorities, as happened last year in the Apex merger.

Once the JSE committee was reassured that the panel will not be an SEC-type commission, with wide-ranging powers of commercial regulation, but a panel which addresses itself only to mergers and takeovers, it threw its weight behind the scheme. The panel's credibility should rest on its representation being drawn from all interested parties

Judge Margo ... wants to monitor takeovers

The executive committee will have to ensure that decisions are reached speedily, within an hour if necessary. Judge Margo says no decision has been reached on costs, but he envisages that these would remain low, and that funding would come from the panel's representatives It is likely that the panel's chairman would be the most important figure The way the panel develops, indeed its very success, will rest on the skill with which he guides its fortunes

Christopher Marchand

RUSPLATS

The rand again

When the 1985 year-end results were published at the end of July, the indications then were that Rusplats' profit growth was due for a breather The rand had levelled out around US50c, production was believed to be running at capacity and the dollar price of platinum did not seem to be offering much cause for excitement

Since then, a number of these factors have changed for the better. Most importantly, after the emergency was declared, the rand plunged anew, with the result that Rusplats had the best part of five months of substantially better rand prices helping boost earnings for the six months to end-December

This was evidently the main cause of the 74,7% surge in interim earnings. Up to the end of the first-half, there had been little help from other quarters, unless the group is managing to eke out more production and sales But the directors say that the sales volume of platinum fell in the first-half and average dollar prices for all metals sold, except rhodium, nickel and cobalt, were lower.

Rand prices could have been distorted by forex losses and currency management. For that matter, some analysts are worried that something may have gone badly awry with Rusplats' forex operations, good as these figures may look, they argue that the revenue and earnings figures are below estimates Forex losses are believed to have been suffered during last year, with the tail-end possibly coming through in these figures.

Another explanation is that Rusplats may have sold forward quantities of metal at prices equivalent to a relatively high rand One analyst estimates the group received a rand/dollar rate of about 48c-50c for platinum in the period If this is the case, it would curb the effect of the recent strengthening of the rand on the second-half figures. There does not seem to be any great concern here though — others consider the figures slightly above expectations

At any rate, it is likely that changes to the exchange rate are moving quickly through to the income statement, with little lag effect. If so, then the rand may not offer much additional support to platinum producers in the current six months

The best prospects for further growth in the second half probably lie with conditions in metal markets and the dollar prices In mid-1985 stocks of platinum were believed to be fairly high at both consumer and producer level, but that no longer applies; demand has clearly outstripped supply and producers have apparently run down their stocks to only strategic levels.

Essentially, industrial demand continues to provide a steady underpin while interest in precious metals has picked up sharply in recent weeks The published platinum price regained its traditional premium over gold during the second half of last year and, even

Cape Times 25/1/86.

GM to remain in South Africa

PORT ELIZABETH. — General Motors (GM) is in Port Elizabeth to stay and no mergers or agreements have been concluded with any other South African manufacturers, the company's managing director said in a press statement

This emphatic assurance was simultaneously repeated by GM's managing director, Mr Bob White, at the first GM Dealer Council meeting of the year

It should finally dispell insistent rumours that GM was considering either disinvesting from South Africa entirely or relocating its manufacturing plant to a merged operation on the Reef — neither of which would occur, Mr White said

"GM wishes to reiterate that it has no plans to disinvest its South African operation or cease operating in Port Elizabeth

"Due to the contracted market, the poor exchange rate of the rand against other currencies, and an over-populated vehicle market with its high number of manufacturers, we have looked at certain alternatives," he admitted in his statement

Alternatives sought

These alternatives were sought to improve short and medium-term viability, "and included discussions with other manufacturers"

"Discussions have not resulted in any agreement or arrangement with any manufacturer," he said

Pointing out that GM was the world's largest vehicle manufacturer, Mr Wite underlined that the South Arican subsidiary was "backed by unparalleled resources, and we will continue to build on our success".

"In the difficult year just concluded, we improved our market position to third place with a market ratio of 11,3 percent — the second highest in nine years and with the withdrawal of several manufacturers in 1985, we are well placed to attain improved sales and ratios throughout our organization"

Mr White added that GM will be celebrating its 60th anniversary in South Africa this year — Sap

Four mines considering a merger

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STAR 5/2/86

The results of meetings of shareholders of four mines, held to consider a proposed merger, will be reported to the Rand Supreme Court on February 18.

On December 31 a Rand Supreme Court judge ordered that meetings of shareholders of the four mines be held on January 28 to consider a scheme of arrangement.

The scheme of arrangement related to a proposed merger of mining operations

According to papers before the court yesterday the majority of voters of Western Holdings, President Steyn Gold Mining Company and President Brand Gold Mining Company who were present and represented at the meetings voted in favour of the scheme.

The meeting of members of Free State Geduld Mines was adjourned to February 11.

●Apex Mines Ltd yesterday applied for the convening of meetings of shareholders.

A Rand Supreme Court judge ordered the meeting to be held on March 5 to consider a scheme of arrangement,

COMPANIES

Mines-merger speculation stirs stock market

6/2/86. BUS DAY (232)

ROY BENNETTS

THE market abounds with rumours that Consolidated Modderfontein, Springs Dagga, Egoli's Brakpan mine and SA Lands could be involved in a merger.

The rumours come soon after the proposed Anglo American Free State mega-merger.

GRANT-HODGE

Springs Dagga shares have been moving up recently in heavy volume on speculation the mine will be merged with stablemate Cons Modder.

Also running fast is Anglo-controlled SA Lands, which has contiguous boundaries with both mines and with Egoli's Brakpan mine. Yesterday, the share was 35c higher at 670c.

Golden Dumps MD Loucas Pouroulis is believed to be pushing for a merger.

Golden Dumps manages Cons Modder and Springs Dagga.

At present there are no contiguous boundaries between the working areas of Cons Modder and Springs Dagga — both of which mine the Kimberley Reef — and underlying Livingstone and Main reefs.

But Golden Dumps holds precious-metal claims on a farm called The Springs 129, between the two mines.

While milling at Springs Dagga is not expected to start until 1987, Modder has spare milling capacity and could re-open the old North Shaft for access into areas to the south — The Springs 129 — of its present mining sector.

Furthermore, there seems to be some logic to a merger between Modder and developing Springs Dagga. Modder will shortly become liable for tax and could be used as a tax umbrella, if the Minister of Finance agrees

Recently there has been speculation that Egoli's Brakpan mine and SA Lands are to merge.

Egoli deputy chairman Don Grant-Hodge would not confirm this, though he hinted that a much larger deal was in the offing.

Egoli, having lost control of Springs Dagga, still holds 20% of its equity and if it can pull off a deal with SA Lands, it would make sense to merge these mines with contiguous Golden Dumps mines.

Leases on lookout for equipment

Investment Staff

AFTER a report in *Business Day* that Rand Leases was about to re-open its gold mine, a market source claimed that MD Steen Severin had approached Gencor directors about purchasing equipment from the mothballed Beisa uranium mine

Severin denies that he has spoken to Gencor. However, he admits that management is exploring the possibility of buying second-hand mining equipment

BUSINESS ARGUS 11/2/86

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INDUSTRY

Rationalisation in SA motor industry welcomed — Durr

By DEREK TOMMEY
Financial Editor

DEPUTY Minister of Finance Mr Kent Durr let the motor industry know that it had to find its own solutions for its problems when he addressed the National Automobile Dealers Association in Pretoria yesterday.

However, he assured them that the Government attached the greatest importance to the promotion of sustained growth and the maintenance of stability in this sector of the economy.

Nonetheless, it does seem that the industry's appeal, launched a few days ago, for help in the way of a cut in general sales tax on car and a more gentle phasing in of the "perks" tax in order to stop it contracting further has probably fallen on extremely barren ground

For far from being concerned about the recent amalgamations in the industry, Mr Durr said this was in line with Government policy.

For a number of reasons, including the limited size of the domestic market, the huge investment in the motor industry, the rapid escalation in the cost of tooling, and the recent recession, attention had again been focused on further rationalisation within the industry, he said

"This should lead to greater standardisation which in turn implies greater economies of scale, or put differently, lower costs a unit."

However, it was a painful operation and the recent restructuring had caused retrenchments throughout the industry

Mr Durr said the industry had attracted criticism, in particular that there were too many manufacturers and too many models for the country's relatively small market.

"For so capital intensive an industry economic considerations are naturally decisive, and developments in the industry are best left largely to market mechanisms

"The recent amalgamations within, or withdrawals from, the industry, which saw the number of manufacturers decline to eight, corroborate this

"This approach is also entirely in line with the avowed policy of the Government to encourage a more market-related industry," Mr Durr said

"Intervention by the Government in the private sector, however, benign, should be kept to a minimum and direct controls should be avoided as far as possible."

He said the Board of Trade and Industries had completed its investigation into the possibility of a local manufacturing programme for heavy comercial vehicles and a decision on its recommendations would be taken soon.

Mr Durr added that some of the principles established by this investigation could be used to advantage in a programme for cars and light delivery vehicles

Conditions had been difficult for the motor trade last year with new vehicle sales falling almost 25 percent to 305 327 units — the lowest figure for seven years

Fortunately, this was not the whole story since retailers of motor vehicles and accessories managed to increase their revenue by 14,7 percent following increased used vehicle sales and a substantial rise in workshop revenues.

BUSINESS

COMPANIES ARGUS 27/2/86 (232)

Rembrandt boosts div payouts by 20 percent

FOUR companies in the Rembrandt stable are increasing their dividend payouts by around 20 percent for 1985

Rembrandt Group is paying a final of 53,5c which with the 46,5c interim boosts the total payout to 100c, up 19 percent on the previous 84c

Rembrandt Controlling Investments' final is 39,6c, raising the total by 19 percent to 74c (62,1c)

Technical and Industrial Investments's total is up 20 percent after the 36,8c final to 68,8c (57,5c)

Technical Investment Corporation's total is also 20 percent higher after the 34,7c finals With the interim of 30,2c this gives a 64,9c total

● Mr Johann Rupert and Dr Edwin de la H Hertzog have been appointed directors of both Rembrandt Group and Rembrandt Controlling Investments

● After a R26 million first-half loss, consumer electronics group **Tedelex** staged a good recovery and ended with a R4 million net profit for the six months to December

This trimmed the 1985 loss to R26,3 million after tax, well down on the R87 million loss for the previous 18 months.

The R122 million raised from the rights issue of shares helped to lower borrowings by more than R100 million to R147 million and as a result finance costs were trimmed to R48 million from R136 million

The relaxation in August of hire-purchase curbs on consumer durables resulted in an improvement in demand and impacted favourably sales, say the directors.

Forecasting remained perilous in the face of continuing political uncertainty and township unrest but prospects were considered encouraging

The level of consumer confidence has improved and the group's 1986 performance will be enhanced by the reduced interest burden and the strong presence of its brand leaders in the market place

● **Sentrachem** is still not paying dividends although it reports earnings of 8,7c a share for the first half against a loss of 9,8c a year ago

Group turnover rose 27 percent to R533 million and net profit reached R7,8 million after a loss of R8,7 million.

Tom Hood

Call to curb conglomerate growth in SA

Cape Times 1/3/86

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By AUDREY D'ANGELO

THE concentration of wealth and power in the hands of a few conglomerates should be curtailed by legislation compelling shareholders with more than 20 percent of a company to make an offer to buy the whole of it, Mr Robin McGregor, author of "Who Owns Whom", suggested yesterday.

At a reception in a city hotel to launch his new investors' handbook, Mr McGregor said that this was already the law in Australia.

In Britain the maximum shareholding allowed without offering to buy the whole company was 30 percent

If such a law was passed in South Africa, it would prevent control from an associate position and force the conglomerate to capitalize its surplus funds in buying the company from the other shareholders

"This in turn will dramatically reduce the size of the conglomerate for what it cannot buy it will have to sell

Participation

"When that happens, the State must be around to help competent management buy the companies discarded and so increase much-needed entrepreneurial participation in our economy"

Mr McGregor said an analysis of the research carried out for his new book, which incorporates the sixth edition of "Who Owns Whom", showed that only 1 336 individals and companies owned all shares over one percent in all companies listed on the Johannesburg Stock Exchange

"This means that 1 336 individuals and nominee companies own shares worth R125 billion and earn just over R5 billion in dividends each year

"The other 25m South Africans own R26 billion and earn R1 billion"

He said the concentration of control in so few hands was undesirable because it meant there was almost no distribution of wealth

Cartels, monopolies and bureaucratic inefficiency pushed up inflation in both the public and private sectors and a small number of people in the private sector wielded enormous influence on the public sector.

The concentration of control became "more alarming every year", with 80,2 percent of the shares on the Johannesburg Stock Exchange now controlled by four groups and 90,5 percent by 10

Concessions

Mr McGregor said his research had also shown that deferred tax and other concessions meant that although 81 percent of listed companies made profits in the past year "only 8,6 percent of all companies paid tax of 50 percent or more in the period under review"

"No wonder the individual is hit so hard and is rarely in a position to save money to display any entrepreneurial spirit"

A recent study had shown that mines contributed 14,23 percent of tax, companies 29,24 percent "and individuals a massive 56,3 percent".

South Africa a world of make believe, says author

L/6 Argus 8/3/86 232

By SYDNEY DUVAL
Weekend Argus Financial Staff

CONTROVERSIAL company analyst Mr Robin McGregor, launching his new Investors' Handbook, says bureaucratic inefficiency, cartels and lobbyists are running South Africa.

The result is inflation fuelled by both private and public sector

He describes South Africa as a world of make believe — "with the Government only too keen to satisfy the lobbyists at the expense of 25 million people".

The handbook incorporates his popular Who Owns Whom in its entirety, runs to 780 pages, and includes new sections with vital information on companies listed on the Johannesburg Stock Exchange.

Mr McGregor's concern over the power and influence wielded by conglomerates is shared by tax expert Mr Costas Divaris, who said this week that bureaucracy and big business were destroying the country

What alarms Mr Mr McGregor is the growing concentration of control through the JSE, with the top four companies now controlling 80,2 percent of shares on the JSE and 90,5 percent controlled by an identifiable 10 groups

Mr McGregor

Mr Mr McGregor says the concentration of control has "insidious effects" such as

- Cartel and monopoly-enforced inflation, in both private and public sectors
- Bureaucratic inefficiency-enforced inflation, in both private and public sectors
- Enormous influence by a small number of the private sector on the public sector

He cites the paper industry as an example "of manipulation"

When the rand was relatively strong, he says, and competition from abroad was too much for the local industry to handle, it went to Government which introduced import tariffs that made it expensive to import paper

"The industry then proceeded to increase the paper price annually and even twice a year to suit themselves," he says "Now that the rand is weak, they are exporting paper at such a rate that local supplies are being restricted"

The tax system also comes in for criticism Mr McGregor quotes a recent study as showing that the mines contribute 14,23 percent of tax revenue, companies 29,24 percent and individuals "a massive 56,63 percent"

He says "We have calculated the effective tax rate paid by listed companies and have removed all the deferred taxes and other red herrings and come up with the bottom-line cheque paid to the Receiver

"This highlights the remarkable fact that whereas 81 percent of listed companies made profits only 8,6 percent of all companies paid tax of 50 percent or higher during the period under review

"No wonder the individual is hit so hard and rarely in a position to save money to display any entrepreneurial spirit."

Mr McGregor's views are echoed by Divaris, who said in a major review of the economy "Big business blatantly manipulates the tax system for its own benefit You just have to look at the collections coming from big companies and mines, for example Their contribution on a proportionate basis is miniscule because they have used the system"

- The Investors Handbook gives information on company names, abbreviations, controlling shareholder, boards of directors, shareholders holding more than 1 percent of share capital for the current and previous years, nature of business, brand names, it provides 21 financial ratios which measure profitability, liquidity, debt management, asset management, asset cover and return to investors, lists all subsidiaries and associates, giving associate percentage where applicable

New helicopter deadly weapon in bush war

Cape Times 10/3/86

Defence Correspondent

WHEN the Alpha XH1 goes into service in the next year or so it will provide the South African Defence Force with the deadliest bush-war weapon of all A home-grown attack helicopter

Helicopters tend to be very vulnerable on a "conventional" battlefield — but in a counter-insurgency campaign they can make the difference between winning and losing, particularly the armoured and heavily-armed attack types

For two decades South African pilots have been flying thin-skinned, poorly armed transport helicopters like the Puma and Alouette into combat situations in which they have to face small-arms fire, heavy machine-guns and heat-seeking rockets

This is all the more serious because in many cases fighting on the ground in a bush war is directed from a helicopter hovering or circling overhead, either by the pilot or by a ground-forces army observer

Pilots have developed techniques for evading missiles like the SA-7, but they and their machines have almost no protection against ground fire

Photographs and specifications show that the Alpha XH1 embodies all the latest trends in attack-helicopter design Like the American Hughes AH Apache and the Italian Agusta Mongoose, it is a narrow-bodied tandem two-seater with the co-pilot/gunner in front and the pilot behind — providing both with maximum visibility

Newspaper reports to the contrary, the helicopter is not another "Airwolf" It is a specialized weapon, designed for a specific task in a typically African milieu.

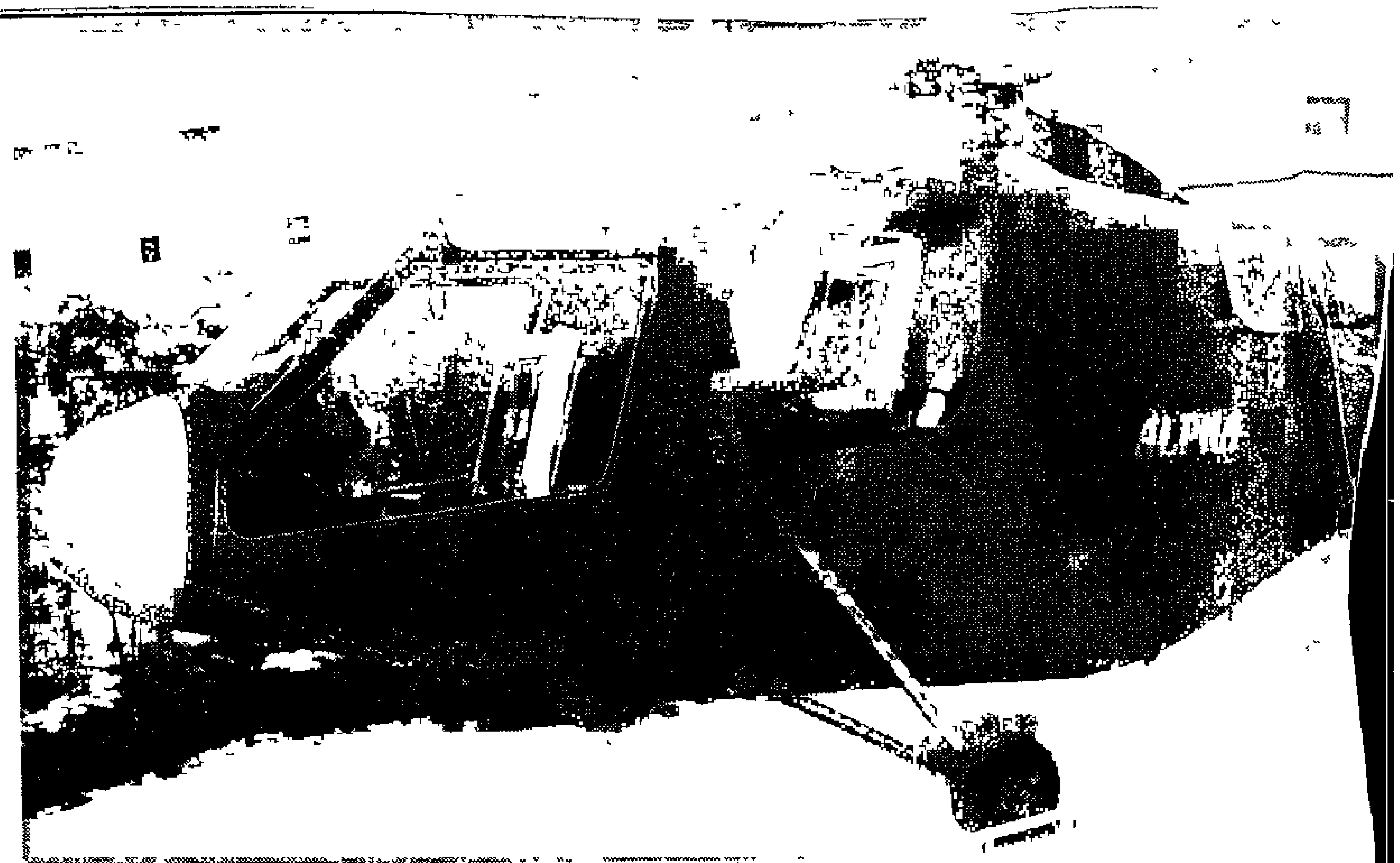
Thus its under-carriage does not retract because it is not built for speed, and it probably has a minimum of electronic gadgetry It is a tough, simple, low-maintenance weapons platform, designed to deliver heavy fire-on its chosen target and operate in places far from any industrial infrastructure.

The prototype mounts one of the new 20mm GAI servo-controlled cannon, which the gunner can traverse 110 degrees to port and starboard, elevate by 10 degrees or depress by 60 degrees, simply by looking at the target through one of Armscor's internationally praised "helmet sights" Then he fires the gun, which has a theoretical firing rate of 600 rounds a minute

This means that the pilot does not have to manoeuvre the aircraft to aim the gun but can concentrate on flying

It is believed that the XH1 can also be fitted with rocket pods

Armscor spokesmen say the helicopter is a local design from the wheels up, although they do not deny that the fund of helicopter-manufacturing expertise from some countries abroad may have been tapped



The prototype of the Alpha XH1 light attack helicopter designed and developed by the Atlas Corporation

Cape Times 11/3/86

CDM 'refused to give evidence' — official

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Own Correspondent

WINDHOEK — CDM was given the opportunity of presenting evidence to the Thirion inquiry into state control of the mining industry in SWA/Namibia, but refused, the judicial commission's chief investigating officer, Mr A G Visser, said yesterday

He was asked to comment on a statement by Consolidated Diamond Mines which rejected the commission's findings.

Mr Visser said CDM had "been afforded every opportunity to present evidence while the commission was sitting, but through its legal representatives had refused"

The commission found that CDM, a subsidiary of De Beers, had overmined its deposits in breach of the agreement giving it mining rights, and had entered into certain agreements with other De Beers subsidiaries to avoid taxes

CDM said in a statement at the weekend that it rejected the findings relating to the conduct of its affairs

"It is particularly unfortunate that in reaching conclusions on the complex and technical subject of mining economics and life of mine planning, the commission should have failed to call for evidence from the company itself, or to have visited the mine or inspected its records".

The SWA Mininster of Mines, Mr Andreas Shipanga, said here yesterday a government White Paper on the Thirion report would be introduced in the National Assembly once an interdepartmental committee had studied its proposals and made recommendations to the cabinet,

Cape Times 16/4/86

SAAN moves: SASJ hits at 'secrecy'

Staff Reporter

AN emergency meeting of the SAAN Cape Town Chapel of the Southern African Society of Journalists, representing most journalists on the Cape Times, was held on Monday

Members unanimously expressed grave concern about the imminent "rationalization" of the Cape Times and Argus newspapers

This statement was issued on behalf of the executive committee

"We deplore the secrecy surrounding the 'rationalization' and note that no concrete details have been released on the imminent process whereby the two newspapers will be rationalized We have had to request a meeting with our management on the matter

"The Chapel believes the current negotiations between the Argus and SAAN management will jeopardise both the Cape Times' editorial independence and its future existence

"The meeting resolved.

"To request an urgent meeting with SAAN MD, Mr Stephen Mulholland, and Mr Gordon Waddell of JCI — the major shareholder in SAAN and Argus — to answer questions on the implications of the merger for the Cape Times

"To request a meeting in Cape Town with the Argus management, Johannesburg

"The concern of the chapel has also been expressed by employees in other departments of the Cape Times as well as members of the SA Typographical Union "

● An ad hoc committee of Cape Times employees has also requested a meeting with Mr Mulholland

● Mr Mulholland said last night he would be "more than happy to meet with the staff of the Cape Times to discuss the issues involved as soon as possible

"But I must stress that the purpose of what we are doing is the opposite of what the SASJ statement says is their concern — our purpose is the survival of their publication, the Cape Times

'Fair spirit'

"My sense of the arrangements with the Argus company is that these are motivated on both sides by the determination to return SAAN to profitability, and with that return, the ensuring of the survival of the existing SAAN titles

"My sense of the negotiations is that they are being conducted in a fair and reasonable spirit on both sides, and I am confident that this will continue to be the case

"As regards the nuts and bolts of the day to day developments in the process of rationalization, I must say that the situation is fluid at the moment, and it is simply not realistic to give a running commentary on these developments

"But the the staff of the Cape Times and of SAAN can rest assured that editorial independence is a non-negotiable issue

"Our prime objective is the return of the SAAN group, of which the Cape Times is a member, to profitability, from a very difficult financial position

"Journalists and others must understand that the company is in trouble, and our shareholders have been very understanding and supportive, to a degree which is more than one can reasonably ask under the circumstances

"We are working day and night to sort out the problems we are facing I have been a journalist for 31 years and I hold as sacred the principle of editorial independence," he said

Newspaper group's boss reassures staff

Staff Reporter

THE managing director of South African Associated Newspapers, Mr Stephen Mulholland, says the purpose of negotiations between Saan and the Argus Company is to ensure the survival of the Cape Times

Replying to a statement by the Saan Cape Town chapel of the Southern African Society of Journalists on the Cape Times, Mr Mulholland said he would be more than happy to meet the staff to discuss the rationalisation of Saan and Agrus newspapers as soon as possible, reports Sapa.

He said: "But I must emphasise that the purpose of what we are doing is the opposite of what the SASJ statement says is their concern — our purpose is the survival of their publication, the Cape Times."

The chapel statement yesterday deplored the "secrecy" surrounding the rationsalition, noted that no concrete details had been released, expressed grave concern about the rationalisation talks and said it believed the negotiations between Saan and Argus managements would jeopardise both the Cape Times editorial independence and its future existence

Mr Mulholland replied "My sense of the arrangements with the Argus Company is that these are motivated on both sides by the determination to return Saan to profitability and, with that return, ensuring the survival of the existing Saan titles

"My sense of the negotiations is that they are being conducted in a fair and reasonable spirit on both sides and I am confident that this will continue to be the case

NON-NEGOTIABLE

"As regards the nuts and bolts of the day-to-day developments in the process of rationalisation, I must say that the situation is fluid and it is simply not realistic to give a running commentary on these developments."

He assured staff that editorial independence was a non-negotiable issue. The prime objective is the return of the Saan group — of which the Cape Times is a member — to profitability from a "very difficult financial position".

CAM- TIMES 18/4/86 232

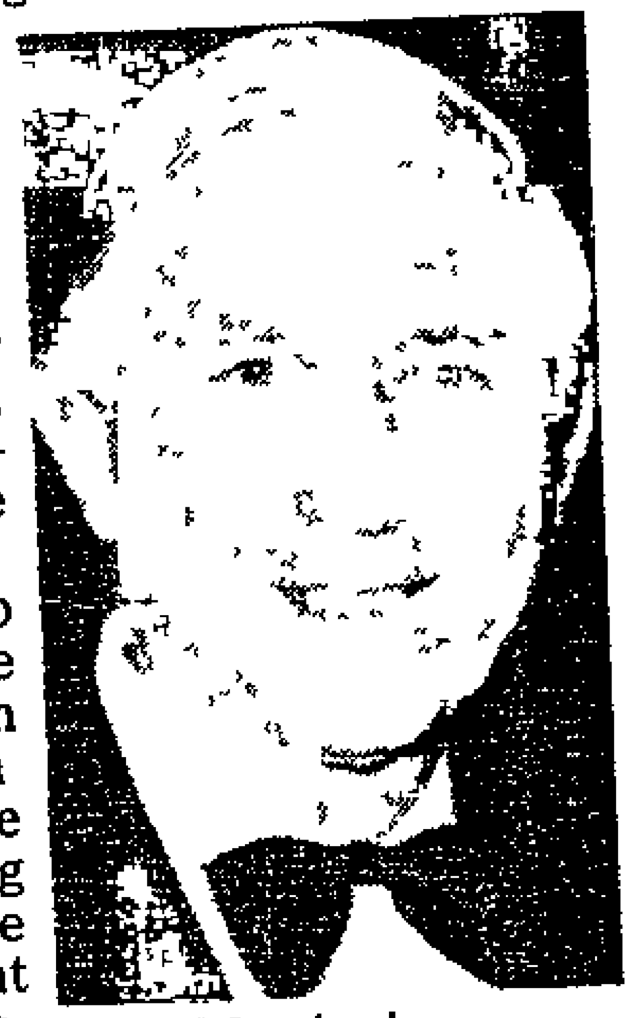
Judge warns on 'extended' rationalization

Chief Reporter

THE retiring managing director of the Cape Times, Mr Walter Judge, warned this week against the Cape Times losing, through "extended" rationalization, the entrepreneurial approach that had kept it alive, profitable and vibrant through difficult years.

He was referring to the recently-announced plans of SA Associated Newspapers (SAAN) and the Argus group to rationalize on non-competitive operations such as printing and distribution, to effect major economies.

Mr Judge is going on early retirement at the age of 59, after successfully taking the 110-year-old Cape Times into the electronic era ahead of every other newspaper in Africa, and keeping it profitable in difficult times.



Mr Judge

Speaking at a farewell dinner given in his honour by Mr Leycester Walton, chairman of the local management board of the Cape Times, he said.

"Our views in regard to the rationalization of the printing and distribution operations are well known. Since they are service functions, combining forces makes sense, the only provisos being that the implementation of rationalization should mean no loss of quality and also substantial cash savings to both parties.

"What we are now faced with is not only rationalization of the printing and publishing operations, but the holus-bolus absorption by the Argus of all other departments, such as origination, accounting, advertising and management.

"You could call this an extension of rationalization, but let me warn you that if this course is followed you are going to lose the entrepreneurial approach which has kept the Cape Times alive, profitable and vibrant over the past difficult years."

Mr Judge warned. "There is naturally great concern about editorial independence, but if you lose management and marketing initiative, your loss will be just as great.

"Your editorial message can be inspiring, but if you are not following the marketing principle of giving value for money, you are a dead duck."

Cape Times 'firsts'

● Apart from being the first newspaper in Africa to be completely electronically edited, computer-set and litho-printed (in 1978), the Cape Times has introduced many "firsts" in Cape Town, many of which have been copied, not just locally but also throughout the country.

These "firsts" include the "finders" (Homefinder, Jobfinder, Carfinder and other tabloids such as "Your Money"), free birth notices, wrap-arounds, full-colour property advertisements, illustrated lineage, free ads to private advertisers, and Budget and matric-result supplements.

And latest figures show that the Cape Times' share of the newspaper advertisement market in Cape Town has risen from 21,7 percent in 1980 to 25,5 percent this year.

The Cape Times' readership (the total number of people who read the newspapers sold) is, according to the authoritative All Media and Products Survey (AMPS), the highest of any daily in the Cape.

Cape Times 18/4/86

Argus and Times workers unite

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Staff Reporter

THE Argus chapel of the Southern African Society of Journalists yesterday voiced its support for workers at the Cape Times and called on the managements of SAAN and Argus to make an "immediate announcement" regarding the future of the Cape Times.

Judge warns on 'extended' rationalization, page 9

The chapel statement said: "The Argus editorial chapel wishes to indicate its support for fellow media workers at the Cape Times following moves by SAAN (South African Associated Newspapers) and the Argus Company to rationalize the Argus and Cape Times newspapers.

"This chapel deplores the secrecy surrounding the moves and calls on Argus and SAAN managements to make an immediate announcement clearly stating their intentions regarding the future of the Cape Times.

"We understand the talks are already far advanced, yet the people most directly involved — those who stand to lose their jobs — have been left entirely in the dark.

"Rumours about what the 'rationalization' will

To page 2 B

C.T. 18/4/86

B From page 1

entail are rife. They include:

"● That several hundred SAAN employees — among them Cape Times staff — will lose their jobs.

"● That the continued commercial viability of the Cape Times, at present one of the few SAAN publications not losing money, will be put in jeopardy by the rationalization moves.

"Rumours such as these already have currency outside the industry and are fuelling speculation that the final aim is to have one major daily newspaper in each city at whatever cost to press freedom and the public's right to know.

"A statement is all the more urgent in view of this."

ARGUS 18/4/86

Argus support for Cape Times call

THE Argus chapel of the Southern African Society of Journalists has called on the managements of South African Associated Newspapers (SAAN) and The Argus to make their intentions for the future of the Cape Times known immediately.

The call was made in a statement in support of colleagues at the Cape Times who have expressed concern about negotiations between the managements to rationalise some of the operations of The Argus and the Cape Times.

This chapel said it deplored the secrecy surrounding the moves and called on the managements to make an "immediate announcement clearly stating their intentions".

Cape Times 22/4/86

Staff 'will fight SAAN press sale'

Staff Reporter

EMPLOYEES at the Cape Town branch of South African Associated Newspapers, owners of the Cape Times, have taken legal advice and representatives said yesterday they will fight any attempt by SAAN management to sell the press on which the Cape Times is printed

It was confirmed yesterday that employees in all departments of SAAN, Cape Town, are in the final stages of establishing a staff association which will represent the staff but which will not have any trade union functions or take over present union activities.

Representatives said the association was being formed as rumours mounted of extensive "rationalization" of the Cape Times with the Argus and fears that this could lead to retrenchments on the Cape Times

Members of the association's steering committee said strong rumours had done the rounds in the newspaper world that SAAN intends selling two presses in Johannesburg and the SAAN, Cape Town, press to cover debts and to pay off its overdraft

Attorneys acting for the committee confirmed yesterday that they have advised the association they are exploring the possibility of bringing an interdict to restrain SAAN from disposing of the Cape Town press.

The steering committee of the staff association heard at its meeting yesterday that the Cape Times is a viable newspaper which has not made a loss in its 110 years of existence

Members of the committee felt yesterday that financial problems being experienced by the SAAN group nationwide were not in any way the result of the Cape Times's trading position, and that the Cape Times "should not suffer the consequences of bad management elsewhere"

Man beat lover with iguana

Own Correspondent

NEW YORK. — A man who beat his girlfriend with her pet iguana, and then tried to make her eat it, will be jailed on charges of aggravated assault and animal cruelty, a judge said yesterday.

The court was told that Harry Kostic, 32, attacked Miss Beverly Swain, 25, when she arrived at his home to remove her belongings, including the pet

Kostic threw the lizard against the wall, clubbed Miss Swain with it, cut it into pieces and tried to force them down her throat Kostic will be sentenced on Friday, Judge Elliot said

SAAN chief assures staff

Cape Times 25/4/86

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Chief Reporter

THE managing director of SA Associated Newspapers (SAAN), Mr Stephen Mulholland, assured the staff of the Cape Times yesterday that the editorial independence of the Cape Times would be guaranteed in SAAN/Argus rationalization moves now being made.

He confirmed that the Cape Times press at Paarden Eiland had been sold and that the newspaper's office building in Burg Street was being sold. The Cape Times would, from a date yet to be fixed, operate from the Argus Building in St George's Street and all departments other than editorial would be merged with those at the Argus.

He was unable to say anything at this stage about the future employment of members of the Cape Times staff other than those in the editorial department.

● Before Mr Mulholland addressed an urgently-called meeting of the Cape Times staff, the Editor, Mr A H Heard, said he had been informed of certain guarantees and binding arrangements which appeared, at face value, to secure the paper "for a very long time to come and on a basis which is economically sound."

He added: "I am in the process of making certain comments and proposals, and am hopeful that my views will, in essence, be met by those who decide the paper's destiny. If this happens, then I shall, publicly and openly, endorse and defend the arrangements".

● Full report, page 11

Cape Times building being sold, says MD

ARGUS 25/4/86

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Staff Reporter

THE Cape Times building in Burg Street is being sold and the newspaper will operate from The Argus building from a date still to be decided.

According to a report in the Cape Times today the managing director of South African Associated Newspapers (Saan), Mr Stephen Mulholland, said the move was part of Saan/Argus rationalisation plans.

Mr Mulholland also confirmed that the Cape Times press at Paarden Eiland had been sold.

All departments other than editorial would be merged with those of The Argus.

Addressing Cape Times staff yesterday Mr Mulholland guaranteed the newspaper's editorial independence, the report said.

He was unable to say anything at this stage about the future employment of staff other than those in the editorial department.

Mr Mulholland said the newspaper industry was going through tough times and Saan — of which the Cape Times was a wholly-owned subsidiary — was faced with having to wipe out an accumulated debt of R45-million.

The rationalisation steps embarked on in the past few weeks were based on commercial judgment and seemed to him to be the only rational, logical approach to the problem.

Cape Times 25/4/86

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Guarantees on future of Times

By ROGER WILLIAMS
Chief Reporter

THE managing director of SA Associated Newspapers (SAAN), Mr Stephen Mulholland, told staff of the Cape Times yesterday — at a meeting requested urgently by them — that the Cape Times's continued editorial independence would be guaranteed in SAAN /Argus rationalization steps now being taken

The rationalization plan was designed to ensure the continued existence of the Cape Times on a profitable basis, he added. It would also ensure that the Editor would continue to be responsible to SAAN and to no-one else

Mr Mulholland said the Cape Times's printing press at Paarden Eiland had been sold and that its building in Burg Street was in the process of being sold The newspaper would continue to be produced under its present Editor and editorial staff from within the Argus Building in St George's Street.

It had not yet been decided when the move would be made and to what extent staff other than editorial might have to be declared redundant. (The present staff establishment of the Cape Times is 464 overall, of which 85 are on the editorial staff)

Mr Mulholland said all departments other than editorial would be merged with the Argus, on whose presses the Cape Times and also the Cape edition of the Sunday Times would be printed

Contract

A contract under which the rationalization plan would operate was being drawn up, and copies would be made available to the editor and general manager of the Cape Times when completed, for their approval This contract would ensure "a sensible, logical sharing of profits" by the Cape Times and Argus

In introducing Mr Mulholland to a full turn-out of staff, who have been living and working in a state of uncertainty and anxiety for the past few months, the Editor, Mr A H Heard, said he had been categorically informed that the 110-year old Cape Times, South Africa's oldest daily newspaper, was not for sale, "though there are potential buyers"

He added "I have no control over that, but I can say that it places an enormous onus on the owners to ensure that the Cape Times does not die.

"In recent discussions, I have been informed of certain guarantees and certain binding arrangements which appear, at face value, to secure the paper for a very long time to come and on a basis which is economically sound

"I am in the process of making certain comments and proposals, and am hopeful that my views will, in essence, be met by those who decide the paper's destiny

"If this happens then I shall, publicly and open-

Mr Mulholland

ly, endorse and defend the arrangements"

Mr Mulholland was accompanied yesterday by Mr John Featherstone, managing director of Natal Newspapers, who has been seconded to SAAN as deputy managing director for six months, to assist in the current rationalization programme

Mr Mulholland said he was carrying out what he found "a painful duty" He was deeply conscious of the achievements and traditions of the Cape

Mr Heard

Times — "a proud journalistic product" — which was regarded as one of the world's great newspapers And, he added, he held the Editor, Mr Heard, in the highest regard

But, he said, the newspaper industry was going through tough times, and SAAN, of which the Cape Times was a wholly-owned subsidiary, was faced with having to wipe out an accumulated debt of R45-million, and he had been appointed to take steps to accomplish this in the shortest possible time

"I have been given the job by the shareholders to turn the company around, and this is what I intend doing, as soon as I can"

Mr Mulholland said the rationalization steps he had embarked on in the past few weeks were based on a commercial judgment and seemed to him the only rational, logical approach to the problem

"We have the best minds in the country working on it — and I'm sure the end result will be a viable Cape Times in the long term."

Asked about problems raised by Argus concerning the printing of the Saturday edition of the Cape Times, Mr Mulholland said he could give an assurance he would fight for a six-day Cape Times.

He said "I took on this job on the basis that there would be good faith between Argus and SAAN, and everything that has happened so far indicates to me that there is good faith on both sides, and that the Cape Times will survive, in a profitable state

"I understand there has been talk of a 'hidden agenda', or of some sort of sinister plan on the part of Argus — and perhaps of SAAN as well — to ensure that the Cape Times will gradually be submerged into the maw of Argus, that the Cape Times will eventually become just a memory, in the masthead of the Argus

Damage

"But nothing whatsoever has happened in the many meetings and negotiations we have had with Argus to suggest that this is so In fact the indications have been entirely to the contrary I have not come across anything that indicates that the Argus wants to damage the Cape Times

"In any event it would not make sense for Argus, which has a 40 per cent shareholding in SAAN, to allow the Cape Times, a SAAN subsidiary, to die"

Mr Mulholland said the future of Cape Times staff other than editorial staff could not be assured, but he added "I want you to accept from me that I'll deal honesty, openly and fairly with you."

The present establishment of 464 includes staff in the Burg Street building and at the newspaper's operations at Paarden Eiland and Salt River

Yesterday's meeting was called by an urgently-formed staff association representing all departments of the Cape Times, and which has adopted a constitution which gives the association's objectives as, among other things

- "To ensure the continued existence of the Cape Times as a viable newspaper serving the community of the Cape Province"
- "Generally to work to the ideals of a free press throughout South Africa through the preservation of the Cape Times."

25/4/86 (2880)

Govt to sell forests to private sector

BUS DAY (232)

CHRIS CAIRNCROSS

GOVERNMENT is almost ready to sell the State's large commercial forestry interests, including sawmills, to the private sector.

This was confirmed yesterday by officials of the Department of Environmental Affairs, which has jurisdiction over these forests.

More than 1,63m ha of forest land could come under the hammer. Of this, 1,36m ha are demarcated as forest land in terms of the Forest Act.

The prospect of these properties being offered to the private sector has been welcomed by representatives of the SA Forest Owners' Association.

But chairman Bruce McKenzie was cautious as to how successful such a sale would be.

The profitability of the State's commercial forestry activities remained an imponderable at this stage.

This factor was particularly significant because the timber and sawmilling industry had come across hard times and the planting programme was disappointing

There was also uncertainty as to whether the country's biggest forest owners — basically Anglo American and Gencor — would be allowed to tender for any of the forest land coming up for sale

This sector is already concentrated, and government has already expressed its concern that the sale of its properties could lead to an over-concentration

The principle of selling the State's

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FIN MAIL 25/4/86

PRESSMEN PEEVED

(232)

New Saan MD Stephen Mulholland is puzzled by moves at the group's *Cape Times* to seek a court interdict to block the sale of the newspaper's press.

The action has been threatened by staff members who have formed an association to fight the planned merger of printing operations with the *Cape Argus.* They give fear of retrenchment as the reason

Says Mulholland. "I am distressed that they haven't approached me to find out what Saan is doing. I'm also sorry that their moves were reported in the *Cape Times* without giving the company the opportunity to comment, which is accepted practice in responsible journalism regardless of the company concerned."

Mulholland, who flies to Cape Town this week to explain the situation to staff, points out that the merger of printing operations in Johannesburg and Cape Town has been going on for some time. "It's a matter of survival for the whole group," he says.

A spokesman for the *Times* staff association estimates that rationalisation could put as many as 400 jobs at stake, and he says the newspaper is a "viable operation" which has never made a loss.

Mulholland, however, discounts claims that the *Times* is a profitable newspaper. "Without the contract to print the *Sunday Times,* the *Cape Times* is in a loss situation," he tells the *FM.*

"What we are doing follows an accepted US practice, based on the Newspaper Preservation Act of 1969, which allows newspapers to merge all but their editorial functions in the interests of survival and of the public.

"There are dozens of such agreements in the US — we did not invent this approach."

In any event, he says, the press has "virtually" been sold for US$4m and the deal should be through in about three months.

☐ Saan announced this week that it had sold its head office building at 171 Main Street, Johannesburg. The name of the buyer has not been disclosed. The company says suitable alternative accommodation is being arranged following the rationalisation of its operations.

Govt to sell forest land

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● From Page 1

commercial forests had already been accepted in principle.

To set this process in motion, a separate trading account covering the State's commercial forestry activities was created last year.

This should provide the means of determining which areas were commercially viable — and attractive to the private sector.

Other provisions government was still considering were that the proposed sale would not:

☐ Unnecessarily impede the conservation functions or necessitate the establishment of additional infrastructure.

☐ Through the implementation of alternative forest management practices, negatively affect the supply of specific types of forestry products necessary for a particular processing industry.

☐ Harm a commercial industry with a strong and proven socio-economic component.

☐ Disrupt or thwart the developing of new products on which a start has already been made.

No big changes are planned by Genwest

Industrial Staff

GENWEST chief executive Ron Hofman says his new company will abide by all obligations undertaken by SA General Electric (SAGE).

Commenting on the takeover by local management of SAGE from US parent General Electric (GE) at the weekend, he said Genwest would also abide by the GE statement of principles on doing business in SA.

"Our company will be structured exactly as before. We do not envisage that the changes will have any significant impact on the structure of the organisation or on staff complement."

Asked whether Genwest would seek a listing on the Johannesburg Stock Exchange, Hofman said it was still too early to say, but he did not discount the idea entirely.

"When our business develops to the point that we think such an idea is feasible, then a JSE listing is possible. Certainly, plans are afoot — but a company such as ours, employing over 500 people, must cover all contingencies."

He said the transfer of the locomotive division to the Dorbyl Group did not entail any great changes as Dorbyl had been the licencee under the old structure and the move required the transfer of two staff members only.

CIM Times 30/4/86

McCarthy in R3m Alfa parts deal

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By AUDREY D'ANGELO

THE McCarthy group seems to be cornering the market in spare parts for vehicles whose manufacturers have withdrawn from SA

It has negotiated a R3m motor parts deal with Alfa Romeo SA, buying the entire SA parts and accessories inventory of the Italian motor company with effect from June 1.

This follows the group's purchase at the beginning of April of the parts inventories of two other manufacturers who have stopped assembling vehicles in SA — Peugeot and Renault.

Joint managing director Theo Swart said in an interview yesterday that although the recession had hit sales of new vehicles, the market in spare parts and second-hand cars was booming

"This is where we see the major opportunity for growth at the present time," he said

The other joint managing director, Dudley Saville, said: "The replacement value of the Alfa, Peugeot and Renault parts now held by McCarthy stands at almost R14m."

He estimated that there were 58 000 Alfa Romeo cars in this country and 83 000 Peugeot and Renault cars and commercial vehicles

ARGUS 1/5/86 (232)

Agreement to help Cape Times

JOHANNESBURG. — South African Associated Newspapers Ltd (Saan) and the Argus Printing and Publishing Company (Argus) have agreed in principle to rationalise the activities of their newspapers in Cape Town, the Cape Times and The Argus, the managing director of Saan, Mr Stephen Mulholland, has announced.

He said Saan wanted to stress that at no stage was an approach in terms of the rationalisation made by the Argus Company. Saan took the initiative in approaching the Argus Company with the proposals with the sole purpose of securing the future of the the Cape Times.

He said the rationalisation was based on American models as provided for in the Newspaper Preservation Act passed by the American legislature in 1969.

Saan's initiative had been prompted by the prospect of increasing losses being made by the Cape Times following the loss by that newspaper of the contract to print and distribute the Western Cape edition of the Sunday Times together with other factors impacting on its financial performance.

The loss of the Sunday Times distribution contract flowed from the need to rationalise the distribution of Saan's publications throughout the country by rejoining the partnership which controls the Allied Publishing Company. In addition, the press which was originally purchased by Saan in 1976 to print both the Western Cape edition of the Sunday Times and the Cape Times has been sold as part of Saan's continuing effort to reduce its "crippling debt burden".

"At Saan's request," Mr Mulholland said, "The Argus will take over all activities now carried out by Cape Times staff with the exception of editorial activities, which will continue to be the sole responsibility of Saan, as provided for in a long-term agreement."

Journalists employed to produce the Cape Times would be members of Saan and the editor of the Cape Times would continue to be responsible only to the board of Saan.

"Saan is confident that by pursuing this course of rationalisation it is ensuring the long-term financial viability and continued publication of the Cape Times, which would otherwise be seriously in question. At the same time this method serves to preserve the editorial independence of the Cape Times," he said. — Sapa.

Argus-SAAN plan for future of *Cape Times*

BUS DAY 232 1/5/86

Business Day Reporter

SA ASSOCIATED NEWSPAPERS and the Argus Printing and Publishing Company have agreed in principle to rationalise the activities of the *Cape Times* and the *Argus*

In a statement issued yesterday, SAAN MD Stephen Mulholland said that, ~~at SAAN's request~~, the Argus company "will take over all activities now carried out by *Cape Times* staff — with the exception of the editorial activities which will continue to be the sole responsibility of SAAN, as provided for in a long-term agreement"

Cape Times editorial staff would remain SAAN employees and the editor of the *Cape Times* would be responsible only to the SAAN board

Mulholland said the rationalisation, which he emphasised followed an approach by SAAN to the Argus company, was prompted by the prospect of increasing losses at the *Cape Times*

The *Cape Times* recently lost the contract to print and distribute the Western Cape edition of SAAN's *Sunday Times* This and "other factors impacting upon its financial performance" prompted the decision

Mulholland said the *Cape Times* lost the *Sunday Times* contract because of the need "to rationalise the distribution of SAAN's publications throughout the ~~country by re~~-joining ~~the partnership~~ which controls the Allied Publishing Company"

He said the Goss Metro press, originally purchased by SAAN to print both the Western Cape edition of the *Sunday Times* and the *Cape Times*, had been sold as part of SAAN's continuing effort to reduce its crippling debt burden

Mulholland said SAAN was confident the rationalisation would ensure the long-term financial viability and continued publication of the *Cape Times* — "which would otherwise be seriously in question"

He said the method of rationalisation would "preserve the editorial independence of the *Cape Times* as a trusted voice in the Western Cape community serving all sections of the population and enjoying a considerable reputation both at home and internationally"

CAP Times
2/5/86

'Yes' to Natal paper plan

Political Staff

THE formation in Durban of Natal Newspapers in which the Argus has 70 percent of the shares and Robinson and Co, publishers of the Natal Mercury, 30 percent, has been approved by the Competition Board

In the report on its investigation into the deal, the Board says that the agreement, while not "perfect", is better than closing down a newspaper.

It goes into detail about the rising costs of production and declining advertising revenue available to newspapers because of the SABC's monopoly of TV and radio services

The deal has been approved subject to two important conditions which will ensure the editorial independence of the Natal Mercury

'Vested'

The Board believed that while the deal provided a measure of editorial freedom for the editor of the Natal Mercury, "even such limited degree of editorial freedom is preferable to a situation resulting from the closure of the relevant newspaper, as happened to The Friend in Bloemfontein, the Rand Daily Mail in Johannesburg, the Sunday Express and recently the Cape Herald in the Western Cape".

The deal was approved on condition that· "The power to appoint the editor of the Natal Mercury must be legally vested in the board of directors of Robinsons where it has always been, and;

"The editor must have complete responsibility for the editorial policy of the Natal Mercury"

'ANC won't nationalise mines'

STAR 2/5/86 (210) The Star Bureau 232 (219)

LONDON — The ANC would be unlikely to nationalise South Africa's mines if it took over the Government, says the chairman of De Beers, Mr Julian Ogilvie Thompson.

However Mr Ogilvie Thompson, one of the businessmen who met ANC officials in Lusaka last year, said: "You will forgive me for believing that there is not likely to be a revolution."

Asked about black threats to nationalise mines if the present government was overthrown, he said he believed the ANC leadership had learnt the lessons of other African countries which had regretted their decisions to nationalise mines.

With an immiment pay claim of more than 45 percent in the next few months from the powerful mineworkers' union, however, he said he was expecting "a tricky time" ahead.

ARGUS 2/5/86 (237)

Green light to Argus acquiring Natal Mercury

Parliamentary Staff

THE Government has agreed to the acquisition of the Natal Mercury by the Argus Group.

The acquisition was the subject of a Competition Board investigation following Government concern about the degree of concentration in the newspaper industry.

The board found that the takeover was the lesser of two evils, with the alternative being the closure of the Natal Mercury.

In a report tabled in Parliament yesterday the board said that the power to appoint the editor of the Natal Mercury must be vested in the directors of Robinson and Company, the former owners of the Mercury who now have a 30-percent holding in the new company, Natal Newspapers

EDITOR'S ROLE

The editor of the Natal Mercury had also to have complete responsibility for the editorial policy of the Natal Mercury.

The board rejected arguments that the deal to save the Natal Mercury was a merger, saying it was an "acquisition".

Among other things, it pointed to the 70-percent majority shareholding the Argus Group held in Natal Newspapers and the fact that it had control of the board of directors.

The board agreed that the Natal Mercury would have been faced with closure if the deal had not taken place.

In 1984 a loss of R163 000 was shown and it was projected that by 1987 R1,7-million would be lost.

It would not have been in the public interest for an old-established newspaper such as the Natal Mercury to close down.

Other options were considered. South African Associated Newspapers, which already had a 49-percent shareholding, was dismissed as a possible purchaser because it was also facing financial difficulties.

The board believed that sale to an Afrikaans newspaper group would seriously compromise editorial policy and credibility.

Expert outlines plan for reform

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STAR 2/5/86

By Janine Simon

Government ownership and control is the single biggest cause of conflict in South Africa, according to Mr Leon Louw, the executive director of the Free Market Foundation of Southern Africa.

Speaking at a conference on privatisation held in Johannesburg yesterday, Mr Louw said the strategy offered the country a unique opportunity to rapidly purge itself of racist laws

"It is the single quickest, easiest, most popular way to create the opportunity for political reform," he said

Privatisation might also disarm proponents of disinvestment if, for example, multinationals were invited to buy State industries on the condition that the proceeds of the sale would go to the black community

Mr Louw said deregulating the South African Transport Services, as was recently done in Ciskei, would lead to an explosion in the number of owner-operated taxis at no cost to existing services, he said

SELL HOSPITALS

Other options were to sell hospitals and clinics, giving preference to those in the local community, to hand over Development Board housing to black estate agents and foster the black property market, and to hire contractors for certain municipal maintenance services

Louw said it was a myth that blacks did not have an entrepreneurial spirit. This was proved by "dazzling" advances made by blacks between 1850 and 1880, when their access to resources was not restricted. Laws passed since then had made black areas the closest approximation to textbook Marxism yet achieved.

Sasol and Metkor 'success stories'

Two privatisation success stories — those of Sasol and Metkor, initially Iscor's investment arm — already exist in South Africa.

These examples were discussed at a conference on "Privatisation — Unburdening the State", held in Johannesburg yesterday

The senior general manager of Sasol, Mr Andre du Toit, said Sasol decided to privatise in 1979 as it had a proven profit record and strong balance sheet.

PROFIT MOTIVE

It was also incorporated as an ordinary company with a profit motive and its management was schooled in a competitive environment.

But the key success factors were the assurances given to potential investors regarding the principles of equal treatment in relation to other members of petroleum and chemical industries, and of a market-based pricing structure for all petroleum products.

"As demonstrated by the Sasol experience, the private sector investor wants to take risk and consequently be fully rewarded when markets turn in his favour," Mr du Toit said

Metkor was formed in 1968 as a "home" for the non-steel producing interests of Iscor.

But the investing public did not buy its shares as it was still seen to be part of a State organisation, said Dr Tom Muller, the chairman of Metkor Limited.

It took until 1983, when the company changed its registered name from Metkor Investments Limited to Metkor Group Limited, to sever ideas of connections with the State.

In that time, Metkor had changed from an investment company to a holding company with active participation in the management fucntions of its subsidiaries.

STAR 3/5/86 232

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SABC does not deny privatisation talk

The corridors of the SABC are crackling with speculation that Teledata, TV4 and certain radio stations — in particular Radio 5, Radio South Africa and Radio Suid-Afrika — might be handed over to private enterprise.

Yesterday no one in authority would deny or confirm the rumours. It has been mooted that the SABC is interested only in retaining control of TV1, TV2 and TV3, which allows the corporation a station in each language.

The Minister of Foreign Affairs, Mr Pik Botha, would neither deny nor confirm speculation and referred all inquiries to the SABC.

An SABC media spokesman said that no specific decisions had yet been taken by the corporation regarding privatisation of some of its services.

Bus Day 5/5/86

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Merger bid is dropped by Capco

MARGARET SMITH

LONDON — Capital & Counties, the UK property company controlled by Liberty Life of SA, has called off its take-over bid for a chain of British department stores.

The decision to drop the offer — worth an estimated £75m — for the Bentall stores came after controlling family trusts rejected Capital & Counties approach

Capco was less interested in Bentalls' retailing operations than in the re-development of its flagship store at Kingston-upon-Thames near London

The company was hoping to be appointed developer in the £110m project, but was pipped at the post in February by Norwich Union

Since the Norwich Union deal was not yet binding, buying Bentalls was seen as an effective, if somewhat dramatic, way of securing the contract for Capco

But it found there was insufficient support for its proposals, with too few trustees responding to its approach.

The development will now proceed with Norwich Union as the developer.

LIZ ROUSE reports that TransAtlantic Insurance Holdings, of which Capco is a subsidiary, intends to make a £137,5m rights offer to broaden its capital and share base in the UK

Privatisation process requires co-operation

STAR 23? 6/5/86

By Frank Jeans

South Africa has embarked on the process of privatisation and deregulation — the accepted political route world-wide and a state-control winding down which undoubtedly swells the coffers by millions

It's a complex transition, however, and while there are many advantages in less government, particularly in terms of public expenditure, it is important to remember that privatisation entails co-operation between public and private sectors and that the goal cannot be achieved by either sector in isolation

This is the main conclusion arising from the first of a series of papers on the effect of privatisation of economic sectors by business consultancy Syncom in association with various experts

The first study, the valuation aspect of privatisation of public assets, has been prepared by property valuers and brokers Richard Ellis (RE) and the crucial question is. what price State and parastatal operations?

TRANSFERRED

The author of the "nuts and bolts" look at the valuation of state assets, Mr Norman Griffiths, of RE, says "State, provincial and municipal assets have been acquired by using public funds directly or by using capital created out of the use of public funds,

"In the event of a state organisation, therefore, being transferred into the private sector, it would be indefensible for the public not to benefit from the full realisation of the value of these assets and equally wrong that a purchaser should take over state operations at unrealistic or sub-optimal prices

"Realistic prices must be paid relative to asset bases. Even though a state operation may run at a loss for politically justified reasons, this does not mean that the assets used within the operation have no value"

Certainly, no negotiation for privatisation, irrespective of the motivation or the bodies involved, can be responsibly undertaken without full identification and value assessment of the assets involved.

And Mr Griffiths emphasises "In order to protect the public interest and gain maximum benefit to the State, an independent assessment of asset value should be undertaken at the time of privatisation"

While critics of privatisation say that selling off public assets is like "selling the furniture so as to pay the rent", the fact is that the shifting of government-run functions into the market place and the transferring of public servants into private employment turns tax consumers into tax producers, thus broadening the tax base as well as cutting the need for taxation

Mr Griffiths points out "The allocation of whatever source of public income in the form of so-called block-grants or individual subsidies is perfectly justified, provided privatisation leads to overall savings derived from greater efficiencies."

WELL DOCUMENTED

Looking at investment properties, Mr Griffiths says these may be held as direct investment through related pension funds such as the various municipal, Iscor or Escom pension funds and may have a substantial value which is not reported upon a direct market value base

Such properties are usually well documented and should not suffer from identification problems but are not normally revalued and sit in the books at historic acquisition cost

"There is a growing awareness that non-performing properties within pension funds should be reviewed and disposed of and replaced by better peforming properties," he says

"Historically, once a property had been placed into a pension fund, it remained there forever. There is a need to constantly review a state pension fund portfolio.

CHANGEOVER

"Pension fund management requires regular valuation input and property performance monitoring"

Just how the changeover to the "private approach" not only leads to greater competitiveness and revenue is seen overseas

The British government, for instance, has so far raised more than the equivalent of R60 billion through privatisation, of which about R12 billion (the largest share flotation ever made anywhere) came from the sale of 50,2 percent of British Telecom

A further R42 billion is expected over the next three years from the sale of other state-controlled bodies

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KTG details restructure

Financial Reporter

DETAILS of a plan for the massive restructuring of the Kirsh Trading Group, which will include the re-listing of its star performer, Metro Cash &Carry, on the Johannesburg Stock Exchange, were announced last night.

Cashbuild, formerly the building materials division of Metro, will also be listed and it is intended shortly to list the furniture division under the name of Rusfurn

Subject to the approval of shareholders and the JSE, Metro is to be reversed into the Coki Corporation cash shell, which will change its name to Metro Group and be transferred to the stores sector of the JSE lists from mid- June

For the financial year about to end next month, Metro's attributable income is forecast to rise by 26% to R11,2m, equivalent to 24,9c a share

But yesterday's announcement notes that because Coki will acquire the Metro division on 24 May, its actual results for the year ending June 1986 will be made up of 11 months' earnings from the cash resources held by Coki and one month trading as Metro

After costs, the directors expect Coki's reported earnings for the 12 months to the end of June 1986 to be minimal, and accordingly the first dividend to be received by shareholders of the reconstituted Coki will be for the year ending June 1987.

The announcement shows that the purchase price to be paid by Coki for the acquisition of Metro was framed with reference to the relative net asset values, which at June 30, 1985 amounted to R750 000 for Coki and R98,7m for Metro.

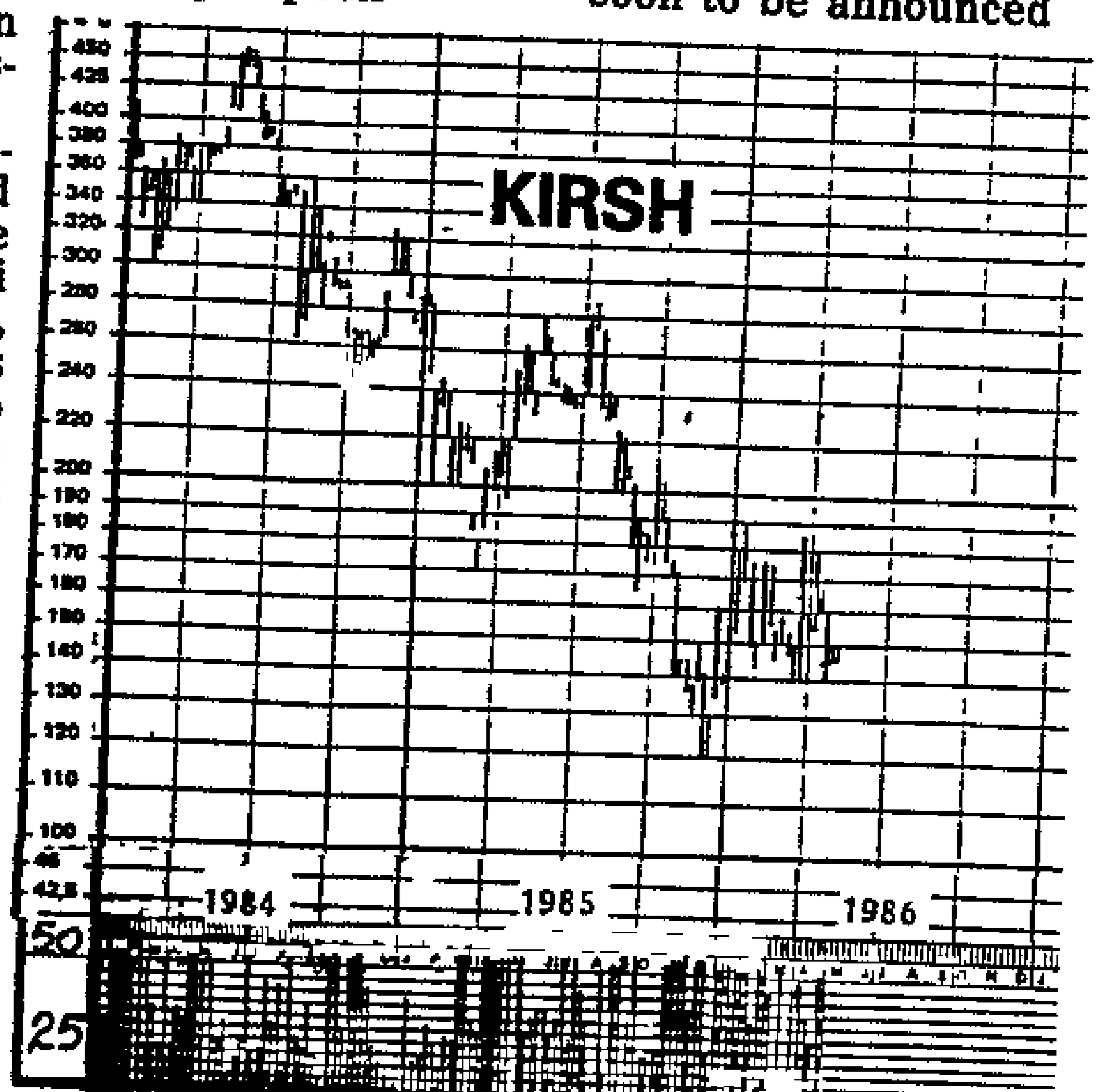
KTG chief executive Mervyn King said: "Basically, all we are doing is to turn to account some of our assets

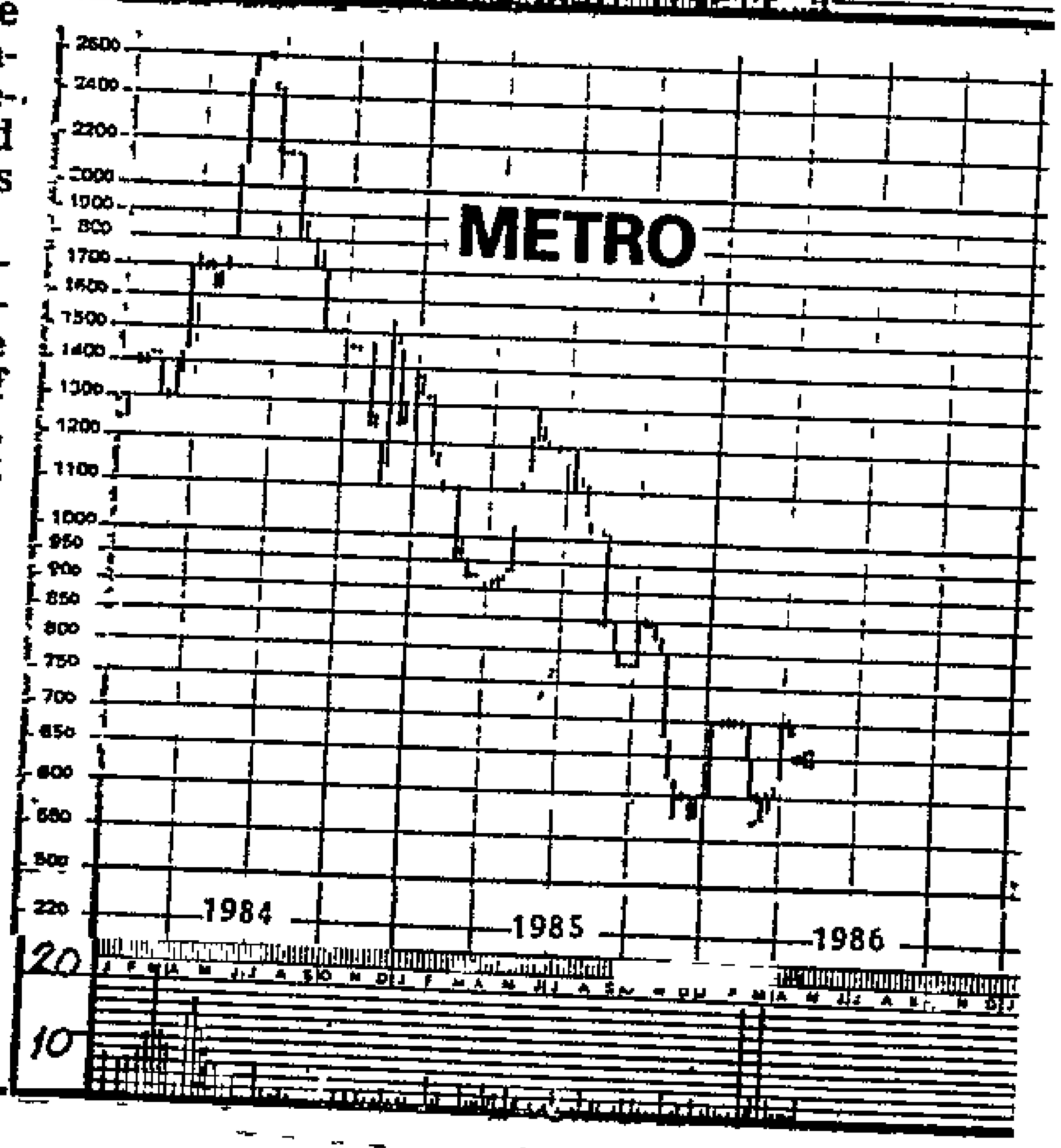
"We will retain control of all our divisions, but they will be independent and fully motivated.

"We will achieve a very considerable reduction of debt in KTG — of the order of R100m — which will enhance KTG's prospects"

He pointed out that the only company being sold was the clothing retailer Boymans, where KTG's 36,7% interest had been bought by a management consortium

Shares in Metro Group and Cashbuild will be offered on a preferential basis to all equity holders of Kimet, Interhold (the old Metro Corporation) and KTG on terms soon to be announced





Cape Times 7/5/86

Press survival 'enhanced'

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SOUTH AFRICA'S media watchdog body yesterday said rationalization negotiations between SAAN and Argus should be seen against the background of economic threats to the newspaper industry, but also cautioned against long-term joint operations.

A statement issued by Mr M A Diemont, former Appeal Court judge who was authorized by the SA Media Council's executive committee to issue a statement on behalf of the council, said the current negotiations were initiated by SAAN

Mr Diemont is alternate chairman of the council and chairman of the council's committee appointed to investigate and report on developments which might lead to monopolistic trends in the media

"The proposed rationalization arrangements do not endanger the existence of any newspaper On the contrary, information available to the Media Council offers convincing assurances that the survival prospects of newspapers concerned will be enhanced," the statement said

"No newspaper's editorial identity is threatened by the moves towards rationalization now being negotiated

"But joint management, joint advertising, joint accounts and joint printing arrangements could possibly in the long term place such identity in jeopardy and efforts by the parties to the negotiations to guard against this possibility have been noted," it said

"The council notes public assurances by SAAN and Argus that everything possible will be done to reduce hardships from retrenchments resulting from the proposed rationalization"

SAAN publications affected by the current rationalization proposals are the Sunday Times, the Cape Times, Business Day and the Financial Mail.

Argus publications involved are the Star, the Sunday Star and the Argus

A SAAN spokesman said last night "We welcome the balanced and well-informed approach of the Media Council and also their keen and constructive interest in the affairs of the newspaper industry in general"

Cash-strapped B & S seeking liquidation

13/5/94 BUS DAY 232

BRIAN ZLOTNICK

B & S FURNITURE, the building and office equipment supplier, with an annual turnover of R65m and 2000 employees, yesterday applied for provisional liquidation

Only a few months ago, with the issue of preference shares, it raised R17m after making a loss of R28,1m in the year to December.

To bolster the eroded capital base, a consortium of bankers converted R5m of overdrafts into pref shares Clifcor, controlled by B & S executive chairman Clifford Gundle, injected R7m and minorities R5m.

In March this year, MD Bert Davids said "We are absolutely certain we will make an operating profit this year."

He now says "Proposals for the reconstruction of the group could not proceed as funds for the programme have not been made available."

Gundle says current assets exceed liabilities by R8m. "Notwithstanding the recent improvement in the economy and the fact that some of the companies are operating at a profit before interest, the servicing of their previous debt is so substantial that the company has become illiquid and has been unable to raise additional funds

"Gearing prevents the company from obtaining additional funds, so that there is no alternative but to place the company in liquidation"

The market has knocked the shares, which last traded at about 80c, down to less than a quarter of their value at the beginning of last year

The Johannesburg Stock Exchange has suspended trading in the shares

15/5/86 BUS DAY.

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Health is set up for privatisation

SUBSTANTIAL deregulation of the country's health services, opening the door to far greater participation by the private sector, is on the cards.

This is expected to be one of the major recommendations of the Browne Commission, set up six years ago to investigate SA's entire health care sector.

The report is scheduled to be tabled in Parliament within the next 10 days

Indications of the line it is likely to take and the tack government is to adopt have been provided by government spokesmen addressing this week's annual congress of the Pharmaceutical Society (PSSA) in Cape Town.

National Health and Population Development Minister Willie van Niekerk reaffirmed the State's commitment to privatising the health services as far as possible

And he warned the pharmacy profession to note that this could have a far-reaching impact on the future development and practice of pharmacy

Van Niekerk said the trend for the pharmacy profession to play a more clinical role in health care was certain to be dramatically expanded and enhanced in the future.

He advised the profession to immediately set about deciding how it was to meet these future challenges, with minimum reliance on the State

Van Niekerk observed that as privatisation began to make its mark, it could mean that many people currently being cared for by the State would be served by community health practices

CHRIS CAIRNCROSS

Van Niekerk said that economic circumstances and a possible change in the method of financing health-care systems could place the smaller one-man practice under severe pressure

He suggested that some thought should be given to the possibility of developing larger, more economical practices

The chairman of the government committee investigating the privatisation of health care, G Watermeyer, forecast that pharmacists could in future play a very important advisory function to medical practitioners and the public.

Watermeyer indicated that the door was to be opened for the private sector to become directly involved in State and provincial hospitals

This could be achieved in various ways They could, for example, enter into partnership with a public institution for supplying a specific service or product.

Privatisation could also be brought about by negotiating agreements allowing private concerns to make use of unused capacity/facilities in public hospitals

The establishment of health maintenance organisations by the private sector, especially by the more financially strong organisations, also appears to be a favoured proposal by government.

Watermeyer said "This concept of health service has been growing in leaps and bounds in the US, and has proved to be cost effective if well managed."

BUSINESS

Score to take over Grand Baz in R12m deal

W/L ARGUS 17/5/86

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By TOM HOOD

GRAND Bazaars is likely to be taken over by Score Food Holdings, the fast-growing retailers and cash-and-carry wholesalers, through a R12 million deal.

Mr Manual Sachar, 73-year-old chairman and founder of the Cape-based supermarket chain, said today the directors have agreed in principle that Grand Bazaars will be sold to Score and it will become a wholly owned subsidiary.

But the deal is subject to certain suspensive conditions, which he declined to reveal at this stage.

It was on the issue of suspensive conditions that a Previous takeover deal with Pep Stores foundered.

"A further announcement will be made in due course," Mr Sachar added.

Details will be reported to the Johannesburg Stock Exchange on Monday.

Grand Bazaars has a market capitalisation of almost R15 million based on last night's share price of 700c.

The majority shareholding is controlled by the Sachar family — Mr Sachar and his son Jackie, who is vice-chairman and managing director.

Other shareholders will be offered 42 Score shares for every 100 Grand Bazars shares they hold, said Mr Sachar.

This means shareholders are being asked to swop Grand Bazaars valued at R700 for Score shares worth only R581,70, based on last night' JSE prices

However, Grand's current price was boosted by rumours or leaks of the takeover negotiations and the offer price indicates Score is valuing Grand at around 500c a share.

And speculators who paid 700c in anticipation of a higher offer look like burning their fingers.

A takeover bid was also reported to have been made this week by Jazz Stores, but a spokesman there said it was expected Score would emerge as the winner

Grand Bazaars was founded in Parow 47 years ago and its 22 supermarkets have spread throughout the Cape and into the Transvaal, with sales running at R160 million a year.

Score has 37 stores in the Transvaal and Natal and turnover of R420 million a year, a sales increase of 70 percent in a year.

A merger will increase Score's buying power and make the group one of the biggest retail chains in the country after Pick 'n Pay, OK Bazaars and Checkers

Bertie Lubner heads up board and laminates giant

SAPR 19/5/86 (232)

PG Wood in R250-m merger

By Peter Farley
Investment Editor

A major new force in the local board and laminate industry has been created by the merger of various interests of PG Wood Industries, Afcol and Mondi

The new company — which has yet to be named, but which will have turnover of R250 million — brings together 70 percent of PGWI's SA interests, plus Bison Board, a company owned by Mondi and Afcol

The new structure has three main divisions — particleboard manufacture, melamine laminate and a distribution operation — and will be 50 percent owned by PGWI and 50 percent held by Spankor in which Mondi and Afcol have equal stakes

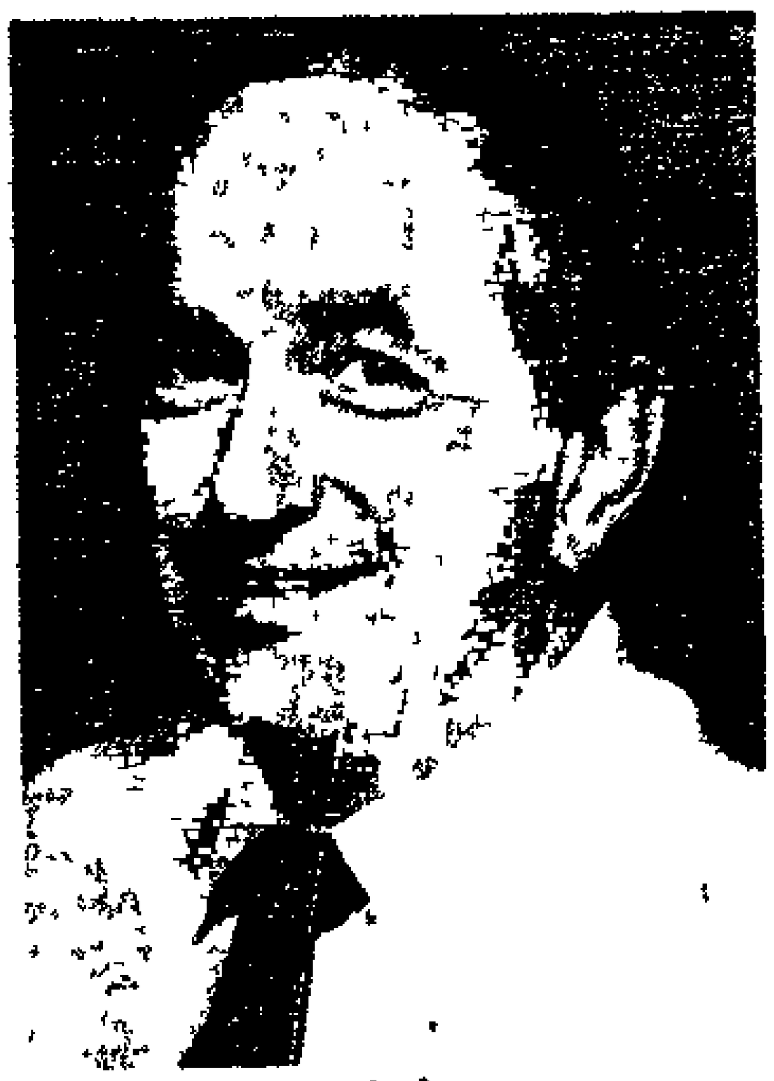
PGWI chairman Mr Bertie Lubner, who also chairs the new company, said last night that the merger will both strengthen operations in the local market and provide an important platform for exports

Until now the three operations have had little in the way of exports of these products, but are aiming for sales in this area to total 10 percent of turnover this year.

Mondi chairman Mr Reg Donner said an aggressive attitude will be taken to exports, based on the historic experiences of Mondi and the international network of the PG Group

He, and PGWI's Mr Leon Cohen — who will be chief executive of the new company — both stressed that SA exports can find a place in world markets if the quality and reliability of the product is good enough

Laurie van der Watt



Bertie Lubner

Reg Donner

Both have just returned from business trips overseas and report that the so-called "apartheid discount" or threat of trade boycotts have virtually disappeared in the past few months

On the local front, however, Mr Lubner said that while widespread competition would preclude increased margins through higher prices, a more efficient structure would enable overheads to be lowered and increased exports should reduce overall unit costs

Afcol chairman Mr Laurie van der Watt stressed that the new company would not be extending its activities into the furniture industry, but would remain heavily reliant on demand from both that sector and the construction industry

Mr Lubner said that there were no immediate plans to list the new company, but that if capital was required in the future it could be considered

GREAT DEAL BIGGER

While precise figures of the respective companies would not be divulged, all the divisions put into the operation are currently profitable, with Mr van der Watt estimating that its share of Bison last year accounted for more than 20 percent of his group's profit

The R250 million sales figure excludes historic inter-company sales between the three groups, so actual business conducted by the new company could be a great deal bigger All three chairman emphasised, however, the strategic importance of the deal and the longer-term implications, rather than any short-term profit benefits

Mr Lubner conceded that the deal had been under discussion for some time, and said that much of the logic behind the merger was justified by the immediate creation of vertical integration within the industry, without one of the three parties invoved having to go his own way and duplicate facilities

He emphasised, however, that the new structure will be flexible enough to cater for the widest range of products — including a number of new developments — and will aim to meet the demands of all clients

Cape Times

ay, May 20, 1986 11

New group in board industry

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JOHANNESBURG — A major new group in the board industry, was formed yesterday by the merger of certain operations of PG Wood Industries' SA division (PGWI) with Bisonbord (Bison)

The new group with an annual turnover of R250m, gross assets of R160m and employing more than 3 300 people, is involved in the manufacture of particleboard, decorative laminates and the distribution of these and allied products to the furniture and building industries.

Forty branches of the board division of PG Wood and the business of laminate industries are included in the merger, with specialist timber and timber-related activities being excluded

Bisonbord with its four strategically located manufacturing plants is the premier particleboard manufacturer in SA

PGWI is a wholly-owned subsidiary of Plate Glass & Shatterprufe Industries (PGSI) and Bison is a wholly-owned subsidiary of Spankor, which is jointly controlled by Mondi (an Amic subsidiary) and Afcol (an SA Breweries subsidiary).

As a result of the merger PGWI will hold 50% of the merged business and the other 50% will be held by Spankor

The merger will not have a material impact in this financial year on the earnings a share of Afcol, Mondi or PGSI

The individual operations will continue to trade under their existing names and operate substantially in the same manner as they did prior to the merger

BUSINESS   Akos 20/8/86

(232)

INSURANCE

Kirsh may seek "white knight" for AA Mutual

By Duncan Collings

AA MUTUAL and the Automobile Association could be in jeopardy if Federated Insurance is not restrained legally from withdrawing from its merger with the short-term insurance interests of the AA Mutual and the deal is overturned

The life insurance arm of the AA Mutual, AA Mutual Life is an independent company, fully capitalised and not affected by these circumstances

If the deal does not go through, says Mr Natie Kirsh, chief executive of Kirsh Industries which is selling out of AA Mutual, a "white knight" would be sought He feels it is absolutely imperative that a buyer for AA Mutual should be found and that the company not be allowed to go under

But his stance remains unequivocally that Federated cannot withdraw from the deal and is backing the AA's lawyers in their efforts to ensure that the deal is finally consumated

In the face of the threat of legal action, Federated has remained strangely silent, refusing to speak to the Press and maintaining its stance of recent weeks that a full statement will be issued in due course

In an urgent application to the Supreme Court yesterday by the Automobile Association and Kirsh Industries it is stated that an estimated underwriting loss of R42 million will result in Federated AA having a net loss of R32 million after investment income.

In view of this, Kirsh and the Automobile Association offered to put R34 million of fresh capital into the merged group in intense negotiations over the past few days designed to save the deal This was rejected by Federated which now wishes to withdraw from the deal

If it does withdraw it is almost certain that AA Mutual would go into liquidation unless another buyer could be found

Industry sources say there are only a few short-term insurance companies in the country which could take on the losses of the magnitude of those being disclosed SA Eagle and Mutual and Federal are mentioned

But, say the sources, it would be far more likely that the industry would allow the company to placed in liquidation before entering into negotiations with the liquidator to buy only certain aspects of AA Mutual without taking on the losses as well

They point to the motor insurance activities of the group as being well worth looking at as these have always been the backbone of the company's business "AA members are generally considered a good risk."

They emphasise that it appears it is not AA Mutual's local insurance activities that caused the problems but international reinsurance activities, possibly in the US and Canada.

In the event of liquidation the liquidator would try to protect the interests of policyholders and might not countenance a part bid for the company.

Mr Kirsh said he had been in contact with the previous MD of AA Mutual, Mr Warren Plummer who is in the UK, but Mr Plummer refused to see Mr Kirsh

Mr Plummer resigned suddenly a few weeks ago and left the country Many industry sources think that embarrassment about the extent of the AA Mutual's underwriting losses which were slowly coming to light caused Mr Plummer to act so out of character

INV---

Grand Bazaars retains identity

Cape Times 20/5/86

By AUDREY D'ANGELO

GRAND BAZAARS — the Cape Town-based supermarket chain — will continue to trade with no change in its name or appearance, the managing director of Score Food Holdings, Carlos dos Santos, said last night.

Score has acquired more than 90% of Grand Bazaars and Dos Santos said it intended to increase this to 100% ownership.

But it did not plan to incorporate the chain in its rapidly-expanding Score Discount supermarket chain.

Grand Bazaars will retain its name, logo and identity although it will share Score Discount's managing director, John McLean.

New recruit

His second in command will be a new recruit from Checkers, Mike Palmer.

Dos Santos said that Grand Bazaars staff would be kept on.

"Without people, we have no business."

The price paid was 42 Score shares for every 100 Grand Bazaars shares which, Dos Santos said, worked out at R12,1m.

Carlos dos Santos

Grand Bazaars' results for the year to February have not yet been announced but Dos Santos said "Their figures were not too good.

"Grand Bazaars ends the year with a break-even situation out of a turnover of R160m."

Discussing his plans for the new acquisition, he said "We will make it profitable to start with. I believe we will not show less than three-quarters of a million rands for the year to February 1987.

"We are going to use Score management expertise and our buying muscle to turn Grand Bazaars round."

Score, which employs 2 600 people, has a wholesale arm, Trador Cash & Carry and two supermarket chains, Score Discount with 30 stores and A & A Supermarkets with 37.

A & A is the former Barberton Wholesalers, which was acquired by Score last August.

Activities

Score extended its activities to the Western Cape last October with the opening of a Trador store in Epping.

It is about to open a second branch of Trador in Woodstock.

Its turnover has risen from R11,5m in 1981 to R419,5m in the year to February 1986.

In 1981 it made a loss of R321 000. It ended its last financial year with a pre-tax profit of R11m and an attributable profit of R5,8m.

Ned-Equity in major insurance merger

20/3/86 BUS DAY

(58)

(232)

MERVYN HARRIS

A MAJOR new force in the insurance industry is to be created by the merger of Ned-Equity and the SA business of National Mutual Life of Australasia

The new company, Sage Life, will have total assets of about R700m and total income of about R170m

The merger, which is subject to certain conditions and to the necessary approval of the relevant authorities, will fully provide for the interests of existing policy-holders.

It follows a recent review by National Mutual of its strategy for its SA operation, which showed it was below critical size in the highly competitive local market

Despite its substantial reserves, National Mutual SA felt it appropriate to transfer its obligations to policy-holders and staff to another life company which would have the merged size and financial resources to expand

This would make it fully competitive with the major insurance and integrated financial service groups in the SA market

Ned-Equity, owned 74,5% by the Sage Group and 25,5% by Nationale-Nederlanden, intended changing its name to reflect its identity with the Sage Group

Total assets of Ned-Equity are more than R400m, while the Sage Group controls assets in excess of R1,5bn

The boards of Ned-Equity and National Mutual say the merger will be in the best long-term interests of policy-holders by creating a greatly expanded asset base, with consequent increased investment strength

At the same time, the combined marketing penetration within a larger financial services group will bring additional significant expected economies of scale, thus reducing vital expense ratios.

Shareholders in the ordinary share capital will be unchanged. The head office will be in Johannesburg, with a strong branch presence in Cape Town and other major centres.

Sage Holdings and present Ned-Equity chairman Louis Shill will be chairman of Sage Life. Ned-Equity MD Ian Solomon will take up the same post at Sage Life, while directors of National Mutual SA will be invited to join the board of the merged company.

National Mutual's present GM and deputy GM, G A Tomlinson and J H Day, will retain their respective positions until all conditions relating to the merger have been met and approvals granted

They will take part in facilitating the merger arrangements before returning to Australia

Court attempt to stop Federated pull-out

STAR

AA Mutual at risk by threat to merger

20/5/86 232

By Duncan Collings
Deputy Finance Editor

AA Mutual and the Automobile Association itself could be in jeopardy if Federated Insurance is not restrained legally from withdrawing from its merger with the short-term insurance interests of the AA Mutual and the deal is overturned

The life insurance arm of the AA Mutual, AA Mutual Life, is an independent company, fully capitalised and not affected by these circumstances

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But his stance remains unequivocally that Federated cannot withdraw from the deal, and he is backing AA's lawyers in their efforts to ensure that the deal is finally consumated

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In view of this, Kirsh and the Automobile Association offered to put R34 million of fresh capital into the merged group in intense negotiations over the past few days designed to save the deal. This was rejected by Federated which now wishes to withdraw from the deal.

If it does withdraw it is almost certain that AA Mutual would go into liquidation unless another buyer could be found

Industry sources say there are only a few short-term insurance companies in the country which could take on the losses of the magnitude of those being disclosed SA Eagle and Mutual and Federal are mentioned

But, say the sources, it would be far more likely that the industry would allow the company to placed in liquidation before entering into negotiations with the liquidator to buy only certain aspects of AA Mutual without taking on the losses as well

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They emphasise that it appears it is not AA Mutual's local insurance activities that caused the problems but international reinsurance

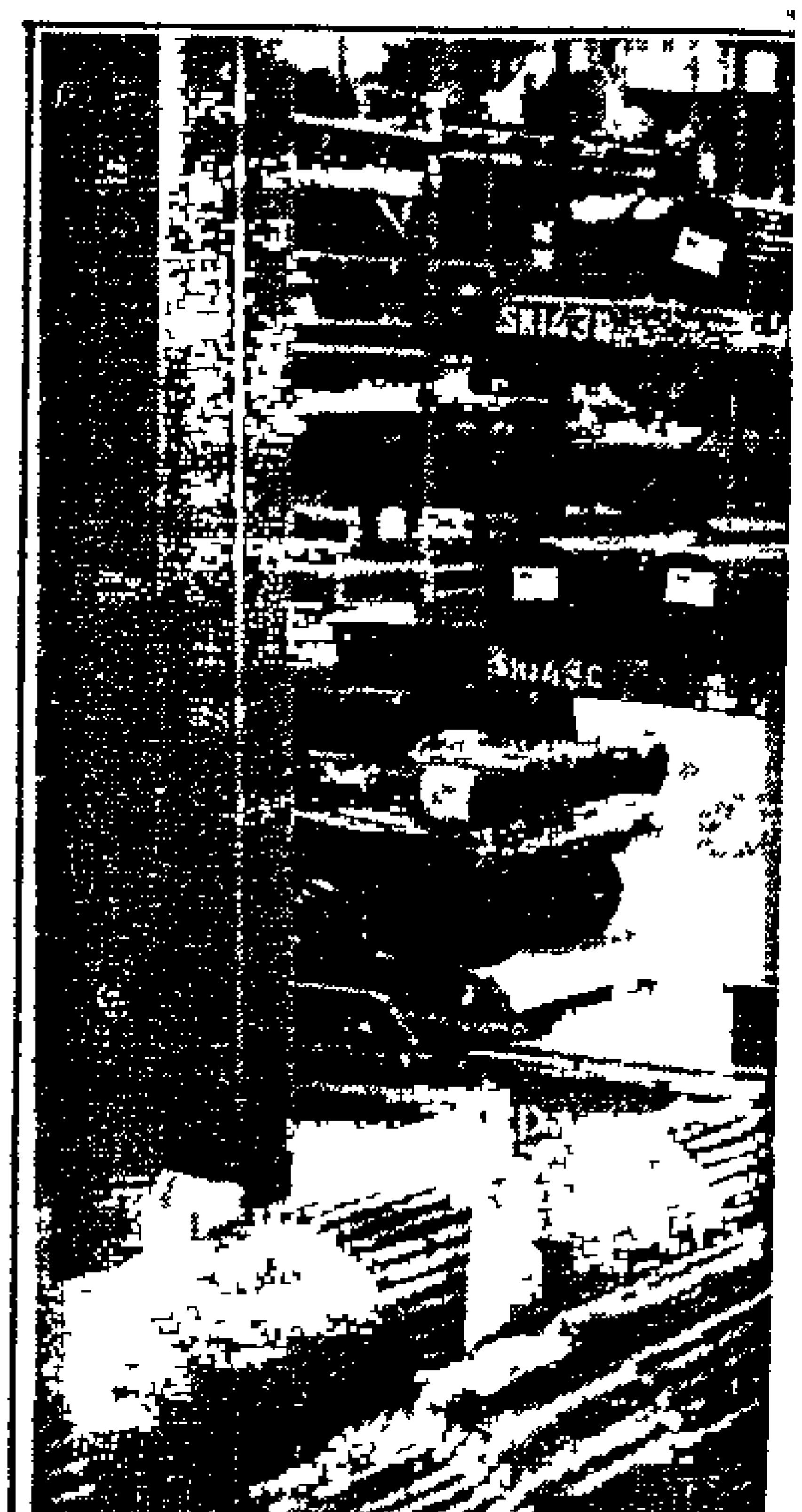
In the event of liquidation the liquidator would try to protect the interests of policyholders and might not countenance a part bid for the company

Mr Peter Elliott, director general of the Automobile Association, also points out that as the AA Mutual is the AA's largest single asset its demise would place the organisation in jeopardy, hence the urgent legal application to try to get the Federated to honour its obligations

The AA has 690 000 members of which about 230 000 have policies with the AA Mutual

Mr Kirsh said he had been in contact with the previous MD of AA Mutual, Mr Warren Plummer who is in the UK, but Mr Plummer refused to see Mr Kirsh.

Mr Plummer resigned suddenly a few weeks ago and left the country. Many industry sources think that embarrassment about the extent of the AA Mutual's underwriting losses which were slowly coming to light caused Mr Plummer to act so out of character. Although he was 69 and over retirement age he had been asked to stay on as chief executive of the merged Federated AA for a short while to help it get on its feet.



Mr Bruce Fairlie

Business Day

(45c + 5c tax) For other prices, see Back Page

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"THE VITAL VIEWPOINT"

Federated Insurance calls off merger deal with AA Mutual

LESLEY LAMBERT

FEDERATED INSURANCE has cancelled its merger with AA Mutual's short-term operation

It will contest an application to the Rand Supreme Court, by the Automobile Association, to prevent collapse of the multi-million-rand deal.

Federated withdrew from the merger at the weekend because it claimed to have discovered underwriting losses of an alleged R50m weeks after assuming control of AA Mutual in March.

CE Johannes Hamman, who has previously declined to comment on the issue, told *Business Day* yesterday that Federated was preparing a replying affidavit to be submitted to the Rand Supreme Court next week.

He said Federated had been advised it was legally entitled to cancel the transaction because of alleged misrepresentations and non-disclosures during negotiations.

It is understood Federated has proposed launching proceedings to recover the estimated R30m to R40m it paid Kirsh Industries and minority shareholder, the Automobile Association.

The AA, supported by Kirsh, refused to accept Federated's weekend decision and made an urgent applicationlate on Monday to force the group legally to fulfil its contractual obligations. It refused to accept the magnitude of losses claimed.

According to papers before the court, the AA and Kirsh offered Federated financial support in the form of assets, including redeemable preference shares with a fairly short life and some property shares worth about R34m.

Federated disputed many allegations in the affidavit. These would emerge during the hearing, Hamman said.

Cancellation of the transaction will not affect the normal business activities of the insurance group

The Automobile Association, however, feared that if the Federated-AA merger collapsed, the AA Mutual — whose solvency margin was already below the minimum legal requirement of 10% — would face possible insolvency.

Because AA Mutual is the AA's major asset, its demise would place 690 000 AA members, 230 000 of whom are insured with AA Mutual, as well as thousands of other policyholders, at risk.

The court application was brought before Justice A J Gordon. The hearing was postponed to June 11

27/5/86

Cracks in the Kirsh empire

From MICHAEL CHESTER

JOHANNESBURG. — The collapse of AA Mutual is not the first setback suffered by multi-millionaire takeover king Mr Natie Kirsh.

The first big cracks in the business empire he created appeared seven months ago

The crown tilted when Sanlam marched across his frontiers to control one of the main citadels, Kimet, the holding company for Kirsh Trading, which sat in command of a wholesale and retail sprawl with sales running at no less than R3 000 million a year

Sanlam carried a purse of more than R100 million which it used to take over control of a chain with household names like Checkers, Dion, Russels and Metro Cash

The exercise was seen as a massive rescue operation that came on the heels of a general meeting of more than 100 creditors banging on the Kirsh doors.

Mr Kirsh handed over the Kimet crown and slipped in rank to a minority shareholder. But he still controlled other colonies he had captured — not only AA Mutual, but also extensive interests elsewhere in South Africa, in Swaziland and far away in Israel

And remained an enigma to supporters and detractors alike What everyone agreed about, though, was that he obviously revelled in the power game

Mr Kirsh, who set out from a family malt business in Potchefstroom, had gained the attention of the business hierarchy back in 1967, when at 35 he had from scratch built a power base in Swaziland, where he had taken Swazi citizenship and became "Mr Money".

Swaziland Milling, later sold to the Government, was a conglomerate with tentacles in chemicals, in fertilizer, in estate farming (sugar, rice, pineapples) and wholesale groceries

It was not only back to South Africa that he turned his gaze. In Israel, he controls a huge construction company, Rassco, which recently unveiled plans to build a R200 m commercial centre in Jerusalem.

"We live in a dynamic world," he remarked during the pell-mell of his takeover career "Big business opportunities knock constantly"

Cape Times 28/5/86 (231) 232

Tongaat Foods buys Supervision Services

Own Correspondent

JOHANNESBURG — Supervision Services, one of SA's largest industrial catering and contract cleaning groups, has become a wholly-owned subsidiary of Tongaat Foods

Tongaat Foods has purchased the outstanding 50% of Supervision Services shares from the American conglomerate Delaware North with whom Tongaat Foods had been a joint partner for the last three-and-a-half years

Chairman of Supervision Services, Russell Stevens said yesterday that Delaware North still retained a smaller interest in another SA group

He declined to say how much Tongaat Foods had paid for the outstanding 50% stake

Stevens will be stepping down as executive chairman due to other business commitments but will remain on the board and as a consultant

Simon Dougherty, chairman of Tongaat Foods will be appointed chairman of Supervision Services.

The Cape Times correspondent in Washington, Simon Barber, writes that Delaware North Vice President Samuel Gifford said the firm had sold its stake in Supervision Services to Tongaat Foods for "business reasons" which he declined to specify He would not reveal the terms

Gifford said the company was continuing to do business with the SA government through Air Terminal Services, a wholly owned subsidiary under contract to provide catering services at Jan Smuts airport

Delaware North is privately held, and is not a signatory of the Sullivan Code. Its US businesses include a steel foundry, racecourse management and a typesetting concern

CAPE TIMES 31/5/86

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Grandbaz growth prospects improve

By AUDREY D'ANGELO

GRAND BAZAARS has improved prospects for growth as part of the Score Food Holdings group, with its enormous buying power, retiring chairman Manual Sachar said in an interview this week.

Score formally takes over Grand Bazaars on Monday and Sachar who, with his cousin Max Sachar, built it up from one small shop in Parow to a chain of 22 stores, will retire from the retail industry

Property

But he plans to go into property development, in which he has always taken an interest.

"I have been building stores, which we later sold and leased back, for years."

Sachar said that since 1984 Grand Bazaars had been hit by foreign exchange losses, high interest rates, unrest, boycotts "and very severe competition".

Competitors

It had not been able to match the buying power of larger competitors — a situation which would now change — but it had maintained its market share and increased turnover every year.

Sachar said he expected the economic upturn soon and it was not the recession and its effects which had persuaded the majority shareholders to sell Grand Bazaars to Score

He had reached this decision because he was now in his seventies and his son Jackie, who was managing director, wanted to start another type of business.

Huge volumes of Nedbank shares changing hands

CAPE TIMES 31/5/86 232

By GORDON KLING
Financial Editor

A BID for a strategic stake in Nedbank, possibly by Rembrandt, may be underway.

Anton Rupert's cash-rich industrial and financial conglomerate makes sense as the likely buyer of vast volumes of Nedbank shares changing hands on the JSE, according to a straw poll of brokers.

The share has shown one of the highest volumes on the board in the past two days, yet it has lost little ground with a closing price of 600c yesterday, from the previous day's 610c after recovering from 590c under heavy selling pressure earlier in the day. A single buyer is evidently taking up shares being unloaded by individuals.

Significant as well, the nil paid letters (NPLs) entitling the holder to shares in terms of the R345m rights offer at 630c, have been trading at a frantic pace. About 4m of the 55m NPLs changed hands this week.

It seems unlikely that Old Mutual as underwriter of the issue and facing the possibility of having to take up most of the shares unless there is a recovery in the price would be after the NPLs Nor would the public since they can get shares on the JSE for less So who is buying?

It has to be a group with major clout and without an obvious conflict of interest

Of the institutions, Liberty Life is already tied to Standard Bank, while Southern and Anglo are associated with Barclays

Advantage

Rembrandt increased its holding in Volkskas in the past financial year from 20% to 30%, the maximum permissible for a single holder in terms of the Banks Act. It also holds 25,4% of Sage, which is very close to Nedbank.

Speculation has it that Nedbank's standing may have been so seriously damaged by recent events that it would be to its advantage to become associated with Rembrandt and Volkskas which has a large stake in Boland Bank.

No comment could be obtained from Rembrandt's HQ in Stellenbosch last night, but the broking community considers there are sound grounds for believing Dr Rupert could be involved

Technically the authorities should not allow anyone more than 30% in the bank, but the Mutual has already been permitted a larger stake because of ruling circumstances Presumeably another rescuer would be permitted similar latitude

Withdrawals

Nedbank GM Merton Dagut confirmed yesterday that heavier than usual withdrawals of deposits which began on Thursday were continuing, particularly in the PWV area

Anxious clients of the bank and its associates were contacting financial consultants throughout the day on the wisdom of retaining their investments with it

Brokers, along with the Reserve Bank and Nedbank management, of course, generally believe adverse reaction approaching panic proportions has been greatly overdone.

Sentiment yesterday was that the share is a good buy at current levels

Firing Ackerman the 'biggest error in SA business'

w/e Argus 31/5/86

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By DEREK TOMMEY
Financial Editor

MARINUS Daling, Sanlam's trouble shooter in Johannesburg, has called it "the single greatest error in South African business" He was referring to the firing of Raymond Ackerman, head of Checkers, by his boss, Norman Herber, head of Greatermans and Checkers.

It is part of South African business folklore that Herber called in Ackerman one Monday morning and said he wanted his resignation When Ackerman refused he was given two weeks' pay, told to clear his desk and leave immediately

The result was that Ackerman developed his own highly aggressive and extremely efficient supermarket chain, Pick 'n Pay, which today is valued by the share market at over R800 million

And it created intense competition for Checkers — and almost put it out of business

Why did Herber fire Ackerman who by opening 85 Checkers stores in the previous six years had shown immense ability and drive?

This is a question that has intrigued businessmen especially since Pick 'n Pay took off Now it has been answered in a book entitled Jewish Roots in the South African Economy, written by Mendel Kaplan.

The book traces the growth and development of the major Jewish business in South Africa and is based on interviews with the men themselves or their families

In his book Kaplan publishes interviews with both Ackerman and Herber on the incident They indicate that the probable reason for their falling out was that both were extremely ambitious and determined, and that Herber may have resented the kudos Ackerman was receiving as head of Checkers

Raymond Ackerman

There is a suggestion that the JAYCEES Outstanding Young Man of the Year award to Ackerman in 1965 may have caused an undercurrent of friction

Ackerman told Kaplan that he was being difficult at the time of his firing

"Greatermans just wouldn't let me develop supermarkets the way that I knew they should be developed I was very difficult in that area, and that I admit"

But he believed he was on good terms with Herber and when he was told he had to go, "it was like a blow between the eyes".

"When I suggested that maybe I should take over Ackermans seeing that he didn't want me in Checkers, he told me its was absolutely unacceptable and he didn't want me in the business any more."

Kaplan says Herber's reaction to Ackerman's demands can be better understood when it is realised that Checkers was the inspiration of Norman Herber and that he, not Raymond Ackerman, had been the first to go overseas and to be inspired by developments there.

"Normam Herber wanted to control Checkers, no matter how successful the stores were proving under Ackerman's management," says Kaplan.

Herber told Kaplan that he had fired Ackerman because "Unfortunately he and I fell out

"To put it bluntly, there could not be two bosses in the business and I felt I was much too young to retire

"You know, it was as simple as that I was about 42 or 43 — a bit young to retire And there just wasn't room for both of us"

On leaving Greatermans Ackerman decided to buy a small chain that he could build up.

His friends advised him to buy an existing business — "at least where the tea is being made and you don't have to buy the cups and saucers"

This led to his buying in 1966 a small group of three stores in Cape Town called Pick 'n Pay for R620 000 He and his family put up R100 000; his bank R450 000 and friends the balance And the rest is history

ARGUS 2/6/86 (20) (232) (239)

RETAILING

Pepkor R16m in red, rights issue 'unlikely'

PEPKOR, reporting a R18,8 million net loss for the year to February, aims to restructure the group and reduce borrowings

But another rights issue of shares is highly unlikely, said the chairman, Mr Christo Wiese, today.

"There are various alternatives but a rights issue is very low down the list"

The group raised about R75 million in cash seven months ago through issues of ordinary and preference shares

The group's borrowings jumped by R60 million to R187 million and its R50 million operating profit was slashed by an interest bill of almost R40 million

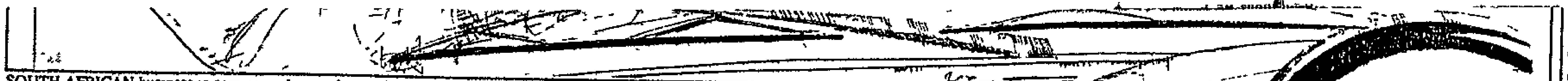
The higher borrowings followed the switching of all loans on-shore and forex losses of over R25 million incurred in the first half

However, the group, with its 579 stores, boosted its turnover by 19 percent to R693 million in spite of tough trading conditions

Export sales soared to R8,7 million from R1,7 million but the cost of getting into the export market resulted in a R3 million loss

"We are developing our exports in a particular manner," said Mr Wiese "Unfortunately it can be a costly exercise but we expect future export sales to be profitable."

Tom Hood



This misguided talk of chopping up 'monopolies'

THE CASE FOR BIG BUSINESS

Weekly M. (232)

Breaking down large corporations would be a mistake. Large companies have the expertise and the clout to finance major reform initiatives. By GAVIN RELLY, chairman of Anglo American.

June 1986

SOUTH AFRICAN business is coming to the conclusion that it cannot adapt itself to the new South Africa by carrying on much as it has in the past

The drive to achieve a more representative complexion among employees at all levels will require a range of affirmative action programmes much more ambitious than the few in place today. Greater worker participation in business, not just through trade unions but also through shareholding programmes and other mechanisms, is likely.

Above and beyond these measures black small business must be encouraged by a variety of means, some similar to well-known minority business schemes in the US

Such programmes and initiatives will be controversial and not always successful Although corporate executives may take progressive stances, their work forces may be resistant to change and imbued with traditional attitudes.

What is clear is that the complexion of South African business will in many respects be transformed, though the fundamental principles of private ownership of property will perforce have to remain

Specifically the Anglo American Corporation of SA is following three important strategies They all reflect our general belief that what we do now will determine whether we are seen as a credible, nonracial organisation in a free enterprise society

First, Anglo American is making a determined effort to visualise what "credible" will mean in 10 or 15 years It certainly will not mean a simple linear projection of current practices, however progressive our manning and industrial relations policies may be Credibility will require an absolute, mind-wrenching effort to grasp the future and translate it back to the real action we should be taking now

Second, we must support and nurture effective and responsible trade union activity It is impossible to face the future in industrial affairs if we have no one to talk to

We see that this will be a difficult and bumpy road, but we also know that we must move along it, and hope that the trade unions will develop a genuine management role in human and social affairs This effort will require very careful analysis of the future relationship between management and unions, as it will undoubtedly mature into some much greater form of worker participation.

Labour management relations must evolve in this direction in order to stave off the kinds of extreme left-wing measures that have ruined so much of the rest of Africa. This prospect also allows hope that intelligent self-interest in the trade unions developing from this greater responsibility and involvement ultimately will offset pressures for purely political solutions

Third, the company must be a stalwart advocate of the free enterprise theme, with the important obligation that we position ourselves to be seen both practising and encouraging free enterprise.

It will be deeds, rather than words, that determine whether we are acceptable to a society that, with the best intentions in the world, will have simplistic views about wealth

Business operates on a long-term basis Anglo American needs to plan for a long-term future to encourage industrial and economic growth If we can show that we are taking a long-term view of the future of South Africa, organisations like the ANC and the trade unions will be encouraged to do the same

It is important to think about the best ways to change mindsets to achieve a democratic South Africa. Business can be at the cutting edge without resorting, as is sometimes advocated, to measures such as not paying taxes Apart from eliciting the same kinds of counter-productive responses from government that foreign sanctions evoke, such moves would only further undermine respect for the rule of law

Business leaders realise that the form of the state will have to change just as dramatically as the shape of their businesses

But for all their specificity and agreement on the steps needed to dismantle apartheid, executives seem less united and articulate on what constitutional structure should replace the current system

This matter will have to be negotiated, and business leaders' roles will in one sense be confined to mediating among various political forces But they can advise on economic structures and, in their long-term commitment to free enterprise and to the idea of wealth creation, encourage political organisations to take a similar long-term view

In regard to appropriate political systems, some business voices favour the federal option. It seems to provide the most scope for devolving and sharing power in a way that reflects South African social diversity, and to be most conducive to ensuring the survival of individual freedoms and free enterprise

Many, to be sure, fondly imagine that federalism can serve as a device to ensure continued white domination, the National Party's constitutional vision of an ethnic confederation or federation certainly qualifies as an example No thinking business leader, however, believes that this is a viable political goal for white South Africans any longer

At the same time, devices to ensure the protection of individuals and, possibly, minorities — for example, bills of rights and systems of voting such as proportional representation — reflect genuine and valid concerns Indeed, the adoption of a bill of rights, now widely advocated in liberal and business circles in South Africa (witness the important business charter published by the Federated Chamber of Industries), is one way of helping to restore the classic Western democratic concept of the rule of law so tragically eroded during the apartheid era.

A bill of rights would not be worth the paper it was written on unless it was supported by the majority of the population of South Africa Yet one of the most positive and exciting developments in South Africa currently is the effort being made by many, including prominent business leaders, to find common ground in the area of commitment to various freedoms and common-law principles as a preliminary to getting a real negotiating process off the ground.

Realistically, it would be foolish not to expect that at least a measure of social welfarism will be present in post apartheid society, that the state — just like its Afrikaner predecessor — will try to redistribute wealth, and that some centralisation and bureaucratisation will ensue

What business can and must do is constantly stress the importance of maintaining a wealth-generating private sector, hampered as little as possible and able to compete in both domestic and international markets

Of course, South African companies must live out their free enterprise faith in South Africa, pressure government to create circumstances in which all South Africans are free to participate in the capitalist system, and involve themselves in all of the affirmative action programmes mentioned above

But they must also engage black political groups in a dialogue about the economic future of South Africa. That was one of the key motivations behind the visit by a group of seven South African business leaders that I led last year to the ANC in Zambia

The ANC's freedom charter, however admirable it may be in many respects, is a distinctly vague and woolly document on economic matters.

Conceived in the circumstances of the mid-1950s, when South Africa was a vastly different place politically and economically, the charter asserts that "the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole all other industry and trade shall be controlled to assist the well-being of the people."

Yet the goal of continued competition in the international economy is incompatible with nationalisation Large and sophisticated organisations where efficiency is at a premium are rendered less efficient by state intervention, and in the international marketplace, that is their death knell

Even attempts to break down the allegedly monopolistic large companies in South Africa are entirely misguided

Small open economies like South Africa's benefit from the international operations of large companies A corporation like Anglo American, employing some 300 000 South Africans, can finance very large projects that generate jobs at home and much needed foreign earnings from sales abroad. It also prides itself on its expertise and efficiency

The Urban Foundation, which has done much to spearhead socio-economic reform in South Africa in the last decade, is leading a great coalition of South African employer groups, black and white, to form a Private Sector Council on Urbanisation This body will help manage and increase the economic opportunities created by the urbanisation process

In the field of education there are private sector and community projects worthy of support at all levels ranging from primary through technical and university

South Africa is not a country for the faint-hearted. It presents immense challenges but also immense opportunities, as well as the excitement of involvement in one of the great historical processes of change seen in the 20th century

● This article originally appeared in Foreign Policy, a prestigious American journal tion on ceremonial occasions and in the Army to drink the toast to the office or to the individual who occupies the office of State President?

The DEPUTY MINISTER: Mr Chairman, it is traditional to drink the toast to the office and not to the person [Interjections]

†Mr J H VAN DER MERWE: Mr Chairman, arising out of the hon the Deputy Minister's reply, I want to notify him of an event and at the same time ask him what he is going to do about it We are going to tell national servicemen and soldiers on a large scale that they must drink a toast on the Republic of South Africa [Interjections] We will not drink to the State President!

†The CHAIRMAN OF THE HOUSE: Order! The hon member must take his seat [Interjections] Order! There are apparently hon members who think they may shout here as they wish, but the rules do not allow that Hon members will at this early stage be forced to leave the Chamber I expect order!

New Questions

*1 Mr L F STOFBERG—Law and Order. [Withdrawn.]

Q cur 2091 · HANSARD 3/6/86 232

Competition Board

*2 Mr L F STOFBERG asked ~~the~~ Minister of Trade and Industry:†

(1) Whether (a) his Department and/or (b) the Competition Board has received any complaints or representations about a certain conglomerate which allegedly controls approximately 55% of the companies listed on the South African stock exchange,

(2) whether it is a function of the Competition Board to limit such a concentration of control over listed companies, if so, (a) in terms of what statutory provision and (b) what action does this Board intend taking in this connection, if not,

(3) whether his Department intends taking any action in this connection; if not, why not; if so, what action,

(4) what is the policy of his Department in regard to excessive concentrations of control over companies?

†The MINISTER OF TRADE AND INDUSTRY

(1) (a) and (b) No

(2) Yes, only if it restricts competition and is regarded as not being in the public interest Every conglomerate does not necessarily create a monopolistic situation

(a) The Competition Board is empowered to investigate and to deal with monopolistic situations in terms of the provisions of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of 1979) as amended by the Maintenance and Promotion of Competition Amendment Act, 1986 (Act 5 of 1986)

(b) No drastic action against the existing concentration is intended in the immediate future. Historical and various other factors have contributed to the existing degree of concentration of economic power Although large acquisitions of control are stopped by the Competition Board before taking place, there is no responsible instant solution for existing concentrations of economic power The important causing factors are under consideration.

(3) As has been said already, it is a function of the Competition Board to investigate and deal with monopolistic situations and the Board will, whenever it is deemed necessary, investigate and make recommendations in this regard to the Minister of Trade and Industry From the reply to (2) it will be noted that action is taken only where a monopolistic situation restricts competition and is regarded as not being in the public interest

(4) The Maintenance and Promotion of Competition Act, 1979, as amended, provides that the Competition Board shall undertake a continuous study of trends towards increased economic concentration with a view to the investigation of acquisitions which are not justified in the public interest Furthermore, the Board has to consult at its request with any interested party to a proposed acquisition with a view to advising him on the likelihood of the existence of circumstances which do not justify such acquisition in the public interest

†Mr L F STOFBERG: Mr Chairman, arising out of the hon the Minister's reply, is he aware that the conglomerate referred to here is Anglo American? [Interjections]

†The MINISTER Mr Chairman, I have already, on several occasions, expressed the Government's concern about the high degree of concentration in the South African economy Within the powers given to it by law, the Competition Board takes the necessary steps to prevent further concentration The hon member is quite free to bring to the attention of the Competition Board any specific restriction of competition of which he is aware

†Mr L F STOFBERG: Mr Chairman, further arising out of the hon the Minister's reply, is he aware that the conglomerate concerned pushed up its profits by 35% in the year until the end of March

†The CHAIRMAN OF THE HOUSE. Order! The hon member is making a statement and not asking a question

3/6/86 Q cur 2093 HANSARD

Tax

*3. Mr L F STOFBERG asked ~~the~~ Minister of Finance †

(1) Whether (a) individual income tax payers are required to pay tax on dividend income and (b) companies are exempted from such tax; if so, why is this distinction made;

(2) Whether his Department has investigated the possibility of the non-taxability of dividend income being a contributory factor to the formation of conglomerates among companies; if not, why not, if so, with what result,

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

The MINISTER OF FINANCE:

(1) (a) Yes

(b) Yes In South Africa we follow the so-called classical system of taxing companies and their shareholders Under this system a company is subject to normal tax on its taxable income and the dividend declared out of after-tax income is again subject to normal tax (less certain reliefs in terms of section 19 of the Income Tax Act) in the hands of an individual shareholder Where, however, the shareholder is a company the dividend is not subject to tax as it has already borne tax in the hands of a company

(2) No There is no evidence to support this belief. The Margo Commission is, however, looking at our present system of company/shareholder taxation and will without doubt report on its findings

(3) No The above would suffice.

†Mr J J B VAN ZYL: Mr Chairman, arising out of the hon the Minister's reply, can individuals also be exempted from tax on dividends? A part of it is exempt, but can the full amount be exempted?

†The MINISTER Mr Chairman, I have just said that dividends in the hands of individuals are taxable in particular ways We have already debated the matter previously,

Cape Times 3/6/86

(232)

Discount petrol ban under fire

Own Correspondent

JOHANNESBURG — Strong criticism from industry and consumer organizations greeted the government's gazetted ban yesterday on petrol discounting

"It gives the lie to Pretoria's lip-service support of free enterprise," was the snap reaction of one opposition MP

Pick 'n Pay executives were planning a counter-move in a day-long emergency board meeting in Cape Town despite the edict ruling out further court action

The PFP spokesman on energy affairs, Mr Brian Goodall, described the ban as deplorable "Pretoria should not be above the law," he said

The Automobile Association said government should have delayed any ban on discounting while an investigation into the petrol price was under way

The deputy director of the Department of Mineral and Energy Affairs, Mr Theuns Burger, said the main reason behind the ban was to protect small businesses threatened by large retailers

Cape Times 5/6/86

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COMPANIES ARGUS 5/8/86

International ties put a shine on PG

From PETER FARLEY 232 [redacted]

JOHANNESBURG — The Plate Glass group leant heavily on its international subsidiaries in the year to end-March, to produce full year figures fractionally up on the previous year.

With both its SA wood and glass operations hit badly by slumps in the building, motor and furniture industries, the group's decision to diversify internationally paid handsome dividends

Nevertheless, margins remain better in South Africa and the increased contribution from the offshore interests meant that operating returns slipped to 6 percent from 7 percent.

Though almost 60 percent of turnover was generated by the overseas operations, only 34 percent of pre-interest profit was made outside SA This was substantially up on the 20 percent from that source in the previous financial year.

Group turnover is now nudging the R2 billion mark, with a 44 percent leap in sales to third parties slightly tempered by less growth in inter-group and indent business

The dividend has been maintained at a total 105c for the year, costing a total of R17 million

Wall St hits new peak

NEW YORK — Stock prices turned in a mixed showing today as the market was surprised by news of a rise in the US unemployment rate

The Labour Department reported the civilian unemployment rate rose two-tenths of a percentage point to 7,3 per cent last month

Prices of long-term government bonds which move in the opposite direction from interest rates, jumped about $25 for every $1 000 in face value

The Dow Jones average of 30 industrials rose 6,46 to close at 1885,90 topping the record closing high of 1882,35 set on May 29

But declining issues outnumbered advances by about 5 to 4 on the New York Stock Exchange — Sapa-AP

Business briefs

Chinese launch Great Wall Card

Economist News Service

CHINA launched its first credit card the Great Wall Card, for foreigners and expatriate Chinese only

XXX

BOEING launched a stretched version of the 737 airliner with an order from Piedmont worth up to $1.9 billion

Bosses spending millions to buy out their businesses

W/E ARGUS 7/6/86 232

By Malcolm Fothergill

JOHANNESBURG — A spate of management buyouts involving hundreds of millions of rands is rapidly changing the face of South African business

In recent months dozens of managements have approached merchant banks seeking help to buy the companies they work for

Many of them are subsidiaries of American and British multinationals threatened by sanctions and disinvestment

However, only a small proportion of the managements interested in buying the businesses they work for succeed in getting deals together

In general, merchant banks are prepared to consider only mature companies in mature industries and with good track records

COMPETITION

In part, the spate of attempted buyouts is a result of the greater competition in world trade which by forcing conglomerates to concentrate on their core businesses, results in peripherals being put up for sale

Another reason adding impetus to the management-buyout swing in South Africa is the threat of disinvestment and sanctions

One typical recent management buyout that involving Gardner-Denver, which makes equipment for the mining, construction and industrial sectors, shows the advantages to both South African buyers and overseas sellers in allowing local management to take control

The new company Southern Denver, will have all the advantages it enjoyed as a subsidiary of an American parent including long-term agreements by which it will have access to its former parent's new technology and will have its products marketed worldwide by Gardner Denver in the United States at no trouble or expense to itself

Gardner-Denver scores by getting its products made in South Africa but without the political risks attached to owning the producer

EXPORT MARKETS

Another recent buyout involves flooring supplies company Gripperrods South Africa where management has bought the shares previously held by the British parent company

The local firm retains the right to continue using the brand name trademark and patents

It also retains the rights to serve substantial export markets in Africa and the Far East and intends to attack other markets that could include Australia Canada and the United States

The way management buyouts are structured varies from company to company

In Southern-Denver's case four top managers — managing director Mr Terry Spratt financial director Mr Jacobus Hauptfleisch manufacturing manager Mr Bobby May and materials control manager Mr Willie du Plessis — arranged backing from Barclays National Merchant Bank before approaching the parent company with their offer

FOUR-DAY DEALS

They plan now to offer a stock option to key employees

The Southern-Denver deal took about three months from start to finish but other deals are completed considerably quicker than that

Barname, says general manager Mr Andre Roux, has done deals in four days, but four weeks would be more common

The reject rate is high he says, because a management buyout is a unique financing structure

"There's a lot of debt and very little equity so the financial risk is high The type of company one would be looking at would be a mature company in a mature industry with a record of earnings and sales in a well established market

REJECTION RATE

"One can't do it in a heavily geared company or in a cyclical industry Cash flows have got to be predictable and dedicated in the first couple of years to paying the management's new obligations.

While Barname rejects nine out of 10 applicants Mr Laurie Korsten chief executive of Volkskas Merchant Bank says the Volkskas acceptance ratio is more like 1,5 out of 30

"In most cases the people don't have the cash to put on the table so the idea is to lever age the assets up to the hilt This means we have to assess the quality of the assets and decide if the assets can service the debt"

Because merchant banks are not keen on holding stakes in companies indefinitely one likely side-effect of the present spate of management buyouts is a number of firms applying for listings on the Johannesburg Stock Exchange in three or four years time

LISTINGS

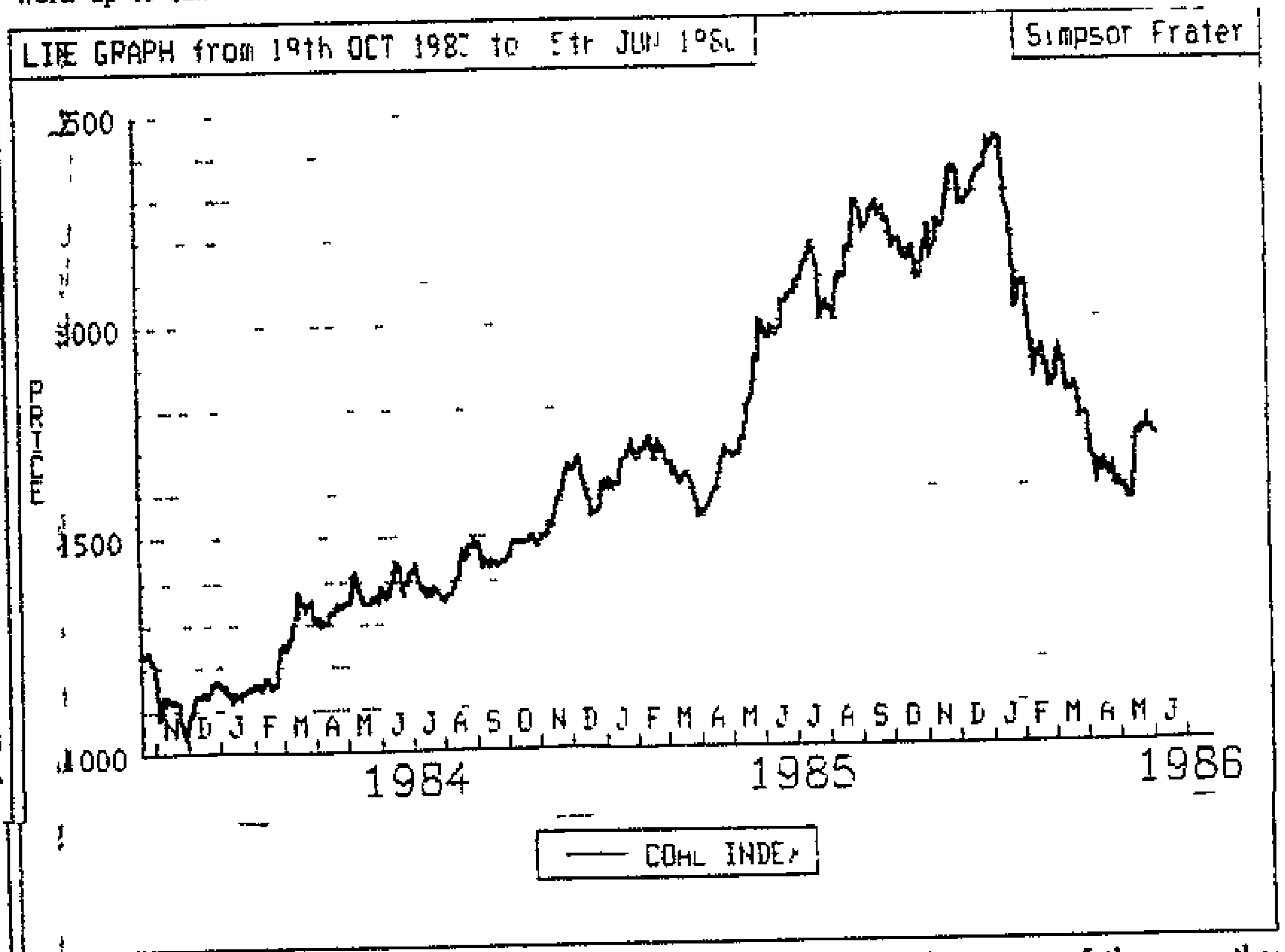
'A listing would be a logical route for management to follow" says Mr Roux "It would give them liquidity for their investment and would suit the financiers too'

Mr John Snider assistant manager in the corporate finance division of Hill Samuel says one route sometimes pursued by companies keen to allow management to take control is the leveraged buyout

"If the company doesn't have significant borrowings it can borrow which may enable funds to be released to the existing shareholders, thereby assisting management

"In some cases management is interested in buying out the biggest shareholders but alternative buyers outmatch them by being able to put cash on the table'

Figures from Britain show that management does not nec



Coal shares have had their ups and, since the fall in the oil price at beginning of the year, their downs, as this graph shows They recovered on the Russian nuclear disaster, but with Amcoal reporting this week static export growth they have again declined

Volkskas keeps div, profit at same levels

PROFITS of banking group Volkskas dipped marginally to R52,9 million after tax in the year to March 31 giving earnings of 173,3c (173 4c) a share

The interim dividend is being held at at 36c, making an unchanged total payout of 57c

The directors say in spite of the negative influence of recessionary business conditions on new business volumes, provisions for irrecoverable advances and pressure on interest rate margins, the banking and financial services sections succeeded in maintaining the results of the previous year by means of cost saving rationalisation and improved efficiency

In the past three years the results of the Volkskas group's industrial interests have inhibited its profits but this "constraint" has been eliminated to a large degree by restructuring and scaling down these industrial interests, say the directors

Total assets fell to R11 513 million from R13 350 million

The second half-year was characterised predominantly by a further deterioration in business activities, say the directors, who noted declining turnovers leading to diminishing profits or rising losses in the business sector

"Prospects are that the current financial year will still be characterised by relatively tight general business conditions'

Tom Hood

FIN MAIL 13/6/86

Neville Glaser

FOSKOR

Privatisation benefits

The long-mooted privatisation of the Phosphate Development Corporation (Foskor) is looking an increasingly logical step, although it is probably unlikely to happen soon

Privatisation could provide funds needed for a large-scale expansion of Foskor's export business to 2 Mt of concentrates by 1989. Secondly, greater exposure to the export market would help keep down increases in the cost of phosphate rock to local consumers who process it into phosphoric acid and will otherwise end up funding Foskor's operations through hefty price increases. These are some of the findings of a detailed report on the privatisation of Foskor published by stockbroking firm Mathison & Hollidge (MHI).

MHI suggests the phosphate producer be privatised through the Industrial Development Corporation (IDC) listing it on the JSE, and not by selling the company to a mining house Researcher Nic Dinham suggests Foskor's worth is some R150m, and with the IDC initially holding back up to 30% of the equity, the market participation might be around R100m Based on an expected dividend yield of between 8% and 10%, an initial listing price of between R8 and R10 a share is indicated

The Director General for Trade and Industries, Sarel du Plessis, says he has read the firm's report on Foskor, but is not able to comment on its findings and proposals at this stage

Foskor MD John Stanbury says "The report is correct in its main thrust that Foskor could expand in a major way onto export markets given the necessary funds My personal opinion is that Foskor should be privatised, because this would be advantageous to all concerned A key point, however, is the timing of such a move As the report points out, the last five years have been quite rough for Foskor, and it would be better to go for a listing when the company has shown decisively that it has turned around."

MHI suggests Foskor could push its concentrate exports to 2 Mt by the end of 1989 from present levels of about 700 000 t to meet keen consumer demand The high grade of Foskor's concentrates is matched only by production from Russia's Kola Peninsula, where output is subject to erratic marketing tactics.

Dinham says Foskor is currently getting about \$43/t CIF Europe (R98 at R1/\$0,44) in what appears a highly profitable trade He estimates Foskor's breakeven point is about

$32/t CIF Europe (R73) when revenue from by-products is taken into account That is much lower than the price at which many of Foskor's competitors could offer lower-grade phosphate concentrates, so Foskor is extremely cost-competitive Stanbury comments that the breakeven figure is the analysts' own estimate and is on the low side

Foskor does not mine ore, but obtains it in three different forms from neighbouring Palabora copper mine (Palamin) at low cost This will change from about 1999 when the report estimates that the economic life of Palamin's openpit will end That date could vary, depending on Palamin's plans, but when the openpit is mined out, mining operations will have to go underground Once that happens, Foskor will no longer receive the large tonnages of ore mined from the openpit This ore has high phosphate grades, but Palamin regards it as waste because of the low copper content.

Foskor will then have to restart its own mining operations. This, MHI says, will involve a large openpit operation south of the Palamin pit, recovering some 28 Mt of ore annually at a grade of about 6,8% phosphate Capital costs of this project are estimated at about R400m in current money

Foskor's published figures over the last five years show that the company was able to keep making operating profits despite the drop in demand for phosphate fertilisers in SA Demand was depressed by the drought, financial conditions in the agricultural sector and the collapse of the phosphoric acid export market. Companies like Triomf were producing phosphoric acid from Foskor phosphates.

However, the brokers' report says the published figures hide the true financial picture, which it describes as "little short of disastrous" When Foskor's internal cash flows, excluding external financing and short-term loans, are assessed, it appears the company has been unable to make profits from its operations during the period 1980-1984 Foskor has consequently been forced to use external financing, which reached R89,7m at the end of the 1985 year, this was more than four times Foskor's 1985 net operating income before non-cash items, interest and tax

MHI believes this situation is changing for the better Foskor stands to make estimated earnings of R23m this year, and R45m in 1987 on higher exports boosted by the weak rand, and on higher prices locally, followng the lifting of government control on phosphate prices

Foskor's immediate need is to strengthen its balance sheet by repaying loans There could therefore be opposition to plans to invest in large-scale expansion to get further into the export market MHI says the expansion would be much easier if the funds came in from equity financing via privatisation and a stock exchange listing If the expansion does not take place, Foskor will have to reduce export tonnages when it is forced to meet higher domestic demand as soon as its present stockpiles of material are reduced, this is expected to happen in 1988

"There is no doubt that the sustained expansion of Foskor's export trade is the key to its long-term growth Indeed, broad export sales equivalent to 3 Mt/year by 1990 are limited only by infrastructural capacity at Richards Bay and by the company's financing abilities," concludes MHI *Brendan Ryan*

NEI

Gearing up

Two recent acquisitions from US-based Eaton Corporation will provide NEI with a better spread of activities In 1985 International Combustion Africa Limited (ICAL) contributed 47,8% of group operating profits, but recent acquisitions may reduce the group's reliance on profits from this source Although capital expenditure cutbacks by Escom and the projects sector have not yet hampered ICAL's output, longer-term profits could come under pressure

With effect from June 1, NEI has bought the entire issued share capital of electric control and distribution equipment manufacturer Cutler-Hammer (SA), as well as the distribution service rights for Fuller Transmissions and Eaton Axles, through NEI's subsidiary Propower Automotive Products (formerly International Harvester). MD Blitz Bieber will not disclose terms of the acquisition but confirms that combined annual turnover of the companies acquired will be about R25m

"Cutler-Hammer (C-H) will fit in extremely well with subsidiary Reyrolle Par-

BUS DAY
13/1/86
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Disinvestment prompts management buyouts

PRESSURE on international companies to disinvest has created opportunities for management buyouts, writes LESLEY LAMBERT.

PRESSURE on international companies to disinvest has created opportunities for management buyouts.

The practice of selling a subsidiary or a division to management has become a solution for international companies wanting to reduce their profile in SA and still maintain a trading relationship with it.

Barclays National Merchant Bank (Barname) recently concluded four more management buyouts. The companies involved are Industex, an Eastern Cape fabric manufacturer; Gilbarco, the subsidiary of a petroleum-dispensing equipment producer; Gardner-Denver, a mining construction producer; and Rohm and Haas, a New Germany-based chemicals manufacturer.

Three of these management buyouts (MBOs) involved the SA subsidiaries of international companies.

Barname assistant GM Andre Roux agrees that disinvestment is part of the motivating force, with US parent companies being chief players.

"The other part of the story is setting up local control and management — and preserving supply and reserach links between SA companies and their former parents."

Barname's involvement in MBOs — which have gained popularity fast in the US and, to a lesser extent, in the UK — has intensified over the past two years. It established a division to specialise in this area earlier this year.

Roux believes the shift away from large industrial conglomerates and the encouragement of smaller business operations able to create jobs more easily has played a role in nurturing the international MBO boom.

Statistics show that in the US the MBO market grew from \$3,5bn three years ago to \$20bn in 1985. In the UK the market is estimated at about £1bn.

Statistics are harder to come by in SA. But the interest, which is based on the incentive of controlling one's own business, is growing.

Roux alludes to local companies looking inwards at their core business, some with a view to shedding divisions which no longer fit in with corporate strategies.

"We are looking at a number of fairly large local management buyouts which may come to fruition. If they do, this would be further evidence of the growing trend in SA."

Roux defines an MBO as a deal enabling members of the management of a profitable company or division to buy the shares or assets with a significant amount of debt and little equity capital.

This is accomplished primarily by structuring the buyout in such a manner that it is legally possible to use the seller's assets for collateral and the seller's earning stream to reduce debt.

The role of the merchant bank is to structure a deal, to negotiate with the seller and potential outside investors and lenders and to construct a finance package for the business being acquired which takes into account its future needs as well as the purchase itself.

The bank normally provides a substantial proportion of the finance, with assistance from other financial institutions. In a typical leverage buy-out situation, the management can contribute as little as 5% of the purchase price to gain control.

FW MAIL 13/6/86 232

MANAGEMENT BUYOUTS

The rush is on

The popular overseas practice of selling subsidiaries or divisions of large groups to management has come to SA with a rush

In the US and UK in particular, management buyouts (MBOs) caught business imagination because of the belief that staff participation led to greater efficiency and created more jobs

In SA there is a further reason — foreign withdrawals due to political concern or dwindling returns

The list is growing — General Electric, Genwest Industries, Hudaco and so on — and now Barclays National Merchant Bank (Barname) has announced its involvement in another four MBOs

The companies involved in the latest Barname deals, with a combined turnover of R170m, are.

☐ Cape-based yarn and fabric manufacturer Industex,

☐ US-controlled chemical and emulsion producer Rohn & Haas (R & H);

☐ Petrol pump supplier Gilbarco, also US-owned, and

☐ US-owned mining, construction and industrial machinery manufacturer and supplier Gardner-Denver.

Most were take-over targets of large South African groups, but in each case managements decided to go it alone

"MBOs are an attractive alternative to takeovers by large groups because employment and identity is maintained," says Andre Roux, the Barname executive in charge of buyouts

Last year Barname was involved in four similar deals — all of them local companies — and this year it expects its participation in MBOs to total some R25m The movement is flourishing in the US, where the total value of buyouts has grown from US$2,5 billion three years ago to some $20 billion last year

Says Roux· "We take an average stake of 20%, which provides working capital, and we look to recover our investment in three to five years by selling to existing shareholders or by going to the JSE."

He points out that all four companies are large enough to seek a listing on the JSE's main board, but because of the increased leverage created by the buyouts this is not considered wise in the short term. It could, however, be an option for the future.

Industex, in which Anglo American Industrial Corporation had a 34,5% shareholding, exports 16% of its production and there are plans to treble this over the next three years.

The management bid was backed by a group of overseas investors and Eastern Cape businessmen chaired by former Ford MD Brian Pitt, and, of course, Barname

R & H, which turns over R30m in SA, was the SA subsidiary of the like-named $2 billion a year US group Management took all the shares apart from Barname's 20%

The new owners say they will no longer be tied by manufacturing restrictions, but will still have access to US research and development

Gilbarco has been sold to six managment staff members and, like R & H, it has guaranteed continuity of technological back-up The company controls 43% of the SA petrol pump market and 66% of the SA petrol pump servicing market

Gardner-Denver has been taken over by local top management and Barname from US parent Cooper Industries Inc The company will henceforth be known as Southern-Denver.

With turnover of about R20m, it will also continue to have access to US products, technologies and support.

MD Terry Spratt says decision-making will be quicker as US headquarters no longer have to be consulted. Says Spratt· "We also plan to introduce new technology from the US, but we'll be able to adapt this to fit the local market"

Roux adds that all four companies hold a significant share of the market in which they operate "This reflects in good cash flows — essential if the local management are going to be able to pay off their borrowings," he adds ■

FIN MAIL 13/6/86 X

ROAD PERMITS

Family trouble

232

A legal tussle bound to renew passions on the State's privatisation and deregulation drives is scheduled to resume in the Cape Town Supreme Court on June 24.

Sats, wearing its bus line hat, is the applicant in the case in which the Department of Transport's Road Transportation Board is the first respondent The second respondent is the privately-owned Interkaap bus service

Each of the competing bus lines maintained at a court appearance late last month that the other should not be allowed to operate its schedule in terms of permits granted by the Board

Caught in the middle is Transport Director-General Adriaan Eksteen, who, as national transport chairman, approved the certificates Other than confirming that both parties are going after the Board in court, he declines to comment

Sats is applying for an order setting aside a Board decision to issue temporary permits allowing Interkaap to change its Cape Town departure time for Port Elizabeth from 6 am to 7 am, the same time that the Sats buses leave, the court was told last month.

Temporary permits allowing the later departure were sought by Interkaap after it had earlier succeeded in gaining permission to operate over the route That application, vigorously opposed by Sats, took 42 days to be granted — at no small cost Yet within four days of the Interkaap approval Sats began operating virtually the same route

Sats maintains Interkaap's temporary permits for a regular service should never have been issued at all, and it is adamant that it should have been granted a hearing as an interested party when the decision was taken

Interkaap, which also has the bus service between Cape Town's D F Malan airport and the city centre, says it is seeking relief from Sats competition, which it alleges has

Eksteen ... man in the middle

been made possible by invalid permits

PFP transport spokesman John Malcomess maintains the case is a reflection of the "totally crazy situation" arising from the State's role in the market.

Sats is objecting to Interkaap being allowed to leave later than granted in its initial permit Interkaap's response is that the improved road on the route has cut more than an hour off its trip, and of course its previous 6 am departure time has obvious drawbacks on Sats's 7 am

Says Malcomess: "The State should not be involved in this type of activity at all. It is wrong for it to use taxpayers' monies to compete against other taxpayers." ■

BUS DAY. 16/6/86.

232 (33)

Leave it to the courts: commerce

CHRIS CAIRNCROSS

ORGANISED commerce has expressed concern at the usurping of the powers of the courts by vesting in cabinet ministers the power to finally sequestrate individuals and liquidate companies by decree.

These powers are contained in Section 15A of the Trade Practices Act, added to the legislation in 1984 as a direct response to provide government with the necessary legal instrument to deal with revolving schemes like the rotten milk culture scheme.

Calling for the repeal of the legislation, the Western Cape regional congress of the Association of Chambers of Commerce (Assocom) said it was not advocating support for schemes like the rotten milk scheme.

President to get powers to deregulate economic activity

STAR 16/6/86 232 234

Political Staff

CAPE TOWN — A joint Committee of Parliament has agreed that President Botha should be given substantial powers temporarily to remove restrictions on economic activities

However, following representations from both labour and business, the committee has recommended to Parliament that some of the provisions of the Temporary Removal of Restrictions on Economic Activities Bill should be tightened up

The most significant of these was that there should be no suspension of the payment of contributions to the Unemployment Insurance Fund or the Workmen's Compensation Fund

The committee has also recommended that

- Any changes should first be published in the Government Gazette to enable interested parties to make representations before they are finalised,
- The bill should be divided into two parts with issues dealing with labour being separated and that the Minister of Manpower should be consulted by the President on any issue affecting labour,
- The professions be added to the list of bodies which may be affected by deregulation,
- No agreement existing between an employee and employer before a regulating agreement was proclaimed could be affected

In a report tabled in Parliament the joint standing committee of the three houses found there was "a great need for deregulation in order to create economic opportunities for people, bring about competition and create job opportunities"

The deregulation would best be achieved by granting special powers to the State President as it "could not be accomplished by means of the usual legislative/regulatory" means

The committee said there would be sufficient Parliamentary control on the President.

The report said organised trade and industry and other bodies had welcomed and supported the legislation but felt there should be consultation before measures were adopted.

There were however organisations, especially in the labour field, which opposed the measure

"In most cases they saw the provisions of the bill as interfering with sound labour practices and relations, which they felt had been built up over years

"Fears were expressed that the hard-won rights of workers in respect of working conditions, workmen's compensation and unemployment insurance would be adversely affected"

17/6/86. Bus DAY 232 3220

Problems for many firms but . . .

Lifo tax change could start new merger activity

Economics Reporter

A MAJOR change in the treatment of the Lifo (Last-in, First-out) tax reserve, introduced in Parliament last Friday as part of the 1986 Income Tax Bill, could encourage a new wave of corporate merger and acquisition activity.

In addition, a new definition of that reserve would require hundreds of companies to file amended tax returns for the latest tax year.

The new Bill would allow companies acquiring or merging with other companies to transfer any Lifo reserve previously accumulated to the new corporate entity.

The 1984 tax Bill, in abolishing the Lifo system of stock accounting, allowed companies to establish a reserve — based on the difference in valuation between the Lifo and non-Lifo methods — that qualified as a permanent tax reduction. The Bill did not provide, however, for the transfer of the reserve between companies involved in a merger or acquisition.

"As a consequence, corporate restructures have been severely hindered, as the consolidation of operations in single companies would, in many cases, result in enormous tax liabilities following the loss of the Lifo reserve in the newly dormant company," said Arthur Andersen tax partner Marius van Blerck.

Corporate restructuring activity in 1984 and 1985, since the tax Bill was passed, declined from the levels of 1982 and 1983, according to Simon McGregor, whose father publishes *Acquisitions and Mergers Service*.

Van Blerck said the proposed change was "a welcome concession".

In terms of the proposed Bill, a company would be allowed to transfer the full amount of the existing Lifo tax reserve carried by an acquired operation, assuming both companies were managed and controlled by the same persons.

Any such transfer would be subject to conditions imposed by the Revenue Commissioner.

The new measure is retroactive, but Van Blerck and others said few mergers have been consummated since 1984 that would involve the transfer of a large tax reserve.

The new tax Bill also specifies companies must determine the size of their Lifo reserves by comparing the book cost of stock on a Lifo basis to that on a non-Lifo basis.

Van Blerck said the Income Tax Act previously implied companies should compare the Lifo market value and the non-Lifo book-cost. Other companies, he said, had determined the reserve by comparing Lifo market value and non-Lifo market value.

As a result, companies which have not determined their reserves by the cost-to-cost comparison will be required to file amended tax returns unless th results are substantially the same.

19/6/86

R3,7-m offer to Germiston Council

PUTCO IN REEF BUS TAKEOVER

232

SOWETAN Reporter

GERMISTON'S black bus service will soon be taken over by Putco, a spokesman for the giant bus corporation said in a statement yesterday.

Mr Pat Rogers, public relations executive of Putco, said the Germiston Town Council recently accepted the bus company's R3,7-million offer to take over the town's 120 buses, maintenance, spares and the council's permits

Takeover

It is expected that the takeover will come into effect from the beginning of next month, but the town council's decision is still to be ratified by Mr Denis Cruywagen, Administrator of the Transvaal, and the Local Road Transportation Board

The service, which is operated on routes between Germiston and townships of Katlehong, Vosloorus, Thokoza, Eden Park, Reiger Park and Palm Ridge, currently ferries about 10 million passengers a year Its revenue is about R6,8-million per annum

Commenting on the takeover, Mr Albino Carleo, managing director of Putco, said: "In spite of recent losses attributable to the country's economic and political problems, we have the infrastructure, the expertise and the will to return to a position of growth and profitability "

It is expected that most black staff presently employed by the council will join Putco

Television and radio will look for bidders

SABC plans to give private sector a stake

SAAC 20/6/86 232

By Michael Chester

New legislation is on the way to allow private buyers to make takeover bids for slices of the SABC's television and radio networks.

The Department of Foreign Affairs is drafting amendments to the Broadcasting Act which will open the doors to the private sector to negotiate to buy stakes in the running of parts of the state-controlled SABC empire.

Private companies or consortia are likely to find TV a tough nut to crack, but it is expected that several radio stations will be up for sale.

Mr Leon Shirley, head of public relations at the SABC, predicts that the key amendments will be approved by Parliament this session and that talks with the private sector will be under way by the end of the year.

The SABC, which had losses of about R25 million last year, has made clear that it intends to protect its own financial viability, and ensure the survival of cultural and educational programmes which it considers valuable to the public but unprofitable as commercial ventures.

Special task units are already studying five aspects of privatisation — spelt out by formal Government guidelines — which the SABC lists as:

- Transfer of certain activities.
- Inviting tenders for more outside contracts.
- Withdrawal from certain activities.
- Collective use of facilities.
- Entering into partnership agreements.

"We're unlikely to be prepared to sell off all the cash cows — such as TV1 and TV4 and Radio 5 — and be left with only loss-makers", said Mr Shirley. Television and radio have obligations to the entire community, and we intend to ensure that they are fulfilled.

Money-spinners

"Bidders will be forming queues for the money-spinners, but what about programmes devoted to culture and education?

"What happens to the National Symphony Orchestra, which costs us R3 million a year? The children's programmes? University of the Air? We shall be insisting on their survival in any package deals.

"We shall welcome negotiations about privatisation, but the SABC will be totally realistic about staying with its basic responsibilities to viewers and listeners, which also means protection of our own overall viability.

"In many instances we expect that partnership agreements will be the answer in the running of a lot of programmes".

Mr Shirley confirmed that several private firms have already staked an interest in opening discussions.

He declined to identify them, but it is known that M-Net, the consortium formed by the big newspaper groups and which launches its own new television service soon, will be among the front-runners when negotiations start.

It is also widely expected that casino and entertainment supremo Mr Sol Kerzner will be in on discussions.

Sorghum hangover irks SAB

Rand Daily Mail 24/4/86

232

SA BREWERIES' chief executive Meyer Kahn is calling for urgent steps to divert the sorghum beer industry from what he sees as a road to chaos.

Reiterating SAB's concern at the absence of real progress in the privatisation of the industry, he says in the group's annual report that it has now become imperative to halt the sharp decline in volumes.

"Responsibility for the industry has essentially rested with the development boards. As a consequence, the industry is becoming increasingly politicised in a climate of black community agitation and numerous outlets have been destroyed or boycotted."

Kahn says the poor economic environment, aggravated by negative socio-political forces, has dealt a blow over a broad front to the liquor industry.

Total sales volumes of alcoholic beverages, as measured in standard units of drinks, sagged by about 1,5% in 1985 against a 7,6% growth in the previous year and 2% in 1983.

Beer and natural wine gained market share, each registering real growth rates of about 1%, while spirits and fortified wines recorded declines of 8% and 3%, respectively.

The social turmoil in many parts of the country took its toll in terms of disruption of sales and marketing efforts, as well as in pure volume terms.

Pension law change for privatisation

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BUSDAY 24/4/87

CHRIS CAIRNCROSS

LAWS governing State pension fund schemes are being amended to accommodate the transfer of certain public-sector functions to the private sector.

The changes are included in the Pension Laws Amendment Bill tabled in Parliament at the weekend and since referred to the Standing Committee on National Health and Population Development.

Government's legislators have chosen to extend the scope of Section 15 of the General Pensions Act of 1979 to cater for instances where State employees may, when any privatisation takes place, also transfer out of the public service.

This section of the Act regulates the pension rights of members of pension funds who are appointed, elected or nominated as, inter alia, boards, institutions and governments of independent black states.

Under present laws, such a member must first be declared a dormant member of his pension fund by the Director-General.

This means he does not continue contributing to the fund, but his rights are retained for him, until he reaches pensionable age, again becomes a contributing member or dies.

Such a member can, under certain circumstances, remain a member of the pension fund of which he is a member if the relevant board, institution or government undertakes to pay to the pension fund the employer's contributions.

It is now proposed that these provisions be extended to accommodate those public sector employees whose services are terminated as a result of the functions of their divisions or departments being taken over by the public sector.

Further changes embodied in the Bill provide that, where a dormant member of a State pension fund becomes a member of another pension fund, the Director-General can approve the transfer of his pensionable service to the new fund.

Any amount due will come from the appropriate pension fund or, with the concurrence of the Minister of Finance, from the State Revenue Fund, or from both.

Any amount owed by a dormant member to a specific pension fund would be set off against any amount payable and all rights to the amount owing would be transferred from the one pension fund to the other.

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DD 26/6/88 (269)

SATS to merge parcel complex

Dispatch Reporter

EAST LONDON — The South African Transport Services here will amalgamate the East London parcels complex with the goods depot at Cambridge next month.

This was disclosed yesterday by the regional manager here, Mr L D du Toit.

He said the decision had been taken in order to render a more efficient and effective service. The merger would be take place on July 1, he added.

Mr Du Toit said in a statement that parcel consignments tendered for dispatch or collection would in future be handled at the goods depot at the concourse in Cambridge.

Boards would be erected to direct customers to the point of business to avoid confusion.

All money transactions would be handled by the cashier at the goods office building which is situated to the left of the main entrance to the goods depot.

Cartage orders and all inquiries regarding parcel transactions should be directed to the personnel accommodated at Room 6 of the same building, Mr Du Toit said

This could also be done by phoning the personnel responsible for the parcels services

Mr Du Toit emphasised that the amalgamation would effect no change to the parcels service itself.

FIN MAIL 27/6/86

MERGING MAJORS

(232)

Property brokers, like other sectors of the economy, are feeling the need to rationalise services in the face of a shrinking market

And in the Cape Town market particularly, where activity is at an all-time low (see *Property*), it comes as no surprise that two of the country's larger property broking houses have agreed to merge

Richard Ellis SA and another well-known local company, Day Gardner Property, have announced that their Cape Town offices are to merge from July 1. The aim is to form a strengthened agency and property administration unit in the city's property market

The company will trade as Richard Ellis (RE) and will be a fully integrated part of the RE group in SA and worldwide

RE, says MD Nick Harris, will be opening a new office in the northern municipalities to serve clients in Bellville and Parow. The merger, he says, will enable RE to provide a greater service to its enlarged client base

TRADE AND INDUSTRY (232) FM 27/6/86

More controls ahead

You have to hand it to Pretoria. Just when it seemed that government was making real progress down the road to deregulation, it is insistently pushing ahead with new legislation to give the Board of Trade and Industry (BTI) wide-ranging new powers in the overall direction of the economy

The BTI, originally set up in 1944, has maintained a low profile of late, and as such bodies are going out of fashion — or should be in the current deregulatory climate — it might simply have been expected to wither away.

But Pretoria obviously thinks otherwise, and the new Board of Trade and Industry Bill tabled last week, designed to strengthen the hand of the BTI, takes no account of the fact that many of its functions have in any case passed to other bodies

The BTI will, like the Competition Board, have the right to advise the Minister of Trade and Industry on ways to foster competition And, like the Economic Advisory Council, it will have the right to advise on resource development, international trade, and financial assistance

Confusion

There could be confusion — and the BTI's role might not be quite as benign as the Bill suggests The State President, for example, will have the power of appointment

Assocom, for one, believes that there could be considerable overlapping with the functions of other bodies — those of the Competition Board in particular "We fear that many of the BTI's functions are already being handled by other bodies," says a spokesman

However, it welcomes the provisions which allow for private sector executives to be co-opted as part-time members Assocom itself hopes to have direct representation on some BTI sub-committees

So far the BTI has concentrated on tariffs, Gatt regulations and protection — areas where there is little conflict with other bodies But as the BTI will be able to act independently, there are fears that it will cast its net wider

The BTI's new chairman, Lawrence McCrystal, comments "Now we have a truly independent body" But it remains to be seen how independent the BTI will really be, as the State President — as usual — will have the power to appoint all full and part-time members

Assocom is also concerned about the BTI's investigative powers in the new Bill It is concerned that as the BTI's brief covers the entire Customs Union, it could on the face of it interfere unduly with the business activities of neighbouring states

The Bill retains powers written into the old 1944 Act, which allowed an investigating officer of the board to enter premises in search of a commodity, book, statement or other document The provisions also allow him to

- ☐ Inspect or search such premises,
- ☐ Demand information from the owner or person in charge of the premises,
- ☐ Investigate anything found on the premises that is relevant to the investigation, and
- ☐ Demand an explanation of any entry in any book

Anyone refusing to give evidence to the board, giving false evidence or hindering an investigating officer, will be liable to 12 months' imprisonment, a fine of up to R2 000, or both.

Although these powers were seldom used in the past, the BTI will no longer operate solely at the request of the Minister of Trade and Industry The new independence of the BTI really means these powers could be used more freely, at the discretion of its officials

Altogether, there's little to cheer supporters of the free enterprise system McCrystal wants to see frequent revisions of import tariffs — but is this wise at a time when SA should be taking extra care not to alienate our trading partners?

It is also inappropriate that there should be a secrecy clause requiring a board member not to impart information to any other person There is enough secrecy in government as it is

The main reason for guarded hope seems to be that there will be considerable input from the private sector McCrystal himself is a former director of Finansbank and remains a director of the Natal Building Society, and private sector advisers can be called in at any time as part-time board members However, it may be recalled that in the Seventies he attempted to push through a prices and incomes policy.

Perhaps the private sector representatives will be best occupied in steering the BTI away from what seems to be an increasingly interventionist philosophy ■

2/7/86 BUS DAY (232)

Govt boost for small business

TRADE and Industry Minister Dawie De Villiers yesterday announced the acceptance of recommendations for the deregulation and development of small business

De Villiers said government was confident the recommendations, which were now being implemented, would contribute to deregulation as well as the promotion of small business development and developing communities

The President's Council committee for economic affairs, which made the recommendations, concentrated on establishing a framework for a more effective policy for small business development as well as deregulation of legislation and regulations.

● Comment Page 6

Business plan brings hope

Bus Day 3/7/86

GERALD REILLY

DEREGULATION would be greatly accelerated after government's acceptance of recommendations on small business development strategy — published this week — say economists

They said implementation of the President's Council's recommendations would, if speedily put into practice, be significant in reducing unemployment.

The Minister of Administration and Economic Advisory Services, assisted by the Competition Board, is to be responsible for the policy of deregulation.

Officials will be ordered to help in removing measures that obstruct economic development.

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The Economic Activities Bill, expected to come before Parliament later this year, will empower the State President to temporarily suspend measures restricting or inhibiting business undertakings

Kroks pay R10,2-m to rescue B & S companies

232

SMM

3/7/86

By Gareth Costa

B & S Furnishers' operating companies have been rescued from final liquidation, after the purchase of the company for the sum of R10,2 million by Mr Solly Krok and Mr Abe Krok in their personal capacities

Mr Solly Krok will become chairman of the company, while the present executive-management team of Mr Clifford Gundle and Mr Bert Davids will retain an equity interest and stay on to run the company

Mr Gundle said this morning that most of the offers to the liquidators were in his opinion low, but he felt that with the potential that the company has the offer of R10 million was fair

Operating companies of B & S were placed in provisional liquidation on May 30 Although B&S was in the unusual position of having assets that exceeded liabilities by R8 million, it did not have a sufficient cash flow to meet finance charges of around R750 000 a month

Mr Gundle says that the debt that was milking the company of its liquidity has now been wiped out and it will resume trading with a clean book. The R10 million will be shared among the creditors

The company had a turnover of R90 million at its peak, but this had subsequently dwindled to nearer the R60 million mark. Major products are marketed under the names of Cecil Nurse and Mr Cupboard, while the Krok rescue package will save the jobs of nearly 2 000 employees

In a statement last night, Mr Krok said that it was his intention during the next few months to become acquainted with the different businesses that are presently manufacturing a variety of furniture products

Gencor subsidiaries sell coal holdings

4/7/86 STAR

232

By Gareth Costa

Gencor subsidiaries Kanhym and Darling & Hodgson (D & H) ~~have~~ sold off part of their coal mining interests to Trans-Natal, and have reduced their debt at the same time

Kanhym has sold its 50 percent share of Eikeboom Coal Mine — equally held with BP — for R15 million, but it still retains its 5,8 percent holding in Middleburg Mine

D &H sold its wholly owned subsidiary, D & H Coal, for R23,6 million, which is held in the 1985 accounts at R28 million. For D & H coal was the major profit contributor during the last year, earning the company R5 million, effectively negating a similar loss by Group Five

Kanhym MD Mr Donald Masson says the reason for not selling the Middleburg holding is that until now it could not be disposed of He says Kanhym is asking in the region of R35 million, and talks with other parties are continuing

It appears Trans-Natal was not interested at such a price

If Middelburg is sold for R35 million the total income to Kanhym for selling its coal interests would be R50 million The market had valued the interests at substantially less — at about R20 million

Coal was also a major contributor to Kanhym's earnings In total both holdings earned about R8 million last year, but Mr Masson says that the interest on the R15 million alone will be equal to, or more, than Eikeboom's contribution

He added that the money will be used to reduce the company's gearing, as short-term debt is running at R59 million and long-term at R35 million.

D & H could also reduce its debt Its debt-equity ratio rose to 1,24 from 0,77 last year Borrowings at the end of 1985 stood at R147 million

Rand opens steady

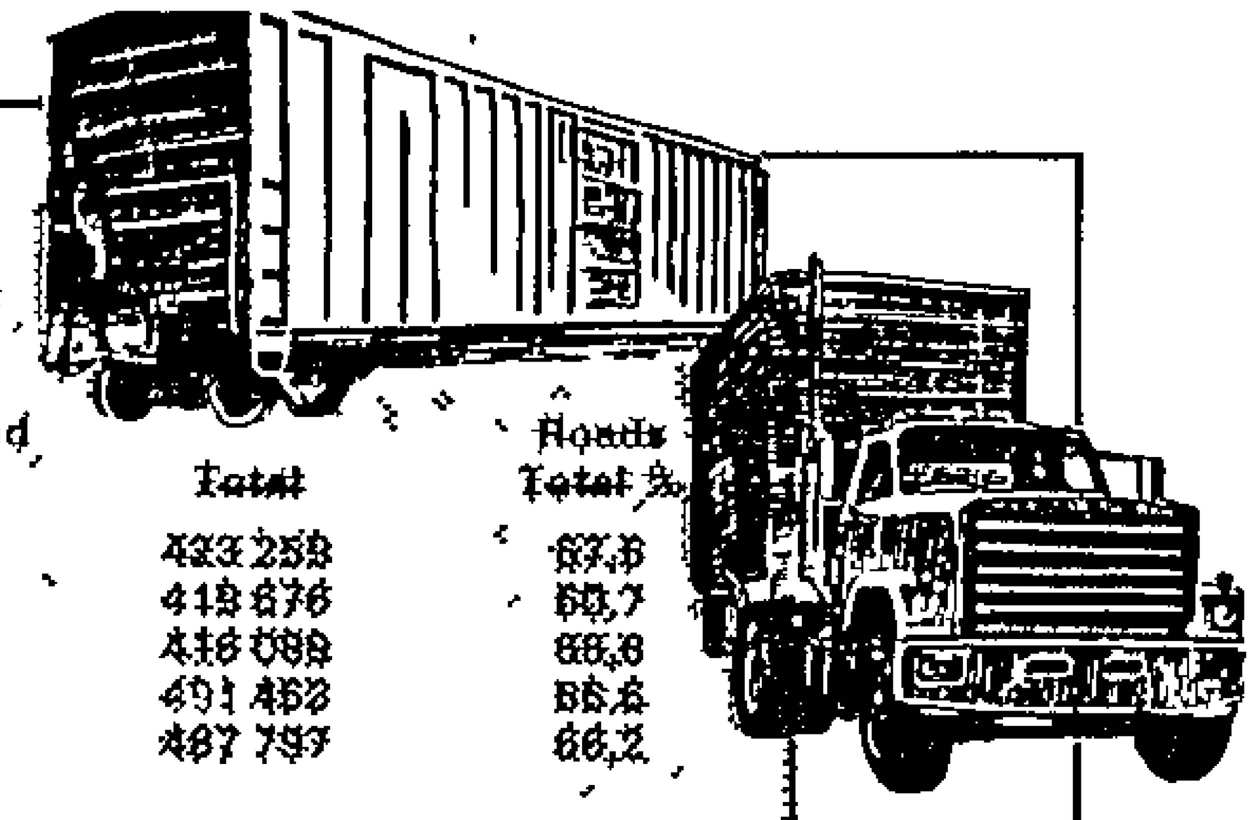
Financial Staff

The rand opened steady at 39,80 US cents this morning, but dealers expect it to remain under pressure following the statements concerning the role of Dr Leutwiler in South Africa's debt negotia-

Since then it has lost ground to private carriers every year This is the dismal chronicle of events In fiscal 1981 Sats conveyed 179,8 Mt for gain, but its share of the market dropped to 46,3% In 1982 it carried 183,8 Mt but its share dropped to 42,5% In 1983 traffic fell to 154,8 Mt and its share came down to 38,5% Although there was a marginal traffic increase in 1984 to 155,2 Mt the market share fell further, to 35,5%.

RAIL REBOUND

Tons conveyed for reward (1 000 t)



Year	Sats Rail	Sats Road	Private road transport	Total	Roads Total %
1981	179 886	3 088	239 576	423 259	57,3
1982	164 807	3 672	251 197	419 676	60,7
1983	143 114	4 103	268 872	416 088	66,8
1984	164 305	4 168	322 980	491 453	65,6
1985	164 768	4 183	318 846	487 797	66,2

Source Central Statistical Services

Sats's market share was still going down in 1985 when the 164,7 Mt it moved was 33,7% of total traffic

Meyer attributes Sats's recovery to several factors — among them, the introduction of mini-containers last October These are cutting costs, reducing pilferage and improving delivery times

The reduction of train running times between major centres is also reducing delivery times The actual running time of a train between Kazerne and Cape Town has been cut from 35 to 29 hours

Of major importance, says Meyer, is the fact that Sats now regards itself as a business rather than a civil service operation This means

- ☐ It has become more aggressive in the marketplace,
- ☐ Advertising spending has increased in real terms and marketing staff "now walk the streets looking for business"; and
- ☐ More attention is paid to after-sales service

Furthermore, a new push for contract business means that 41% of high-rated traffic and 45% of all container traffic is now being carried on a contractual basis At the same time there has been a 1% increase in high-rated traffic

Meyer says officials have been positioned where they can provide the best service. There has been movement from head office to the workface, and regional managers have been primed to provide services that clients demand "And," adds Meyer, "we constantly monitor our performance to see how we can improve " ■

COMPUTERS

Pushing for more

265 FIN MAIL 232

Private enterprise is putting the screws on Posts & Telecommunications (P & T) to allow more competition from privately-run services The services wanted by the privateers are those used for the transmission of voice and text over leased and switched data lines They contend this would give SA companies access to state-of-the-art transmission technology.

P & T is listening Engineering director Duncan McMillan told a Telematics symposium in Johannesburg last week "The present policy of the department is to defend its voice and telex public switched network by not permitting private systems to compete because of the loss of revenue "

However, he tells the *FM* that P & T has sent a high level delegation to study the situation overseas and the position is under review "The delegation will be reporting back soon," he adds

Currently, local area networks (Lans) and public branch exchanges (PBXs) allow data to go through to other PBXs because the calls can be monitored for fee purposes Wide area networks, where calls cannot be monitored for fees, would, however, mean less demand for P & T's services, and cause loss of revenue

As one industry source puts it "PBXs can be linked automatically with sister branches in other towns, for instance, and information can be sent without the cost of phone calls because they are using data lines."

McMillan explains that the ultimate decision will be commercially based. "We would have to find a way to fix rentals for leased lines that will be reasonable, will compensate us for lost calls, and which will still give companies more freedom," he says

There are many benefits in sending both voice and data over the same line, besides the obvious more economic use of lines

As McMillan says. "The tremendous capacity of modern computers with high-speed data transmission capability has meant the gradual replacement of the physical transmission of punched cards, magnetic tapes and other systems

"Development in this field has reached the stage where computers talking to each other set up private data communication networks which can provide most — if not all — of the transmission facilities which the department offers through its public telecommunications network."

Parts partners

In line with the growing trend for non-computer companies to enter the world of bits and bytes, Federal Mogul, a wholesale distributor of replacement parts for more than 450 vehicle models in SA, has joined forces with Johannesburg-based software house Adaptable Packages

The new company, Component Asset Management Systems (Cams), is 51%-owned by Federal Mogul, a wholly-owned subsidiary of the US's Federal Mogul Corporation, the other 49% is held by Adaptable Packages It will supply and service computerised distribution systems to the South African vehicle parts industry

Says MD Roger Cook "We'll pool the distribution economics expertise of Federal Mogul with the software application skills and support of Adaptable Packages "

Cams' main software package is an asset management system designed to improve stock turnover and to help vehicle parts dealers manage inventories and debtors effectively

The software is based on Adaptable Packages' Adaptable Sales Accounting System, currently used by 85 local companies operating in various sectors

More muscle

Already dubbed the most powerful general-purpose computers in the world, Persetel's Shogun range of mainframes is coming out with new additions

The systems add to the top-end range launched last year, and according to CE Roux Marnitz, there's no competition Generally speaking, most large models operate at up to 50 mips (millions of instructions a second) but Persetel's new Hitachi 7/90-8 can handle 90-100 mips and the 7/90-6 65-75 mips

Another addition, the 7/90-1, will compete with IBM's 3090 model 180 "The range is based on the most powerful uniprocessor so far delivered in a commercial mainframe," says Marnitz The new models are based on one, three and four processors

Also new is the PLP88 laser printer "This will prove strong competition for the likes of IBM and Rank Xerox," says Marnitz The printer is capable of printing up to 88 A4 pages a minute

New disk subsystem products have also been launched These allow upgrading of computers in the field to permit higher capacity

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Deregulation: less red tape

SMALL BUSINESS

PETER WALLINGTON

GOVERNMENT'S green light for deregulating small business should lead to the creation of employment and free the informal sector from a maze of restrictive measures — but it will not be a quick-fix solution to unemployment.

While business leaders generally have welcomed government's acceptance of the President Council's Committee for Economic Affairs proposals for developing and deregulating business, they warn it will not be plain sailing

In particular, a source closely connected to small business development says government and local authority bureaucrats will have to change their attitude to deregulation if the plan is to have any chance of success

The Minister of Administration and Economic Advisory Services, Eli Louw, will be responsible for government's deregulation policy and the monitoring of that policy

Within his department the task falls to the Office for Privatisation and Deregulation Chief director Jimmy Vermaak told *Business Day* all government departments and other regulatory institutions will consider regulations that could restrict economic activity, and effect the necessary changes themselves

He concedes this task could take up to three years and says he "trusts" the Temporary Removal of Restrictions and Economic Activity Bill currently before Parliament will be passed in August

The Bill will give the state president the power to deregulate by proclamation, a measure the Small Business Development Corporation (SBDC) believes is an indispensable component of the deregulation package

The Associated Chambers of Commerce (Assocom), the Federated Chamber of Industries (FCI) and the SBDC have also said it is essential for the private sector to be consulted, and Vermaak says it will be

Assocom chief executive Raymond Parsons says the deregulation process would "facilitate the access of businessmen of all races to the private enterprise system and thus give such groups a bigger stake in the system to uphold and defend"

He noted that the steps should lead to the creation of more employment opportunities "Experience elsewhere has shown that small firms in deregulated sectors are employing an increasing percentage of the total workforce

The manager of the Standard Bank's small business development and advisory department, Roy Polkinghorne, says the proposed small business credit guarantee fund presently being investigated by the Department of Finance is of particular importance from a banking point of view

"If implemented, this should engender confidence in the banks to promote far more widespread lending through their branch networks to prospective small businessmen who can demonstrate viability but lack security"

The head of special interests at the SBDC, Johan Naude, cautions that problems could occur at local authority level where he believes deregulation would be much more difficult to monitor

It is at this level of authority that the SBDC has noted numerous examples of local authorities being obstructionists, although he notes in these cases the officials have acted according to laid down regulations

He points out that by-laws which are appropriate in a city like Johannesburg might be a hindrance in less developed areas like Soweto

There are numerous anolomies that have to be corrected, he says, citing a number of examples

☐ The recently amended Transvaal Shop Hours Ordinance extended shopping hours in the province but discriminated against hawkers

"Hawkers are only allowed to sell ice cream, milk and flowers on Sundays When we took the issue up with the TPA, it said the Prinsloo Commission in 1962 had found the concept of hawking to be defunct, and that the activities of hawkers should be restricted as far as possible"

☐ A panelbeater in Soweto was summonsed because he did not have a licence Naude says he could not afford to buy a spraybooth, a prerequisite for a licence, but nevertheless was providing a service that satisfied his customers

☐ A Dobsonville general dealer has run foul of the local authorities for practising without a licence in his backyard He had been applying for a site and licence for four years but was constantly told no sites were available

In each of these cases unemployed people had sought to generate their own income only to knock their heads against a bureaucratic wall.

But Vermaak says the deregulation measures aim to remove unnecessary constraints, set realistic standards for business and allow for flexibility so that different needs are applied to developed and underdeveloped areas

Markinor takes over RIMS

EVEN NESSET

THE Markinor Group has acquired Cape Town specialist research company RIMS from Pepkor, with effect from July 1.

MD Nick Green says the acquisition will enable Markinor to expand its range of services to Cape Town clients.

RIMS MD Doug Parker adds that the deal will enable his company to link up with central Markinor services.

"RIMS has been established since 1978 and, as specialists in our field, we will now be able to offer our expertise to a wider client base."

Parker will continue as MD and has also been made a director of Markinor. The identity of RIMS will be maintained, with the company operating out of new offices in Deloitte House, Newlands.

Nedbank could face a loss of R150-m

Triomf ready to lock up fertiliser plant

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STAR 1/7/86

By Peter Farley, Investment Editor

Triomf is poised to close its massive fertiliser plant at Richards Bay after three weeks of negotiations have failed to produce any support for the troubled export operation. This could cost more than 1 000 jobs and lose backers Nedbank R150 million.

Sources close to the company say the Richards Bay operation will be placed in liquidation soon — after existing commitments have been met and raw material stocks used up.

The closure could result in Triomf's bankers, Nedbank, having to write off as much as R150 million in loans to the company.

It is expected to be followed by a major restructuring of Triomf, which will then be left with only the Potchefstroom factory servicing the local fertilizer market.

With negotiations between Triomf, Nedbank and Government agencies still not formally concluded, representatives of none of the parties concerned will comment on the situation.

In the six months to December, Triomf lost more than R50 million — with interest on the firm's R300 million borrowings of some R45 million dwarfing losses of R5 million at operating level.

End of dream

The decision to close Richards Bay — expected to be finalised this weekend — ends a dream of founder Dr Louis Luyt for the company to play a major role in the international fertiliser market.

The plant is running at 100 percent capacity with a turnover in excess of R100 million and contracts with customers in Japan, Brazil and Turkey for phosphoric acid

Sources close to Triomf say inflexible pricing of major input costs by parastatals, principally the Railways and Foskor, and the refusal of the Government to offer the project any support means closure is the only choice.

The world fertiliser market is suffering under international over-capacity and consequently depressed prices — even in rand terms.

Events came to a head yesterday when Nedbank stopped a Triomf cheque to one of the firm's suppliers — at Triomf's request — believed to be in excess of R6 million.

For some time Triomf has been a major shadow overhanging Nedbank but with only the export operation going under and Nedbank recently strengthened by a R350 million rights issue, the potential write-offs should not strain the bank to its limits.

Nevertheless, the closure will be a major blow at a time when South African industry sorely needs all the export earnings it can get.

FIN MAIL 3/MEAT 11/7/86 232

MEAT DEREGULATION

More is needed

This week's move to reduce control over SA's R1,75 billion a year abattoir industry is a step in the right direction But much more is needed to see the industry come right, believes the free market-orientated Organisation for Livestock Producers

"While we welcome the trend towards freer marketing, the industry requires radical steps to really free the market Modifying control — a process of controlled decontrol — is not opening the market," says executive director Roy van der Westhuizen

Government has accepted the following recommendations of the committee of enquiry into the abattoir industry

- Control over slaughter and abattoir tariffs will be lifted from October 1, allowing owners to set their own charges,
- No State assistance will be granted to public abattoirs operating in uncontrolled areas,
- The National Marketing Council and the Meat Board will investigate ways of ensuring a freer two-way flow of meat between uncontrolled and controlled areas,
- Re-inspection fees, now levied at uncontrolled abattoirs, will be abolished from October 1;
- Privatisation of abattoirs is to be encouraged;
- Approval for new municipal abattoirs will be granted only in "highly exceptional" cases, and
- Expansion of abattoirs will only be allowed if existing facilities are fully used

Van der Westhuizen says that with some 60% of the industry under its direct control, the Abattoir Corporation (Abakor) has "site monopoly" in the major markets

"And while we welcome government's commitment to the privatisation of abattoirs, this will have little practical effect unless specific sales proposals are put on the table Prohibitive building costs for abattoirs mean the private sector will not find it economic to buy these meat palaces, even at cost," he tells the *FM*.

What is needed is "rapid and sensible" privatisation and the free movement of meat, says Van der Westhuizen Government should actively encourage private sector participation

He says the recommendation that capacity extension only be permitted if existing capacity is fully used will protect Abakor's surplus capacity in certain controlled areas. It also goes against the principle of allowing free flow of meat between uncontrolled and controlled areas

"This boils down to further intervention in the market place and is totally unacceptable Private-sector abattoirs in rural areas will be prevented from competing with these protected abattoirs That is directly against the principle of free competition," he argues

He summarises radical steps needed to put the industry in order the floor price system should be changed to a voluntary insurance scheme, with farmers receiving repayments once market prices fall below the floor price. And market prices should be allowed to drop below floor prices

This would alleviate the need for quotas or permits in controlled areas, because farmers would be protected by the insurance Finally, it could lead to the abolition of the distinction between controlled and uncontrolled areas ■

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INSURANCE COMMISSIONS

A mutual tangle?

Disentangling the affairs of AA Mutual Insurance (AAMI) could give the liquidators more headaches than they bargained for One will concern the position of brokers' commissions on cancelled business

A calculated guess of unearned commissions involved suggests that as much as R20m could be outstanding. The question is, who owes what to whom? It is a highly emotional topic, especially for clients who had to fork out large premiums for alternative cover while becoming a creditor to AAMI for premiums on cancelled policies

Brokers have been earning windfall commissions Though, as one observer remarks. "Why should brokers receive a second dollop of commission for placing business with another insurer? Shouldn't they have got it right first time?"

Says an insurer· "I'm not sure what the brokers are doing. But supposing a broker had placed R20 000 of business with AAMI and received R4 000 (or 20%) commission. He now has to find a new underwriter halfway through the term, costing the client at least another R10 000 in premium, but giving the broker another R2 000 commission."

Now the broker could go to the client and say· "As a gesture of goodwill I won't charge commission a second time" And, there again, the client might say "Big deal, you shouldn't have placed with AAMI in the first place You pay the premium"

Don Gallimore, executive director of Priceforbes Federale Volkskas (PFV), says "It has involved a great deal of work for brokers, while there's still the claims mess to sort out So maybe we've earned that extra amount"

But PFV has left it to branch managers "It's a matter of negotiation between the various offices and their clients," he says

Refunding of commissions has been a practice on bigger accounts for many years, since they are based on relatively high premiums. Sometimes brokers charge a fee instead of commissions Either way, the mechanism for negotiation is available, at least for the corporate insurance buyer

But are brokers still liable to AAMI for unearned commissions? There are even more theories on this one

"Whatever the liquidator pays out, he will debit the appropriate rate of commission," believes Bill Rutherford, MD of Commercial Union So, if the liquidator announces a settlement of 50c in the rand, the client would get back 50% of his outstanding gross premium, or R5 000 based on the above example The broker would pay AAMI R1 000 back in commissions.

In other words, he'd have earned R3 000, or 33% on the half-year's premium Doesn't that contravene the Insurance Act which says 20% is the maximum, or is this a special case? No one seems to know

Another insurer disagrees He says surely brokers are debtors for the full amount of unearned commissions. This should go into the overall pool from which the liquidator will determine the dividend Or, perhaps brokers should receive additional remuneration as part of the overall liquidation costs.

Mike Newman, MD of Guardian National, says the issue is tricky "But the broker has been paid commission for annual business At the time the contract was taken out neither the insurer, client nor broker anticipated AAMI would go under." So he feels the broker should keep the whole commission

Newman

"But it's arguable whether a broker should get additional commission when replacing business," he adds "I don't think they're entitled to it Insurers taking up AAMI business should therefore pay a net rate" (Which suggests insurers obtain the new business at AAMI's expense)

As for cancellation, Rutherford says· "Normally I would pay direct to the client and debit the broker the commission element." Perhaps AAMI's liquidator would work on the same basis But many larger brokers operate a commission, or trust, account with the insurer Only the net amount is refunded to the broker who, in turn, must refund the gross amount to the client In this case, as one broker admits "There's no way the insurance company can check the full refund has been paid to the client"

Meanwhile, most brokers have held large amounts on trust account, some paying in to the liquidators, others refunding to clients Says a major broker "We haven't paid AAMI since March We have processed cancellations and refunded all gross premiums except for the periods for which AAMI has been legitimately on risk"

So sort that lot out ■

sunrise finance

Nedbank will be controlling shareholder after major restructuring

Triomf back to its roots

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By Peter Farley
Investment Editor

Triomf will place its Richards Bay fertilizer plant in provisional liquidation early next week and at the same time will announce a major restructuring that could see Nedbank become the controlling shareholder in the listed company

MD Mr Phillip Clarke, though unwilling to comment on the restructuring, said yesterday that the firm had no option but to close down Richards Bay after the government and certain parastatal organisations had refused to help in alleviating the operation's problems

Nevertheless, Mr Clarke was exceptionally optimistic that what remains of Triomf — basically the Potchefstroom factory — will be in a strong position to make profits in the future

It is understood that although some R150 million will have to be written-off through the closure of Richards Bay — with about two thirds down to Nedbank and the balance to founder Dr Louis Luyt — the bulk of the balance of the group's debt will be converted by Nedbank into equity

Price increases

With Potchefstroom running at about 70 percent of capacity, equating to around 25 percent of the country's fertilizer market, and much of the debt due to move off the balance sheet, profits should begin to flow again.

Mr Clarke says that the continual price increases passed on to Triomf by both Sats and Foskor — in the latter's case the price of rock skyrocketed from R11 a tonne to R45 a tonne in the past 10 years — meant that the operation never really stood a chance of being viable.

He said that with falling world prices for phosphoric acid, most of Triomf's international suppliers were able to negotiate lower input prices from raw material suppliers, but in their case Foskor proved inflexible

And the loss of Triomf as a customer — which was taking about 40 percent of Foskor's low grade rock — could mean a major postponment to Foskor's plans for privatisation

Bent over backwards

Nevertheless, it remains a mystery as to why the government did not intervene to prevent the collapse of both an important employer and, more significantly, a major foreign currency earner

In the past the government has bent over backwards to support many less viable projects, such as Sentrachem's Afprene plant and others, because they were deemed to be in the national interest.

With the potential for sanctions looming larger every day, one would have thought Triomf would have joined the list, as the country needs every dollar it can lay its hands on

Mr Clarke pays the highest compliments to Nedbank, who, he said, during a difficult few weeks of negotiations made every effort to try and keep Richards Bay alive as an ongoing operation.

On another front, within the past few weeks Triomf came close to finalising a deal with an international partner that would have saved Richards Bay, but the state of the international market and the local political scene eventually scuppered that proposal at the last minute.

Richards Bay was commissioned in 1977 and was hailed as a revolutionary step in the local — and international — fertilizer markets

It went through major peaks and troughs, which saw it almost totally mothballed at the beginning of last year and then re-opened as a producer of phosphoric acid at the beginning of 1986

The closure, apart from having the immediate effect of costing some 1 200 jobs, is expected to have severe knock-on effects in the Richards Bay area, with employment suffering in the railways shipping and general industrial sectors

Triomf's shares and those of holding company Lanchem were both suspended on the JSE yesterday, while Nedbank perked up a little towards the end of the session to close at 615c after briefly touching 605c at the opening

Final analysis

The two shares should both be re-listed early next week, as soon as the formal statement about the restructuring is announced

In the final analysis the resolution of the situation — though not necessarily one which either party wanted — should be beneficial to both organisations

Not that Nedbank will want to be a major shareholder in Triomf for any length of time, but it gives Triomf the necessary financial restructuring and it means Nedbank is out in the open on its obligations

Gloom descends on the Bay

DURBAN — The town of Richards Bay was gloomy yesterday following news that one of its "Big five" plants is to close

Businessmen in the area warned that such a move would be devastating, not only for commerce and industry in Richards Bay itself, but also for that in nearby Empangeni.

The immediate past president of the Zululand Chamber of Commerce, Mr Mike Patterson, said a withdrawal by Triomf, which employs about 1 100 people in Richards Bay, would seriously affect virtually every facet of economic activity in the town

The major blow would be dealt to local suppliers, but reverberations would also be felt in the residential and industrial property markets

Mr Patterson said a closure would come as a great disappointment to those who had contributed to Richards Bay's rapid rise to being "one of the major growth centres in South Africa"

Unemployment was already high, and Richards Bay would not be able to absorb all the people who could be laid off — Sapa

Phillip Clarke . . a fresh start

Dr Louis Luyt .. still smiling

R12m coup doubles Sunpak size

13/7/88 SUNTIMES 232

By David Carte

SUN Packaging has nearly doubled in size by acquisition

The newly listed Atlantis-based packaging company has acquired the polystyrene packaging interests of one of its chief rivals, Van Leer Packaging, for 10-million shares.

The deal, effectively worth R12,5-million, virtually doubles the sales and assets of Sun Packaging (Sunpak). Management hopes it will double profits and earnings a share as well

Synergy

Financial director Mario Caletta says: "The number of shares goes up by 25%. We hope eventually to double profits, so earnings a share should benefit.

"There is a lot of synergy between the two companies. We are big in the Cape and they are big in the Transvaal, so we can rationalise

"We are big in white-meat packaging and they are big in other areas of food packaging There is little duplication"

Van Leer, a subsidiary of the R3-billion a year Dutch packaging multinational which made its fortune in oil and petrol drums, will hold 25% of Sunpak after the deal. Control will still vest in Tubby Gericke and the directors, who hold 25%.

The deal is a major victory for Sunpak, which started off as a minnow in a business dominated by Bakke and Van Leer.

Van Leer managing director Rene Farber says Sunpak had done a great job in foam packaging He stresses that his company is not disinvesting, and retains 25% of Sunpak

Mr Caletta says there will now be only two contenders in the polystyrene packaging business — Sunpak and Bakke. Because of rationalisation and economies of scale, the cost structure of the merged company will be lower Competition will intensify.

The Competition Board has approved the deal.

Dream debut

Sunpak has had a dream debut on the Development Capital Market of the Johannesburg Stock Exchange, screaming up from a listing price of 45c to 125c.

The company denies there has been any insider trading on the latest deal, which was clinched only this week. Sunpak management ascribes the strongly rising share price ahead of the deal to four factors: the company beat its earnings forecast, secured a R1-million order from Chile, doubled its capacity and received a favourable response to a presentation to investment analysts.

Nedbank takes 75% stake in Triomf

Cape Times 15/7/86

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Own Correspondents

JOHANNESBURG — Refusal by Nedbank to honour cheques and demands by creditors for repayment of debt, both totalling R29m, caused the cash crunch that forced the fertilizer giant Triomf to apply for provisional liquidation of its Richards Bay plant yesterday.

The application, brought ex parte by Triomf director Laurence Pereira, was granted by Justice R J Goldstone in the Rand Supreme Court with a return date of September 16

David Rennie of Syfret's Trust, Ben de Wet of Kaap-Vaal Trust and Billy van de Merwe of Hofmeyer Van De Merwe have been appointed joint provisional liquidators, a Nedbank spokesman said last night.

Nedbank chairman Owen Horwood said yesterday that the bank would hold 75,1% of the restructured Triomf, which would consists of only the Potchefstroom plant.

The existing shareholders, Triomf, the National Maize Producers Organisation (Nampo) and the public will retain an interest of 24,9% The bank's 75,1% share in a restructured Triomf means it has gained full control of the company

Prior to this, Louis Luyt and Nampo held about 52% of Triomf's equity Co-operatives had 16% and farmers and other investors the rest.

"This is obviously not an investment Nedbank were looking for It is safe to surmise that Nedbank want to remain bankers and therefore the present arrangement is only temporary," said a source close to the bank.

According to the court document Nedbank stopped payment on July 11 of cheques to suppliers totalling R9m In addition Nedbank refused to offer any further financing.

Concerned

"Nedbank were obviously extremely concerned about Triomf's trading position, particularly because it did not look as though the company would pull out of its present nosedive," says a banker

In the court papers Triomf cited demands from other creditors for immediate repayment of debt totalling R20m following "the negative publicity the applicant enjoyed in the press in the last few days"

The Richard's Bay plant had sustained operating losses totalling R54,7m for the eleven months ended May, and Triomf projected a further loss in June of at least R2,5m Total accumulated loss was R117,5m which had effectively wiped out the subsidiary's capital base

Triomf said its operating position had weakened because of higher input prices, the decline of the rand and lower selling prices in overseas markets

It also blamed Foskor, the IDC controlled rock phosphate supplier, for "high and unrealistic prices" charged for phosphate concentrate, an important input to fertlizer production, as well as the railways for "unrealistic" charges for transport of the phosphate concentrate between Phalaborwa and Richards Bay

Assets

In addition, the subsidiary sustained expenses of R18,5m due to fluctuations in the exchange rate and R22,4m from interest charges on its R160,9m debt

However, from the court record it appears the Triomf Richards Bay plant was not technically insolvent, with net worth of R56,9m at book value

Total assets are R343,9m and liabilities R287m. This points to the importance of the creditors' and Nedbank's demands in forcing the liquidation

It is at present uncertain how much the subsidiary could raise on realization

Fixed assets are valued at R263,5m but it is unlikely given that the fertiliser industry is operating at below 50% capacity, that Triomf could raise as much as half of book value from a sale of plant and equipment.

However, most of its current assets of R79,3m should be readily sold at close to book value.

In the court papers the subsidiary said it was under pressure from local utilities and its 1 000 employees concerned about payments

Bankers believe Nedbank will carry the restructured company and sell off the shares once it is viable

Says a banker "Nedbank could not afford to hold on to the Potchefstroom plant for too long as it would impair its capital base — capital would not be available for expansion of normal banking operations"

But a Nedbank spokesman said "The manner in which the restructuring is done will determine whether it will impair the bank's capital base or not. It could be structured in a manner whereby the capital impairment would be more or less the same as the existing requirement for the facilities presently extended"

Following the suspension of Triomf and parent Landchem shares, JSE President Tony Norton said last night that "an announcement is expected any day now and thereafter trading will be resumed"

Yesterday Nampo chairman Hennie de Jager criticised the government for failing to intervene to save the Triomf Richards Bay plant

He said internal cost pressures had killed off "this large processor of raw materials for export.

"This unco-operative attitude was to be regretted because of the hundreds of jobs lost with the closing of the plant at a time when government is spending millions in an effort to create work opportunities"

He said speculation of the the future of the Potchefstroom fertilizer factory had ended It would now fulfil all orders and would be expanded to hold its market share.

Nampo's involvement with Triomf would continue and with the active entry of a new partner (Nedbank) the Potchefstroom factory financial stabilty was assured

Nedbank to hold 75% of equity

15/7/88
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R29m cash squeeze sank Triomf

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Business Day Reporters

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Nedbank chairman Owen Horwood said yesterday that the bank would hold 75,1% of the equity of the restructured Triomf, which would consists of only the Potchefstroom plant

The balance of the shares will be held by existing shareholders, the National Maize Producers' Organisation (Nampo) and the public

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R29m cash squeeze scuppered Triomf

From Page 1

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However, from the court record it appears the Triomf's Richards Bay plant was not technically insolvent, with net worth of R56,9m at book value Total assets are R343,9m and liabilities R287m. It is at present uncertain how much the subsidiary could raise if liquidated. Fixed assets are valued at R263,5m but it is unlikely, given that the fertiliser industry is operating at below 50% capacity, that Triomf could raise as much as half of book value from a sale of plant and equipment

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Bank gets control of Triomf

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0D/7/86

Dispatch Correspondent

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Prior to this, Mr Louis Luyt and Nampo held about 52 per cent of Triomf's equity Co-operatives had 16 per cent and farmers and other investors the rest

According to the court document Nedbank stopped payment on July 11 of cheques to suppliers totalling R9 million. In addition Nedbank refused to offer any further financing.

In the court papers Triomf cited demands from other creditors for immediate repayment of debt totalling R20 million following "the negative publicity the applicant enjoyed in the press in the last few days."

The Richards Bay plant had sustained operating losses totalling R54,7 million for the 11 months ended May, and Triomf projected a further loss in June of at least R2,5 million Total accumulated loss was R117,5 million which had effectively wiped out the subsidiary's capital base.

Triomf said its operating position had weakened because of higher input prices, the decline of the rand and lower selling prices in overseas markets

It also blamed Foskor, the IDC-controlled rock phosphate supplier, for "high and unrealistic prices" charged for phosphate concentrate, an important input to fertiliser production, as well as the railways for "unrealistic" charges for transport of the phosphate concentrate between Phalaborwa and Richards Bay

In addition, the subsidiary sustained expenses of R18,5 million as a result of fluctuations in the exchange rate and R22,4 million from interest charges on its R160,9 million debt

However, from the court record it appears the Triomf Richards Bay plant was not technically insolvent, with net worth of R56,9 million at book value Total assets are R343,9 million and liabilities R287 million

In the court papers the subsidiary said it was under pressure from local utilities and its 1 000 employees concerned about receiving payments

Bankers believe Nedbank will carry the restructured company and sell off the shares once it is viable

Following the suspension of shares in Triomf and its parent, Landchem, a Johannesburg Stock Exchange spokesman said last night that "an announcement is expected any day now and therafter trading will be resumed".

Yesterday the chairman of Nampo, Mr Hennie de Jager, criticised the government for failing to intervene to save the Richards Bay plant.

He said internal cost pressures had killed off "this large processor of raw materials for export The government did not see its way clear to assist the plant to continue producing "

This unco-operative attitude was to be regretted because of the hundreds of jobs lost with the closing of the plant "at a time when the government is spending millions in an effort to create work opportunities,"

● It is reported from Durban that more than 1 100 people stand to lose their jobs and homes in the expected closure of the Richards Bay plant which is likely to have a severe impact on the local community and economy

Also facing "serious financial difficulties" as a result is the Mhlatuze Water Board, which was specifically created by the government to control water resources in the region and to build and control the plant's R60 million effluent disposal system.

Fertiliser men expect little change

16/7/86 NM (232)

Mercury Correspondent

JOHANNESBURG — The liquidation of Triomf's fertiliser plant at Richards Bay would have little effect on the ailing domestic fertiliser industry, executives of competing companies said yesterday

More than 60% of Richards Bay's production had been designated for export markets, with only special chemicals sold in South Africa, so 'there will be virtually no impact on local production,' said one executive

Fertiliser producers would probably continue to feel the effects of industry-wide discounting that had cut wholesale prices by as much as 32% off book prices

'There s no way anybody can make money in an environment like that,' said a managing director, who asked not to be named

Active fertiliser plants around South Africa are operating close to 70% of capacity, say industry sources When idle capacity is included, the figure drops to between 40% and 50%

Executives said much of the industry's health would depend on how Nedbank ran the Potchefstroom plant that it had, in effect, taken over from Triomf.

'I get the feeling that if they can operate Potchefstroom without major debt, surely it can become a viable proposition,' a competitor said Such success, he said, could help to establish much needed price stability

Meanwhile Foskor managing director John Stanbury criticised Triomf's claim in court papers filed on Monday that Foskor's 'high and unrealistic' prices for phosphate rock had been a major factor pushing the Richards Bay plant into liquidation,

'Foskor is not to blame Richards Bay was geared to the export market, and with the total oversupply in world markets they found themselves in a very tough position,' he said

'It is very ambitious to run at full capacity unless you have a competitive advantage'

Far cheaper

Mr Stanbury added that the phosphate rock supplied to local customers, including Triomf, at R45 a ton, was far cheaper than rock obtained on import markets

He said Foskor sold the rock for significantly less in South Africa than it could on export markets

Industry sources confirmed that Foskor prices abroad were as much as 50% higher than prices charged to local producers.

They agreed, too, that imports were at least twice the price charged by Foskor, because of the weak rand and additional freight expenses

'Foskor's price is fair relative to the international prices we could import at,' one executive said

Triomf managing director Richard Clarke was not available for comment yesterday and did not return telephone calls to his office A Triomf spokesman, declined to comment on the company's statement concerning Foskor

Prices for phosphate rock charged by Foskor have risen relatively slowly in the past decade — from R21 a ton in 1979 to R30 in 1982, to R45 this year

Mr Stanbury said prices had dropped by 35% in real terms since 1975

He said that Triomf had been committed to buying 1 200 000 tons of the rock on foreign markets after a similar dispute on pricing two years ago

'Triomf indicated that they could obtain the product more cheaply by importing,' he said 'As it transpired, Richards Bay continued to buy from us If we were unrealistically priced, I doubt if they would have done this'

In the court papers, Triomf also criticised South African Transport Services for their 'high and unrealistic' freight charges

A source close to liquidation negotiators said the company had reported that it received no discount for transport of phosphate rock, even though most of its output was destined for export.

Triomf and SATS executives were not available for comment yesterday

17/7/86
DD

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Pepsi buys 7-Up stake

NEW YORK — Pepsico, parent of the world's No 2 soft-drink producer, has bought the international unit of rival Seven-Up from Philip Morris for $246 million in cash

Seven-Up International, headquartered in Lausanne Switzerland, is the third-largest soft drink company outside the United States and operates in more than 85 countries Seven-Up is also third largest in the United States

Pepsico earlier announced plans to buy both the US and foreign operations of Seven-Up for $380 million, but the US Federal Trade Commission said it opposed the deal Philip Morris subsequently ended that agreement

Pepsico said the purchase of Seven-Up's international operations, completed on Friday, does not require governmental approval Philip Morris still intends to sell Seven-Up's US operations

Coca-Cola is the world's biggest soft-drink company

Pepsico will increase its overseas volume of 1 4 billion cases by 250 million cases through the purchase

In addition to acquiring the right to sell Seven-Up everywhere except the United States, Pepsico is buying two Canadian bottling plants owned by Seven-Up in Toronto and Ottawa, the company said — Sapa-AP

PRISCILLA WHYTE

Landlock in some more restructuring

BUSDAY (232) 18/7/86

LANDLOCK is involved in three acquisitions and a disposal — worth a total of R17m — in the latest round of restructuring developments under the helm of new UK parent BBA

The engineering group is acquiring Veltol-Parko from joint partners, Malbak and the Veltol Partnership. It is negotiating to acquire Girlock's entire share capital

In another transaction, Industrial Carbon & Graphite is being sold to Morganite SA by Landlock These deals are all part of arrangements BBA

BBA is negotiating to buy 50% of Repco SA from Repco Clutch & Brake of Australia

However, the Industrial Development Corporation (IDC) has a pre-emptive right to take up all or part of this 50% Landlock envisages acquiring the interest in Repco SA for an issue of shares on the same terms as for Veltol-Parko.

Landlock CE Eddie Ross said yesterday that as a result of the acquisitions and disposal the necessity for the R7,5m rights issue which was contemplated earlier this year may fall away The acquisitions and disposal have improved the group's capital base

"If a cash injection is needed, the rights offer would be of much smaller magnitude than the R7,5m orginally estimated," he said BBA has undertaken to pump in a maximum of £1m into Landlock if a rights issue is necessary.

The desired level of gearing is 60% by December 1986, whereas the loss-making Landlock had a dangerously high gearing ratio of 457% to December 1985

Once these arrangements have been concluded, BBA will have an interest of between 60% and 80% in Landlock

Ray Mitchell, who will become chairman of Landlock next month, said yesterday BBA's desired stake in Landlock would be closer to 65% A private placing of shares could take place to increase the narrow shareholding base it had currently. He said the name Landlock might be changed

Landlock is buying Veltol-Parko at net asset value of R2,4m by way of the issue of 2,39-million new Landlock shares.

Renhold moves on R20m deal

BUS DAY 10/7/86

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BRIAN ZLOTNICK

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IN A reverse takeover deal worth about R20m, Renhold Investments is acquiring the equity of Justcom, Dekor and Interboard, which are involved in the manufacture and distribution of doors, timber board and chip-board products.

Renhold, a cash shell, is to issue 63,5-million shares to finance the acquisitions and will hold a R8,8m rights offer at 30c a share that will result in an injection of funds from abroad.

Renhold has 20-million shares in issue and cash and investments worth about R2m and, on completion of the deal, Interboard NV, a company incorporated in the Netherlands, will emerge with about 75% of the enlarged group's equity.

For purposes of the deal, which takes effect from March 1, Renhold shares were valued at 30c each, compared with the market price of 46c

18/7/86 BUS-DAY (232)

Triomf plant to remain in business until mid-September

Economics Reporter

TRIOMF's Richards Bay fertiliser plant, placed in provisional liquidation on Monday, will continue to operate on a reduced scale until as late as September 15 But nearly 400 workers will be retrenched.

Provisional liquidators said yesterday arrangements had been made to operate the plant for up to two months, or until a buyer could be found

Financial details were not released One of the liquidators, David Rennie of Syfret's Trust, said it could take as long as two weeks to resolve the subsidiary's financial position and approximate market value

The September 15 cut-off date appears to reflect the level of phosphate rock and sulphur stocks available for fertiliser production or contracted for delivery

Liquidators said working capital had been arranged to enable continued operation of the plant

They would not disclose the source of the working capital

The Richards Bay subsidiary had a negative net working capital last Friday of R46,8m, according to court papers

Groups that supply working capital in the next two months will take priority over creditors owed money before the liquidation and will be the first paid from any proceeds of a sale or liquidation of assets

Technically all of the 852 employees at Richards Bay were thrown out of work with the order for provisional liquidation

About 466 workers would be rehired according to seniority in each department, liquidators said

About 331 of 633 black workers, and 135 of 219 white workers would be rehired

Those rehired would be paid the same salary and receive the same benefits in effect at the date of provisional liquidation

Retrenched workers would be paid wages up to the lesser of R2 000 or two months' salary In addition, they would receive any leave pay due up to the lesser of R1 000 or three weeks' salary.

Any pay due above the maximum payments, and any separation pay, would be treated as a claim on the subsidiary's assets with the same priority as trade suppliers.

Retrenched workers occupying company housing would be allowed to stay in their homes rentfree until September 30 Thereafter they would be required to pay a negotiated market rent

Liquidators said their firms had agreed to pay medical insurance premiums for June and July

The pension fund was not controlled by the liquidators

Fedvolks' Sentrachem stake sold for R38m

FEDERALE Volksbeleggings (Fedvolks) has sold its 25% stake in Sentrachem to Sanlam Investment Corporation (Sankorp) for R38m cash

Fedvolks' MD Johan Moolman confirmed the sale was in line with the group's policy of reducing its asset base and orienting the diversified conglomerate towards consumer markets

Fedvolks disposed of its Sentrachem stake through selling its 50% holding in Central Chemical Investments (CCI), which in turn owns 50% of Sentrachem The balance of CCI's equity is held by BP, Gencor and IDC

Sankorp will pay 170c/share for Fedvolks' 22,3-million Sentrachem shares.

At the date of the transaction on July 1, Sentrachem's share price stood at 150c

However, speculation in the market has since pushed it as high as 190c

An initial payment of 120c/share (R26,9m) is to be made immediately while the residual 50c/share (R11,1m) will be paid in June 1990, subject to the

STEPHEN ROGERS

achievement of certain undisclosed after tax profits being achieved by Sentrachem in the 1989 and 1990 financial year

The initial payment of R26,9m will be used to reduce Fedvolks' debt

If the transaction been effective for the year to March 1986, it is estimated that the loss-a-share would have fallen to 6,1c against the reported 8c

Moolman confirmed that further sales were likely to take place as the group continued to streamline its activities

Next division to be hived off is probably the building materials and ceramics division, which reported increased losses of R5,2m (RR4,8m) last year

Fedvolks shares were the subject of intense trading yesterday, with 250 000 changing hands in 54 deals and the share moved up 10c to close at 170c

The proceeds of the sale are expected to help the group achieve its aim of returning to profitability in the current year

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sunrise finance

Foskor spokesman rebuts criticism on cost of phosphate rock

By Peter Farley

Foskor has hit back at criticism that its pricing policies were a major contributor to the demise of Triomf's Richards Bay operation and company executives suggest, rather, that its rock is not only of the second highest quality in the world but half the in-plant price of potential overseas suppliers to Richards Bay.

Foskor general manager, marketing, Mr Nico Knipscheer said that although the price of its rock had risen to a current R45 a tonne, this was up from R21 in 1977 — when Richards Bay opened — and was now equivalent to R18,21 a tonne at constant 1977 prices, discounting inflation over the same period.

Reacting to comment that Foskor would lose heavily through the demise of Richards Bay, Mr Knipscheer said that in the year to June 30, 1986, the mine produced 2,8 million tonnes of phosphate rock, of which almost 1 million was the slightly higher grade for direct exports.

Of the 1,8 million tonnes balance, 1,3 million was sold for the use of fertilizer production in SA and 650 000 tonnes to those making phosphoric acid for export. The latter figure is slightly higher as it includes some supplies from Foskor's stockpile.

Mr Knipscheer also said that reports of Foskor's stockpile — and suggestions that it would grow — were inaccurate.

He said that the current stockpile is about 900 000 tonnes, or some 200 000 tonnes over the prudent level of three months' production.

With Richards Bay now closing, Foskor could reduce its production of the lower grade rock and increasing the output of the higher grade rock, for which it has more export demand than it can meet at current prices.

Reinforcing the argument that Foskor's pricing had little to do with the problems at Richards Bay, Mr Knipscheer said that although it took one tonne of sulphur and three tonnes of phosphate rock to make a tonne of phosphoric acid, the cost of the sulphur input was currently around R380, while that of the three tonnes of rock was only about R225 — including railage to Richards Bay.

He argued, therefore, that if any input cost was to blame for the problems at the export production plant it would have been the rising price of sulphur, caused by the depreciating rand.

Nevertheless, he said that with Richards Bay now unlikely to remain a customer — he saw little potential in the plant for any buyer, either here or overseas — Foskor would immediately benefit by being able to plan forward production more effectively.

He pointed out that in the past 10 years the annual demands of Richards Bay had fluctuated between a peak of 959 000 and 382 000 tonnes.

United they stand

232/ SUNTIMES 20/7/86

By Don Robertson

THE recession has forced several major companies in the equipment supply industry to join forces to counter declining sales

Four companies, three with foreign parents, have linked up to present a combined effort in the market.

In another deal, Babcock Triplejay will next year hand over marketing of Mitsubishi hydraulic excavators to Caterpillar Africa A joint venture company has been set up between the two parent companies in Japan and America.

Largest

A rationalisation has occurred between Bomag SA and Orenstein & Koppel (O&K) in the Cape and Natal under the name O&K Bomag

O&K of West Germany is one of the largest construction and mining equipment manufacturers in the world and has injected more than R6-million into its SA subsidiary

Helmut Peters, managing director of Bomag SA, says both companies have parents in Germany and offer some complementary equipment. In Natal and the Cape, where their outlets acted only as suppliers, it was found that they often chased the same customers

Leader

O&K is strong in mining equipment, excavators and paving equipment, and Bomag is the market leader in the supply of compaction equipment mainly for road building

The cyclical and depressed construction industry has caused Bomag's business to decline to 1980 levels, says Mr Peters

"Growth is negative in real terms and we see no improvement in activity next year."

The materials handling sector has been strengthened by the manufacturing and marketing agreement reached between the Davy group's Morris Cranes and Criterion Systems, a member of the Murray & Roberts group

Both companies are involved in the specialised range of self-transferring and aisle dedicated storage and retrieval units and rail-guided stacker cranes

Benoni plant

Morris will undertake the manufacture at its Benoni plant in which it recently invested R5-million and Criterion will be responsible for marketing

The merger will not affect the relationship between British Monorail and Morris Cranes through the Davy group or M&R's investment in Criterion Systems held through Criterion Equipment.

Drought reduces SA wool clip

BUSDAY 23/7/86

DROUGHT conditions have become worse in large parts of the wool-producing areas which is one of the main reasons for a further reduction in the size of the SA wool clip

This was said by SA National Wool Growers' Association president H F Prinsloo in his presidential address to the association's 57th annual congress in Bloemfontein last night.

Compared to 1982/83, sheared wool production had dropped by 14,6m kg to 92,7m kg this year

At the average wool prices obtained in the three years, this meant wool farmers had lost R120m in income as a result of the drought

Prinsloo welcomed the announcement of the National Grazing Strategy as a measure to improve and preserve the condition of the land, but questioned whether the strategy could be applied effectively, and with the expected results, without normal rainfall

Referring to the estimate that farmers' accumulated agricultural debt was already R11,2m in 1985 and could reach R12m this year, Prinsloo said unless special assistance could be given, many farmers would perish in the coming year

He asked whether SA could afford to lose so many of its entrepreneurs who were "going under" through circumstances beyond their control.

Drastic steps would have to be taken to keep as many farmers as possible on the land, if a strong and conservative farming community was important for the survival of the country.

In comparison with other industries, the wool industry was comparatively good

This could be ascribed mainly to the favourable export earnings as a result of the weak exchange rate of the rand against other currencies — Sapa.

Blackwood takes over Fiatallis franchise

23/7/86 BUSDAY (232)

Industrial Staff

BLACKWOOD-HODGE, the Transvaal-based earthmoving equipment specialist, has taken over the Fiatallis franchise from NEI subsidiary APE.

MD John Vos said yesterday that although the deal became effective on July 1, it would be early August before the entire transition process, including transfer of equipment, was complete

He said take-over of the R8m Fiatallis investment was the latest in a series of shifts in the earthmoving sector Its continued weakness had led to companies such as APE, with major interests elsewhere, handing over the operation to specialist distributors.

Vos said the economic standstill and reduced construction activity had reduced the earthmoving market to half what it was a few years ago

"It is extremely depressed In the history of the industry, we have never experienced a downturn like this "

Vos added that Blackwood was likely to slow its acquisition programme now the Fiatallis deal was complete Since he took over as MD last year, the company had undergone management restructuring and actively looked for acquisitions

"Now we want to settle down Nevertheless, we are confident that our UK parent will support us in any further opportunities that may arise "

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Privatisation gets guideline

PRIOR to privatisation of its holdings, the State would have to embark on a major valuation exercise involving all public sector assets

With this in mind, a paper on privatisation has been prepared as a guideline for government, highlighting the need to identify and value all public sector assets prior to their disposal. Richard Ellis SA, one of the country's foremost valuers, and Syncom, have written the document.

The paper is one of a series of privatisation position papers (PPPs) on various aspects of privatisation and deregulation being prepared by Syncom, the private sector organisation which develops action programmes and policy alternatives for all areas of business and related environments

Richard Ellis director Norman Griffiths, author of the paper, notes that valuating State assets can be an extremely complex exercise .. but an independent assessment of asset value should be a regulatory requirement for each transfer into the private sector

Assets fall into a number of categories, with fixed property forming a major part. His paper gives an indication of the magnitude of the task ahead

□ Owned property, for example, could involve major industrial complexes (Iscor); specialised purpose-designed service installations (airports and railway stations); specialised provincial operations such as nature reserves, pleasure resorts, libraries, museums and State theatres; specialised municipal service buildings (fire stations), and substantial tracts of land

Most of these property assets will exist without the controls of existing municipal and provincial town planning schemes but, under the Rating of the State Properties Act of 1984, will be subject to municipal rating taxation. This act has not yet come into operation

High alternative use value may exist in cases such as a power station in the centre of an urban area or due to, say, mining operations, there may be very low or no alternative use

While the title to the land prior to privatisation rests with the State, provincial and municipal bodies, land sub-divisions, consolidations, title restrictions and all others legal issues will have to be established prior to sale to the private sector and are capable of affecting value

A critical aspect of the valuation exercise, says Griffiths, will be identification of town planning controls to be imposed once the property passes into private hands

□ Commenting on leasehold property, Griffiths says where land is leased for long periods (50 years and more) to the private sector, it is debatable whether the state can justify holding such land unless rents are at market levels, subject to regular market rent reviews, and then only if strategic control is required.

□ Most servitudes have a restricting or negative value effect on the land owners Certain statutory bodies may benefit from servitudes covering thousands of kilometres as in the case of Escom and SA Transport Services (Sats), and such servitudes must features as a capital asset in any property register.

□ Operational property· Certain properties are fully or partially utilised in the provision of the service offered by the public body Specialised operational properties may be subjected to a different method of value assessment to non-specialised properties — the Johannesburg Hospital, for example, would need careful value appraisement in the light of high original and current replacement costs, underutilisation, unacceptable design aspects and alternative utilisation methods

□ Non-operational property· As the largest combined landowner in the country the State, para-state, provincial and municipal authorities have acquired or inherited large areas of land, much of which is not specifically utilised for its prime or original function The task of establishing the status of this property is in itself a major exercise — Sats, for example, is currently doing this with a view to disposal and rationalisation

In the case of a stock exchange flotation of a State enterprise, it would be essential to identify all such assets and not rely merely upon a revenue and earnings projection to determine gross value.

In conclusion, he notes that privatisation is an accepted political route worldwide and numerous examples are capable of analysis for application to this country.

Another life merger on the cards

SML (232) 24/7/86

By Duncan Collings

The number of life insurance companies operating in the South African market is set to decline further with the announcement that Allianz Life and Momentum Life are investigating the possibility of merging

Most recently Ned-Equity and National Mutual merged to form Sage Life and last year saw the giant merger of Southern Life and Anglo American Life into the new Southern

Should the merger of Allianz and Momentum reach finality it will result in a grouping with assets of close to R400 million and net premium income of around R50 million

A further announcement is expected in about six weeks.

The German owned composite insurer, Allianz has been known to have been on the lookout for a suitable local acquisition for some time and at one time was interested in the AA Mutual

Internationally too Allianz has been an active bidder for other insurance groups and in a protracted takeover battle nearly won control of the UK based Eagle Star which has a large interest in SA Eagle locally. This was thwarted when Bat Industries came to the rescue of Eagle Star

Locally the life arm of Allianz is considerably bigger than Momentum and will contribute over two-thirds of the assets and net premium income

FWMAIL 25/7/86

RENHOLD

New direction

As presaged last week, Renhold has announced a reverse takeover worth R19,1m. The company, listed in the cash shell sector, is acquiring the total equity of particle board manufacturer Interboard and door-makers Justcom and Dekor

The purchase will be met by the issue of 63,5m shares, 50m of which will go to Interboard shareholders. Vendors of Justcom and Dekor have agreed to sell their 13,5m shares to Interboard's Dutch parent Interboard NV at 30c a share After the deal, Interboard NV will end up with 68,4% of Renhold Minorities will also be offered 30c for their shares. Net worth after the deal will increase from 10c to 30c a share

Interboard CE Ed Dutton will head the enlarged group as executive chairman Former controlling shareholder Renier van Rooyen will remain on the board

A rights offer at 30c is planned Interboard NV will follow its rights and underwrite the R8,8m issue. After repaying borrowings, R6,8m cash will remain. "We plan to be recession proof and poised to take advantage of good opportunities," says Dutton

Turnover is projected at R30m with earnings forecast at R3,4m — 4,1c a share

FINANCIAL MAIL JULY 25 1986

According to Dutton, profits for the first quarter to end-May are ahead of projections With assessed losses of R29m, he adds, earnings should be tax-free for quite a few years.

Given the depressed state of the building and furniture industries short-term prospects might be thought unexciting Dutton disagrees. He believes Interboard can increase market share: "We have always operated in a depressed market and since inception three years ago have increased market share annually We now hold 8%" Undoubtedly, though, Interboard will find it increasingly difficult to grow off a higher base

Future export potential

Unlike industry leader Bisonbord, Interboard's export market is limited. Dutton points out, however, that Interboard NV recently made a large investment in Swaziland With 50% of the Swazi company's output geared for foreign markets, Dutton believes it is better placed for exports, especially with growing threats of sanctions The Swazi operation will not be injected into Renhold until it is profitable

Expectations of major acquisitions have pushed the share price 50% higher to 45c in less than two months As the forward p e of 11 is not unrealistic, minorities are unlikely to accept the buy-out offer. *Patric Ho*

SAAN's Mulholland ... more discipline

disciplined approach, says MD Stephen Mulholland. Indiscriminate discounting of advertising space — which damaged the group's integrity — has been brought under control Although an aggressive pricing policy was followed, circulation figures for key publications remain buoyant.

The Sunday Times, for example, has maintained circulation at just under 500 000, despite the recent 53% hike in the cover price — a clear indication, says Mulholland, of its standing in the market The *FM*, following a 50% price hike, initially lost some circulation, but "very rapidly regained it," to continue its domination of the financial magazine market.

Given the state of the market, says Mulholland, "the only way we can return to profits is by maintaining market share, while simultaneously cutting costs. And that is happening." The impending move to Diagonal Street is likely to be "both costly and traumatic," but once Saan is settled in, it can look towards sustained recovery.

Asset sales have gone well, and at end-March R26,5m had been raised from the disposal of presses and the Main Street building Remaining disposals are expected to bring Saan's once heavy debt load down to around R12m At this level, says Mulholland, the group should easily fund potential finance costs

With a company like Saan, which has a sorry recent history of losses, the real issue is cash flow If management can confidently predict positive cash flow after all running costs, it is unquestionably on the road to recovery On the evidence of recent months, says Mulholland, Saan has indeed moved into positive cash generation

Neville Glaser

BUSDAY 232 29/7/86

Security through employee b[illegible]outs

MANAGEMENT

KEITH HAMMONDS
Economics Reporter

WHEN Rohm & Haas, the US chemical company, started to consider selling its SA subsidiary last October, Peter Harding started worrying.

Harding, MD of the New Germany-based subsidiary, did not relish the prospect of being sold to a new corporate parent. He and other executives worried about their jobs, and about the jobs of their 100 employees.

Harding found job security and corporate independence through an employee buy-out. When the deal is completed this week, he and 62 other Rohm & Haas employees will have paid R500 000 for 80% of the subsidiary's equity. (Barclays Merchant Bank, in addition to supplying medium-term financing, will buy the rest.) Harding and three other senior executives will control 52% of the company.

Most experts believe foreign disinvestment will continue at least at its current pace. And for many local companies facing disinvestment, the management buy-out has become an attractive course.

Genwest Industries, the local subsidiary of General Electric, Berkshire International, the apparel-making subsidiary of VF Corporation, Cooper Industries' Gardner Denver unit and Stanley Tools all have completed buy-outs in the last year.

Independence

The appeal of an employee buy-out is clear. Everyone keeps their jobs, the effect on the company's operations and environment is minimal, independence reduces corporate bureaucracy and those with a piece of equity have a chance to make money if the company does well.

But success in a buy-out situation is not automatic. As in any sale, the corporate parent wants to get the best price it can for its business, and will consider bids from other companies to buy the subsidiary.

Although many parents favour selling to local management — because this improves the chances that profitable distribution and licensing agreements will be maintained — few will give their subsidiaries away when another buyer is willing to pay more

And "the price at which you can do a buy-out isn't always the price you could sell it for," observed Standard Merchant Bank's Andre Roux.

A foreign parent will look not only to get the highest price for its SA operation, but also to take as much of the proceeds out of SA at commercial rand rate as possible.

A foreign company can repatriate as dividends, at the commercial rate, any profits earned after January 1, 1984. The sale price of the subsidiary usually is reduced by the amount of profits the parent is able to repatriate.

Some companies have found other creative, but legitimate, ways to withdraw dollars at the commercial rate

At least two US companies this year will receive payment from the sales of their subsidiaries through repayment of internal loans owed to other subsidiaries within the corporation as long as this debt falls outside the standstill agreement, it can be repatriated at the commercial rate

Bankers say, in addition, that some companies may be repatriating the sale price by artificially inflating the terms of continuing royalties and distribution agreements, but no companies have been connected specifically to this practice.

In the majority of cases, however, companies will be forced to take most of the sale price out of SA at the financial rand rate.

In an employee buy-out situation, a typical arrangement — like that negotiated by Stanley Tools — calls for payment of the sale price out of operating cash flows Stanley executive Bob Frost said his company would be paid for in this way by year's end

Not every company is an ideal leveraged buy-out candidate. Barclays' Roux looks for "predictable cash flows, a proven track record, and a cohesive management team" in the buy-outs he finances

In addition, says Barclays Merchant Bank GM Jacko Maree, a company with local manufacturing or assembly operations is more likely to get buy-out financing. The absence of fixed investment, he says, is seen by bankers as a risk.

Those able to find financing and execute an employee buy-out say the surest sign of success is that little has changed.

At Rohm & Haas, Genwest, Berkshire International and Stanley Tools, most top management has remained intact Genwest is the only company of the five to reduce employment substantially, to 500 from 700

Importantly, all five companies still rely on their former US parents through some sort of distribution, licensing or trademark agreement

At Genwest, where nine senior executves engineered a buy-out in April, products imported fro[illegible] [illegible]ner 42 distribution agreements accou[illegible] 95% of sales, according t[illegible] Hofman In addition, he said, the [illegible] [illegible]aintains licensing and authoriz[illegible]ce contracts with General Electric

Rohm [illegible] [illegible]aas has licensed to continue using existing technology for local manufacture, and has been promised future product development information and technological support. "If we have problems, we know where to go," Harding said.

Rohm [illegible]as and other companies say they pay [illegible] same f[illegible]r imported products as when they were [illegible]diaries. In some cases, as at Rohm & H[illegible]s and Stanley Tools, this sort of agreement represents preferential treatment over other international distributors

What MBO executives talk about most if their newfound freedom from the corporate bureaucracy previously required by their foreign owner. "It used to be that we had to send 50 sheets of paper every month to the US," said Stanley Tools' Frost. "Now, I can spend more time seeing customers, and our controller has time to oversee assembly operations."

Control

At Genwest, independence has brought greater control over decision-making, said MD Hofman And the company is growing faster, because "we're plowing back dividends" rather than repatriating As a result, Hofman says he is offered the chance to buy companies "weekly"

The buy-out route brings risks, as well. Dependence on foreign companies for products and technology creates the possibility that supplies will be cut off if the former parent is caught by trade sanctions or political pressure to completely dissolve SA ties

In addition, the independent company has no access to corporate financial support should business go bad Without a corporate parent, it is forced to seek financing from banks and other lenders "There's no big brother out there if you need him," said Gardner Denver MD Terry Spratt

"I'm not kidding myself that it will be exactly as it was before," admits Harding. But for him and others, independence justifies the risk.

Employers set out social and economic objectives

BUSDAY 30/7/86 232

Privatisation research sees reduced govt role

LESLEY LAMBERT

GOVERNMENT spending and public sector involvement in the economy should be reduced to 20% of gross national product (GNP) by the year 2000, privatisation research commissioned by employer organisations shows.

However, the overall pace of change must be dictated by the ability of the economy to fund and absorb it.

A policy memorandum — distilled from the research material — has been submitted to cabinet ministers involved in drafting a White Paper on privatisation.

Key objectives

The memorandum sets out the view of the private sector on key economic and social objectives for privatisation, as gauged by Assocom, the Afrikaanse Handelsinstituut, the Agricultural Union and the Federated Chamber of Industries.

The organisations recommend that pilot projects should be used to reduce risks and to avoid disruption and that a number of advisory bodies and subsidiary task groups be established to ensure impartiality in implementation.

The main objectives of privatisation are.

- To reduce the cost of services to the taxpayer, and consequently to help reduce the tax burden, especially the marginal rate of tax;
- To broaden the tax base and increase revenue collection as economic activity is stimulated;
- To boost the economy by increasing opportunities and individual entrepreneurship and to spread economic ownership;
- To benefit consumers by way of increased competition that will boost efficiency and eventually lead to more innovation,
- To allow the market to satisfy the needs of individuals and communities with the least intervention from the political and regulatory process.

The memorandum defines privatisation as "the partial or total transfer of assets and/or functions from the public to the private sector under various arrangements" The transfer of assets is expected to be one of the main, although complex, priorities.

It says that a pre-condition for successful privatisation is that it should be accompanied by planned deregulation — the scrapping or rewriting of laws or regulations inhibiting the effective operation of the private sector in the production of goods and services previously supplied by the state.

A coherent strategy for privatisation implies a deliberate decision to change the role of government and to re-define the relationship between the public and private sectors.

New opportunities

Privatisation should lead to more balanced relationships between entrepreneurship and public administration It should also spread economic ownership more widely among the population and create new opportunities in the private sector.

Priorities include the ranking order of most easily saleable assets and services, the areas of highest demand escalation which the state cannot meet, and the economic impact needed to revitalise the economy and to stimulate job and entrepreneurship creation potential.

Massive turnover in Frame group shares

BUSDAY · (232) 31/7/86 ·

BRIAN ZLOTNICK
Investment Editor

SPECULATIVE take-over fires surrounding the Frame group of companies were rekindled yesterday after transactions in the group's shares worth R90m were concluded on the JSE floor.

It is understood that, in one of the biggest deals ever put through the market, the sisters in the Frame family cleared out their direct holdings in the group

The non-resident sisters sold 285 500 Natal Consolidated Industrial Investment (NCI) shares, worth R35,6m, at R125 each This equals 11,8% of the equity of the kingpin company within the group.

They also sold a further 171 000 shares at R52,50 in Natal Canvas Rubber Manufacturers (Natcanvas), which holds 15% of NCI's equity, in a deal worth R9m

In a deal initiated by stockbrokers Frankel Kruger, the firm bought 143 000 NCI shares for a client from stockbrokers Davis, Borkum Hare. Frankel Kruger, in turn, booked over a different parcel of 143 000 NCI shares and the Natcanvas shares to their client

The two-way value of these transactions totalled a massive R90m and earned the brokers a handsome fee.

However, it is believed that at this stage founder Philip Frame's grandchildren and their mothers still retain effective control over about 60% of NCI's equity through a network of trusts

The identity of the buyers or buyer remains shrouded in secrecy.

One well informed source suggests the buyer was Anglo American, which is thought to have had its take-over attempts blocked thus far

Anglo's AECI is a hot favourite as Justin Schaffer is to vacate his position as MD of its wholly-owned subsidiary, SA Nylon Spinners, to head the Frame group after the sudden resignation of the group's three joint MDs

Whether the family's latest move presages a take-over deal — or whether it is to diversify their investment portfolio and in turn boost their returns, which are sent abroad — should become clearer in time

NCI has shed R21 since hitting an all-time high of R146 last month with solid lines of stock changing hands ahead of yesterday's deals.

The share closed yesterday at a buyer's price of R125, with no stock on offer

31/7/86 BUSDAY · (232)

GREY-PHILLIPS BUNTON MUNDEL & BLAKE 79164

Liquidation rate starts to decline

232

LINDA ENSOR

MOST companies struggling against recession have already been wiped out and the estates of individuals are beginning to collapse in unprecendented numbers.

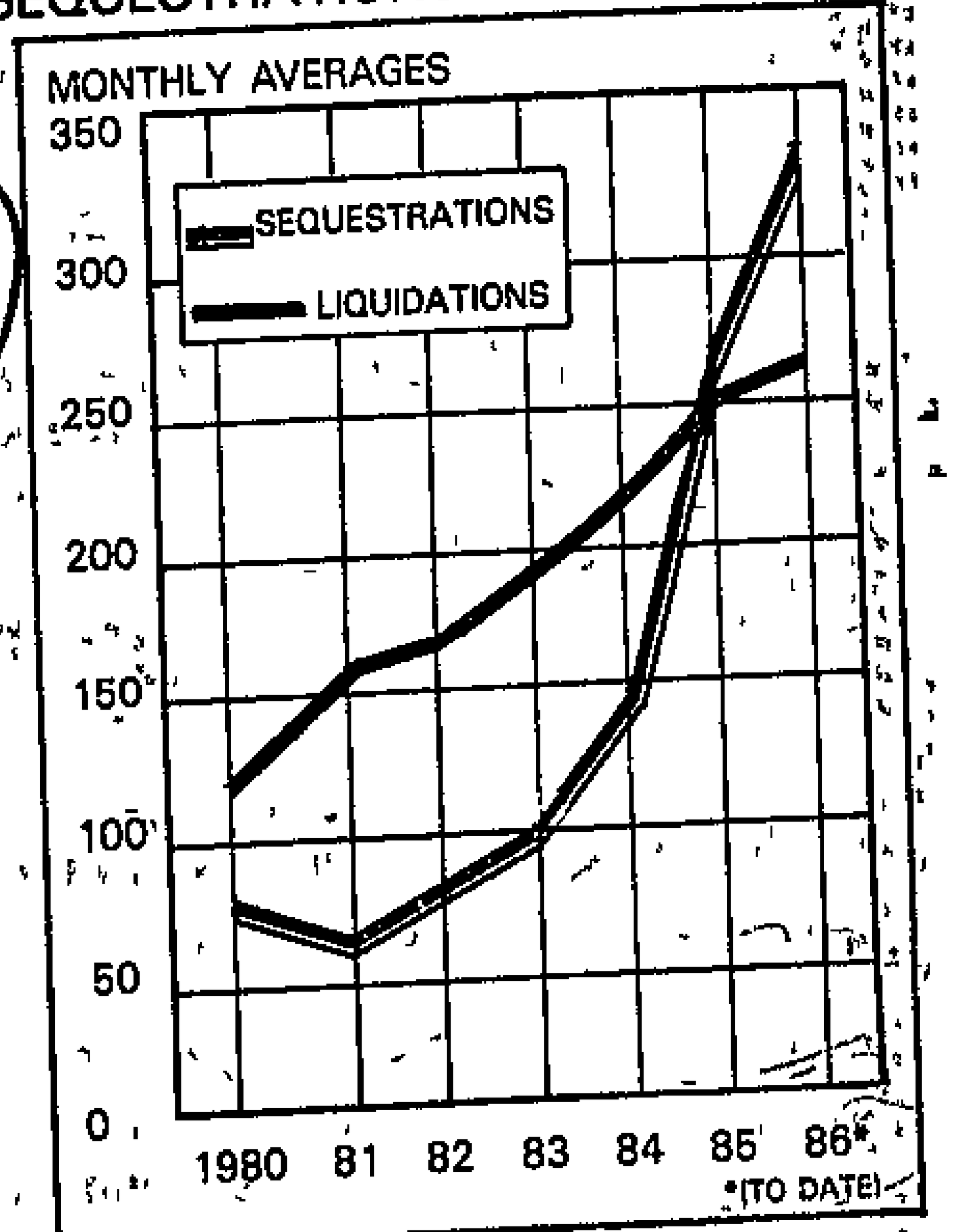
According to a leading credit and business information company, Dun & Bradstreet, the monthly average of liquidations this year, 231, has shown a decline of 9% over last year's average of 255.

This was the first time since 1980, when a monthly average of 120 was recorded, that there has been a decline, said marketing director Paul Edwards. He attributed the fall to the fact that the number of border-line companies had already diminished drastically.

"Business has been experiencing a financial crunch for some time and those which would have gone under have already done so," he said.

However, if there were no upswing in the next few months, another rise in the number of liquidations could be expected.

SEQUESTRATIONS & LIQUIDATIONS



The situation was different for individuals. Edwards expected the number of sequestrations to continue rising well into the next economic upturn.

This year's monthly average for sequestrations, 332, exceeds last year's figure of 268 by 24%.

Lay-offs had placed a greater strain on the man in the street and the lack of business confidence, decline in investments and withdrawal of foreign investments, had also meant fewer jobs being created.

Transport legislation to be aired

STAR 13/8/86 232

A proposed package of legislation which, if implemented, will bring about de-regulation and greater competition in the transport industry, will be discussed at the Annual Transportation Convention to be held in Pretoria next week.

The Minister of Transport Affairs, Mr Hendrik Schoeman, will open the convention

The legislation package has been recommended by the National Transport Policy Study which completed its work in March

Its objectives included the promotion of effective and fair competition, greater private initiative and greater user choice

It also sought to reduce unnecessary Government intervention and simplify regulations

CAPE Times 1/8/86 232

Cape Times leaves Burg St

By ROGER WILLIAMS
Chief Reporter

PICTURES, back-numbers of the newspaper, memorable "howlers" and long-forgotten relics that go deep into the 110-year history of the Cape Times have been unearthed this week as staff members have packed and prepared to vacate "The Old Lady of Burg Street" tomorrow.

Today is the last day on which the Cape Times will be put together at 77 Burg Street, the home of this newspaper for more than 50 years, and memories of people and events have come flooding back in the massive task of preparing for the move.

From Sunday, a new chapter in the story of South Africa's oldest daily newspaper will begin from within Newspaper House, St George's Street, the new name given to the former Argus Building. The Cape Times editorial department will resume operations on the fifth and sixth floors of the building.

The move from 77 Burg Street after half a century — previous Cape Times addresses were Keerom Street and St George's Street — follows the agreement reached recently between SA Associated Newspapers (SAAN) and the Argus Printing and Publishing Company to rationalize the activities of their newspapers in Cape Town.

In terms of this agreement, all Cape Times departments other than editorial have been merged with those of Argus, but the continued editorial independence of the Cape Times, under SAAN, has been guaranteed.

The big editorial move has to be completed tomorrow, to enable Cape Times staff to bring out Monday's edition of the newspaper, as usual, from the new offices

● The telephone number of the Cape Times — 24-2233 — will remain unchanged after the move. The entrance to the relocated editorial offices will be on the sixth floor of Newspaper House.

Willem Steenkamp, Cape Times columnist and defence correspondent, packs piles of personal documents from his unique "filing system" into cardboard boxes, in preparation for the move to Newspaper House.

Head Librarian Barbara Crook (centre), flanked by assistants Jane Dederick and Lewis September, pack away historic volumes in preparation for the move of the Cape Times editorial department tomorrow.

FIN MAIL 1/8/86

MERGERS

232

Life partners

Consumers should benefit from recent mergers between life assurers "The reason," says Jurie Wessels of the Life Offices Association, "is that it has not been a case of big fish gobbling up smaller fry, but of medium-size companies merging so they can compete more effectively"

While the future of long-term assurers looks a little less rosy than their past, they are a long way from experiencing the hardships that have beset the short-term market Profits are still generally healthy So mergers have not been recession-related

Growth phenomenon

Rather, they have been part of a growth phenomenon As the life industry evolved into a highly sophisticated and complex operation, huge computer installations became necessary to cope with administration and marketing So the giants of the industry, with their vast resources, have been at a distinct advantage in the market place Economies of scale have dramatically reduced administration costs, allowing more funds to flow through to policyholders

Last year's merger between Southern Life and Anglo American Life, the merger a few months ago of Ned-Equity and National Mutual, and the projected merger between Allianz Life and Momentum Life, will put these groups in a better place to challenge the market leaders

Allianz Life, local subsidiary of Europe's largest composite insurer, Allianz, entered the market seven years ago, when it bought Shield Life — renamed Allianz Four years ago it bought Rand Life, a merger concluded in all but the formalities now awaiting processing in the office of the Registrar of Financial Institutions

If the latest merger is concluded, shareholders will be the Allianz-Rand grouping, Volkskas Group and the Rembrandt Group, says Allianz MD Ron Cuthbert Present shareholder Avbob will drop out

Cuthbert, who was MD of Rand Life, took over as MD of the Rand-Allianz life operation He retired in 1984 but was invited to return on the resignation of MD Peter Lamprecht in May

Momentum Life is also the result of a previous merger Its component parts are Monument Assurance and Afrikaanse Verbond Life Assurers, which merged in 1972 In 1977, this absorbed the local subsidiary of Yorkshire General Life Assurance, itself a merger of Yorkshire Insurance and General Life Assurance.

Assets of the Momentum-Allianz combine will include R143m from Allianz, R92m from Rand and R97m from Momentum This totals R332m, but a revaluation to market levels of Momentum's investments and a contribution of fresh capital will raise the base to nearly R400m ■

CSIR looks at UK's city bus services

By Zenaide Vendeiro, Transport Reporter

De-regulation of city bus services in Britain has turned the decline in passengers into an increase — and the same could happen in South Africa

This is the conclusion of a report to be published next week by the CSIR's National Institute for Transport and Road Research

The report says that the British Government announced two years ago that it intended to abolish the permit system and allow free competition Municipal and State-owned undertakings were to be converted to companies operating without subsidies

Most bus operators then began to look at what customers wanted rather than what monopoly operators wanted to give them, says author, Mr Paul Browning Most wanted a more frequent service

In one town, the system was converted entirely to a minibus operation replacing single-deck buses Each route had six times as many buses an hour operating twice as fast and fares remained the same

Mr Browning believes the same result would be experienced in South Africa "What is needed is a combination of de-regulation, privatisation and a phasing out of subsidies"

By Toni Younghu

A young Canadian
Johannesburg Zoo'
polar bear the cold s
terday when they w
to rub noses for the fi

Geebee, an 18-m
start from the icy wa
hostess Big-'n-Tall,
stead to examine th
R500 000 polar bear

Geebee is the z
and probably most
quisition.

The preservation
bear — an endang
— has become a

ans fined for

R6m car group sale discussed

Cape Times 2/8/86 (232)

By BRIAN GROBBLER
Motoring Editor

TALKS took place this week between the mighty Barlows Motor Holdings and Mr Brian Porter, chief executive of Brian Porter Holdings, with a view to buying the entire Motors Western Province Group in the Cape.

The figure being mentioned is R6-million

The negotiations are expected to be finalized on Tuesday

MWP is one of the oldest and biggest Volkswagen franchise dealers in the Western Cape with a 13,6 percent share of the Cape Town and Bellville registrations areas

The MWP group consists of seven sales and service outlets in Cape Town, Claremont, Plumstead, Lansdowne, Goodwood and Bellville and a huge service complex in Paarden Eiland The group was founded by Mr Jannie Strydom, of Sea Point, in 1952 He was sole owner for 30 years He then sold a 50 percent share to the Ovenstone Group which put it in the Diroyal Group Mr Strydom still owns some of the MWP properties including Goodwood, Bellville and the Paarden Eiland service complex

Brian Porter Holdings bought the MWP franchise 3½ years ago for a reported R1,5m

Mr Porter was in Johannesburg this week and was expected back late last night and could not be contacted yesterday

A senior executive at MWP said Mr Porter was the only person who could comment on the matter

The person handling the talks for Barlows Motor Holdings in Johannesburg, Mr Roy Burger, was busy with meetings all day yesterday.

'Confirmed'

However, a spokesman for Barlows confirmed that the talks were taking place

Barlows is one of the industrial giants in South Africa and the Motors Holding division has motor franchises in Transvaal, Natal, Free State and the Western Cape They already own Grosvenor Ford and Auto Atlantic (BMW) in the Cape so the acquisition of MWP would make them one of the biggest motor groups in the Western Cape.

CAPE TIMES 4/8/86

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Press must 'exploit gaps' in regulations

Own Correspondent

DURBAN — The alleged failure of the English-language press to challenge repressive emergency regulations was hotly debated during Durban's first panel discussion between South African editors and senior journalists yesterday.

"Press freedom died back in the 1950s and since then only an illusion has survived, which the press itself has done its best to cultivate," said Weekly Mail co-editor Mr Anton Harber

He accused newspapers of "hiding behind the emergency" to claim they were being prevented from publishing information they would not have published anyway

Partisan

Referring to the emergency press curbs, he said: "We can survive this onslaught by printing rugby, braaivleis and royal weddings or we can find the gaps and exploit them"

The Argus company — which now controlled all major English-language newspapers — had recently announced a profit of more than R40-million, he said.

"It wouldn't take a great deal of that profit (which might be risked in paying fines) to allow a more aggressive attitude towards the law"

The national education officer for the Congress of South African Trade Unions, Mr Alec Erwin, read out several editorials from an English language morning paper and said writers of editorials suffered from "partisanship, ignorance, rank advocacy journalism and lack of analysis"

He predicted that the press would be condemned by South Africa's future leaders for its cowardice

The assistant editor of the Daily News, Mr David Wightman, said the South African press was injured, but not dead.

He commented wryly that while it was vilified from the left for not being progressive enough, the government regarded it as being to the left of the Communist Party

The news editor of the Sunday Tribune, Mr William Saunderson-Meyer, said decades of neglect of staff training and low journalists' salaries meant that only "politically committed" people remained in the profession

Reporters had become "a pool of ideologically rigid, illiterate youngsters"

12185 O/C (101)

MOTOR CLERICAL A
MINIMUM BASIC WEEKLY RATES

(Top line nominal wages;Lower line real wages in 1975 rand;Current date:12/84)

	MAIN 7/74	AMND 9/75	AMND 3/76	MAIN 7/77	AMND 11/78	AMND 7/79	MAIN 7/80	AMND 7/81	MAIN 8/82	AMND 12/83	AMND 10/84
Punch Card Op											
	22.10	22.10	22.10	26.52	26.52	28.98	49.68	59.62	74.53	80.04	92.00
	23.31	21.58	20.58	21.34	18.53	18.35	28.04	29.14	31.47	29.30	30.29
Shop Asst											
	41.55	41.55	41.55	49.86	49.86	54.74	68.31	81.97	102.46	102.46	117.76
	43.83	40.58	38.69	40.11	34.84	34.67	38.55	40.06	43.27	37.50	38.78
Clerk											
	41.55	41.55	41.55	49.86	49.86	54.74	68.31	81.97	102.46	102.46	117.76
	43.83	40.58	38.69	40.11	34.84	34.67	38.55	40.06	43.27	37.50	38.78
Motor Sales											
	34.63	34.63	34.63	41.56	41.56	45.54	56.77	68.12	85.15	91.54	105.34
	36.53	33.82	32.24	33.44	29.04	28.84	32.04	33.29	35.96	33.51	34.69
Traveller											
	44.62	44.62	44.62	53.54	53.54	58.88	68.31	81.97	102.46	102.46	117.76
	47.07	43.57	41.55	43.07	37.41	37.29	38.55	40.06	43.27	37.50	38.78
Supply Sales											
	30.00	30.00	30.00	36.00	36.00	39.56	79.12	94.94	113.93	113.93	131.10
	31.65	29.30	27.93	28.96	25.16	25.05	44.65	46.40	48.11	41.70	43.17

Occupation	Current Hours	Hourly Change 1975 to date: Nominal	Real	Current Real Weekly Wage
Punch Card Op	46	+316.3%	+27.6%	R 29.73
Shop Asst	46	+183.4%	-13.2%	R 38.06
Clerk	46	+183.4%	-13.2%	R 38.06
Motor Sales	46	+204.2%	-6.8%	R 34.05
Traveller	46	+163.9%	-19.1%	R 38.06
Supply Sales	46	+337.0%	+33.9%	R 42.37

OK

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Transport plan could save millions

A new freight transport policy, which will lead to a largely deregulated market in South Africa, has been recommended by a study commissioned by the Government

If the policy is implemented, it will result in indirect cost savings of more than R1 000-million to users, who will have a wider choice of services, better services, less travel time and less loss and damage of goods.

It will also save the Government about R30 million in administrative costs It could also save the country more than R60-million a year in road costs

These estimates and details of the National Transport Policy Study (NTPS) recommendations for the freight transport market were given in a paper presented at the Annual Transportation Convention today by Mr P Mainwaring, of the Department of Transport, and Dr V Prins, a consulting engineer

The most important proposal of the NTPS is the abolition of the controversial road transport permit system, which costs at least R60-million a year to administer

The NTPS says before this can be done, certain financial inequities in the market will have to be eliminated

The inequities include the cross-subsidization in the SA Transport Services, the exemption of licence fees for SATS road vehicles, the obligation by SATS to provide uneconomic services and the fact that private road hauliers do not pay enough towards road costs

The NTPS also proposes the introduction of a Road Freight Quality System, which contains a wide variety of measures aimed at protecting public safety and enhancing the quality of operators to ensure safe, reliable and economical transport

Implementation of the policy will, on the one hand, lead to a more independent SATS operating on business principles.

On the other hand, private sector operators will have full access to the long-distance transport market, with financial inequities which currently exist having been removed," said the paper.

Study paves way for open market

The Annual Transportation Convention, being held at the CSIR conference centre in Pretoria this week, is focussing on proposed changes to national transport policy, including deregulation. Reports by ZENAIDE VENDEIRO, Transport Reporter.

The stage has been set for a new and dynamic era in transport in South Africa which will feature deregulation and free enterprise, senior officials of the Department of Transport told the Annual Transportation Convention (ATC) today

Mr Malcolm Mitchell and Mr Ray Smith said the Government had prepared a White Paper on the recommendations of the National Transport Policy Study, which would be tabled in Parliament soon.

A Bill establishing a Transport Advisory Council, one of the NTPS proposals, was published in Cape Town this week. Further legislation arising from the study would be dealt with by Parliament next year.

The NTPS was commissioned in 1980 with the aim of rationalising transport policy in South Africa

Its objectives included promoting effective and fair competition, greater private initiative and greater user choice. It sought to reduce unnecessary Government intervention, simplify regulations and transfer decision-making to the lowest possible level of government.

The officials said the NTPS, which was completed in March this year, differed from other commissions and committees of inquiry in that the community had an opportunity to make an input into its recommendations before they were finalised

Meetings were held between parties representing often violently opposed interests. From an initial scene of confrontation, the scene had changed to one of mutual goodwill, a much greater understanding of the issues and a desire to recommend policy changes which would benefit all the communities of the sub-continent

The study also did away with the formulation of transport policy on the ad hoc basis of the past.

It not only recommended changes on a broad front but provided for the continuous review of Government policy.

The four main policy areas were identified as freight and public passenger transport, organising transport administration and co-ordinating transport in the sub-continent.

Pedestrians in danger — mayor

Walking in South Africa can be hazardous to your health, the major of Daveyton, Mr Tom Boya, said today.

Addressing the Annual Transport Convention on pedestrian safety in a black town, Mr Boya claimed social problems contributed to the high pedestrian accident rate

These were
- Lack of children's playgrounds.
- Lack of road signs and tarred roads, which meant there was no clear demarcation between streets and pavements
- Discrimination against black traffic officers in pay and promotion opportunities. They also had to wait longer to be allocated patrol vehicles

Mr Boya called for more Government funds to be spent on road safety education and construction of roads

Lenders foreclose on R60m houses

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By Udo Rypstra

Sunday Times 29/3/87

REPOSSESSIONS of houses by building societies have increased more than fivefold compared with last year

The SA Perm, United and Allied have more than R60-million outstanding on properties in possession

An example of how sharply foreclosures have risen comes from the Perm, which disclosed this week that out of total advances of R4,4-billion it has R19-million outstanding on 388 properties in possession after provision for expected losses of R2 6 million

This compares with 92 properties in possession and an outstanding amount of only R3,8-million in 1985 The R2 6 million net loss on sales of properties in possession comes off the income from lending

Bad patch

The United's properties in repossession have climbed from R5 million to R25-million, and Allied's have jumped from R2-million to R16 million in 1986 — an eightfold increase

Exact figures of repossessions by banks and other financial institutions are unavailable, but one conservative estimate is that more than 2 500 housing borrowers will have lost their properties by the end of the year

Building societies say they are "leaning over backwards" to help mortgage borrowers by extending repayment periods or reducing monthly instalments to help them over a bad financial patch

A Perm spokesman says "Repossessions have increased at an alarming rate and there are many others in the pipeline"

He says it take several months after the first legal steps to arrange a sale in execution

On the Reef alone, more than 80 judgments involving non payment of mortgages were obtained in the Rand Supreme Court last month — most of them in favour of the Perm Although few particulars are given about the defendants involved, it emerges that

- Bond amounts owing vary from R8 000 on a plot to R157 000 on a home in Sandton which an Indian family could no longer afford However, the average amount seems to be R40 000 on properties in middle-class suburbs
- In many cases husband and wife signed for a loan, so even their combined income was insufficient to maintain payments
- The properties of several single — especially divorced or widowed — women living in Johannesburg s flatland will come up for auction soon
- Most repossessions involve modest homes bought in the past few years Reductions in the initial capital borrowed are hardly noticeable

Building societies have increased their provision for losses by up to six times They hope the recent drop in interest rates will improve the lot of borrowers

STAR 7/8/86

BUSINESS

Liquidators' hands are tied

232

Financial Staff

DURBAN — There is little that liquidators can do to stop company directors starting new businesses after voluntarily placing their firms in liquidation

Liquidators say the practice is becoming more widespread in the depressed economic climate — and not only in South Africa

Four apparent instances have been brought to the notice of the *Daily News* recently

A former journalist told how he was unable to secure the R800 owed to him by a restaurant that went into liquidation — despite being aware that the directors had opened another establishment under the same name elsewhere

This week, an instructor with a computer school described how his employers were placing their business into provisional liquidation to appease their creditors, and opening a new company in the same line under a different name

A swimming pool operator complained that his competitors had been gaining unfair advantage by closing and reopening under new names — leaving creditors and pool owners with their five year "guarantees" out in the cold

Says Keith Krumm of Syfrets "There is nothing in the Company's Act that prohibits a director from participating in other businesses

"The act does provide for directors to be prosecuted in certain circumstances as a result of liquidation proceedings, and only then are representations made to the Registrar of Companies, whereafter such directors could be placed on a so-called 'black list' by the registrar"

He believes there could be room for the law to be strengthened to link the directors of liquidated companies more personally to the company's welfare and make them more responsible to its creditors

Another liquidator, who asks not to be named, says "Only once the wife's house in La Lucia is accessible, are we going to see more stock forthcoming and less of this sort of thing happening"

Mr Krumm says liquidators' hands are tied There are often allegations that assets have been removed before liquidation, but these are difficult to prove.

"We only know what is in stock when we get the keys, by which time very often considerable quantities could have been siphoned off to start up business anew elsewhere"

So until a director is successfully prosecuted for some fraudulent action, there is nothing to stop him registering another limited liability company and carrying on where he left off

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State grip on business likely

Business Day Reporter

BUSINESS would have to adjust to increased intervention by government in its decision-making should mandatory sanctions be applied for any length of time, SA Federated Chamber of Industries president J Wilson said yesterday

He added a shortage of foreign exchange would impose a primary constraint on economic growth and force government to suspend market freedoms and intervene in the economy to a greater extent

The combined effects of high inflation, supply shortages, and the absence of technological renewal would depress economic growth and hit job-creation, he said.

Wilson said long-term sanctions would force government to try to manage the economy, in consultation with the business community, by imposing "the full panoply of controls over imports, foreign exchange, investment, and ultimately over prices and wages".

Wilson said business would itself have "to make adaptations to survive ratcheting sanctions in the long term".

Picardi re-organises

Bus Day 8/8/86 232

STEPHEN ROGERS

PICARDI group has transferred its former cash shell, Picfoods, to the industrial-holding sector of the JSE and changed its name to Picardi Holdings (Pichold) as part of the group's internal restructuring.

Pichold becomes the holding company of Piccan, Picprop and Union Wine. The re-organisation enables Pichold to retain its listing and places it in a better position to fund its new subsidiaries.

The transmuted listing-statement, published in today's *Business Day*, shows the directors estimate the effect on Pichold's earnings — assuming the re-organisation was effective for the full 1986 financial year — as a marginal increase in earnings a share to 114c (112c). Net asset value at December 1985 would have decreased by 70c a share to 1 081c.

Picfin, which has become a wholly-owned subsidiary of Picbel, will be de-listed today.

BUSDAY (2.32) 8/8/86

Privatisation 'may combat alienation'

JANE STRACHAN

POLITICAL and economic dynamics of privatisation could prove decisive in overcoming the alienation blacks feel from private enterprise, says Auditor-General Joop de Loor

He told the SA Property Owners' Association (Sapoa) convention in Johannesburg yesterday that, while privatisation should not be seen as a panacea for the country's economic difficulties, it would, nevertheless, help to provide some answers to three chronic problems.

These were the rapidly growing demand for socio-economic services; the provision of infrastructure for the private sector; and the fact that people inevitably blamed the political system if government-provided services were inadequate

Most blacks were cynical about private enterprise because they felt excluded from it, said De Loor.

He added that privatisation could help overcome this.

He suggested that, in the event of privatisation, assets for sale should be slightly underpriced to create enthusiasm among investors and employers. If small investors, employees and employers got preference in share or ownership participation, general political support would follow

Share appreciation on a minority interest retained by the State would more than offset the discount

☐ An announcement will soon be made on regulations which will permit overseas investors to use the financial rand to buy property in SA, said De Loor

One precondition could be that such investments promote economic activity in the country

Business Day

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"THE VITAL VIEWPOINT"

R34m Afrox-KBC court battle moves to hotel room

MICK COLLINS

COUNSEL for two giant conglomerates were yesterday locked behind closed doors at a Johannesburg hotel as an arbitrator tried to resolve their R34,5m dispute.

The arbitration is the sequel to a court case this week when Afrox and one of its subsidiaries, Dowson & Dobson (D&D), brought action against Klockner-Becorit Coalequip (KBC) to pay the R11,5m balance on the purchase price of a company bought from D&D in 1981.

KBC countered, saying the sale constituted fraudulent or negligent misrepresentation which led to company principals cancelling the sale.

KBC is also claiming back the initial R11,5m tranche as well as R23m in damages which, it says, it had to use to fund trading losses

Afrox denies the allegations by saying that, even if there were fraudulent or negligent misrepresention, KBC forfeited its right to cancel by not acting timeously.

Counsel for KBC yesterday agreed to allow the Press to attend the proceedings but, after consultation with the arbitrator, former Judge of Appeal W Klopper, the Afrox counsel objected and said the arbitration was private.

A source close to the proceedings said "This could go on for a long time. There won't be an outcome today. I'm sorry but you cannot attend."

Earlier in the week the Rand Supreme Court heard Peter Hodes SC (for KBC) argue a case of fraud

The parties agreed on Tuesday that the matter should be decided by arbitration.

The claims relate to the profitability of a Krugersdorp-based business which was sold and the state of its accounting information.

8/8/86 F.M.

DEREGULATION 232

Where's the Bill?

Speculation on the fate of the ambitious Temporary Removal of Restrictions on Economic Activities Bill is rife The Bill proposes to vest State President P W Botha with powers to suspend laws deemed to impede economic progress or competition

It is said the Bill was overlooked in the last parliamentary session after vigorous, behind-the-door opposition from vested interests Such interests (as the Competition Board discovered in a recent investigation) have often compounded State over-regulation by collusive pricing, cartelisation and other restrictive measures

The upshot is that market entry is difficult, if not impossible So opposition to the Bill from those profiting from public (and private-sector) practices which Botha can suspend is easily understood Ironically, the Bill embodies concepts dear to the new public policies of deregulation and privatisation

Effective use of the Bill would promote market entry at lower cost — filing at grassroots level the new and sharper teeth cf the Competition Board As some critics have noted, however, the Bill only grants suspension powers

So if, for example, butchery licensing laws are suspended, the incentive to open a butchery is reduced by the fear that in (say) three years a fortune might have to be spent to comply with "re-enactment" of previous licensing laws Will this potentially useful Bill be sidetracked once more when parliament sits again? ■

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FIN MAIL

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FREE ENTERPRISE

Action stations

"Popular capitalism," which would enjoy the support of both blacks and whites, is becoming a catch phrase as employers and academics scramble to give free enterprise a better image in the townships, and to separate it from apartheid in the minds of blacks

The Unisa School of Business Leadership's (SBL) two-year study, which resulted in the Project Free Enterprise (PFE) report which recommends moves to popularise capitalism on the shop floor, has attracted unprecedented interest. 7 000 copies have been mailed to key businessmen, politicians and academics all over the world and another 10 000 have been sold, mainly in SA

Now — scarcely a month after the PFE report — Assocom, the AHI, the FCI and the SA Agricultural Union (SAAU) have issued a joint policy statement on privatisation and deregulation

The document lays down some guidelines, regulations, and safeguards to make sure that privatisation is not just a stagging bonanza for big business. It considers private monopoly to be no better than public monopoly. As an Assocom spokesman put it. "It would be no good if Sanlam owned the Post Office"

The report points to the pitfalls of too hasty privatisation including a possible deterioration of minimum standards, cost escalations, disruptions of supply, and inadequate consultation

The paper calls for safeguards against allowing strategic assets to fall into the wrong hands, legislation against manipulation and speculation on the stock market; and moves to encourage competition

Above all, the employers stress that "economic opportunities arising from privatisation and deregulation should be spread as widely as possible, and especially to small investors and entrepreneurs."

Small Business Development Corporation (SBDC) legal adviser, Johan Naudé, welcomes the employers' systematic and comprehensive comments and hopes that privatisation will lead to a growth in subcontracting and, therefore, of small business

"However," he adds, "I would not like to see too many safeguards which are, after all, regulations, until after zero regulation areas are created."

Roger van Niekerk, director of the Privatisation Unit — an offshoot of the Free Market Foundation — says big business cannot be denied a role in privatised companies and that the small man can best participate through a shareholding.

He says the best hope is to contract out many local authority functions to small business This would have the added benefit of depoliticising some functions of black councils, which are now highly unpopular

So far, nobody has suggested a specific timetable for privatisation, but the priorities must be the most easily saleable assets and services, the areas where the State cannot meet demand — such as health care, education, and low-income housing, as well as areas which lead to economic revitalisation.

A White Paper on privatisation is now being considered by government and a spokesman in Pretoria's privatisation office says that the views of the employer organisations "will be taken seriously"

Privatisation is a fundamental component of PFE. Project chairman Professor Martin Nasser believes it is essential that government gets out of the mainstream of the economy, and he sees small business, created through deregulation, as the major job creator of the future

He tells the *FM* the government's reaction to the PFE report has been "neutral to positive," with particular praise coming from Kent Durr, Chris Heunis, and Gerrit Viljoen

Another of the legs of popular capitalism is black advancement, which Nasser says companies have not so far regarded as sufficiently important The attitude of some whites on the shop floor also means it is difficult to make the formula work.

However, since it will be impossible to fill all management posts with whites in the future, black advancement will no longer be a moral issue but a matter of necessity ■

Altech expects boost from major mergers

10/8/86

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Business Times Reporter

SUN TIMES

ALTECH says it will receive a major boost from a series of international mergers which promise to change the face of the world's telecommunications market.

The most significant benefit is expected to result from the agreement between the giant American ITT Corporation and French-based Compagnie Generale D'Electricite (CGE) which has resulted in the formation of the world's second-largest telecommunications company

Altech says it will share in CGE-ITT's new financial and technical muscle to develop the next generation of telecommunications systems Altech represents both ITT and CGE in South Africa.

Rejection

A second international merger which might affect SA electronics is that proposed between Siemens of West Germany and GTE of the United States Siemens plans to have an 80% stake and GTE the balance

SA electronics people claim these mergers strengthen Altech and Siemens relative to their local competitors

The British Monopolies Commission this week rejected the British General Electric Company's (GEC) bid to acquire electronics rival Plessey In South Africa, Reunert is in partnership with GEC and Plessey in a venture with Telephone Manufacturers, which manufactures the Siemens telephone system under licence.

Altech says the giant mergers underscore the need for major companies to pool resources to share the expense of developing advanced telephone systems It claims research and development costs justify long-term supply arrangements with the Post Office

More to come

Altech says that ITT, for example, has spent nearly R5-billion to bring its System 12 telephone exchanges to the market and still has considerable development expenditure to come

Bill Venter, executive chairman of Altech, says the agreement between ITT and CGE will give it a dominating presence in Europe, the only other competitors of significance being the new Siemens consortium with the Dutch group, Philips, and the Swedish telecommunications company Ericsson running third and fourth place respectively

BUSINESS DAY 12/8/86. (232)

Abattoir-building gets the chop

LINDA ENSOR

PERMISSION for the erection of new abattoirs would, in future, be granted to local authorities only in exceptional circumstances, Deputy Agriculture Minister Gert Kotze said in Johannesburg yesterday

Privatisation, he told the SA Federation of Country Meat Retailers congress, would not be forced on those abattoirs not yet privatised.

Kotze said he could not go along with the strong support for privatisation recommended by the Van Rensburg committee of inquiry into some aspects of the abattoir industry "There may be instances which justify the erection of public abattoirs," he said.

STAR 12/8/86 (232)

Sanctions 'threaten privatisation'

Own Correspondent

DURBAN — Businessmen have been warned that sanctions could cause the Government to go backwards on privatisation and deregulation — imposing more controls on the economy.

Should this happen, South Africa would slip back and become a Third World dictatorship, Mr Andre Spier, managing director of the "think tank" Syncom, warned at the weekend.

Mr Spier, who recently completed a major study on privatisation for the country's five biggest private employer bodies, was addressing Assocom's Natal congress at Mtunzini.

He said privatisation was a global phenomenon for which the time had arrived in South Africa.

LOCAL LEVEL

South Africa could no longer afford to have 18 Ministers of education, 15 Ministers of health and 150 Cabinet Ministers.

The place to start with privatisation was at local level. People of all persuasions could effectively get together to control community-based services.

Friday's co-operation agreement between Afrikaans farmers and Zulus at Louwsburg was an example of how this could begin to work

For example, health functions should be turned into community-based services If people in an area owned the schools they would ensure they were not burned down.

Five major employer bodies have made submissions to an official inquiry, headed by Dr Wim de Villiers, covering privatisation and deregulation.

Premier's Gresham acquires PWD for R32-m

2 32 STAR 13/8/86

By Reg Rumney

Premier Milling-owned Gresham has acquired pharmaceuticals distributor Pretoria Wholesale Druggists for R32 million in a restructuring that attempts to kill two birds with one stone.

The one bird was more of an albatross — the old Gresham's debt curse, while the other is the merging of the group's wholesaling interests.

Announcing the move Premier executives, after recently acquiring control of Gresham from the Herber family, said that while it was satisfied the existing Gresham operations were intrinsically sound, the company had to be rid of its debt burden.

Debt has been reduced from around R11 million to R2 million and gearing is a manageable 35 percent. Premier has sold wholly-owned PWD to Gresham for R32 million in exchange for 49,2 million shares.

Premier has already made a standby offer to Gresham minorities of 65c cash for their ordinaries, and is now offering Gresham minorities 2-for-one ordinaries at 65c each, half the ruling price of 170c.

This should raise around R1,2 million.

Shareholders, if Premier's forecasting is correct, will see dividends from Gresham for the first time since 1982.

Gresham expects to pay not less than 3c a share for the nine months to next March.

The expanded Gresham forecasts earnings of not less than 10,5c (14c annualised).

This gives, on a current share price, adjusted for the 2-for-1 rights offer, of R1,00, a PE ratio of around 7·1.

Gresham's provisional results for 1986 record an estimated loss of R4,3 million, or 258c a share. But Premier said it knew the magnitude of these losses at the time it acquired full control.

PWD itself has been hampered by "a number of bad-debt write-offs occasioned by the severity of the economic recession. Full provision has, however, been made for these.

Cape Times 13/8/86 232

Cape

Porter 'satisfied' with R4m MWP deal

Brian Porter

By AUDREY D'ANGELO
Assistant Financial Editor

THE injection of cash received by Brian Porter Holdings (Port) from the sale of the Motors Western Province group to Barlow Motor Holdings (Pty) for approximately R4m, will largely compensate for the drop in operating earnings, chairman Brian Porter said yesterday

A statement issued by Port said that, based on unaudited financial statements at June 30, the deal would lift the net asset value of its shares by 14c each to 506c a share.

Porter stressed in an interview that Motors Western Province was "only a small section of our business and we are certainly staying in the business

"I am still chairman and we are in the motor business to stay

"We have the franchises for Mazda, Ford, General Motors, BMW and Porsche"

Although there has been speculation about the sale, Porter said "We are satisfied with the deal

"It was not that we needed to sell Motors WP"

Like other motor firms, Port has been hit by the recession But it ended the first half of its financial year in December with a net income after tax of R360 000 and earnings of 13,22c a share

The results of the year to June have not yet been released but Porter said "We have had some very good used car months"

It was a sign of the times that people were buying used cars, and were looking after cars rather than replacing them before it was necessary

But, he said, the motor industry had definitely picked up since the perks tax was eased.

Although new car sales had not been boosted by inflation psychosis, the knowledge that car prices would continue to rise was causing some people to buy now

Discussing the possible imposition of sanctions, Porter said: "Normally there are alternative sources of supply"

He expected this to apply to car parts as well as to new vehicles His group was "very big in used cars and the parts and repair business.

"These will be plus factors for us if sanctions are imposed We shall be able to do better than some other firms"

Govt rules out aid to Triomf

SM 13/11/86 232

By Bruce Cameron

DURBAN — The Government has given a final thumbs down to assistance for the Triomf plant in Richards Bay.

The refusal to bail out the fertiliser factory was given to representatives of the town at a lengthy meeting in Durban on Monday by the Minister of Trade and Industries, Dr Dawie de Villers.

The meeting was organised by Natal leader of the National Party, Mr Stoffel Botha

In an interview Dr de Villiers said the Government had carefully considered the situation, and it had been thoroughly investigated by the Industrial Development Corporation

Any agreement to save the plant would mean tremendous cost to the taxpayer

The Government remained committed to the development of Richards Bay as it did to other growth points.

Dr de Villiers said there was nothing the Government could offer to save jobs.

But the Government sympathised with Triomf employees, as it did with the many other people who had lost jobs recently.

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Private sector must win trust

LESLEY LAMBERT

THE success of privatisation hinges on the private sector's ability to win the trust of those South Africans who feel they have not benefited from free enterprise.

● REES

This view — expressed by former professor of UCT's School of Economics, David Rees — has been supported by other SA economists who believe that the struggle for ideology will only be won by proving that the free enterprise system can benefit all and not only those controlling it

A key objective of privatisation is to boost the economy by increasing economic opportunities, individual entrepreneurship and to spread economic wealth But Rees argues that the bigger battle which must precede these achievements will only be won by the adequate provision of housing, education and transport

Speaking at a recent seminar on privatisation and deregulation, Rees said the distrust of free markets by many SA blacks and white liberals had arisen from what was seen to be a trade-off in the relationship between "efficiency" and "equity", or social justice — the criteria by which economists judge most situations

Deregulation and privatisation were primarily an argument for efficiency Supporters of the free market would debate that privatisation and improved efficiency increased the size of the cake, distributed wealth more equitably and were consistent with greater individual liberty

But, JCI economist Ronnie Bethlehem told delegates at the same seminar, others feared privatisation was merely another instrument used by those in power to maintain their position of dominance

Rees said there were many ways the private sector could raise and distribute money

Selling off to the private sector State-owned corporations which provided inferior services to black South Africans, for example, would raise substantial sums of money — perhaps R20bn This would translate into roughly R4 000 per family in SA, or R40 000 each to the poorest 10% of families in SA, he said

"If you seriously want to raise money to deal with appalling housing, disastrous education and non-existent medical facilities, can you afford to ignore these massive sources of funds available at virtually no cost to the taxpayer?"

Or, you could give every black tenant a house for free There were about 450 000 houses in black residential areas around the country and the market value of the average house in Soweto was, to take an arbitrary figure, R8 000. Immediately you would have transferred to black families assets worth about R3,6bn

However, if the recipients refused the scheme, because they were ideologically opposed to free enterprise, they would have to find other ways to improve housing and social amenities in SA

"This is probably the attraction of going the other way — of nationalising rather than privatising and taxing the rich Regrettably this is a very inferior alternative

"Firstly, there is not all that much to nationalise. The State is already the single largest shareholder in the mines and in many other sectors of the economy Everone knows the power of Sanlam, the Old Mutual and other financial institutions

"Expropriate these institutions and you wipe out the savings of the ordinary man in the street"

State to sell its hospitals

SUN TMS 17/8/86 (232)

THE Government is to privatise some medical services

By Ruth Golembo

Empty hospital beds will be made available to the private sector and provincial hospitals used by private patients will be sold

Minister of Health and Welfare George de V Morrison says "This is not a welfare State There is no reason for the private sector not to take over the running of certain hospitals and medical services

"The State will provide medical services only for indigent patients All other services will be sold to the private sector"

Government plans include making empty hospitals available to w·lfare organisations to accommodate the frail and aged.

Crosshead

Dr Morrison said in an interview after the announcement of the new national health plan that privatisation would be implemented soon

The Browne Commission's report on health services will be tabled in the forthcoming session of Parliament A White Paper containg the Government's comments on the recommendations will also be published

The commission investigated the high cost of medicine and other aspects of health services in the private sector in particular

Dr Morrison says that if a medical-aid patient has exhausted his cover he may apply for reclassification as a free patient

The State will also consider hiring beds and facilities for its patients from private enterprise because it would be cheaper than owning hospitals

Private hospitals will train nurses and other staff

He says the State will continue its training programmes, but poaching of it staff by private hospitals cannot be afforded

Big business

Private hospitals have become big business At least R150-million in private funds was invested in hospitals in the past year

There are hundreds of empty beds in the Transvaal Provincial Administration's Johannesburg Hospital — but private institutions have sprung up They are alo mushrooming elsewhere

A plush R22-million clinic in Kempton Park was opened this week by the Hydromed Group, which also owns the

□ To Page 2

State sells hospitals

17/8/86 SUN TMS (232)

□ From Page 1

...ora Clinic in Florida and ... Reef's Mayo clinics

Two hospitals costing ... R58-million are due to ... in Secunda and Bloem... soon

Hydromed managing director Peter Arendsen says a ...ll run institution can be ...scribed as a highly profit... "medical hotel"

"The blossoming of private ...s...tals reflects a demand ... luxury and individual at...tion by patients."

Earnings

Marius Barnard, PFP ...kesman on health, says ...ivate hospitals have ...ung up because the prov...s failed to provide the ...vices patients want

Rembrandt's Medi-Clinic Corporation, which is valued at about R170-million, has three hospitals under construction The company, newly listed on the Johannesburg Stock Exchange, projects earnings of R7,7-million in 1987, doubling to R15,1-million in 1988 and rising to R31,1-million by 1991

Barney Hurwitz, chairman of Clinic Holdings which has 17 hospitals and day clinics and a property portfolio estimated at R250-million, is cautious about saying private hospitals are good business

Mr Hurwitz says "There are far better businesses to invest in Private hospitals are bound by medical-aid tariffs We are capital and labour intensive and have to contend with continually rising costs

"Unlike hotels, we have little say over what we can charge

"Private hospitals are springing up because people who know little about business are jumping on the bandwagon to make a fast buck"

Revamp

His group is engaged on a R10-million revamp of the Garden City Clinic in Johannesbug and has invested about R35-million on the Greenacres Polyclinic in Port Elizabeth

Their Hillbrow Rand Clinic's revamp cost about R10-million An intensive care and neo-natal clinic costing R6-million have been built at Parktown's Park Lane Clinic

The Afrox group became involved in private clinics when it bought out Morris Finger's quoted Amalgamated Medical Services (Ammed) in May 1983 Ammed was delisted, but the name was retained

Ammed owns the Brenthurst Clinic the Florence, the Lady Dudley and the Princess in Johannesburg, Pretoria's Eugene Marais, the Entabeni in Durban, and the Bay Clinic at Richards Bay

Ammed managing director Royden Vice, who is also the chairman of the Representative Association of Private Hospitals, says money is being invested in private hospitals because of rising demand

Nurses

"This has happened for a combination of reasons, including the Government's move away from helping medical-aid patients and a general shortage of nurses

"The listing of private hospital groups has given many more people a stake in the industry"

Employers send note to govt

BUS DAY 20/8/86 232

MICK COLLINS

FOUR top employer organisations have come out strongly in support of privatisation but warned the tempo of any deregulation must be governed by the ability of the economy to fund and absorb it

In a joint memorandum to government, the Associated Chambers of Commerce, Federated Chamber of Industries, Afrikaanse Handelsinstituut and SA Agricultural Union said there was a need to redress serious economic deficiencies in SA.

"These deficiencies are slow growth, inadequate investment in the private sector, poverty and lack of economic opportunity. Privatisation and deregulation can be used as important vehicles to redress these problems."

They said resulting opportunities should be widely spread

Renfreight forges link with world group

Finance Editor

RENFREIGHT has forged links with an international freight forwarding group, Lep International, Safren's regional director in Natal, Commander Gordon Peters, said yesterday

The deal will be carried out in two legs and should be seen against a background of stepped up sanctions Lep has 200 offices in 30 countries and in 1985 had turnover of £734m (R2,9 billion)

Safren will buy the business and assets of Lep in South Africa (where it has operated for 20 years) while in Britain, DPS Holdings, which came into Renfreight in the Freight Services-Rennies merger last year, will be sold to Lep

DPS Holdings' turnover was £28m (R190m) last year

Commander Peters declined to disclose the costs of the deal

Lep's key staff in South Africa would be absorbed by Renfreight, which undertook to continue the same service as in the past to Lep clients, Renfreight said

Abroad, the airfreight interests of Renfreight will be represented by Lep in the U K and U S and the sea freight activities in U K and Germany

In another leg of the deal, Lep will represent overseas the Renfreight-owned Manica Freight Services which operates in Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe

Mr David Matterson, chairman and chief executive of Renfreight Forwarding, said the sale of their interests to Lep had significant advantages for both parties 'On the one hand Lep has considerably strengthened its business ties with the Southern African market and on the other we will benefit from our link with a world-wide partner which has remarkable similarities to our company'

DPS Holdings is composed of DPS Freight Services, DPS Freight Services (Perishables), Carl Prior Ltd and W H Stott and Co

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Iscor options

Iscor, the parastatal responsible for 75% of local steel production, is constantly under the spotlight Some see it as a prime candidate for privatisation while others accuse it of concentrating too much on exports, thereby forcing local steel users to subsidise overseas sales

As Iscor steel emerges as a prime candidate for sanctions, local fabricators have renewed their arguments that lower steel prices would enable them to compete on world markets, ensuring that Iscor steel continues to get into foreign countries, albeit in a new guise

However, Iscor MD Willem Van Wyk, while non-committal on privatisation, says allegations that exports are subsidised by local sales are unfounded, as no sale is made which does not contribute to profits

"We are a business," he tells the *FM* "We do not accept an order if the additional revenue is less than the additional expenditure."

Van Wyk says Iscor does not expect to make the same profit on every unit That would mean lost export opportunities and the inability to keep all its plants working at full capacity.

"Even if sanctions force South African producers to sell at rock-bottom prices, Iscor will not sell steel at a loss merely to preserve markets," he says, adding however that

Iscor's Van Wyk ... no sales without a profit

"there's some room for manoeuvre, thanks to the low value of the rand."

Since the currency collapse, many steels previously considered to be unobtainable locally have been replaced by local products.

Iscor is trying to widen its marketing efforts to minimise the effect of sanctions, which Van Wyk admits, "will limit the scope for exports "

Last year more than 40% of total production of 5,5 Mt was exported

Free marketeers criticise Iscor for continuing to advocate protection for the industry Van Wyk, however, says Iscor competes with other SA steel companies on a free market basis However, he says it must be protected from overseas predators which are subsidised by their governments to dump surplus capacity But now the weak rand means even the dumping price can be beaten by Iscor

The world industry still has to recover from the overcapacity dating back to the early Seventies when steel consumption forecasts were far too high

Last year Iscor made a small operating profit of R30m, thanks to a steady reduction of unit costs, and it exceeded 1980 production levels for the first time.

Does this make it a candidate for privatisation? Van Wyk is adamant that Iscor should remain a single unit and is firmly against "hiving off" the most profitable units.

"Iscor is an integrated structure in which the mines, plants and marketing organisation work best as a co-ordinated whole Some parts are less profitable than others but are still vital components, and I think that it is legitimate for the government to consider the national interest before it gives the private sector a greater stake," he says.

Van Wyk adds that government will not make many friends if it sells Iscor to a few rich individuals or corporations at a low price, and he cannot see great demand from smaller investors: "With so many profitable companies on the boards it's unlikely that many investors will want to add Iscor to their portfolio."

Iscor thus seems set to remain a parastatal for some time Van Wyk claims privatisation would in any case have little effect as it is run like a private sector company anyway, and a divorce from the State "will make no difference " ■

Insurance industry answers the critics

Growth proves service is right

A great deal is often made of the size and influence of the life assurance industry in South Africa. We are often, but incorrectly, seen as "fat cats" or as "octopuses" spreading our tentacles into all the various facets of the South African economy

I would like to present another dimension of the generally perceived view of what the industry apparently is and does.

It is quite clear that no industry can grow, and continue to do so in the changing circumstances which affect this country if it is not providing an essential and meaningful service The fact that our industry is growing must prove we are providing a service desired by the public

If one looks at the ninefold increase over a decade in the security provided by the industry, as reflected in its asset holdings against future commitments now moving towards R40 billion, it is only natural to seek reasons for such an achievement.

Competitive

I believe one of the main reasons for this development is the competitive element which is alive and well in the industry in South Africa today. Of all the industries of which I have some experience, I know of none which is so competitive as the life assurance industry.

The situation at present is that roughly 40 life assurers in this country have the opportunity to pit their skills and resources against one another, to develop products for which there is perceived or anticipated demand.

Each life office can plan strategies which, within the constraints of the law, will give them greater opportunity in the market place.

And the growth of annual premium income, from R2,1 billion to R6,2 billion over the past five years, can be regarded as a barometer of the effect of keen competition, even under the influence of recessionary conditions.

In addition, due to the investment expertise I have referred to, the industry has shown that it can handsomely outpace inflation in the returns it makes to those who have the greatest stake in the industry — the policy-owners and their beneficiaries.

Mr Pierre Steyn

Because the competitive edge lies in the ability to maximise returns while reducing administrative and other costs, thus improving the benefits policy-owners receive, this is an area receiving continuous attention from the industry

The latest Annual Review of the Life Offices' Association to some extent reflects this approach and, according to the quoted figures, there has been a progressive decline in the ratio of operating expenses to total income that is, a continuous improvement in the productivity of the industry.

It has now reached its lowest level: 12,5 percent Ten years ago the ratio was 18 percent If one thinks in terms of inflation, and its impact on the costs of providing life assurance, I think the success we are achieving is obvious.

One other reason for the success of the industry is the relative freedom it has enjoyed from legislative restrictions I say "relative" because in recent times there have been restrictions which have affected the industry in its ability to draw savings from the public.

It is obvious — in the public interest — that legislation is necessary to provide protection for those whose savings represent security in future years The authorities, as you know, are in the process of drafting a new Insurance Act to replace the current one which, with amendments, has served the country for more than 40 years

We agree developments have taken place, for example the introduction of new products undreamt of in the 1940s The changed circumstances of the country call for a revision The LOA intends to make some of the best qualified people in the industry available to provide our input on the draft Bill to the registrar and to co-operate closely with him in formulating the new Act.

As you know, the LOA has made detailed submissions to the Margo Commission on the question of taxation of the industry We have also been given the opportunity to make verbal representations and we now await the decisions of the commission with great interest.

Opposition

Too often the industry is perceived as a Midas-like organisation, building up vast wealth and power In fact, it acts only as the agent of the individual policy-owners or investors.

Action that unnecessarily or unfairly hampers the industry in the duty it owes to those who want to provide for their own future must be vigorously opposed This opposition needs to come not only from the industry itself but also from those who rely on it for benefits they should legitimately enjoy

It is for this reason, for example, that the industry has welcomed the proposals of the De Kock Commission for the gradual phasing out of prescribed investments The inability of the industry to invest, within the parameters of security, where it wishes, has long been a bone of contention Prescribed investments have to date largely inhibited the maximising of returns which life assurers could make available to policy-owners

To restrict the activities of life assurers for no other reason than that they appear to be a ready source of capital is to place a penalty on efficiency — efficiency which I believe has contributed to the success of the industry to date

I said I hoped to correct some perceptions of the industry I would like to deal briefly with assertions that the industry wields too much power and influence per se

We are engaged in a constant search for investments on behalf of beneficiaries, and seek to ensure that those investments are effectively controlled and capably managed.

There is constant competition between life assurers on investment strategy and also between the life assurance industry and other savings industries (eg banks).

Each life office has the freedom to implement the strategy which it believes will in the long term give its policy-owners, as well as shareholders, good reasons to be doing business with it.

South African life offices are not allowed to invest abroad Faced with a massive cash-flow, which I believe arises from the industry's efficient investment and marketing ability, it is inevitable the industry will look largely to the equity market.

I do not think it is correct to portray this as a near monopolistic trend which undermines the spirit of free enterprise. As I have said earlier, there is fierce competition within the industry

Economic power which may exist is under continuous challenge Furthermore, we have examples abroad, particularly in Japan, where large conglomerates exist, and where the material benefits accruing to ordinary citizens can be seen plainly in the strength of that country's economy

It is only the abuse of economic power which needs to be considered Large-scale investments on their own do not necessarily represent an evil which needs to be constrained.

Arbiters

And perhaps the best arbiters on whether there is in fact any abuse as far as the life assurers of South Africa are concerned, are those who benefit most from the industry, the policy-owners and shareholders.

As statistics show, millions of policy-owners stand to gain substantially from the growth of an industry which is already paying out benefits which increased from R935 million in 1981 to R2 848 million last year — a growth rate of more than 30 percent per annum.

Tens of thousands of South Africans would have been very much the poorer were it not for the almost R3 billion, paid out to them last year — let alone all the preceding years — by our industry.

Pensioners, widows and orphans have benefited handsomely from life assurance, as well as the country in general, through our enormous investments in South Africa's infrastructure and our job-creating activities

I believe, therefore, it is high time the ill-informed critics of the life assurance industry stop carping about the alleged dangers posed by life assurers and give some credit for the clearly beneficial role we play

South Africa's three mega-corporations, Anglo American, Sanlam and Old Mutual, which between them reputedly control more than R100 000 million of corporate clout, are repeatedly accused of monopolistic tendencies which "undermine free enterprise". Robin McGregor, controversial author of "Who Owns Whom", has told the Government that South Africa will slide into "banana republic status" if these economic power blocs are not broken up.

Is there truth in the accusations? Mr Pierre Steyn, chairman of the Life Offices Association (LOA) and managing director of the insurance giant Sanlam, says not. He told a recent LOA media seminar in Johannesburg it was time the carping stopped and that the insurance industry should be given credit for what it was doing for South Africa and her peoples Here are excerpts from his speech.

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PRETORIA
AGRICULTURE & CONTROL BOARDS
A Business Day Survey

Edited by MELANIE SERGEANT

Booming citrus industry gears up for sanctions

ARNOLD VAN HUYSSTEEN

THE booming citrus industry, which earned a record R490m on lucrative exports in 1985 — 40% above 1984 earnings of R350m — is understandably worried about sanctions threats

The Citrus Exchange's (CE) contingency planning is far advanced The interests of the 3 000-odd citrus growers as well as those of the 230 000 dependants of the 52 000 workers employed by the industry are cared for by one of SA's wiliest and most market-orientated agricultural bodies

CE assistant GM Arend Venter says 'Although 90% of the industry's income is derived from exports decades of experience in world markets taught us not to put all our eggs in one basket.

"Over the past 20 years we have expanded our export markets to 33 countries and although we are worried about increasing sanctions-pressures, our broad marketing base already offers us some protection"

The weak rand has helped raise export earnings, but SA citrus is world-renowned for sweetness and good quality With this in mind there should always be markets for SA fruit, albeit at increased cost and reduced profits

Venter says the industry has not yet suffered undue harm from sanctions or boycotts, although Japan has effectively banned imports by withdrawing its health inspectors from SA harbours. Bans and boycotts by some British shops and European Community (EC) countries don't help either, "but we still find we don't have enough fruit for international demand," says Venter

The CE, as a marketing body, is not a control or marketing board, but a co-operative, although it functions in terms of the citrus scheme of the Marketing Act Control is not part of the industry's vocabulary — probably one of the reasons for its success

Another point is that the CE exports citrus for Zimbabwe, Swaziland and Mozambique The reason for this is that one effective marketing body can negotiate the most economical freight rates for the combined exports of the four countries

The CE will boast the most modern port handling facilities in the world after this year's completion of its R32m modernisation campaign at the Maputo (R7m), Port Elizabeth (R8 5m) and Durban (R16,3m) harbours

These investments have already saved the industry between R6m and R7m over the past year

But won't all these investments and the success of the fruit industry be wasted with sanctions? Although Venter is non-committal, he admits there are worries In the meantime, the CE is concentrating on increasing earnings on the local market.

With 60% of the crop of oranges, grapefruit and lemons exported, the SA market takes the balance, providing about 10% of total industry income "SA consumers enjoy some of the cheapest — and best — citrus fruit," says Venter

SA control boards claim they provide an essential service

Agricultural control boards, amid the outcry over their high cost and doubts about their efficiency, have multiplied over the years and claim they are rendering a necessary service, without which there would be a marketing chaos in SA

GERALD REILLY

IN SPITE of the controversy surrounding the efficiency and usefulness of the agricultural control boards, they have proliferated over many years, and most of SA's 22 boards have headquarters in Pretoria

Belvedere Street, in the shadow of the Union Buildings, is lined with impressive and costly buildings put up by the boards with funds levied on producers' incomes

The boards reject the claims by consumer organisations that the costs of their building and the millions paid out in salaries and benefits to a large staff are loaded eventually on to consumer prices

They claim they are performing a vital function, without which there would be marketing chaos

Provide services

Some economists however, say there is plenty of evidence to show the boards' operations distort market forces and the free play of supply and demand, and that the economy would be better off without them

Free Market Foundation executive director Leon Louw says the boards' original purpose was to provide services for farmers and not to control them

Most were relatively harmless, providing only a service

However some — notably the maize, wool, meat and dairy boards — exercise extreme forms of control.

Louw says most agricultural products are uncontrolled, and are free of most of the problems associated with control including recurring shortages and surpluses

The boards have also become politicised and are a source of conflict between producer and consumer and producer and government.

Virtually every agricultural economist in the country, Louw claims, is critical of the control functions of some of the boards

The record clearly shows that uncontrolled products are more stable in price and supply, and this is more desirable from economic, social and political viewpoints

The boards were formed because of the chaos of the 1930s, when drought and depression hit the country

Their function then was simply a marketing one. Since then, they have grown into monsters The problems of the 1930s no longer exist."

Louw says it is not true that farmers control their industries through their representation on the boards

But it has not been established by referendum or other means exactly what structures farmers want to assist them in marketing their products

Also, the systems used by most boards are archaic.

"There's a whole new world of technology and new forms of marketing which seem to have bypassed agricultural product marketing in SA The boards should get abreast of these developments"

The consensus of expert opinion, including that of agricultural economists and academics, is that the boards no longer have a legitimate function, says Louw

SA Agricultural Union director Piet Swart defends the boards

The union gives broad support to the system and generally to the working of the Marketing Act in terms of which they were established

On consolidation of the boards, he says the former milk and dairy boards have been combined, and more recently the administrations of the potato, grain sorghum and dried bean boards have been consolidated.

However, the marketing functions of the boards have to remain separate

Swart says control over the boards' spending is adequate. Ministerial approval is essential for spending of large amounts

Control over the boards is also exercised by the Auditor-General and the reports of all boards are tabled in Parliament.

"We believe the boards do a good and necessary job in the producers' interests under extremely difficult circumstances," he says

Free market

Housewives League president Lyn Morris says the boards were originally established to ensure orderly marketing

However, many of them have moved away from this aim and their activities interfere with the free market system

In the process of empire building, some have become top-heavy and their handling of surpluses is often disastrous

"Farmers are paying hefty levies to support the boards financially and are poorer because of this, and the consumer is paying more for many key products."

Morris says although producer representatives dominate the boards, individual farmers seem to have little influence on their operations

She says the 22 boards' huge administration costs could be greatly reduced by amalgamating more of them, and by greater efficiency

Bringing culture to city families

● GEERTSEMA

HEATHER ROSS

HOW does one measure the influence of culture on a city?

Does the sky become a more artistic shade of blue? Do the people dance and sing instead of walk sedately down the streets?

There could be no better gauge than Pretoria

Since the Performing Arts Council of the Transvaal (PACT) made its home there 23 years ago, a good many households that had tasted no greater thrill than throwing popcorn across the local bioscope now have the excitement (or irritation) of dressing up for opera, concert, theatre or ballet.

And to quell all argument, PACT's chief director Gerrit Geertsema says the State Theatre attracts 500 000 people a year — the same number as Loftus Versfeld

PACT began with the princely sum of R121 000 as one of four provincial arts councils which were government's brainchild — a factor which has been an asset and a liability The merits and demerits of umbrella bodies for the arts and State control of the purse strings is a subject which can be argued forever

One of the more subtle forms government influence took was PACT's way of working and even at that time, the money was not considered enough Former chief director Egbard van den Hoven described it 10 years later "What a task to accomplish with R121 000 Fortunately for the idealists, there were many of them. boards and their members, artistic committees, planning committees, casting committees, appointments committees, financial committees, Sacpac committees and even more committees — all honorary Meetings were called from sunrise to sunset. Like drug addicts we sat round tables, chain-smoking, arguing, advising and searching for solutions. How could the State's assignment be carried out with so little money?"

The State's assignment? "Give our performing artists permanent employment."

In 1963 20 dancers, 16 actors and no musicians or singers were able to be hired And 229 000 people came to the 273 performances of the 27 programmes the first year

Today PACT supports 2 000 people, half of whom are part-time in its four departments. music ballet opera and drama More than 14-million people have seen more than 36 500 performances It has a permanent orchestra, a lavish opera house theatre and spacious rehearsal rooms

Pact — the performing backbone in the capital city

PACT Opera and Music have been the backbone of recitals and opera performances in Johannesburg and Pretoria over the years, writes music critic MARY RORICH

They have had a very stable management and established a high standard

In operas like Strauss's "Salome" and Wagner's "Tristan und Isolde", considered two of the most difficult scores, they have given superb performances

And the music department has put on some world class productions With the reluctance of many artists to perform in SA, these departments are now at a turning point But they have a base of fledgling talents and perhaps the chances that will now open up will give our young potential stars a reason to stay in this country

SA cotton industry blooms, saving millions of rands

GERALD REILLY

SA'S cotton-growing industry has bloomed into an extensive business, saving the country millions of rands a year in foreign exchange

total crop Smaller quantities come from the TBVC countries

Wool Board has third record year

PETER WALLINGTON

IN CONTRAST to recent hardships experienced by many other agricultural sectors, the wool industry has just completed its third successive record year

Yet, while the declining value of the rand has benefited the industry in its export operations — wool prices have increased by more than 80% in the past four years — Wool Board chairman Pieter van Rooyen expects a sharp fall in SA's wool consumption because of price rises and because of the depressed economy

But the board, which serves as the sole marketing arm for wool producers is working on the domestic situation.

While the board is reluctant to discuss export operations in today's sanctions climate, it has sound re-

sheep has fallen by 22% to about 16-million over the past five seasons

□ High prices obtained for mohair over the past five years have led to the expansion of mohair production at the expense of wool

□ The considerable rise in mutton and fat-lamb prices since 1983/4 has led to cross-breeding of

Red meat takes a

British shops and European Community (EC) countries don't help either, "but we still find we don't have ... SA consumers enjoy some of the cheapest — and best — citrus fruit," says Venter

Saving millions of rands

SA'S cotton-growing industry has bloomed into an extensive business, saving the country millions of rands a year in foreign exchange.

However, production is running far behind consumption, and about a third of local needs have to be imported from the US and eastern countries

The Cotton Board's administration head Hennie Bruwer said the estimated 1985-86 crop brought in 220 000 bales compared with estimated local consumption of 370 000 bales About 170 000 bales will be imported

The price is adjusted annually on a consensus basis between producers, spinners and ginners Government plays no part in price determination.

The estimated total value of the latest crop is nearly R150m

Main growing areas are in the middle and northern Transvaal, where about 46% of the crop is produced

The balance emanates from the far northern Transvaal, the Lowveld, the Vaal Hartz irrigation area, and northern Natal

Swaziland is also a substantial producer, delivering about 18% of the total crop Smaller quantities come from the TBVC countries

GERALD REILLY

Bruwer said the board was striving to persuade farmers to expand production to eliminate the need for imports However, that could take some time to accomplish.

This year, the crop was planted over a record 123 000ha, and had it not been for the drought, more than 300 000 bales would have been produced

At least 70% of the crop is hand-picked by about 140 pickers

And while cotton is a convenient drought-resistant crop, it is vulnerable to a variety of diseases and to pests

The costs of pesticides and protective spraying are, therefore, a major factor in production costs

Bruwer said "But it is still a worthwhile crop for producers There is great scope for expansion before SA reaches the situation of producing a surplus"

And, he said, the quality of SA cotton matched the best produced anywhere in the world

Red meat takes a bashing

THE red meat industry has fallen back in the market growth stakes against cheaper chicken

Chicken consumption — now about 14kg *per capita* a year — has increased by 46% over the past decade, while red meat consumption fell 7% Chicken, especially popular with urban blacks due to its price advantage and greater availability, is now second only to beef, so it's small wonder that the Meat Board is devising a new marketing strategy to increase sales

Indeed, poultry increased its share of SA's total meat market from 22% in 1974 to 31% in 1984

With the recession and unemployment making savage demands on urban black budgets especially, it is possible that the comparative position has weakened even further in chicken's favour

Meat Board prepares to beef up its image

THE Meat Board, custodian of SA's largest agricultural sector — the R4bn-R5bn-a-year retail red meat industry — is changing its image to a more consumer- and market-orientated body

After the past two years' of media attacks on the board's control policies, it has cut its much-publicised "meat mountain" to a mere 12%-15% of the original 37 000 tons by direct sales to the public.

Since April, the board has also temporarily suspended its much-criticised advertising campaign, while it awaits the report of an investigation into marketing and consumer trends

Board deputy GM and chief media spokesman Frans Pieterse said. "We want to find out what consumer preferences and trends are before we again go public on generic advertising. And once we find out what the housewife wants and expects, we will give the message through to the farmer"

experienced by many other agricultural sectors, the wool industry has just completed its third successive record year

Yet, while the declining value of the rand has benefited the industry in its export operations — wool prices have increased by more than 80% in the past four years — Wool Board chairman Pieter van Rooyen says the industry still has its problems

The total fleece-wool clip fell during the 1985/6 season by 5,6% Van Rooyen says the decline is a matter of great concern and one which will receive attention

He ascribes the decrease to the following factors.

- The prolonged drought has caused natural grazing in the main sheep-farming areas to deteriorate so much that flock numbers have plummeted The number of Merino sheep has fallen by 22% to about 1... million over the past five seasons
- High prices obtained for mohair over the past five years have led to the expansion of mohair production at the expense of wool
- The considerable rise in mutton and fat-lamb prices since 1983/4 has led to cross-breeding of woolled with mutton sheep Large numbers of Merino and other woolled breeds have been slaughtered.

Moreover, the local market remains depressed, says Van Rooyen "Production in SA's clothing industry is at the same level as it was in 1977 after dropping by 45% over the past four years

"An improvement in domestic demand for textile goods will probably only start manifesting itself late in the 1986/7 season"

in SA's wool consumption because of price rises and because of the depressed economy

But the board, which serves as the sole marketing arm for wool producers, is working on the domestic situation

While the board is reluctant to discuss export operations in today's sanctions climate, it has sound relations with traditional customers.

Launched in 1972 in its present form at the industry's request, the Wool Board buys and markets all the wool produced in SA. It appoints agents countrywide to handle the clip

Prices are determined by auction, but the board pays farmers, on delivery, an advance payment. This fee is determined from estimates of the coming season's prices

Any shortfalls that occur are met by the boards' stabilisation fund.

CP attacks Govt privatisation plans

22/8/86 ENGPOO (232)

JOHANNESBURG — The Conservative Party yesterday attacked privatisation plans by the Government and said the Government had a responsibility to provide certain services for the benefit of its citizens

Pleas by business groups for privatisation could only be interpreted as a ploy to get control of another source of income, the CP said in a statment.

"The South African public must not allow itself to be hoodwinked by the propaganda campaign for privatisation," said Mr Jan van Zyl, Conservative Party spokesman on finance.

"What guarantees have we that privatisation does not mean control by big business? Privatisation does not spread economic ownership

"An example is Sasol, which was privatised in June, 1984 In December, 1984, Sasol declared a profit of R1 130 million, which included R700 million in loan repayments. In January, 1985, the price of petrol went up 40%

"Privatisation of the hospital services is well on the way at enormous cost to the taxpayer through higher medical aid contributions By keeping nursing salaries down, staff shortages appeared in the State hospitals, which were then declared unable to cope The result was the mushrooming of privately owned hospitals

"The story is the same with the police. Underpaid, they leave the force, resulting in fewer applicants The man in the street is then forced to employ private security firms at additional cost."

The CP said monopoly money power situation already existing in South Africa, with more than 80% of the Johannesburg stock exchange listings under the control of four companies, contradicted the statement by Assocom and other organisations that the consumer would benefit from the increased competition

Facts did not bear this out, it said — Sapa

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Durr slates report that SA is poised to nationalise UK companies


● DURR

Business Day Reporter and Sapa-AP

A FRONT-PAGE article in a UK newspaper yesterday saying SA was "poised to nationalise" British companies in order to survive sanctions was described as "unadulterated rubbish" by Trade and Industry Deputy-Minister Kent Durr.

London's *Sunday Express* said warnings of the SA government's intentions to take over British investments of about R22bn in more than 50 companies were given by unidentified businessmen returning from SA in the past few days.

It said such action would follow any decision by the European Community (EC) in October to impose sanctions.

But Durr said "SA has always been a good and safe investment for British investors and things will remain that way.

"This is just part of the wicked disinformation that this country has been subjected to for years. British investors are used to it."

He said the report was such "utter lunacy" that he did not wish to comment on its details and added. "It has never crossed the minds of anyone near government."

MARGARET SMITH reports from London that Sir Leslie Smith, chairman of the British Industry Committee on SA (Bicsa), an organisation promoting trade between the two countries, dissociated himself from the *Express* report.

The report quotes Sir Leslie as saying that the nationalisation of foreign assets was a powerful weapon and the SA government knew it would be a last resort, as it would bring down world-wide anger.

Sir Leslie said he did say that, but denied the suggestion in the report that the government was "poised" to act.

He said he meant that in the event of total mandatory sanctions being applied, SA's ultimate retalitory action could be the nationalisation of foreign assets.

He said "Other countries have nationalised industry. I don't say it is an immediate plan that would follow sanctions, but it certainly is in the arsenal of retalitory weapons."

The *Express* report claims that, on President P W Botha's "grab list", would be firms such as Shell, BP and Barclays Bank. Others could include Beechams, Cadbury Schweppes, Hanson Trust, ICI, Rio Tinto Zinc, Rowntree Mackintosh and Babcock International.

350 000 shareholders to be a bit richer ...

Financial Editor ARGUS 26/8/86

232 United

THE 350 000 South Africans who have money invested in United Building Society shares will be a little wealthier this Christmas.

The United, the country's biggest building society, is to cease being a mutual organisation and will become a public company with equity shareholders.

It is to be listed on the Johannesburg Stock Exchange on December 3 when its present shareholders will receive either a cash payment or equity shares.

This is part of a plan to enable the United to modify its operations and move closer to being a bank.

However, the United will still be lending money to house-buyers. The Act enabling it to become a public company specifies that it must use at least 80 percent of its capital for housing advances.

But the United will be able to invest the balance of its capital in other and possibly higher-yielding investments, enabling it to hold down its mortgage rates.

The new controlling company will be UBS Holdings with an authorised share capital of R600-million.

The society's chief executive, Mr Piet Badenhorst, says the new company would make an offer to qualifying UBS shareholders with holdings of not less than R1 000 in share value to acquire shares in UBS Holdings.

The listing will involve the offer of

(Turn to Page 3, Col 8)

ARGUS 26/8/86

Shareholders

(Cont from Page 1) 252

equity shares in UBS Holdings at a subscription price of R2 a share to around 150 000 qualifying United shareholders, whose shares amount to R1 000 or more in value.

Qualifying shareholders will be those who held United shares on November 2 last year and have held them until September 30 this year.

About 200 000 shareholders with holdings of less than R1 000 in value will be excluded from the offer "due to the immense logistical impracticalities and costs of handling small share lots", said Mr Badenhorst.

But their shares would be sold by tender to financial institutions, pension funds and similar organisations and they would get a part of the proceeds.

JSE's biggest listing

26/8/86 CAPE TIMES

UBS details share offer

Own Correspondents

JOHANNESBURG. — UBS Holdings, the proposed holding company of the United Building Society, with an authorized share capital of R600m, will issue 210m R2 shares to 150 000 qualifying shareholders, in what will be the biggest offer ever made in a JSE flotation.

The listing, finally made possible last week by the passing of the new Building Societies Act, culminates a seven-year effort by the society which is the largest in SA with some 40% of all home mortgage bonds

The Act enables mutual societies to convert to limited liability companies.

Shareholders

UBS CE Piet Badenhorst said yesterday shareholders who hold at least R1 000 of existing UBS shares will be offered shares in the new company in the ratio of one UBS Holding share for every R10 worth of existing shares held.

Shareholders who qualify to participate in the offer must have held shares in the UBS on November 2, 1985 and have continued to hold them to September 30, 1986.

The formal offer to shareholders will be mailed about October 9 and it is expected that the UBS holding company will be listed on December 3 this year.

Badenhorst said dividend cover will be in excess of 2 times

A projection for the six months to March next year will be posted to qualifying shareholders on Friday

The 200 000 shareholders who do not qualify for the offer will be compensated with a cash payment resulting from the sale by tender to institutions of their notional entitlement.

They have been excluded because of the practical difficulties of handling small small allocations of the new shares, said Badenhorst.

UBS Holdings, which will be registered as a controlling company, will subscribe for the entire issued share capital of the United which will be converted into a public company under the name UBS Limited

Qualifying shareholders will have the option of either converting 20% of their existing UBS shares into equity, or of paying cash for them. Those shareholders who do not wish to take up equity shares may maintain their existing shareholdings intact as fixed deposits in UBS Ltd.

UBS Holdings will ultimately acquire the UBS Insurance Co and the UBS Development Corporation at present both wholly-owned subsidiaries of the United Building Society.

Growth

"For the first time building societies have been given a way out of the corner into which they had been painted as far as growth and asset diversification is concerned," said Badenhorst.

"Once the Act is promulgated (this week) the United will be able to participate in forms of consumer finance other than mortgages and will also be able to accept deposits of differing maturity periods."

At present societies may only accept deposits of not less than one year.

Merchant bankers for the listing will be Standard Merchant Bank, while Davis Borkum & Hare will act as lead sponsoring brokers and Ed Hern, Rudolph Inc and others

(232)

PARLIAMENT

Small business 'the answer'


● SAVAGE

IT WAS "more than ironic" that the man responsible for bringing 40% of white workers into government service was now being given extraordinary powers to cut through the administrative tangle "for which he is largely responsible", Andrew Savage (PFP Walmer) said in the House of Assembly yesterday.

He was speaking to the second reading debate on the Temporary Removal of Restrictions on Economic Activities Bill, which gives wide powers to the President to deregulate and cut through administrative red tape.

Savage said that equally extraordinary was the fact that the powers were being given to a man who "has never shown any understanding of the free enterprise system"

The reasoning behind the Bill was that government was finally beginning to realise that:

☐ Growth between 1973 and 1982 barely kept pace with the population increase and that from 1982 to 1986 GDP declined,

Own Correspondent

☐ Unemployment was rising and was out of control,

☐ Blacks were becoming increasingly disillusioned with their stake in the political economy,

☐ The black community had become a fertile ground for Marxist and other hostile ideolgies.

Savage said in short "the apartheid dispensation is just not working"

SA was caught between a population which doubled every 26 years and a stagnant economy

The answer to the problem appeared to lie in the direction of small, informal business, particularly small manufacturers who frequently subcontracted to big industry.

Savage said what had to be realised was that as a result of misgovernment and the consequent lack of growth a "tidal wave of unemployment was building up long before the imposition of sanctions"

It was now imperative to devise means to develop the informal and small business sectors

Savage said the President ran one of the most authoritarian societies in the world, while paying lip-service to freedom.

Government had been plugging deregulation for a long time, but in practice was still loading vegetable sellers into black marias for earning a living by serving a legitimate demand. Savage then cited the case of two women issued with summonses for selling tomatoes in Rink Street, Port Elizabeth, in July

Savage said he feared government had not yet come to terms with the type of freedom necessary for a free enterprise political economy.

Government would like black entrepreneurs who would contribute to economic growth, and would be delighted if the informal and small business sectors could "mop up the mass unemployment".

But, government wanted that on its terms — some of which ruled out growth, political stability and prosperity.

One of those terms was the fact that government was only prepared to open CBDs where capital outlay was prohibitive, while another was that it was impossible to develop competitive productivity within a political dispensation regarded by most of the population as discriminatory.

Savage said "People must be able to identify with national economic objectives as they have done in newly industrialised countries."

O.T.O

SMM 27/8/86 (232)

Protea has taken over full control

Protea Assurance announced yesterday it had assumed control of the troubled Budget Travel company

However, uncertainty remains about Budget Tours, the other company in the Budget Travel group of companies owned by Mr Ray Geldenhuys

In a statement issued after a meeting between Budget Travel, Protea and several airlines, Protea general manager Mr Andrew Tainton announced that Protea had assumed control of Budget retroactively from August 22.

He said the company will continue to operate as before, although Mr Geldenhuys will play no further role in the company's operation.

Protea's rescue will ensure that people who had paid-up travel arrangements with Budget Travel would not be prejudiced and will be able to enjoy their holidays as planned.

"Our involvement is only with Budget Travel — not Budget Tours — and we will pay the guarantees to the full limit.

"Budget Travel is a viable operation and we see no reason why it should not operate as successfully as in the past"

He added that Mr Geldenhuys would "honour his obligations in terms of which his personal assets as well as those of Budget Travel will be ceded to Protea Assurance".

All Budget Travel offices and all Budget Travel staff will be retained.

Collapse of Budget Tours is 'a sorry day' says agents' board chairman

Travel industry shocked

By Zenaide Vendeiro

The collapse of Budget Tours was a "very sorry day" for the South African travel industry, Mr Peter Botterill, chairman of the Travel Agents' Board (TAB) — the industry's controlling body — said last night.

Mr Botterill said he had received no official notification of the company's collapse or arrangements being made by the Association of South African Travel Agents (Asata) to compensate those who had bought tour packages from Budget Tours, a member.

"This will have an enormous impact on the industry. As it is, people are unsure where their money is safe. This has knocked their confidence in the industry even further."

Mr Botterill said the TAB would be making recommendations to Minister of Tourism, Mr John Wiley, to place the industry on a cash basis "That is our only salvation"

Holidaymakers already pay cash for travel arrangements, but this was not the case with corporate clients, he said.

"Because of fierce competition for corporate accounts, corporate clients make travel agencies carry accounts — which include air fares, hotel accommodation and car hire — for 30 days and, in some cases, 60 days.

"Agents are then forced to make use of very expensive overdraft facilities, which eat into their profit margins.

"Agents are carrying the can and acting as bankers for corporate clients," said Mr Botterill. "These people are also folding every day due to the economic circumstances, which aggravates the situation."

It was a matter of urgency to place the industry on a cash or credit card basis.

"We should have a travel credit card similar to the petrol credit card," he said.

Surrounded by happy staff members, Budget Travel managing director, Mr Mike Behan (left), yesterday congratulated Protea Assurance general manager, Mr Andrew Tainton, on Protea's acquisition of the company. ● Picture by Rebecca Hearfield.

'Our priorities were to keep it viable and staff in jobs'

The mood at the Budget Travel offices in Johannesburg swung from despondency and gloom to joy and relief yesterday as the word spread that Protea Assurance had stepped in to save the company.

It was announced in a statement yesterday that Protea Assurance had assumed control of Budget Travel retrospective to August 22, had settled its debt with the airlines in full and had guaranteed all tickets sold by it.

In an interview yesterday, Protea Assurance general manager, Mr Andrew Tainton explained that Budget Travel had had a cash flow problem because it was owed money by the wholesale tour company, Budget Tours Budget Travel had been unable to meet its commitment to the airlines on ticket sales

He said the debt had been settled in full and Budget Travel was now a creditor of Budget Tours.

According to papers filed in the Rand Supreme Court yesterday, Budget Tours owed the travel company R1,6 million.

Mr Tainton said no decision had been made on Protea's commitment to Budget Travel in the long-term.

"Our priority was to make sure that the man in the street was not adversely affected and that we kept what was a viable business in place and, most of all, that the staff kept their jobs."

He said the 80 employees in the 11 Budget Travel offices had been retained and that the present management had been contracted to continue running the operation

Late yesterday, a smiling and relieved Budget Travel managing director, Mr Mike Behan, met his management team to inform them of the decision.

Travel boss tells of his rise and fall

By Zenaide Vendeiro

The man who began the Budget group of travel companies 22 years ago and built it into the largest privately owned travel organisation in South Africa, Mr Ray Geldenhuys, has lost everything.

The retail arm of his group, Budget Travel, has been taken over by Protea Assurance.

The wholesale tours division, Budget Tours, will be placed in liquidation if an application lodged yesterday in the Rand Supreme Court is granted.

His personal assets, including his Houghton home, have been ceded to Protea Assurance.

"Everything that I own is either pledged to Protea or to the bankers. Literally all I have is the shirt on my back," he said last night.

"The last two weeks have been very traumatic. I have had almost no sleep in my efforts to save the companies."

Mr Geldenhuys said his first priority had been to ensure that no member of the public who had bought travel arrangements from his companies would be hurt.

"Last week I heard talk that I had skipped ... but I would never run away from my problems.

"Being a former member of the Travel Agents Board and an executive member of the Association of South African Travel Agents (Asata) for the last 15 years, please be assured that my first interest was the wellbeing of the travelling public."

Mr Ramon Henri Geldenhuys was 26 when he opened a small travel company in the heart of Johannesburg in July 1964 with capital of R500.

He built up the business until Budget Travel was ranked the fourth largest travel agency and Budget Tours the second largest tour operator in the country.

He became an authoritative voice in the industry, sitting on the Asata executive and on the Travel Agents Board.

Seven years ago — "the beginning of the end" — his companies experienced cash flow problems and went into overdraft with his bankers.

The overdraft facility fluctuated from R400 000 to R1,9 million, but averaged at R900 000.

Two weeks ago he asked the bank to increase the overdraft to R1,7 million so that Budget Travel could meet its payments on ticket sales to the airlines.

"I only needed this for the months of August and September," said Mr Geldenhuys, "but the bank refused and limited me to an overdraft of R900 000, half the amount that had been granted previously. This threw me completely off balance."

Mr Geldenhuys said he would keep himself busy in the near future helping the liquidators to "ascertain more accurate figures on Budget Tours' assets and liabilities".

BUSINESS

McGregor hits at SA's 'magnificent 1 200' who push up inflation

Weekend Argus Correspondent

DURBAN. — Cartels and monopolies, effectively encouraged by the Government and large business, are adding at least five percentage points to South Africa's high inflation rate, says company watcher Robin McGregor

He made this claim at an Institute of Marketing Management banquet at which the Natal Marketing Person of the Year award was made to Mr Norman Cook of Tufbag.

Mr McGregor said South Africa's concentration of economic power made it the "laughing stock" of the world and the object of suspicion among blacks.

It was not difficult to prevent cartels and monopolies from forming Many countries had such legislation

R5-bn IN DIVIDENDS

Yet in South Africa a combination of the vested interests of the English business sector and Afrikaaner socialism had led to just 1 200 shareholders (some of whom were "pure parasites") owning 75 percent of the equity in the Johannesburg Stock Exchange .

These "magnificent 1 200" attracted an amazing R5-billion in dividends last year.

They saved money through astute tax avoidance at the company level and did not pay tax on 30 percent of the dividends they earned from these companies.

They were moving as much money out of the country as possible and then inflating share and property prices with what was left.

To correct the situation, he proposed that all revenue for gold above R850 a ounce, should be channelled to the Small Business Development Corporation and Industrial Development Corporation to spread ownership and control of factories.

At present conglomerates could control a vast number of companies by keeping total investment to a minimum

All conglomerates in this position would have to make an equity offer to shareholders — meaning they would have to find R36-billion to underwite the offers

Hundreds of companies would be for sale and there would be an immediate drop in concentration of control — with beneficial effects on competition, efficency and prices.

Mr McGregor said Mr P W Botha had no idea where the country was going "but is depending on crisis management in his inimitable arrogant style."

Neither Mr Barend du Plessis (whom he described as naive) nor the Minister of Trade and Industries, Dr Dawie de Villiers, had the knowledge or experience to dictate economic policy

Leaders of the quality of Mr Chris Ball, managing director of Barclays Bank, were needed, Mr McGregor said.

Court order against building firm

232

1/9/86

Court Reporter

A BUILDING supply firm with liabilities of R1 151 000 has been placed under provisional liquidation by Mr Justice Zietsman in the Port Elizabeth Supreme Court.

Builders' Warehouse (Pty) Ltd was placed under a provisional winding up order on application by Aubrey Bredell (Pty) Ltd.

According to Mr Clive Robertson, Builders' Warehouse had assets of R887 000 and liabilities of R1 151 518

Its director, Mr Rory Riordan, said the company could not pay its debts.

The return date for the order is September 23.

Mr René van Rooyen (instructed by Price, Soni and Friedman), appeared for Bredell

Building company is liquidated

Dispatch Correspondent

PORT ELIZABETH — The Port Elizabeth branch of Builders' Warehouse was provisionally liquidated before Mr Justice Zietsman in the Supreme Court here yesterday.

According to papers before the court, in an urgent application brought by Aubrey Bredell (Pty) Ltd, the building supply firm has liabilities of R1 151 518.

Mr Clive Robertson said in an affidavit that Builders' Warehouse had assets of R887 000. The company's director, Mr Rory Riordan, admitted the firm was unable to pay its debts.

The company will continue trading until September 23, when an application for final liquidation will be heard.

15 jobs are in jeopardy.

Mr Riordan, a controversial civil rights campaigner, said the East London and Grahamstown operations — which were trading profitably — had not been affected by the Supreme Court order.

The company was launched three years ago, at the beginning of a building slump. Mr Riordan said attempts were being made to salvage the company.

He is the employer of the "missing" spokesman for the Port Elizabeth Consumer Boycott Committee, Mr Mkuseli Jack.

DD 232 2/9/86

3/9/86 BUSDAY

(232)

Offers for Triomf in pipeline

Economics Reporter

WITH the deadline for the provisional liquidation of Triomf's Richards Bay fertiliser plant less than two weeks away, there are several offers in the pipeline, sources say.

A senior official at Nedbank, which now owns 75,1% of Triomf, said yesterday he had been told the provisional liquidators were negotiating with several parties. He said he did not know whether the negotiations involved only the sale of Richards Bay or the disposal of the entire company.

One of the liquidators, David Rennie of Syfret's Trust, said yesterday the description of negotiations was "not inaccurate", but would not give more details.

Rennie and the other liquidators, Ben de Wet of Kaap-Vaal Trust and Billy van de Merwe of Hofmeyer van de Merwe, will meet on Friday prior to visiting the Richards Bay site next week.

The company's plant has been operating at reduced capacity to run down existing inventories and meet contracted deliveries.

THURSDAY, SEPTEMBER 4, 1986

Cape Times 4/9/86 232

Liberty Life, Prudential in R11-bn merger

JOHANNESBURG. — "This is not just a merger It is a development of great significance to the economy as a whole. Certainly it is the most significant development in the life insurance industry for many years . "

This was how Donald Gordon, founder and chairman of the Liberty Life group, began his comment at a press conference yesterday evening on the R11 billion Liberty Life-Prudential SA merger agreement, which was sealed in principle at meetings yesterday

Gordon and Dorian Wharton-Hood, MD of Prudential SA, were at pains to stress that the deal did not represent a disinvestment by Pru SA's UK parent, Prudential Assurance Co Ltd.

"There is no question of disinvestment," said Gordon.

"The approach for the merger came from the Liberty group and followed a close relationship with the top people at Prudential UK over at least 10 years. That is about how long the basic idea has been discussed informally.

"The Prudential people both in the UK and in SA have told us they could sell the shares in Liberty they will be getting in exchange for Pru SA shares" (the UK Prudential holds 64% of Pru SA and will now get 1,4m Liberty preferred ordinary shares at R140 each, about 5% less than the price on the Johannesburg Stock Exchange, for their Pru SA holding).

"But they have assured us they won't be selling So they will continue with a stake in this country, only it will be in Liberty not Pru SA."

Dorian Wharton-Hood said that manpower and management resources were a key reason why it had finally been decided to consumate the deal.

"Actuaries and others have been leaving this country in droves At the Pru we have no great shortage yet of the right people but, looking down the road, we realized it would become increasingly tough to find enough good sales people and management, including actuaries

The merger will allow a much larger operation to be run by fewer people in the medium to long-term "

Gordon: "At Liberty we are already a little thin, if not in encumbent people then in possible successors. I and many others will be out to grass within six to 10 years

"Also, I think the Prudential's UK parent may have been attracted to the merger idea on the grounds that their existing base in SA was not as large as they might have liked "

Both Gordon and Wharton-Hood stressed that, on one hand, the Prudential was the only assurance operation Liberty would even have considered and, on the other, Liberty was the only company the Prudential would have seriously thought of marrying

"This merger is definitely more important than all the deals we have done with other life companies (like Sun Life and Manufacturers' Life) put together.

"The implications in terms of the work we still have to do are awesome but the synergy and other benefits promised are equally impressive

"We don't expect to get all the operations under one name" (Liberty group) "before at least the end of next year And even then there will be much to do in bringing the many underlying funds in our group and three major funds in the Prudential into a logical order," Gordon said.

Donald Gordon

Big merger mooted

BUSDAY 4/9/86 232

Economics Reporter

TWO of the biggest accounting firms are considering merging

Peat Marwick Mitchell and Aiken & Carter said yesterday they would investigate the possibility

A combination would create SA's largest accounting firm

The announcement came after an agreement by Peat Marwick International and Klynveld Main Goerdeler — international groups with which the two local firms are affiliated — to the effect that they had signed a memorandum that could create the world's largest accounting organisation

The international agreement merely provides guidelines by which member firms in each country should consider merging

Peat Marwick senior national partner Guy Smith said the two firms had agreed to examine a merger over the next three to four months

Smith, in a joint statement with Aiken & Carter executive partner Herc Hefer, said they would look at "many complex issues involved to determine whether a merger would be in the best interests of clients, staff and partners"

Directors in bid to save Fodens

7/9/86 SUNTIMES

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By Don Robertson and Udo Rypstra

TRUCK manufacturer Fodens SA and its subsidiaries have been placed in provisional liquidation, but may be saved after an offer of compromise by some of their directors.

The subsidiaries are Fodens Service, Fodens Spares, Truck Leasing & Finance and Albag Properties.

Liquidation was requested by managing director Allan Pellow, who said in papers before the Rand Supreme Court that liabilities of Fodens SA exceeded assets by R1,7-million

Nedbank, to whom the offer of compromise has been made, was listed as the major creditor

Forex losses

Mr Pellow submitted that if the compromise did not occur or new capital was not injected, Fodens SA would be unable to trade out of its illiquid position

Reasons for the illiquidty were given as the downturn in the economy which affected turnover, heavy foreign-currency losses, high interest rates and expansion by Fodens into property at an innopportune time.

Directors A R Wilkinson, L J C de Koker and H S Rothman have offered to pay preferential creditors in full and concurrent creditors 10c in the rand subject to agreement with Nedbank to fix "the total indebtedness" at R2,5-million and that Nedbank cedes remaining claims estimated at R3,1-million to them

Cession of debtors and passing of bonds and mortgages over moveables and properties of Fodens and certain associated companies is included in the offer

The offerors also request overdraft facilities of R200 000 to meet liabilities to Syfrets Mortgage Nominees

It was submitted that the proposal would benefit Nedbank more than the liquidation of the group which would realise "R700 000 at best"

SA-owned

The provisional order, returnable on October 7, was granted by Mr Justice Goldstone

Fodens, established in 1950, is wholly SA-owned It makes vehicles under licence It is one of the small manufacturers in the troubled heavy-truck industry and last year sold only 41 units In the first six months of this year sales tumbled to only nine units

The demise of Fodens would add to the number of truck manufacturers that have withdrawn from SA in the past two years They include VSA Motor Distributors, International Harvester and MAC Trucks.

Truck sales fell from 13 422 units in 1984 to 10 430 last year and are forecast at below 7 000 this year There is unlikely to be much recovery in the next two years, the National Association of Automobile Manufacturers predicting sales of 8 560 and 9 950 in 1987 and 1988

Mr Pellow would not comment on developments

Public servants hold fears over privatisation

10/9/86

STAR

232

Public servants are experiencing fear and uncertainty over the Government's policy of privatisation, the bi-annual congress of the Public Servants' Association of South Africa heard yesterday

If a public servant went to work for the private sector, he faced many difficulties and often frightening changes, in the opinion of Mr Laurie Korsten, executive chairman and chief executive of Volkskas Merchant Bank.

"The public servant will be forced to face competition once again," he said. "He has to prove himself all over again. His achievements of the past have disappeared and he must rebuild them from the beginning."

Mr Korsten added that when privatisation took over many areas of the job market, the public servant would find himself unemployed unless he was prepared to work for the private sector.

Warning on monopolies

"Medical, pension and leave benefits in the public sector are unequalled How will the public servant be compensated for this loss?"

Mr Korsten said an employee could lose his job far easier and quicker in the private sector than if he was a public servant.

He said monopolies could exist where one private company provided a service or product and could dictate the selling price.

"In the private sector, potential and performance rather than age and years of service determine an employee's status. The private sector can offer a greater number of job opportunites, and if not happy with one company, an employee can move to another."

Company cars at management level were fairly common in the private sector, while in the public service they were reserved for the most senior levels of employment

"Union membership, intensive training, higher salaries, job satisfaction and profit sharing are just a few of the advantages of working for the private sector," said Mr Korsten.

Offers in wind for Triomf plant

Bus Day

10/9/86 STEPHEN ROGERS

232

A DECISION on the future of Triomf's beleaguered Richards Bay plant is likely to be taken this week

It is believed that liquidators, appointed after the fertiliser plant was forced into provisional liquidation in July, will meet tomorrow at the plant

A statement outlining its future will be released before the weekend, says a source.

Return date of the provisional liquidation is September 16.

Nedbank CE Gerry Muller said yesterday he believed liquidators had received an overseas offer for the plant. Another offer is believed likely

This is presumably from a prospective Israeli buyer mentioned previously. No details have been disclosed

Monetary authorities have indicated a foreign buyer would be able to buy the plant in financial rands

232 Cape Times 10/9/86

NBS forms close link with Norwich Union

By AUDREY D'ANGELO
Assistant Financial Editor

THE NATAL BUILDING SOCIETY (NBS) has taken another step towards its new look now that the Building Societies Act has been passed

It will broaden the range of insurance policies it can offer by forming a close link with the Cape Town-based Norwich Union Life Insurance Society in SA (Norwich Union), subject to the agreement of the Registrar of Financial Institutions and the Competitions Board

Each intends to take the maximum stake allowed in the other This will give the NBS 30% of Norwich Union, and Norwich Union 10% of the NBS.

NBS has already announced that it intends to become a public listed company in the second half of 1987

In a joint announcement of the planned link yesterday the financial director of NBS, John Gafney, and Norwich Union's general manager, Peter Garthwaite, said the relationship would have financial advantages for both parties

It would not affect either organization's policy of remaining strong and independent.

Gafney told Business Report that the Building Societies Act "gave us the option to keep our insurance company as it is now, writing a very restricted range of policies, or to lash out and write a wide variety

"But if we had taken the second route we would have had to write down our shareholding in our own insurance company to 30%

"Instead, we shall keep our own company as it is, continuing to write a restricted range, and we shall get an immediate investment in a company which is already writing a full range of policies and has the management and actuaries to go with it"

He said that 60% of the NBS holding company's funds would have to be invested in the building society but it would be a good investment to use part of the remaining 40% to buy a stake in a life insurance company

Norwich Union's stake in the NBS would help it to diversify in the future

"We have a wide network of branches and a good list of clients"

There were possible economies of scale in the use of computer lines and the day might come when it would be possible for the NBS to sell life insurance over the counter as was done in other countries.

Gafney emphasized, however, that the new arrangement would not interfere with the established broker network

The NBS now ranks second among building societies based on its reserves to assets ratio (4,14%) but fourth by assets

Total assets currently stand at R2 215m, and loans, numbering 60 327, at R1 777m

In the current year the NBS became the first building society to establish a participation mortgage company and a credit finance company

Norwich Union ranks among the country's top ten life assurance companies with a total net annual premium income above R100m and assets of more than R385m

State probing sell-offs

10/9/85

BUSDAY

232

GERALD REILLY

PRIVATISATION probes into all State corporations are to be launched.

Investigations will also include State commercial undertakings and parastatal organisations.

Privatisation and deregulation chief director J P Vermaak added yesterday, at the Public Servants' Association congress in Durban, that a variety of activities could be opened to privatisation.

A deregulation programme has also been launched.

Vermaak said a three-year programme would appear in a White Paper.

The first series of activities identified for privatisation were announced this year by Administration and Economic Advisory Services Minister Eli Louw.

These series would save hundreds of millions of rands in the next few years in capital expenditure and also mean substantial tax revenue for government.

Vermaak, outlining benefits of privatisation, said public-sector spending would decrease and this could lead to tax cuts.

Capital would also be freed for economic growth.

He said services would be provided in free competition in the private sector without political influences.

The State's taxation base would be enlarged and this could lead to lower taxation.

Volkskas Merchant Bank chairman Laurie Korsten said privatisation, if properly implemented, could put the economy on a new strategic path.

He added that there were critical problems to which privatisation could offer solutions.

He asked how the growing demand for socio-economic services could be financed by the State without huge tax increases.

Korsten said the private sector reacted quicker than the public sector to the needs of the community and developed products and services faster.

nas. worth £830m. ... against Britain ... Unit Trust Managers

Iscor boss: Development drive has cut costs

BUS DAY

Big capex injection for steel

MICK COLLINS

TO KEEP pace with increasing technological demands and minimise production costs, primary-steel producers had committed R760m to capital expenditure, Iscor chairman Floris Kotzee said yesterday.

Opening the SA Institute of Steel Construction conference in Johannesburg, he said it had been possible, through the development campaign, to limit price increases to a level well below increases in the average producer-price index

"The two major steel producers, Iscor and Highveld, operated at 83% of capacity last year, in spite of a lagging economy They have a combined capacity of 7,1-million tons a year, and excess capacity is utilised to export value-added products to 78 countries "

"At present Iscor is devoting considerable efforts to promote the use of steel in housing and schools."

Addressing the problem of the minimal use of structural steel in high-rise buildings, Kotzee said the industry would launch a drive to persuade developers to move away from reinforced concrete.

"Why, when structural steel is used so extensively in the industrial building sector, is it so seldom used as the medium of construction for multi-storey buildings in SA?

"It is possible that the professionals responsible for the construction of multi-storey buildings today generally do not have the expertise to produce cost-effective steel-framed buildings," he said

Transport a victim of Govt brake

11/9/86 BUS DAY

232

CHRIS CAIRNCROSS

AN IMPORTANT victim of this year's aborted second session of Parliament is the deregulatory package promised by government for public transport.

A White Paper response to the wide-ranging National Transport Policy Study (NTPS) investigation, whose report and recommendations were submitted to government earlier this year, was originally scheduled for release during the session.

Its publication has now been delayed with Transport Department officials confirming that government's views will now be aired only after Parliament reconvenes in January.

This delay puts paid to promises made by Transport Minister Hendrik Schoeman that the deregulatory process would gather momentum this year with the definite phasing out of the road permit system

The further stalling over making fundamental decisions concerning the future of a vitally important sector of the economy has aroused the ire of the private sector, particularly private road hauliers, who will probably be affected most by any of the changes that may be proposed

It has also caused some of government's critics to declare it represents just another example of the way administration in this country has come to a standstill

Government continues delaying important decisions to the economy's detriment The fact that on this issue it has allowed momentum to fade also engenders concern that many NTPS proposals will be stillborn.

"The longer it takes this administration to announce its game plan, the longer it will take to effect any form of implementation. Impetus set up by the NTPS has been lost," said a member of the private sector's transport consultative committee

BUS DAY.

18 Vaal families go as eviction campaign hots up

11/9/86

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SOPHIE TEMBA

EVICTIONS are being carried out daily in the Vaal, particularly in cases where people owe the council about R1 200 on rent.

Between Tuesday and yesterday 18 families were evicted from their homes in the area

Eight families were evicted in Sharpeville yesterday while 10 others were thrown out in Boipatong on Tuesday The evictions were carried out under the supervision of Lekoa Council policemen and officials.

A month ago several other families were evicted in Sharpeville, Boipatong, Zamdela and Bophelong

Lekoa town clerk N P Louw yesterday confirmed the evictions and said "The council has obtained court orders to evict more than 1 800 families who have not been paying their rent since September 1984

"We will evict people who are in arrears with their rent on a daily basis, if there is a need to do so.

"Several other people have received summonses to appear in court for non-payment of rent "

Among the families believed to have been evicted from their homes in Boipatong is chairman of the township's civic association and school principal Marcos Matlhare.

'No losers' is PSA concern

STAR 232 1/9/88

Pretoria Bureau

The Public Servants' Association of South Africa supported the principle of privatisation, but asked the Government to ensure that those who remained in the civil service were paid market-related salaries, according to a statement from the association's congress.

At the end of its three-day bi-annual congress in Durban, the PSA said the Government should strive to ensure there were no "losers" after privatisation, and that the status, salary and position of the workers was not harmed.

The PSA also expressed "displeasure" at criticism from certain members of the private sector concerning the benefits which public servants received.

"It is absurd to allege that there are some State officials who receive higher housing subsidies than salaries," the statement said.

It added that pension benefits and others which public servants received were all part of their remuneration packages and should not be viewed separately.

The PSA also concluded that:

- The restriction of R50 000 on the housing subsidy scheme for public servants should be increased or at least adjusted
- Long-service recognition in the civil service compared badly with its competitors and the Government must give its attention to this fact.
- It was not happy with legislation that service benefits to public servants be curtailed by the Government without consulting the relevant officials concerned

PENSIONS

The PSA said salaries in occupational groups within the public service, which in the 36 months prior to April 1 1987 had not been adjusted, must be adapted accordingly.

The PSA re-affirmed its policy of regularly adjusting monthly pensions. It said all civil servants should be given the choice when reaching the age of 60, to go on pension.

E/N Mail 12/9/86

SATS 232

Staying on the road

As government's tentative moves towards privatisation progressed, not a few envious glances have been cast at the profitable parts of Sats' transport operations

So Sats GM Bart Grové must have shattered a few dreams when, speaking on privatisation and deregulation, he spelled out Sats' firm intention of continuing as a multimodal transport operation

Opening Grindrod's R2m warehouse and distribution centre in Cape Town, he said Sats was not prepared to operate in a vacuum, and "will render a full transport service in the interests of the whole country, according to business principles "

Then, to deliver a loud and clear message that Sats is not prepared to sell-off profitable operations and be left with the loss producers, he added: "Door-to-door conveyance requires various functions such as transportation from the orginal to the final destination and related services "

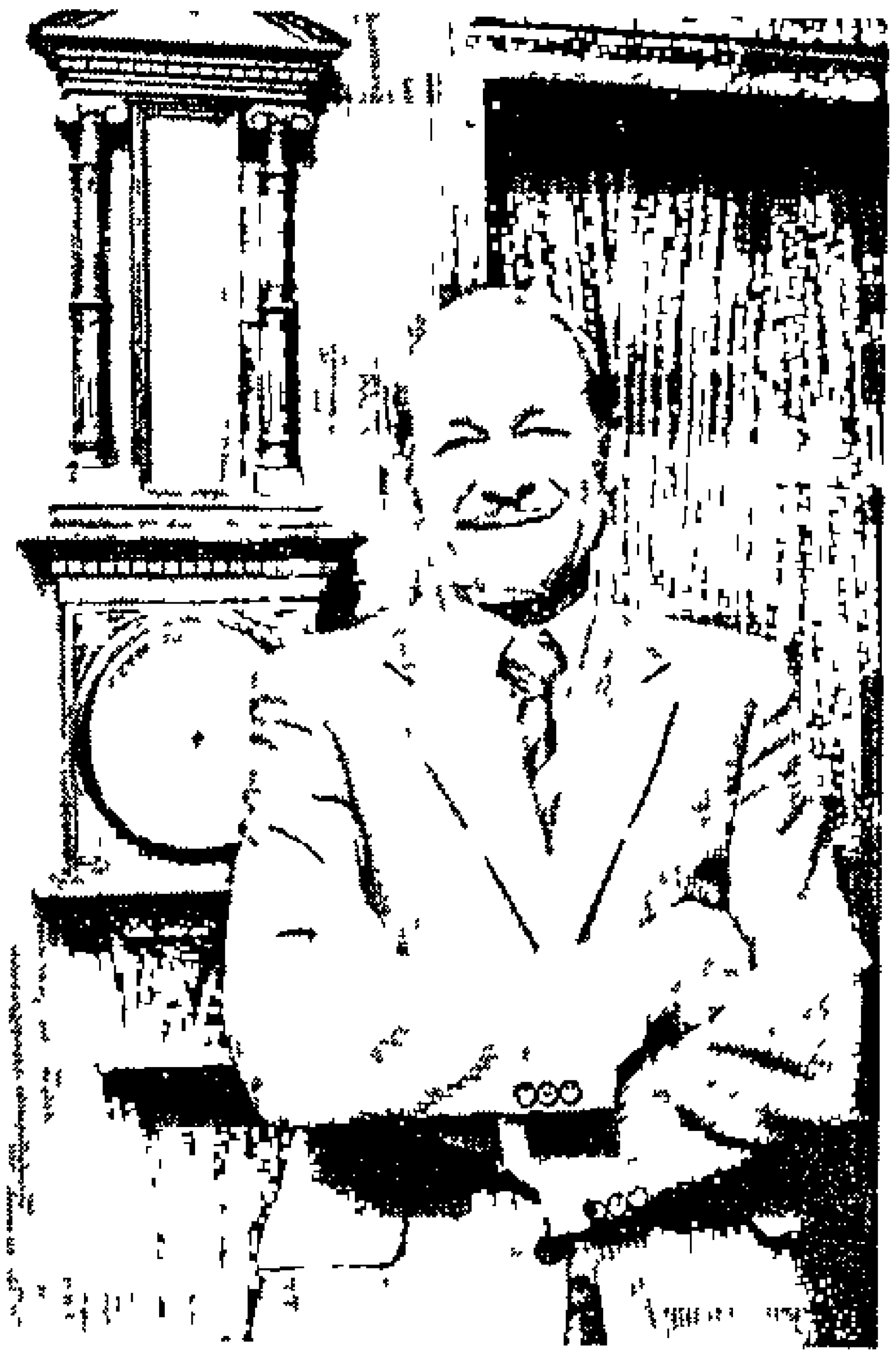
This can be interpreted as a firm response to those who claim that Sats should not be in the road transportation business, and should withdraw, allowing private enterprise to take that function over

Grové did not slam the door completely He said that Sats was "prepared to co-operate with private enterprise to provide a multi-modal service "

He has for years been a staunch supporter of logical privatisation, which he interprets as any action to ensure that the private sector's share in the economy is as large as possible "and the government's share therein is as small as possible "

Said Grové "Privatisation is not merely the transfer of public sector functions to the private sector It also entails deregulation, and we in Sats support the idea of deregulation in the transport field "

But, he warned, "deregulation, whatever form it takes, is not a bandwagon on which the private sector can enjoy random rides The opportunities offered go hand in glove with reponsibilities which private road hauliers will have to accept "



Sats' Grové . . . dashing hopes

In a deregulated atmosphere, Sats should be allowed to choose the type of traffic it wishes to convey and the transport modes it wishes to use "And it should be allowed to decline to render socio-economic or uneconomic services, or be fully compensated for them," he said

Clearly, cross-subsidising loss-making services sticks in his craw He believes it will be possible to reduce harbour charges, which are said to inhibit coastal trade, if cross-subsidisation can be phased out

One item of good news Grové believes the recession has bottomed ■

FIN MAIL 12/9/86 232

LIBERTY/PRUDENTIAL

Prudent undertakings

The merger of Liberty and the Prudential will take time to complete. Then the new Liberty will be in a better position to compete with the mutuals.

In March last year Liberty Life chairman Donald Gordon told the *FM* he was more confident than ever that the group's assets would reach R10 billion by 1990 Well, by buying the Prudential he's made it four years ahead of deadline Some going, Donny boy

The merger increases Liberty's total assets by about 24% to around R11 billion, and they have already risen more than 22 times in the past ten years, helped by overseas expansion and the increase in the rand value of foreign assets The merger with the Pru "more than balances the very successful international operations," says Gordon, and emphasises Liberty's commitment to SA, as a "gesture of great confidence in its future"

This, says Gordon, was obviously not the most important reason for the merger Both he and Pru MD Dorian Wharton-Hood emphasise the main reason was staff. Both expect to be affected by the brain drain and the fact that the country has lost 25% of its actuaries

Despite the rise in the value of Liberty's assets, senior management has reduced in the past few years With the addition of the Pru, "management capability will increase 60%," according to Gordon

That sounds quite logical But it does contrast with Gordon's numerous assurances in the past that management succession at Liberty was strong and assured True, his able number two, Michael Rapp, prefers to remain abroad and former MD Monty Hilkowitz has gone to Australia

The most important manager Liberty is acquiring is Wharton-Hood himself "His personality and acceptance in the community are a big plus," comments Gordon It has

Liberty's Gordon ... it's the men not the money

even been suggested that this was the only reason the Pru was bought, but as Wharton-Hood himself jokes, "they could have got me for much less than R300m"

It would have been difficult, though Repeatedly, Wharton-Hood has endorsed the value of the independence of the Pru and for him to desert it for Liberty would have been inconsistent But now this independence will need to fit in with shared responsibility. Wharton-Hood and Mark Winterton, present deputy CE, are to be joint MDs.

That alone suggests Gordon will continue to run the group with an iron fist and that there will be no talk of succession yet

The senior staff of the two companies were brought together for a "full and frank talk and it was only after that that we drew our conclusions about the feasibility At the end of the meeting about 90% of the chaps were on our side," says Gordon As Wharton-Hood points out "Without the support of the staff, a lot of the synergy (in a merger) disappears If they are not enthusiastic, it won't work"

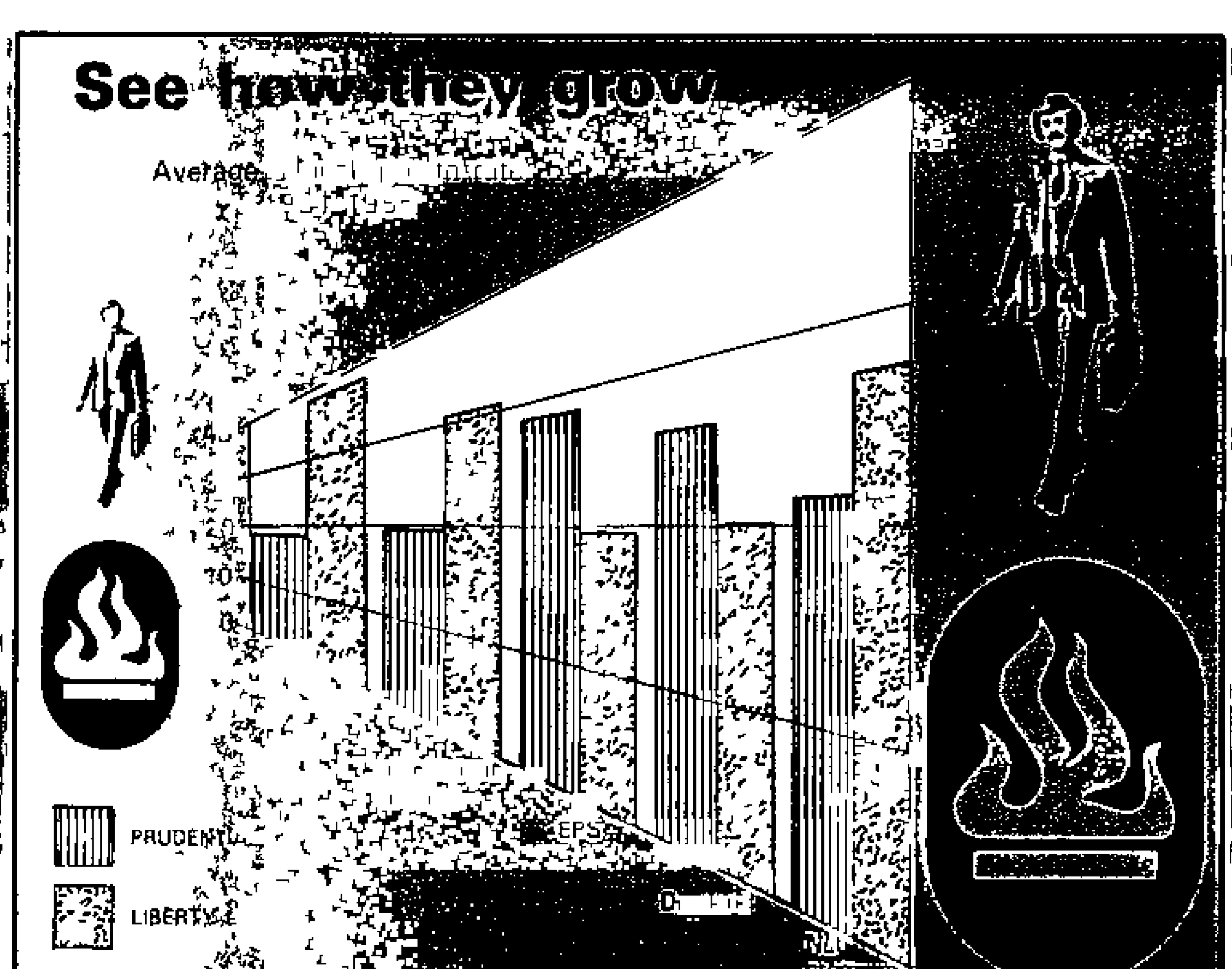
Gordon, Wharton-Hood and Winterton all expect this arrangement to work because of the personalities involved In abilities, strengths and weaknesses, they are the perfect complement, according to Gordon "Dorian is the outgoing type and will be heavily involved in our group affairs Mark is vital to making the wheels go round — an outstanding executive and manager"

Winterton is due to retire in five years and, though probably some pressure will be put on him to stay, he says he will retire then. Wharton-Hood could be MD on his own after that, heading a company six times the size of the Pru Personal gain apart ("I have given Gordon a blank cheque — not even my salary has been decided upon"), Wharton-Hood finds the prospects offered by Liberty exciting "We want to make it into the ultimate insurance company" — and he wants to give the mutuals in the Cape (Old Mutual and Sanlam) some more competition

That brings us back to the suspicion that the real motivation behind the deal was the accumulation of assets Doubtless, Liberty could do with a little management stiffening from the ranks of the Pru, but it will not need legions to administer a 25% increase in assets

Nor, if other insurance mergers are anything to go by, will the merging of two foreign cultures be an easy task Take Southern Life's merger with Anglo American Life. It was fraught with people problems, and our guess is that those two corporate cultures were closer than Liberty's and the Pru's

Joint MD Winterton ... making wheels turn



The Pru's Wharton-Hood ... sharing power

But neither Gordon nor Wharton-Hood feels there will be a problem. "We have an awful lot of common ground — a lot of values in common — and I think the staff will blend," claims Wharton-Hood. Gordon points out that, though Liberty may be more "entrepreneurial," it was in the shadow of Guardian Royal until 1978 and, culturally, the Pru and Liberty are the closest of any two companies in the market.

Nonetheless, financial rather than human assets are still more likely at the nub of deal, nice chap though Wharton-Hood is. The Cape mutuals have assets estimated to be in the region of R19 billion (Old Mutual, the number of one insurer, had assets of R18 billion at the end of June) and to catch up "Liberty will have to go in for a lot more acquisitions," says an analyst Gordon indicates this is not on for some time, but it has been suggested that one reason for Liberty initiating the Pru merger could be that organic growth was not considered fast enough any more

Liberty already owns 24% of one of SA's few truly international companies, Placor Holdings, 32,1% of conglomerate Premier Group; 83,5% of First Union General Investment Trust, and 21,6% of Stanbic — apart from the UK subsidiaries The holding in Stanbic may be increased to the maximum permitted — 30% — as Standard and Chartered intend to reduce their holding and "we have a clearly defined undertaking that if they sell, Liberty Life has first option "

Some of the recent rights issue funds could well be used for this, but the funds cost Liberty only 6% and, with Liberty's excellent investment record, they must be earning much higher returns. Gordon also points out. "When projects come to fruition, it is not always possible to raise the capital at that time" He dislikes debt, complaining about the negative return earned for a number of years on the UK assets, bought with borrowed funds

For the Prudential UK, the deal is an easy way out of the country Certainly, it retains a stake, and it has been emphasised that this is not a disinvestment, as Pru UK has taken shares in Liberty and "has no plans to dispose of its interest," but in the present circumstances it would be misleading to see it as anything but a weak hanger-on.

It has done well in the deal It is exchanging assets yielding 2% for assets yielding 3,5% and this at a substantial profit (on its 20m shares it made R70m in the past two weeks, based on market price, and the total amount receivable from the scheme is R196m)

The drama of the deal enlivened the normally dull insurance sector of a stock market in which all the glamour these days attaches to the bull gold and platinum markets In a week of wild speculation, and the suspension of the Prudential's shares after a sharp price rise, it was finally announced that Liberty and the Pru were to merge

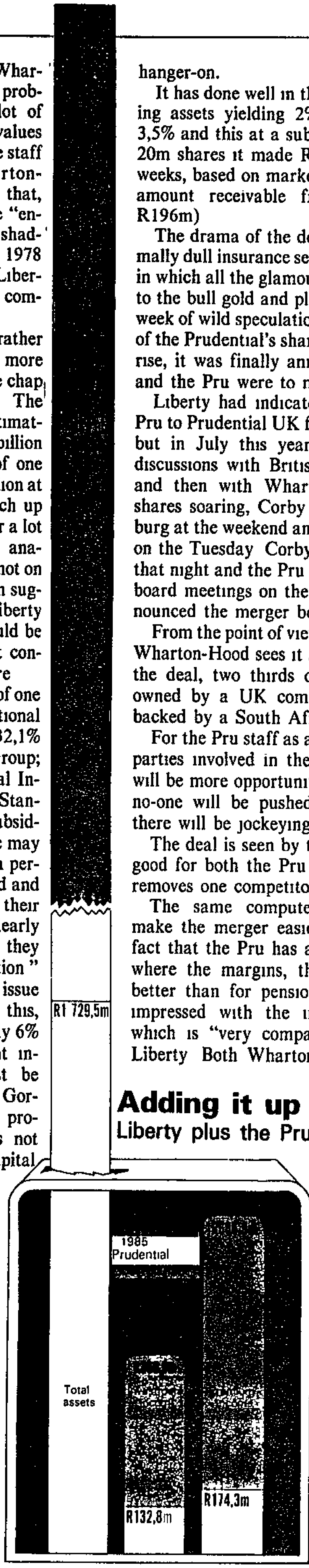
Liberty had indicated its interest in the Pru to Prudential UK for a number of years, but in July this year there were further discussions with British CE, Brian Corby, and then with Wharton-Hood With the shares soaring, Corby rushed to Johannesburg at the weekend and the deal was signed on the Tuesday Corby returned to the UK that night and the Pru UK and Liberty held board meetings on the Wednesday and announced the merger before lunch

From the point of view of the policyholder, Wharton-Hood sees it as reassuring Before the deal, two thirds of the company was owned by a UK company, but now it is backed by a South African operation

For the Pru staff as a whole, all the senior parties involved in the merger think there will be more opportunities for everyone and no-one will be pushed out, but obviously there will be jockeying for position

The deal is seen by the industry as being good for both the Pru and Liberty — and removes one competitor from the market

The same computer hardware should make the merger easier Gordon likes the fact that the Pru has a lot of life business, where the margins, though still fine, are better than for pension funds He is also impressed with the investment portfolio, which is "very compatible" with that of Liberty Both Wharton-Hood and Gordon say Liberty and the Pru respectively are the only life companies which they could have merged



Adding it up
Liberty plus the Pru

The terms of the merger are seven new Liberty Life preferred ordinary shares for every 100 Pru shares, based upon a price for the Pru shares of R9,80 and R140 for the Liberty prefs The cost of the Pru is thus R300m (excluding the 4% Liberty already held) Liberty's price was not strong before the merger, falling from R154,50 to R140, but the market has since indicated a more positive reaction, with a rise to R148

The Pru shares should be at a slight premium to Liberty, as the new prefs, to be converted when the Liberty dividend equals that of the prefs, will carry a fixed cash dividend of R5 This is a yield of 3,5%, compared with the yield on Liberty ords of 2,2% (R3), but, as Gordon points out, if Liberty maintains its growth rate of 20%, the dividend on the ordinaries should catch up and conversion take place in three years

With 2,1m new preferred ords expected to be issued, an extra R10,5m will have be financed, but Gordon says that 83% of the dividend on the prefs issued for Pru shares will be paid for by the Pru itself (based upon a 20% growth in the Pru dividend) He is confident that the normal (20%) growth of earnings and dividends of Liberty shares will be maintained

There will be a dilution, though, and the

PROPERTY KNOT

The merger of Liberty and the Prudential will also bring their property portfolios together

The Pru has a portfolio of around R200m, mainly in office buildings in the PWV area Major investments include the IBM building in Johannesburg's Rosebank and the Crownwood office park in the city's southern suburbs

Its biggest project to date is under construction opposite Johannesburg's Carlton Centre The R45m Colosseum project is being developed into a 17 000 m² office block with a small 2 000 m² retail element and is scheduled to stream in by end-1987.

The Pru recently pulled out of plans to launch a R90m property trust which it had been working on for two years with brokers Richard Ellis (RE) That withdrawal at the eleventh hour is rumoured to have cost RE around R1m in preparatory costs. Wharton-Hood denies the withdrawal had anything to do with the takeover plans.

In comparison, Liberty's property portfolio is considerably more substantial Its acquisition of the Rapp & Maister organisation in 1976 bought the expertise of an organisation which has developed the country's most successful and largest shopping centres — Sandton City and Eastgate

Liberty's property portfolio today stands at R1,2 billion, comprised of R680m in retail, R487m offices and R53m in "other" — including the five-star Sandton Sun hotel leased to the Southern Sun group

The merger will thus increase the value of Liberty's properties by 17%, a rather smaller figure than for assets as a whole.

income needed to maintain earnings growth on the Liberty ordinaries and servicing the new prefs could be provided by dividends from the UK interests, which have so far not paid dividends to SA (but these companies have not financed their growth from SA, either, and any income from this source must be a bonus for local shareholders)

One has the impression from Gordon that the business game in SA is getting too small He no longer "feels the imperative to do deals — if they work out, fine," and, although he says that there is a "good nucleus in the UK," there does seem more excitement in the overseas interests. The merger with the Pru, though, means "for the next couple of years, I shall probably be less free to concentrate on the overseas companies "

These have grown in importance to the Liberty group The assets of TransAtlantic, 58%-owned by Liberty and consolidated in the accounts, now amount to about 23% of Liberty's total assets and are worth more than those of the Pru

The overseas expansion has been financed mainly by borrowings, but, with the rights issue of TransAtlantic and the sale of almost the whole portfolio of Continental and Industrial Trust (now 88% owned by TransAtlantic), TransAtlantic is virtually debt-free and there is £100m cash There are a lot of ideas on the drawing board and Gordon says he "hopes to come to an accommodation with Sun Life," in which Liberty has a 26% stake but no board representation so far Gordon still sees the core of the business as life insurance and "I have infinite patience — I can sometimes wait for a decade before doing something I made up my mind to do "

It is this reduced gearing of the UK companies that makes Gordon think "there will be a substantial cash flow from TransAtlantic," which "could start this year."

Emphasising the difficulties of merging two life companies, Gordon mentions that this is the fourth merger he has experienced "and there is no chance of me doing another insurance merger in SA in my lifetime I would like the last few years of my business life to be less pressured "

Some hope Liberty is big and demands attention Gordon is relatively young and clearly is in no mood to opt out And as Gordon maintains that Liberty now has a capital base larger, with the exception of the Prudential UK, than any other life company outside the US or Japan, he is clearly going to make use of it Says Gordon "Liberty Life is now so strong it can withstand almost any adversity in future "

Pat Kenney

FIN MAIL 12/9/86

GILTS

And still the good times roll

Amid severe political and economic crises, turnover in the South African gilts market has reached phenomenal levels. But with an improved economic outlook, the market is asking how long gilts will be able to stand the pace.

If Guinness kept track of financial markets, South African gilts would surely take pride of place in its famous book of records

Consider the statistics Market capitalisation on the JSE has risen from R11,8 billion in December 1977 to R30,2 billion at the end of last year Impressive enough, but the real story of the great bull run in gilts is to be found in the turnover figures

In 1977, R64m of the R11,8 billion, or less than 1% of capitalised value at end-December, changed hands during the year; in 1985, the turnover figure passed the R51 billion mark, or some 170% of market value at December 31 last year.

And that's only the JSE. Off-market figures cannot be tracked, but traders reckon there is more inter-bank activity in gilts than on the stock exchange It can thus be assumed total turnover was worth at least R100 billion last year, with most of the stock turning over twice in the 12-month period

Why the stampede? The scrip shortage clearly has something to do with it Last year, for example, only 4,1% of equity capitalisation on the JSE (at December 31) was traded. The New York trend line, by contrast, is between 30% and 40%.

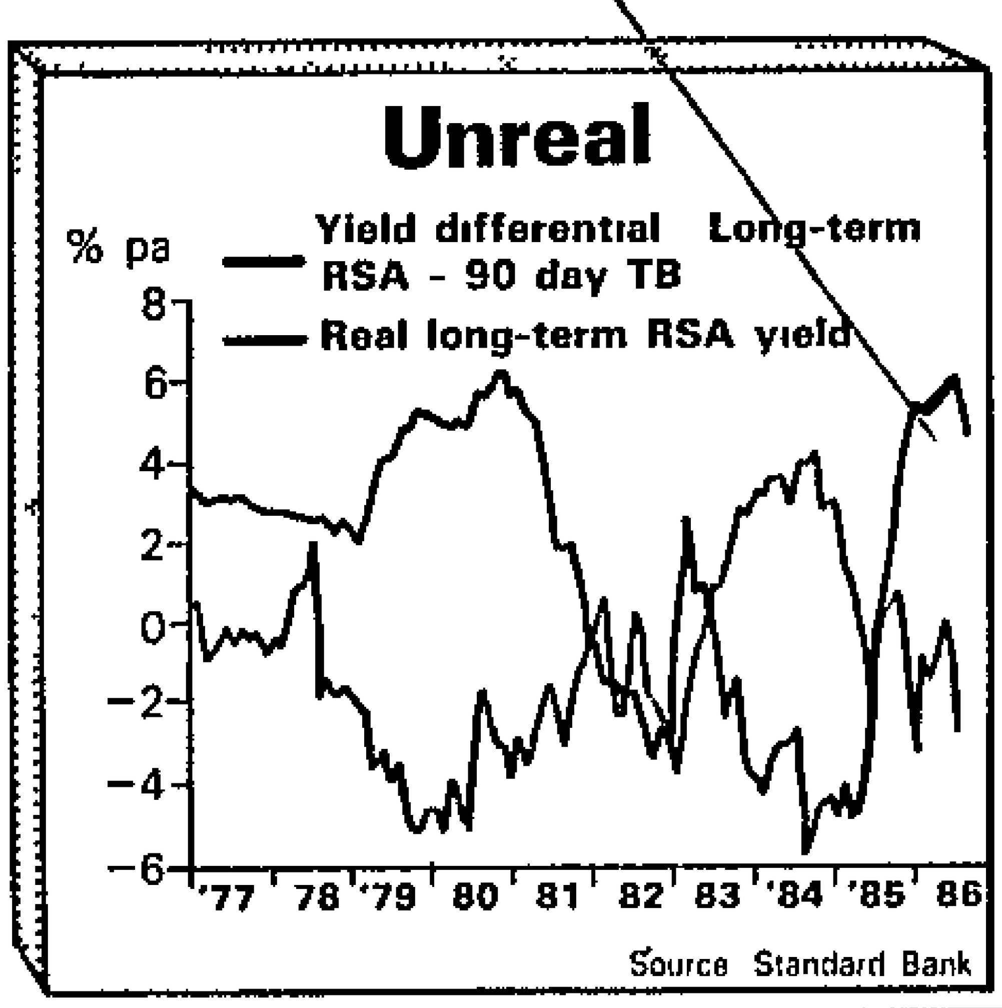
Other reasons are the tremendous expansion of institutions, the growing importance of financial engineering; increasing sophistication of portfolio management; emphasis on performance, and improvement in technology (especially double-quotes through Reuters)

Also, although the trend is only beginning, gilts are no longer the sole preserve of the big legions Operating in a market in which basic units come at a round R1m has not been for the small man and nor, for that matter, the smaller pension fund.

Now that gap is being filled by fixed-income unit trusts like the Standard Bank Extra Income Fund (partly in gilts) and the Hill Samuel Gilt Fund (wholly in gilts)

Individuals, explains Hill Samuel deputy MD (and fund chairman) Jurie Bester, can now participate in the market with as little as R2 000 So far, those who have taken up the offer have little cause for regret Since inception on November 6 last year, their investments have grown 37% — 25% capital and 12% income yield

What is more telling, perhaps, is that the market value of the fund has doubled in two months (to R55m) and the rapid expansion continues Because investment in the Hill Samuel Gilt Fund qualifies as prescribed assets, much of the money is coming from smaller pension funds.



Source Standard Bank

In line with the surge in activity, operators are becoming more and more sophisticated and providing keen bid/offer quotes "The market," says JSE president Tony Norton, "is highly professional and can hold its own anywhere in the world "

It is still, however, underdeveloped. Three stocks account for some 65% of total trade About 15 RSA stocks, five Escom stocks and two Sats stocks are actively traded — with the long Sats stock setting the pace

Sadly, however, the vast turnover figures do not reflect growth in new gilt securities. Says Senbank's Leon Krynauw· "Existing stock is merely turning over more often "

The gilt market is less regulated than the equity market Unlike equity broking, gilt brokers (26 of the 42 brokers deal in gilts as well as equity) not only act as agents but also as principals.

There is nevertheless strict control All deals, Norton says, must be recorded within 15 minutes Brokers also have to work to other stringent requirements relating to cash margins and bank guarantees, among others, which ensure that "no brokers go beyond their capacity "

After months of technical talks, the JSE and bankers have reached basic agreement on a settlement system which could operate, says Norton, before the end of the year

Gilt dealers, meanwhile, are cashing in on the growth Some half-dozen reputedly earn well over R250 000 annually, and most brokers hold on to valuable gilt dealers by providing incentives Competition for brain power is fierce, both among brokers and from Australia, which has lured away four dealers in the past year

The 77 JSE gilt dealers (25 of them women), who are typically lured from banks and merchant banks, are highly qualified Ivor Jones's Sandy Patterson observes that there

Cape Times 12/9/86 (232) 10

C Struik buys Timmins

By GORDON KLING
Financial Editor

THE Cape Town-based publishing group C Struik has purchased Timmins Publishers (formerly Howard Timmins) from Mills Litho for an undisclosed sum

Struik MD Gerry Struik yesterday confirmed verbal agreement had been reached on the deal, which would be signed in a matter of days and become effective retroactive to September 1

Timmins was acquired by Mills following the collapse of the financial interests of controversial Cape Town businessman Tony Ashworth Ashworth fled the city two years ago, a step ahead of creditors

Struik, 50%-owned by CNA/Gallo and 50% by the Struik family, acquired Map Studio publishers in April Now in its 24th year, the firm is in what Gerry Struik describes as an "expansion phase".

"We plan to develop Timmins and bring it back into its former glory," said Struik.

Timmins has 95 current titles, more than half of which are rubbish, according to Struik. He intends to weed out the losers and pump money into the rest

Bank policy and not upon fluctuations in the price of gold on world markets

While gold trades above $400, the Reserve Bank is assured of a steady flow of

Bank commentators ... tion as being supportive of the rand but that is hardly accurate Because the Reserve Bank receives the dollars which

mand with supply ... nal commitments due in term

Liquidators say buyers are still in wings

BusDay 16/9/86 232

Reprieve for Triomf plant

Economics Reporter

TRIOMF'S hobbled fertiliser plant at Richards Bay — the fate of which was to have been determined by today — has been given an 11th-hour reprieve by provisional liquidators and major shareholder Nedbank.

Liquidators said they would extend its operation by at least six weeks, to October 31, to allow more time to secure offers for the operation

They said at the weekend the plant would continue to run on a reduced scale — as it has since it was placed in provisional liquidation on July 14

Witwatersrand Supreme Court has been asked to postpone the return date until November 4.

Nedbank senior GM Chris Liebenberg said serious buyers were negotiating with liquidators He did not say whether they had proposed purchases of the plant as a going concern nor whether they intended simply to buy the fixed assets

Liebenberg said Nedbank, which owns 75,1% of Triomf as a result of the fertiliser giant's forced debt restructuring two months ago, had decided that "of all the alternatives at the moment that it was cheapest to keep the plant open until the end of October"

Sources involved in liquidation negotiations would not say whether the plant had been operating with a positive cash flow since it reduced operations and laid off nearly 400 workers two months ago

Syfrets Trust's David Rennie, one of three provisional liquidators, said the plant was "doing okay" on a cash basis — largely because it was, as a result of the liquidation status, unencumbered by non-cash expenses like depreciation. Rennie would not say whether this meant that it was generating cash

Liquidators said orders have been received for all the plant's production until October 31 and all fertiliser made since the liquidation order had already been sold

In its court application for provisional liquidation, two months ago, Triomf said the plant lost R54,7m in the 11 months to May

Nedbank battling to get its management into Triomf

STAR 16/9/86

232

By Peter Farley
Investment Editor

Nedbank appears to be heading into more troubled waters through its inability to come to grips with problem child Triomf.

Although the fertilizer firm's provisionally liquidated Richards Bay operation is about to be given a stay of execution, it is the rest of the business that is now threatening to create problems.

At a special general meeting held at Triomf yesterday shareholders formally approved the issue of 84 million new Triomf shares to Nedbank in order for the bank to achieve its 75 percent stake in the company

This was paid for through the conversion of debt, an as yet unquantified amount, but does not include some 85 million in preference shares that Triomf issued to the bank last year.

However, one wonders just how much debt could be converted to justify 75 percent of the company The shares, optimistically, can be worth only around 10c each This would mean that Nedbank could only have converted less than R10 million of its outstanding debt

It was estimated earlier this year that Nedbank's exposure at Triomf was close to R350 million At least a third of this will be written off when Richards Bay is finally liquidated. The balance still leaves the Potchefstroom operation with an unenviable gearing position

But now, concern is mounting over Nedbank's inability to get its own management into the company At yesterday's meeting chairman-elect Mr Frans Davin was able to attend only in the capacity as a proxy-holder on behalf of the bank. Nedbank's Mr Chris Leibenberg was in the same position

And, even more surprisingly, the subject of management changes at Triomf was not even discussed

It is understood, however, that the crux of the issue is a private dispute between Dr Louis Luyt and Nedbank that will have to be resolved before Nedbank can proceed with its takeover of Triomf

The whole affair is turning into a complete shambles, with every chance that key members of Triomf's senior management could well be moving off once Nedbank finally gets its own people into the company.

The Potchefstroom factory is currently running at full capacity as the fertilizer market generally gears itself up for the peak demand season from the farming community

However, with competition in the marketplace still intense there is unlikely to much in the way of profits available for any of the competitors. In its favour, however, Triomf does own probably the most efficient of the fertilizer factories in the country

Clearly, however, there are still a great many problems to be overcome before Nedbank can realistically expect have the company firmly in its grip. The next few weeks are going to be crucial

More health-care privatisation on the cards

16/9/86 BUS DAY 232

GERALD REILLY

GOVERNMENT'S privatisation programme would be carried out without undue delay. This assurance was given in Pretoria yesterday by the Minister of Health, Dr de Villiers Morrison, at a symposium on privatisation of health services.

There was a need to limit or even reduce public-sector involvement in the economy, he said. The programme included possible privatisation of hospital services.

No new hospitals would be erected by the State unless there was a special need and there was proof the private sector could not provide the facility.

Privatisation of existing public facilities would be investigated thoroughly, and certain facilities could be leased or sold to the private sector.

Privatisation of existing facilities could be accomplished only if the private sector was willing to provide the full spectrum of health services at affordable cost, Morrison added.

Liquidation of Triomf fertiliser plant is postponed

IOL 20A SOWE 17/9/93

A number of overseas and local parties indicated they were interested in buying Triomf Fertiliser's Richards Bay plant after it was placed under provisional liquidation by the Rand Supreme Court

The Richards Bay plant of the fertiliser giant was placed under provisional liquidation on July 14 this year

The return date was yesterday, but Triomf applied for a postponement to give provisional liquidators an opportunity to study the offers and accept one

The parties interested in making offers to acquire the Riplant also needed more time, Triomf's attorney Mr L F Pereira said in an affidavit.

They needed to complete in-depth investigations into the plant and its viability They would also have to get permission from the South African authorities, like the Reserve Bank, to buy the plant and arrange for the transfer of large sums of money

Due to the size of the plant, a thorough investigation would take some time It had, for example, fixed assets of R263 million

The provisional liquidators would then have to study all the offers carefully

Mr Justice J C Kriegler postponed the return date of the provisional liquidation to November 4 this year

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Court postpones date for order on Triomf

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BUS DAY 17/9/86

Economics Reporter

THE Rand Supreme Court yesterday postponed the return date of the provisional liquidation for Triomf's Richards Bay fertiliser plant to November 4, clearing the way for extended operation of the plant until at least October 31.

In an application requesting the postponement, provisional liquidators for the plant said more time was needed to allow "a number of local and overseas parties" to investigate the operation and make formal offers, and for liquidators to study any offers that were made.

The application revealed that sales turnover from Richards Bay from July 14 — the date the plant filed for liquidation — to October 31 would total R63,9m. This figure was substantially higher than the R27m in sales for the 11 months ended May 31 that the plant reported in the original liquidation application.

Neither Billy van de Merwe of Hofmeyer van de Merwe, one of the three provisional liquidators, nor Laurence Pereira, attorney for the liquidators, could explain yesterday why the more recent sales figure was so much higher than the figure released earlier

Liquidators earlier said they were reducing output at the plant and retrenching employees, so it seems unlikely that Richards Bay could actually produce higher revenues than before the liquidation.

The liquidators said in the court statement that they were operating the plant "at least on a break-even basis, and are not trading at a loss".

They said a sale of the plant as a going concern would realise "substantially more" than if it were mothballed or sold piecemeal.

18/9/86

STAR

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Major stationery firm under provisional liquidation

A major national stationery supplier, no longer able to pay its staff's medical aid and pension funds contributions, was placed under provisional liquidation by the Rand Supreme Court yesterday.

Gala Stationery's branches in the Eastern Transvaal, Natal, Eastern and Western Province, as well as Robin Consolidated Industries Limited, all subsidiaries of Amalgamated Industrial Investments Corporation Limited, were provisionally sequestrated in an urgent application yesterday

The five companies are unable to pay their creditors and owe their bank R7,7 million for overdraft facilities

BIC SALES

A well-known manufacturer of ballpoint pens and disposable lighters, Bic Sales (Pty) Ltd, lodged the application for the provisional liquidation of the five companies

The managing director of Bic, Mr Bennie Schreiber, said in an affidavit that Gala's employee's were threatening to leave the company

Gala was unable to pay its staff's medical aid and pension fund contributions and service stations were refusing to sell the firm petrol on credit, so no deliveries could be done

That, together with its inability to pay its debts, would damage the good name and reputation of Gala.

GOODWILL

If provisional liquidators were appointed immediately, they could, to a large extent, preserve the goodwill of Gala's business, Mr Schreiber said, motivating the urgency of the court application

A consignment of stationery imported from Europe and the Far East by Gala was being held by the Department of Customs until normal customs duties were paid

The department had threatened to send the goods back to the suppliers if nobody had paid the customs duties by Friday, but Gala could not pay

Mr Schreiber said that Bic had various claims against all the companies in the Amalgamated Industrial Investments Corporation group

The return date of the provisional liquidation is November 11 this year.

FIN MAIL 19/9/86

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SAFREN

Smooth sailing

The Cape-based conglomerate overcam both the traumas of the mega-merger c Safmarine and Rennies, and a bleak shipping environment, to report an outstandin 35% increase in earnings in the year to enc June The major contributors to growth wei Safmarine and Kersaf, the former havin more than compensated for its falling impo business with surging export and third part business, and the latter proving that its cas no resorts can keep profits growing in toug times

An inevitable problem area was Re freight which, because of its trade overla with Safmarine, had to bear the brunt rationalisation. Five of Renfreight's offsho subsidiaries were disposed of, resulting in write-off last year of R6m The merger complete, says chairman Alistair Macmi lan, and the contribution from Renfreig this year "will be materially better tha last"

The bottom-line was aided by the fall interest charges to R51,3m (R78,2m), r sulting from lower rates and a massive ca inflow in Safmarine Another factor was tl fall in the tax rate to only 18,8% (29,6%), thanks to a stronger flow of low-tax offshore earnings The tax rate should remain low in the medium-term, says Macmillan The cash inflow in Safmarine, which is currently sitting on a cash reserve of some R150m, is essentially a quirk of Safren's policy of covering forward and then rolling over offshore loans Much of these funds will eventually be paid over

SAFREN STEAMS AHEAD

Year to June 30	1985	1986
Turnover (Rm)	1 732,4	1 913,6
Operating profits (Rm)	304 0	322,1
After-tax profits (Rm)	111,5	147,7
Attributable profits (Rm)	64,1	91,4
Earnings (c)	131	177
Dividends (c)	76	88

Added to attributable income of R91,4m is an extraordinary profit of R23,9m, reflecting the net result of profits made in Kersaf's recent sale of assets to Royale Resorts International, and R6m losses on write-offs in the Renfreight division

At the Safren press conference this week, Macmillan adopted a Rembrandt- style secrecy about the group's affairs, while pointing out that Safren's international exposure renders it vulnerable to offshore sanctions pressure With its many years in foreign markets, however, few groups are likely to be more expert in dealing with sanctions than Safren

Certainly, the market appears to be unaffected by sanction prospects, as the share rose on Tuesday from 1 625c to 1 700c, touching the all-time high of R1 740c.

Neville Glaser

FIN MAIL 19/9/86 (232)

SORGHUM BEER

Break-up brewing

Commercial brewers will not have long to wait for the green light to move in on SA's lucrative sorghum beer industry, worth an estimated R400m a year in sales.

Plans to privatise the breweries, formerly the main revenue source of the now defunct black administration boards, are well advanced Volkskas Merchant Bank is preparing the offer documents, and MD Jean Brown says he hopes to meet the deadline of going to the market by April next year

Enabling legislation was due to go through parliament this year, but has been held up A spokesman for the Sorghum Beer Committee says the delay will make no difference to the privatisation plans, as the legislation is likely to be enacted early next year.

Originally, the plan was to privatise the breweries on a phased basis to allow government to keep a limited equity position and avoid dumping the 14 or so breweries on the market at one time

Now, however, the thinking is that the breweries, already consolidated into eight separate consortia, should be consolidated further and offered for sale on a tender basis to private sector brewing interests which are keen to get a foothold in the sorghum beer market

Brown admits the proposals "won't suit everyone" — particularly those who are keen to pick out the plums He says, however, that the objective in offering the consortia in their entirety is to "maximise proceeds on behalf of the sellers "

"There is hardly much point," he says, "in offering eight consortia when interest is only being expressed by five or six potential buyers."

Attaching a realistic value to what were formerly public sector assets is proving a little more difficult. In the absence of a more accurate yardstick, Brown says they will look at average yields in the brewing sector and arrive at an estimate of profitability and price on that basis

The general state of the economy, high unemployment and unrest, coupled with competition from hard liquor, home brewing and powered sorghum has recently eroded the industry's profitability

Nevertheless, Brown says interest from the private sector is high and he expects a good response to the sale offers It is merely an estimate, Brown stresses, but he expects the brewery sell-off to realise R150m-R180m for government. ■

FCI FIN MAIL 19/9/86 (232)

Staying the course

This month's departure of Arthur Hammond-Tooke (see *People*) as Federated Chamber of Industries (FCI) chief economist coincides with widespread speculation about a merger of the industrial umbrella body with Assocom (*Business* September 5)

Adding fuel to the fire, press reports have suggested that FCI chief executive Johan Van Zyl will also be pulling out

But, it seems, the speculation is premature, if not idle. Van Zyl has been made offers but he denies he is leaving the FCI And Hammond-Tooke's post looks likely to be filled by a prominent Pretoria University economist

On talk about the merger, Hammond-Tooke, for one, believes the FCI should not rush into marriage with Assocom "I have always been a believer in co-operation between employer bodies and I've been building communication lines on subjects such as exports, transport, health and tax," he tells the *FM*

"Co-operation is an important objective, but divisions could be increased by an untimely merger."

He says when merger was last considered, at the time of the Poolman Report in 1981, the main problem was the possibility of driving a wedge between English and Afrikaans and black and white business

A merged organisation would dominate the South African business scene to such an extent that it might intimidate the Afrikaanse Handelsinstituut and Nafcoc, causing resentment in the process.

He prefers a more rational framework and a co-ordinating council to align policy at presidential level

Senior FCI sources tell the *FM* that businessmen are wrong to see Assocom and FCI as identical bodies The FCI does a great deal of work in the industrial relations field which Assocom hardly touches, and, similarly, Assocom organises trade missions and promotes exports in a way the FCI could never do.

The sources claim that cost savings would not be as great as some speculation has suggested. It would be difficult to retrench more than a third of the combined staff ■

FM 19/9/86

AA MUTUAL LIQUIDATION

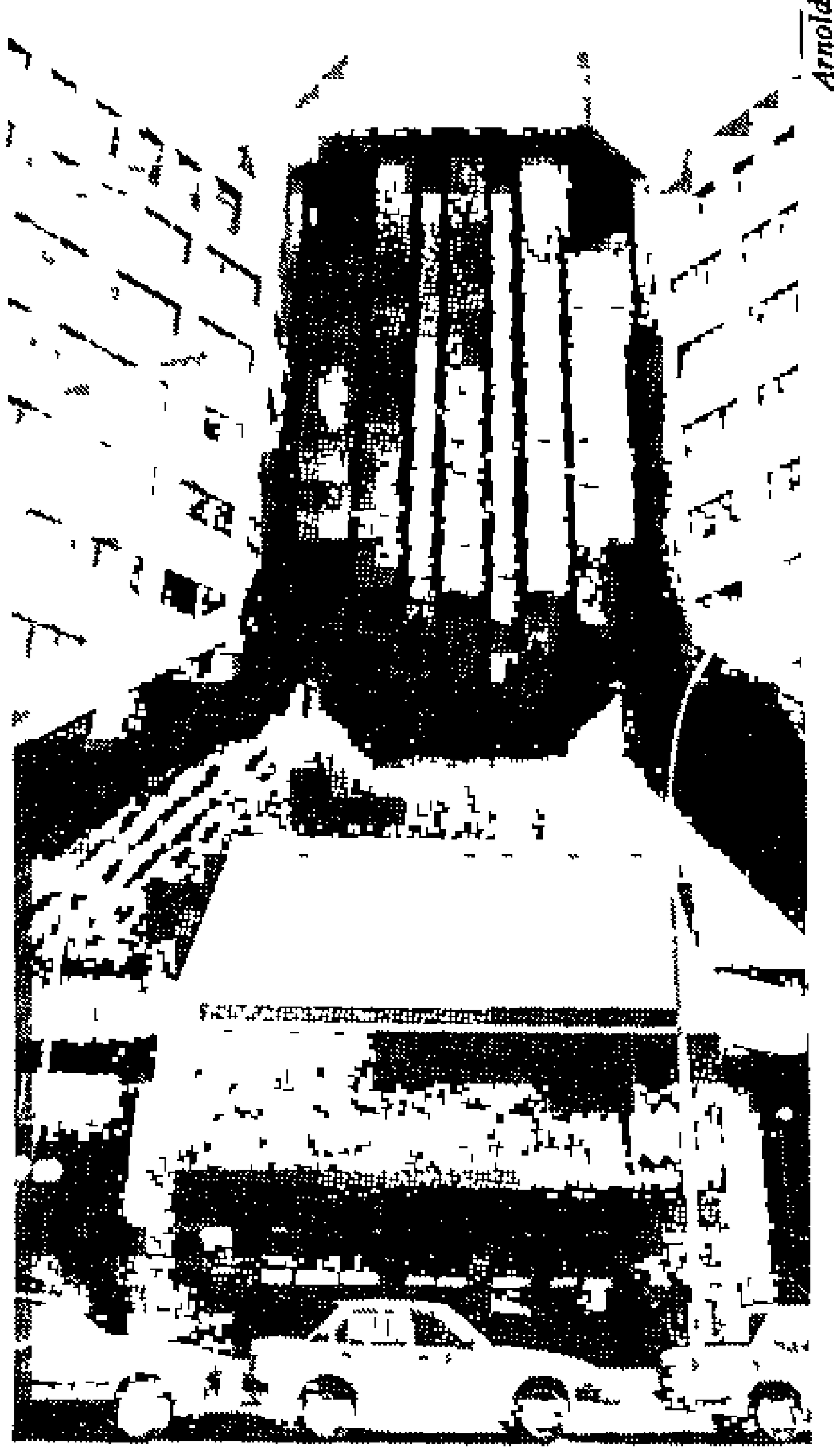
Why the hush?

Are the liquidators of short-term insurance company AA Mutual Insurance (AAMI), in the process of making a private deal for the sale of the company's head office in the Johannesburg financial sector?

Word is that negotiations are going on privately for the sale of the building which is said to be worth around R45m One suggested buyer, Anglo American Property Services (Ampros), however, denies that it is involved

"We are in the process of developing to the east of the AAMI block and have our hands

Arnold Pronto



AA Mutual's HQ ... who owns whom?

full at the moment," says Ampros MD Gerald Leissner

Despite numerous attempts by the *FM* to clarify the issue, calls to liquidator — and press spokesman — Schalk van der Merwe have gone unanswered

What is concerning creditors is that the deal may be consumated privately without the property going to general tender

Says JHI joint-MD Errol Friedmann. "We have tried to contact the liquidators on several occasions They have consistently refused to hold discussions about the building"

One liquidator the *FM* did manage to contact, Syfrets' David Rennie, refused to comment on the basis that it would be "against the interest of creditors"

In the interim, however, prospective tenants are reluctant to enter into leases until there is clarification on the building's future

Another matter that needs to be cleared up is the ownership of the building One view is that the liquidators might have to seek a declaratory order to establish ownership before a sale can be consumated

This arises from the fact that the building stands on leasehold ground owned by a consortium of pension funds headed by Checkers' pension fund.

And while there is an option to buy the land, the terms of that option — or just how it has been affected by the AAMI's insolvency — are still unknown.

As far as Checkers' pension fund is concerned, the consortium is still receiving rental for the ground and is unaware of any dispute, says Tradegro financial director Bill Chalmers. He says he has not been approached officially by the liquidators and still has a lease with AAMI

The ownership problem stems from the way in which the deal was structured to take advantage of a gap in tax legislation It was used by a number of developers, including Ampros for 11 Diagonal Street (Barnib House) development

That loophole, now plugged, allowed the lessee of a site to write off the building over the period of the lease in terms of section 11(g) of the Income Tax Act

Those write-offs, considerably sweetened the deal and made investment in such buildings more viable

Friedmann says his company gave a "fire sale" price of some R30m to the court when asked to place a value on the building However, that was for immediate sale and without tenants.

Given time to fill the building, and with the ground lease issue resolved, it could well fetch R45m

Meanwhile, the market awaits a statement from the liquidators with keen anticipation If it is in the creditors' interest to say nothing, surely it is also in their interests to find the highest bidder ■

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N JM 22/9/86

Southern buys 14pc stake in Grinco

Finance Editor

ASSURANCE company Southern Life has bought a 14 percent stake in the Grindrod Unicorn group (Grincor) which announced its plans to go for a listing on the Johannesburg Stock Exchange yesterday

Based in Durban and founded by two local families (Grindrod and Renaud) it is expected to have a public offer early next month and be listed early in November

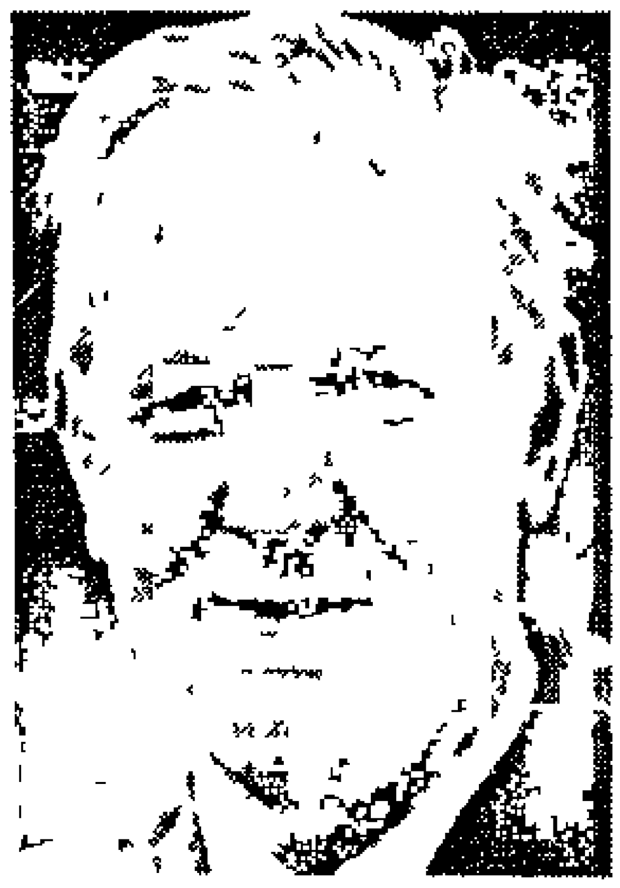
The public will be offered 21%, the Renaud family (founders of Unicorn) hold 10%, Southern 14% while the Grindrod family have control

25 ships

Grincor has a controlling interest in Unicorn Lines (Safmarine holds 40%), which owns or manages 25 vessels It employs 3 000 people and provides other services connected with shipping and all told has a turnover expected to pass R200m this year

In the year to December 1985 operating income was R13,9m and attributable earnings R7,5m The growth rate, from 1981 to 1985, averaged 14,9% compound

Grincor has been part of the Gencor and Union Corporation group for 20 years but was established in its present form in July this year



Mr M Grindrod

It holds 9,25% of SA Container Depots and 18,5% of S A Stevedores

Mr Murray Grindrod is executive chairman and Mr Sandy Morrison deputy chairman of Grincor

Grindrod and Co will be directed by Mr Andre Schoeman and Mr Bob Fenner and Unicorn Lines by Mr Michael Groves, Mr Malcolm Calf, Captain David de Wet, Mr Tim Hammond, Mr Michael Meehan and Mr John Sunley

ZCI earnings

JOHANNESBURG—Zambia Copper Investments produced earnings before extraordinary items of $U S S949 000 (1985 $U S 644 000 loss) in the year to June 30 — (Sapa)

Sorghum beer trade for private sector soon

Finance Reporter

SOUTH Africa's sorghum beer industry is expected to be ready for privatisation next April, according to a spokesman for Volkskas Merchant Bank, who are handling the official offer documents

He said at the weekend that while plans of the offer were still to be determined, it was possible that the already-consolidated eight consortia might be reduced to five before being offered to the private sector, probably on a tender basis

Mr Ron Schreuder, SAB's general manager (Trading), refused to comment beyond admitting to his companies interest and that privitisation was in the interest of all members of the industry

Mr Theo Fonternel, managing director, of King Food, which own six breweries warned that further delay by Government in privatisation could discourage prospective buyers

Ships

Urgent call for overhaul of private payments system

Medaid expenses are going through the roof

23/9/86 STAR ~~229~~ 232

The entire system of reimbursement of private hospital expenses in South Africa should be revised, a statement by the Representative Association of Medical Schemes (Rams) said today.

Rams said runaway increases — often in excess of 40 percent — in private hospital costs are forcing patients to fork up still more money for medical aid cover.

Spokesman Mr Tony Leveton said Rams was disappointed with the poor response from the Medical Association of South Africa (Masa) to the request by medical schemes to help verify private hospital accounts.

"In terms of the guaranteed payment system, most of the accounts go direct to the medical schemes without verification from either of the two key people involved, the patient and the doctor.

"The attending doctor is the only person who can logically and accurately verify accounts and we therefore must request Masa to reconsider its position on this and help us get the co-operation of the attending doctors

"Individual medical aid schemes country-wide are reporting whopping increases in payments to private hospitals and day clinics this year," said Mr Leveton

He said there were three main reasons for the jump in the cost to medical schemes of treatment at private hospitals and day clinics

- Bed occupancy has risen significantly, which meant doctors were putting more people into hospital
- The Government's privatisation moves were chasing patients away from public to private facilities
- Massive price increases in medicines and theatre drugs and consumables

Mr Leveton said the last-named aspect was proving to be a windfall for the private hospitals. "Like pharmacists, they enjoy a 50 percent markup on medicines, so their gross profits rise in line with price increases"

BUSDAY 24/9/86. 232

Report pinpoints dissatisfaction

SOPHIE TEMA

THE Council for Scientific and Industrial Research's National Institute for Transport and Roads Research (NITRR) is urgently studying the deregulation and improvement of Black commuter transport countrywide.

In research carried out by the NITRR in the Pretoria area, the findings were that overcrowded buses and trains and infrequent or unreliable services, which often result in late arrival at work, are major issues affecting black commuters.

Areas also studied include Soweto, GaRankuwa, Olifantsfontein, Meyerton, Rustenburg and Cape Town.

The Pretoria study was the largest with more than 1 000 commuters interviewed

Studies elesewhere in SA, although less detailed, suggest that the problems experienced and the attitudes of Black commuters are similar in most areas

The report summarises 14 separate studies of black commuting in the Pretoria area which have shed new light on the problems of the long-distance commuter.

The report shows that commuters expect very high standards for seat availability and punctuality of service at very low fares.

Various municipal sectors up for grabs

BUS DAY

Cape Town mulls over privatisation

232

24/9/86

CHRIS CAIRNCROSS

CAPE TOWN administrators plan to hive off many municipal functions, services and activities to private enterprise.

Sectors earmarked for possible privatisation include most major capital works; the city's abattoirs, various recreational facilities such as caravan parks, tennis courts, bowling greens and swimming pools; the preparation and maintenance of street lines and signs; architectural and quantity surveys, nurseries, park landscaping and maintenance; ambulance services; and various cleaning services such as refuse removal.

The main principles to guide this privatisation programme agreed to this week by the city council's executive committee are:

☐ That council adopt a general policy that capital works should be put out to tender, with the only exceptions to this rule being where an emergency situation occurs; where the relevant standing committee considers it would be in the public interest for the work to be done departmentally; where portions of the council's essential technical or engineering staff would stand idle or be under-employed; where there is little or no possibility of competitive tenders being received,

☐ That areas or activities already identified for possible privatisation of capital works by various departments be proceeded with without delay;

☐ That the city treasurer report on the systems of overhead charges and any changes needed to permit more accurate comparison of the public and private sectors,

☐ That the city engineer be permitted to submit a quotation when tenders are invited so as to accumulate information for cost comparison purposes,

☐ That special attention be given, when preparing the 1986/7 draft capital estimates, to identifying projects which could be privatised during the next financial year;

☐ That more studies be launched by the town clerk into the privatisation of other aspects of the council's activities, and the likely implications.

THELMA TUCH reports that Johan-

● To Page 3

Cape Town privatising?

232 24/9/86 BUS DAY

● From Page 1

nesburg City Council management committee chairman Francois Oberholzer says that municipality will not privatise its labour intensive services now.

He said yesterday the privatisation of labour-intensive work would lead to the retrenchment of staff and that could lead to more unrest

Oberholzer said "We have no reason to privatise, we can spread the burden among our 120 000 ratepayers and the million people who use our services."

Reacting to the Cape Town move towards privatisation, he said Johannesburg had been doing that for years

BUSDAY BRIAN ZLOTNICK
Investment Editor 232

D & H division in huge buyout

26/9/86

THE shake-up in Gencor's industrial interests has moved another step forward after a massive financial reconstruction for embattled subsidiary Darling & Hodgson (D & H).

In what is believed to be the largest management buyout in SA, D & H has sold its services division for R65m, after recently disposing of its coal division for R30m.

Moreover, D & H has announced it is to hold a R40m rights offer, to be underwritten by Gencor, to beef up much-depleted shareholders' funds and wipe out most of its interest-bearing debt.

These developments were unveiled simultaneously with D & H's delayed results for the six months to June, which show it made a loss of R11,9m (R1,5m profit) before taking into account extraordinary losses amounting to R38,4m (R4m loss)

Clearly, Gencor was not prepared to inject more than about R40m into D & H, so it was open to a management buyout, which was led by services division MD Phil Erasmus.

The buyout team consists of six men drawn from the upper management echelons of the services division

The deal has been financed jointly by Standard Merchant Bank and Barclays National Merchant Bank.

Control of the division, which has SA's largest operating companies in long-range transport and waste disposal, will vest in management, as does equity control However, the merchant bankers will also hold a significant chunk of the equity

"The merchant banks have assisted in the negotiations They have structured

● To Page 2

D & H sells services division

the transaction, and their respective commercial banks financed the buyout," Erasmus says.

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BUS DAY 24/9/86

His group, acquired with effect from July 1, is expected to have a turnover of about R140m in calendar year 1987. However, Erasmus refuses to divulge forecasted profits.

Heavily-overgeared D & H, which has borrowings of R159m, will receive a cash inflow amounting to R135m once the proceeds from the sale of the divisions and from the rights offer have been received.

D & H is to become a holding company, with a 65% stake in Group Five and a 42% interest in Blue Circle, both of which operate in the construction industry.

At this stage it seems the reconstructed D & H is not a suitable acquisition for Malcor, the industrial holding company Gencor acquired recently from Sanlam

Market talk has it that Gencor is looking for a suitor for Group Five

The extraordinary losses of R38,4m recorded in the interim results takes into account the anticipated closing costs of R12m for the recycling division and provision for the loss of R12,2m on sale of the services division

As far as prospects are concerned, the directors say an improvement in trading results in the second half of the year is anticipated

R65m D & H Services buy-out

CAPE TIMES 26/9/86 232

BY AUDREY D'ANGELO
Assistant Financial Editor

DARLING & HODGSON, (D & H), the troubled industrial holding company with extensive interests in the construction and engineering industries, has agreed to a management buy-out of its profitable services division for R65m.

The deal — believed to be the biggest management buy-out in SA history — is backed by Barclays Merchant Bank and Standard Merchant Bank and most of the payment will be in cash

Housing scheme

The announcement follows the disclosure in Business Report yesterday that Cape-based entrepreneur Robert Hall has agreed to purchase a 50% interest in the luxury housing scheme on Woodbridge Island off Milnerton from its originator, Harry Fuchs, and says he will hold D & H to an agreement to fund the project.

This is expected to cost D & H about R60m, unless it decides instead to buy Fuchs out in order to continue keeping the scheme on ice

But a senior executive of D & H said yesterday that the agreement to sell the services division to a consortium of six top management and Barclays and Standard Merchant Banks had been under discussion for about two months and had nothing to do with funding the Woodbridge Island scheme.

He said that Gencor, which wholly owns D & H, is determined to reduce the level of D & H's borrowing, which stood at R159m at the end of June

The coal division, Trans-Natal Coal Corporation, was sold off earlier this year and this, with the sale of D & H Services and a rights offer to raise R40m, will raise a total of R135m to reduce the company's debts

D & H ended the financial year to December with an attributable loss of R16,8m compared with a profit of R18,9m and the dividend was passed

D & H Services is involved mainly in specialized transport and waste disposal

It has the largest road tanker fleet in the country, of 350 vehicles, and its subsidiary, Waste Tech, is the largest waste disposal firm in the country

Its MD, Phil Erasmus, said the management consortium which he heads would have the majority shareholding and full management control

Operations

Now that a loss-making waste recycling firm had been closed down and the road transport business, which had made a loss for two years, had been turned round, all the division's operations were profitable

He was confident it could achieve adequate growth without diversifying into other interests

Erasmus said he would like to keep the name D & H Services, but D & H might require him to change it

Other members of the consortium are Paul Norris (transport division), Geoff Wood (Waste-Tech), Peter de Beer (engineering and D &H Auto), Des Johannsen (Transport Natal) and Len Hall (financial)

28/9/86 SUN TIMES

Fewer go to the wall

232

FEWER businesses are biting the dust

By Ruth Golembo

Nearly 20% fewer companies went under in July this year than in June, but things are still not rosy

The average total of 240 SA businesses which went insolvent each month this year is about 50% more than in 1980

Credit information company Dun & Bradstreet says failures have increased even though there has been no rise in the number of companies in the past five years

Dun & Bradstreet marketing director Paul Edwards says although the number of businesses going bankrupt has dropped, the figure is still high

"About 10% of trading companies are operating at a loss But things are certainly improving There were 61 fewer insolvent companies in July than in June this year when 301 went under

"The June figure is one of the highest for the past five years and only slightly less than last December's record of 388"

The number of insolvent companies increased from 120 a month in 1980 to an average 255 last year

Mr Edwards says the failure rate is expected to ease by the end of the year

"We expect an upturn in consumer demand to translate into improved profits and fuller order books

"The upswing should be felt relatively quickly because many companies are operating on tight margins and hold low stocks"

The number of judgments recorded against businesses in July increased by 11% over June to 4 576

Monthly judgments for 1986 average 4 189 — 7% higher than in 1985

Mr Edwards says "Judgments are being taken for smaller amounts than before The value of judgments against businesses in July was 18,6% lower than in June and 9% higher than in July 1985"

Fall in number of debt summonses

BUDAY

29/9/86 (232)

GERALD REILLY

THE number of debt summonses is still relatively high but the average debt level for the past six months is noticeably lower than for the last six months 1985.

According to Central Statistical Services (CSS), the number of civil summonses in July decreased by 10,3% compared with July last year.

This was due mainly to a 25% decrease in the number of summonses issued to businesses.

Judgments for debt showed a marginal decrease of 1,6% for the 12 months to July.

CSS points out that, despite the fact that the average amount per judgment in July was 16,7% higher than in July last year, the increase was lower than the 18,2% inflation rate

For the three months to the end of July, the number of summonses fell by 6,7% to 23 879 and the number of civil judgments for debt by 2,5% to 117 657

Venture BBDO to merge with F & R

232 STAR 30/9/86

By Peter Farley

Two more advertising agencies have sought refuge from the ravages of the commercial storm in that industry with the announcement yesterday that Venture BBDO is to merge with Freedman & Rossi

The merger, as forecast in the *Saturday Star* of August 23, pushes the new company — to be called Venture Freedman & Rossi BBDO — into 10th place in the advertising league table, from 12th and 19th respectively last year

F & R's Mike Rossi said yesterday that the new company would have billings of "more than R36 million on a conservative accounting basis"

However, this compares with BBDO's claims last year to have had billings of R61 million — as published in last month's *Financial Mail* advertising supplement In the same survey, F & R was not mentioned in the top 30

Rossi says that his agency is currently billing around the R12 million mark, while BBDO MD Graham Tomes confirmed that BBDO is billing some R25 million

It is no secret that BBDO has, for some months, been courting a partner after the problems of late 1984/early 1985 which saw a number of senior staff and major clients leave.

Tomes says, however, that they have been seeking an acquisition that would expand the agency's creative base and attract more top quality business. He feels this has now been achieved

At one point two years ago, BBDO was claiming to be the largest SA advertising agency, with billings in excess of R100 million Since that point its chairman resigned after private business complications, its US controlling shareholders pulled out of SA, several senior executives left to start up their own companies and a number of clients left for other agencies

There is little doubt that BBDO has hung on by the skin of its teeth. Not least after a dispute with its landlord — which is still continuing — that resulted in the agency moving out of lavish premises in Sandton to more modest accommodation just down the road

Graham Tomes is set to remain MD of the new merged company, and Rossi says that Tomes is totally committed to the new arrangements Tomes completely rejects stories circulating that he will shortly be returning to Australia to re-enter that country's advertising industry

Rossi adds that the merger is a perfect fit, with no staff likely to be shed as a result of the deal and no client conflicts on either side

Liquidations on increase

SAPA 23

The number of liquidations in June this year rocketed by 46 percent compared with the May figure, a Central Statistical Service survey released in Pretoria shows. Insolvencies in June increased by 39 percent compared with June last year. There were 301 liquidations and 360 insolvencies — Sapa.

Concor: Give us those jobs

Fin Daily 1/10/86

232

Investment Staff

DESPITE government's offical privatisation policy, the construction units of goverment departments are still buying plant and continuing with other long-term measures, says Concor chairman F Aab in his chairman's report.

"At least a portion of this workload should be placed with the construction industry, which is suffering from the biggest ever over-capacity, and therefore should be able to complete far more work with their present resources than is presently the case," he says.

Aab says at the end of a "most disappointing year", most of Concor's activities are still operating profitably.

Concor's order book was reasonable in volume terms at the beginning of the new financial year. But Aab says this work was generally at low margins and it is difficult to get replacement work.

Cadswep buys Bromor for R22,3m

1/10/86 BUS DAY

232

LIZ ROUSE

CADBURY Schweppes (Cadswep) has acquired Murray & Roberts Holdings' Bromor Foods division — which makes and markets well-known brand name products Oros, Lemos and Moirs — for R22,3m.

The interesting part of the deal is that Anglovaal Industries' wholly-owned subsidiary Bakers SA will get a 17,6% interest in Cadswep's equity, as the 1,1-million shares to be issued to M & R at a price of R20 a share are being passed on to the Anglovaal food investment holding company.

The UK holding company's 64,4% interest in Capswep will be reduced to 53,1% after approval of the transaction.

Cadswep Md Peter Bester said the deal should not be seen as disinvestment by the UK company as it now has a holding, although smaller, in a broader-based confectionery and soft drinks group.

The purchase price will be satisfied by the issue of Cadswep shares at a premium of 275c on the current market price of R17,25. M & R — which needs cash, not shares — asked Cadswep to find a taker. The Anglovaal group was a willing buyer as the 17,6% holding in Cadswep slots in with Bakers' extensive food interests.

Bester says the Bromor division will increase Cadswep's earnings by 10% this financial year, which ends on January 3, 1987 As well, net asset value will be increased by about 3%.

The Bromor division's brand names will complement and broaden those in the Cadswep fold and contribute a better balance in group earnings In particular, the acquisition will enhance its position in the soft drinks market.

The Bromor division has a strong management team and will continue to run as a separate entity

HOWARD BELLIN 3/10/86 FIN MAIL 232

FACE TO FACE

Structures and strictures

Franchising has succeeded in SA despite the economic downturn. The *FM* spoke to Howard Bellin, founder of International Franchising, the biggest multinational consulting group in the field, during his recent visit here.

***FM*: The franchise concept has become popular worldwide, mainly because statistics show that the chances of a new franchise outlet succeeding are so much better than those of a one-off venture. Is this a true picture?**

Bellin: Actually, no The success of franchised business has less to do with the backup and know-how of franchisers than the fact that the franchisee, if properly screened, is generally a winner anyway.

I mean that the franchiser needs nothing — no capital, no experience — to start a new business except the desire to do so Franchisees, on the other hand, are carefully selected and need capital resources, business experience and, most important, the willingness to undergo training specific to the field they wish to enter

MacDonalds, for example, asks potential franchisees to work, unpaid, 40 hours a week for six weeks to ascertain whether they like the food business and are right for the organisation

In SA, senior executives with managerial experience and capital have been retrenched in the recession; many have considered their own franchise operation. Are these the winners you mean?

Not necessarily Franchisers must be wary of the businessman who is merely "buying a job" Even if he meets other qualifications, he still may not be right for the company One uninterested franchisee can do enormous damage to a chain, no matter how good the backup systems and advertising If you get bad service in one hotel, for example, it's unlikely you'll stay at others in that chain again

So what makes for a successful franchise operation?

The critical process is screening The first step is to get the potential franchisee on to the franchiser's turf — to see how keen he is to learn the business At the same time, he should be given a proper job description, accurate as to the age, qualification, experience and finance required

The second step is to put the franchisee through psychological tests to see if he matches the profile, and whether he has the necessary interest and drive to succeed There's also an element of gut feel here — something that must be right between the parties One is looking for the winner mentality

Third, there's the training period I believe it's far better for a person to "waste" time training only to find that he doesn't like the job or the company doesn't like him It's better than sinking money into a mistake Rather have dignity damaged than the investment resource

How do you see franchising fitting into the general marketing scene?

It is certainly gaining popularity, but there are other good ways for a company to increase market share International Franchising now acts more as a marketing strategist than as strictly franchise consultants, concentrating on optimising distribution procedures throughout a business and helping clients to expand worldwide This could mean establishing company-owned, joint ventures or franchise outlets, or a combination of all three, depending on the resources available

How was International Franchising established?

I started the company in 1969 because I was fired from my job and was determined that no one would ever do that again Based in Melbourne, the group now has two other offices in Australia and others in Auckland, Bangkok, Kuala Lumpur and Johannesburg. We have plans to open soon in Singapore and London, and have our sights on Canada and the US

FIN MAIL 232 3/10/86

SAMCOR

Taking a global view

Andrew McNulty discusses Samcor's prospects after the merger of Amcar and Ford against the background of developments and trends in the world motor manufacturing industry. He recently visited plants in Japan and the US.

When Samcor was put together in February 1985 out of the motor interests of Anglo American's Amcar and Ford SA, the merger was given a two-year timetable with breakeven projected for June 1987 Inevitably, commentators treated the forecasts with caution Ford SA, as a privately-held interest of the multinational Ford Motor Company, had never disclosed its financial performance; Amcor had accumulated huge losses.

Confidence was not helped by the decline in overall vehicle sales since the merger was announced. Total 1985 car sales were 24% down on the 1984 figure and 32% down on 1981, while sales for the first eight months of 1986 were nearly 12% below those for the same period last year.

But some 18 months since the deal, Samcor MD Spencer Sterling says the merger is largely completed and so far meets expectations: "We are below budget on all cost indications and ahead of schedule with respect to plans for putting this company on a sound basis," he says

After changes in the shareholdings of Anglo American and Amic, the Anglo group's 58% interest is widely spread, with the result that none of the shareholders now comments on Samcor's financial performance However, sources say that Samcor has actually made profits since its improved sales figures at mid-year If so, this would be significant for Anglo; for a number of years the losses of its motor interests were an embarrassment.

But sales performances for June and July were heartening In June Samcor, with new models being launched, pushed its share of the car market up to 25,42%, nudging Toyota into second place It held this share in July, but slipped back to 21,7% in August, when the industry's sales were again disappointing

So it is clearly too soon to assume Samcor will necessarily maintain the hoped-for sales volumes Management's view is that it's early days yet, and the company is happy with the share achieved

Sterling contends that Samcor's sales could have been higher since mid-year, had production not been disrupted by the rationalisation.

"Overall, we've had two big problems," he says "Firstly, industry volumes have declined continuously since 1981, and kept falling after the merger. The second is the exchange rate Since the beginning of 1985 the rand fell dramatically against the yen and the pound. These two currencies are critical for us as we import components from Japan and the UK The rand is everything to us now."

That Amcar and Ford decided to merge their South African motor companies, and that Samcor's management now stresses the importance of exchange rates, reflects trends that have also been shaking up the international motor industry When South African journalists recently visited Samcor's source

Samcor's Sterling . . . working on exports

companies — Mazda and Mitsubishi in Japan and Ford Motor Company in the US — senior executives there spoke along similar lines

Japanese executives noted that various partnerships have been formed between international motor manufacturers, and forecast that the trend will continue

Ford, for example, owns 25% of Mazda, while Chrysler has 20% of Mitsubishi Motors (whose commercial vehicles are assembled and sold by Samcor) "Throughout world markets, competition is becoming more severe and survival more difficult," says Keiji Asano, an MD and deputy GM overseas operations at Mazda Motor Corporation

With demand reaching saturation in many industrialised countries, he estimates vehicle sales volumes will over the next decade show annual growth of only 1%-2% in the mature markets of the US, Japan and Europe, and 3%-4% in developing countries, with an overall annual growth of little more than 2% Meanwhile, low prices for natural resources exported from developing countries are hampering growth in those areas· "This is forcing manufacturers towards mergers or partnerships " says Asano "The industry is becoming more international and less regional "

The strong yen, now close to an all-time high against the dollar, is a serious concern for the export-orientated Japanese motor industry Mazda, for example, was predicting a 40% drop in profits for its current year.

Mitsubishi's GM Oceana South Africa group, K Sato says· "On average motor manufacturers' profitability in our domestic market is low or negative Now we are faced with a negative trend in export markets too Our motor industry is facing a dangerous situation which will require new strategies." Notably, Toyota Motor Corporation last week reported a 15% fall in net profits for its year to end-June

But if the Japanese giants are worried, in Detroit the Ford Motor Company is riding a wave of vigorous sales, a successful new product range, high morale and whopping profits In the June 1986 quarter it reported net income after tax of just over $1 billion or R2,4 billion on the US45c exchange rate, earned on revenues of $17,3 billion This brought the half-year net income figure up to $1,8 billion, against the previous year's first half of $1,48 billion

The July figure was 54% up on the 1985 June quarter, and also better than the 1986 second quarter performance achieved by the larger General Motors (GM), whose earnings fell by 15,6% to $978m on revenues of $27,6 billion GM could boast sales 60% greater than Ford's, but has been struggling to reduce costs

Ford has, in fact, undergone an extraordinary renaissance It had large losses between 1980 and 1982 — a total of $3,7 billion At that time some US analysts were wondering if Ford would have to follow Chrysler in seeking Federal financial assistance. One reason given for Ford's recovery was the rationalisation of its entire organisation. Certain plant was closed, the payroll was slashed and breakeven substantially lowered Samcor has, of course, been attempting to follow a similar strategy

Ford's profits also got an important boost from its international operations Although GM is larger in terms of US sales, Ford is stronger in worldwide markets, particularly in the Far East and Europe where its products have recently sold particularly well.

In total, Ford claims some 13,7% of worldwide passenger car sales and 15,5% of truck sales The dollar's slide against sterling and the D-mark further increased the importance of Ford's profits from non-US markets, and its international profits tripled in the July quarter.

However, with sales expected to remain under pressure in the longer term, costs and efficiencies have become critical to motor producers All international motor companies are moving further towards automation, with the Japanese setting the pace Like other Japanese firms, Mazda is investing in the US. It is building a \$450m plant at Flat Rock, Michigan, with annual production capacity of 240 000 Mazda 626 cars

By way of comparison, in 1985 the entire South African motor industry sold only 204 322 cars from about 10 plants. But the highly-mechanised Flat Rock plant will employ only 3 500 people, compared with about 35 000 employed in the South African motor industry last year

Mazda gained excellent experience at mechanised motor production at its four-year-old Hofu plant in Japan, which has a capacity of 300 000 units and employs only 1 800 people. When built, the Hofu plant was among the most automated in the world, with 150 robots; the Flat Rock plant will have more than 300

Despite intense media concentration on SA, each of the overseas companies we visited denied any intention of withdrawing from the country. Phil Benton, Ford's executive vice-president international automotive operations, said: "At present the business prospects and the responsibility we have towards our people there outweigh all other considerations, including the so-called hassle factor."

Lindsey Halstead, Ford's vice-president Latin American automotive operations who is also responsible for its South African interests, stressed Ford's commitment towards global markets, and noted that arguments against staying in SA could be applied to various countries in which Ford is represented

Obviously, however, any withdrawal would be a business decision, which may have to be constantly re-assessed Halstead also noted that, should a decision ever be taken to get out, a withdrawal could be implemented in many different ways The Japanese, too, emphasised the importance of SA to their global strategies, despite the relatively small size of the market here. As Mazda's Asano put it: "In all forms we export about 1m vehicles a year. As SA accounts for 3%-4% of that, it is an important market to us"

But can the merger produce a renaissance at Samcor? Like Ford's, Samcor's breakeven has been slashed. Shrunken volumes and the rand have caused Samcor's management to enact contingencies not envisaged in the merger plan. In some respects, the business is as lean as it can get.

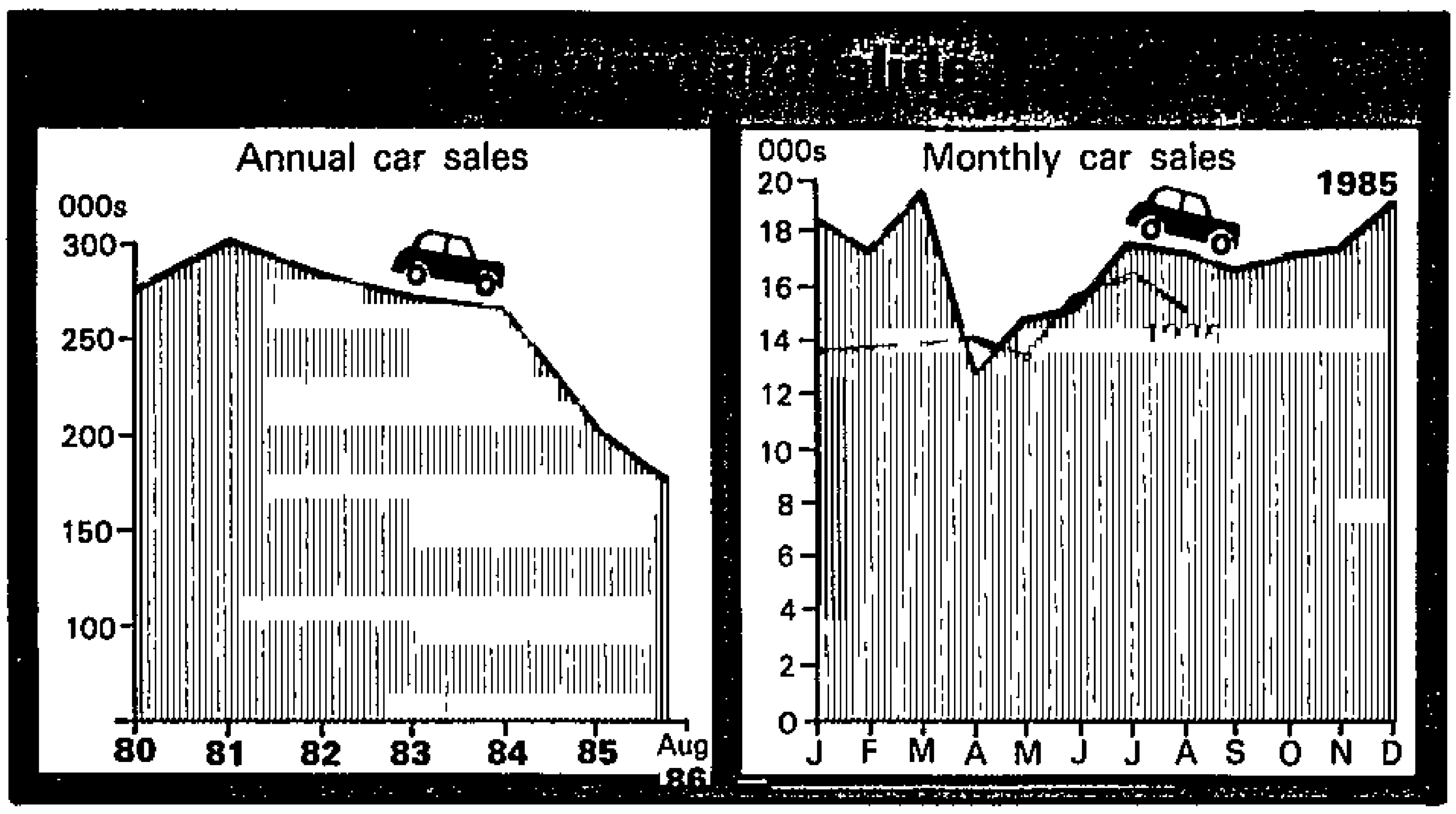
The total workforce has been slashed from 8 500 to a projected 3 900-odd by end-1986. "If the total market continues to deteriorate, we will do what we have to do to survive," says Sterling "But you can reach a point where the infrastructure of a motor company is down to the lowest possible in terms of resource utilisation. We will be at that level by the end of the year."

During the deterioration of both the markets and the rand, foreign motor companies — particularly those in Japan — are widely believed to have helped their South African representatives by providing leeway on component prices

This appeared to be confirmed overseas "Our prices are yen-based If we did not make some sacrifices, then all the risk would have to be carried by our partner That's not reasonable," says Mitsubishi's Sato "After discussions with Samcor we made significant price reductions"

Longer-term benefits could, however, come from arrangements to export components or even vehicles from Samcor's plant After closing three assembly plants, Samcor still has large excess capacity at its remaining assembly plant near Pretoria But the initial platform for exports is the engine and components plant at Port Elizabeth· "As we've already achieved export contracts for engines and components, and are negotiating for further substantial orders, that plant is ideally situated," says Sterling.

Government incentives and the low rand have suddenly made exports look attractive for the local motor industry. Depending on volumes achieved, says Sterling, these could have a considerable impact on Samcor's financial position



"The incentives are attractive and we're very competitive in world markets," he says "We've just broken through in a number of markets and the contracts under negotiation are major ones If we succeed with everything we are negotiating for, then in six to 12 months exports would be making a major contribution over and above everything we've planned or budgeted for"

Mitsubishi's Sato says "The unbelievable changes in our exchange rate have affected business profitability very significantly Our motor industry has reached a turning point, and Mitsubishi's executives have decided that we have got to find new ways of doing business So-called tripartite relationships will become more common For instance, we have already started exports from Australia to New Zealand" He adds· "The Japanese government prohibits investment in SA But thanks to Samcor's large capacity, it could be possible to export from SA to other countries We would have to arrange appropriate distribution channels first But the key factor is cost. We've had useful discussions with Samcor, and if the rand stabilises there is good potential for exports from SA"

That comment was made when the rand was below US40c Its recent recovery may have eased some of the pressure on motor manufacturers' import costs. But a stronger rand, and uncertainty as to where it will level out, could make exports harder to launch on a long-term basis Even so, industry sources noted, "if you can't export at a US50c rand then you should forget about it"

While a number of manufacturers have plans for more exports, the benefits will take time to come through Meanwhile, hopes for improved profitability must be pinned to cost controls and sales volumes.

Samcor has followed a strategy unusual among local motor firms in that it has two separate dealer networks; some of its products clearly compete with others in the Samcor range Sterling readily concedes that the Mazda 323 competes with the Ford Laser and the 626 competes with the Sierra. But that, he argues, is one of the reasons why Samcor hopes to succeed It has a wide product range, produced with a high degree of common components

Samcor has commissioned a R150m body assembly line which uses automation and robotics (the only one in SA) at its Pretoria plant, and hopes to use more robotics and automation later But further expansion will depend on volumes

"If we go into a period of sustained growth in industry volumes then we will be in a position to continuously upgrade and modernise," says Sterling

"If we are going to see a continuing reduction in market volumes we will have to remain in a survival mode"

It looks like being a long time before any significant funds are committed to expansion of capacity After its rationalisation, Samcor is running its Pretoria plant at 45%-50% available capacity

But if profits are indeed in sight on present sales volumes, and an acceptable market share can be held, that suggests potential for profitability to improve substantially if and when demand for vehicles eventually recovers to anywhere near former levels

3/10/86 (FIN MAIL) (232)

CADSWEP

Earnings sweetener

Cadbury Schweppes (Cadswep) has strengthened its earnings base with a R22,3m takeover which has also brought in Anglovaal Industries (AVI) as a new minority shareholder.

With effect from July, Cadswep is to acquire the Bromor foods division from Murray & Roberts (M & R). Payment is to be settled by the issue of 1 115 000 Cadswep ords at R20 at share. The price amounts to a 15,9% premium on the current market price of 1 725c a share In turn, the new shares are to be acquired by AVI, which will then hold

FINANCIAL MAIL OCTOBER 3 1986

engineering sector p:e of 11,4 and yield of 3,6%. The group has been through a rough period in which confidence was shaken, but a conservative management with the backing of Rembrandt look to have the capability of keeping it on the right track. The share seems to deserve a higher rating in view of its improved prospects. *Kerry Clarke*

SUNDAY TIMES, Business Times, October 5, 1986

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Sanlam bid for Plessey frustrated

By Udo Rypstra

PLESSEY, one of the UK's major telecommunications and electronics groups, has rejected an offer from Sanlam to purchase its SA operations.

Sanlam already has 26% of Plessey South Africa. Its offer failed because the British holding company is determined to stay in the lucrative SA telecommunications industry.

Sanlam, meanwhile, is determined to increase its involvement in this field, and has asked Plessey to watch out for further investment opportunities.

Determined

Plessey SA, which boasts a substantial local research, design and manufacturing capability, as well as a high-tech product range with more than 80% "genuine local content", would have been a big catch at the right price.

Confirming that negotiations took place, Dr John Temple, MD of Plessey SA, told Business Times that the parent company was determined to stay on in South Africa "just as it did during the civil strife in Rhodesia/Zimbabwe.

Dr Temple says that, as a result, Sanlam and Plessey SA have established a kind of partnership arrangement in terms of which Plessey SA has been contracted to manage another Sanlam-owned high-tech company, Servitek, which specialises in PABX, mobile radio and navigational equipment.

Dr Temple says this company was first placed under the wings of Group Five, but the responsibility was "understandably" transferred because of Plessey's superiority in the field of telecommunications.

"A number of possibilities for acquisition have presented themselves, but at this stage there is not much of great interest to us," says Dr Temple, who admits spending more time at Sanlam headquarters than at Plessey's factories in Retreat and Diep River, Cape.

Plessey SA is to launch a number of "world-first" high-technology products in the next few months.

These include an SA designed and manufactured tellurometer for measuring distances of more than 25km with millimetre-accuracy; a traffic-control system aimed at cutting stop-go petrol consumption by 20%; and new components in the field of telecommunications, one of which has been designed at a cost of hundreds of thousands of rands in conjunction with University of Cape Town microwave specialists. Some of these are being patented.

Multi-million-rand testing and production equipment at Plessey's two Cape Town factories — one specially catering for singular and mass produced circuit boards — demonstrates that Plessey has "considerable" computer manufacturing capability in South Africa. Some computer assembly organisations have been approached to make use of this local facility.

Overtraded

Plessey SA itself has no borrowings and is quite capable of expanding on its own. Only 30% of its undisclosed turnover is now vested in contracts with the Post Office and, with the PABX market now being overtraded, it simply has to look at other growth opportunities, says Dr Temple.

In this regard, Plessey is also looking at new opportunities in the mobile data terminal market, and intends to provide sophisticated equipment linking mobile clinics, ambulances, taxis and couriers with host computers located at their individual headquarters or branch offices.

Privatisation is the 'in thing', says Kuhn

STAR 9/10/92 232

Privatisation and deregulation were the "in thing" and in today's economy local authorities could no longer be all things to all people, Mr Christie Kuhn, president of the Afrikaanse Handelsinstituut, said yesterday

He told the 83rd congress of the Transvaal Municipal Association in Verwoerdburg that both private sector and local authorities could gain if they saw the step as a partnership

While privatisation would stimulate business in the long term, it was wrong to think it would supply overnight stimulation to sectors including the engineering, architecture or legal professions

Costs were not the only criterion

It had to be decided if privatisation placed unmanageable safety risks on the community, if it would create new monopolies and if it undermined government or community principles.

New legislation becomes law

LEGISLATION passed during Parliament's second session to temporarily deregulate certain economic activities has become law.

A series of *Governmment Gazettes* published yesterday report The Temporary Removal of Restrictions on Economic Activities Act and a number of other Acts were assented to by State President P W Botha on September 3.

The other Acts were the Motor Vehicle Accidents Act, the South African Certification Council Act, the Universities Amendment Act, the Certification Council for Technikon Education Act, the Technikons (National Education) Amendment Act, the Sheriffs Act, the Matrimonial Property Amendment Act, and the Small Claims Courts Amendment Act. — Sapa.

Proposals excite businessmen

Privatisation is high on PW's agenda

15/10/86 BUS DAY 232

PRESIDENT P W Botha has released details of his *Forward with Confidence* economic summit to be held next month.

Organised industry and commerce were excited by the inclusion of the long-awaited government White Paper on privatisation on the two-item agenda which also includes long-term economic strategy recommended by the Economic Advisory Council (EAC).

Personal invitations have been sent out to 200 business leaders from the various segments of the private sector. The aim, a statement released yesterday said, was "to given representation to all facets of employers, employees, big and small business sectors".

A spokesman for the President's office said a list of names of those invited will only be released nearer the time. It could not be established last night whether trade union leaders had been invited.

Concern has been expressed in some quarters that the summit could be wrecked should delegates be refused the opportunity to raise government's programme for political reform — notably missing from the agenda.

A source said. "There is no way of getting the economy going without a stable political environment."

The businessmen will gather at the presidential guest house in Brytirion,

LINDA ENSOR

Pretoria, on November 7, to discuss in depth:

- EAC proposals on a long term national economic strategy and government reaction.
- The White Paper on a strategy for privatisation with a view to giving it further practical implementation "against the background of recent and present economic developments". The participation of the State in the economy will also be discussed.

Federated Chamber of Industries (FCI) CE Dr Johan van Zyl, Assocom incoming president Harold Groom and Afrikaanse Handelsinstituut president Christie Kuun were enthusiastic about the release of the privatisation paper, which has been awaited by the private sector for nearly a year.

It is believed that embargoed copies of the paper and EAC's proposals will be available to delegates before the summit takes place

Van Zyl said "it would, at last, be revealed how important government regarded privatisation" and how and in what areas of State activity it would be implemented

The recommendations of the high-

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Privatisation high on agenda

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powered EAC sub-committee deal inter alia with the necessity for labour mobility, government's policy on "inward industrialisation", the need for equal economic opportunity, home ownership for blacks, longer term fiscal policy, broader financial policy and the need to redistribute wealth.

Van Zyl was also positive about the structure of the summit so that groups formed a substantial part of the proceedings in sharp contrast to the previous Good Hope and Carlton conferences.

Kuun felt the limitation of the agenda to two items was "practical and a good basis on which to start". He did not think politics or sanctions should be included though they would probably be raised.

Groom felt the whole aspect of social, political, and economic reform should have been included on the agenda.

Trust Bank MD Chris van Wyk called the summit agenda "stimulating and challenging", but questioned "to what extent it will be a challenging discussion or to what extent it will be a dissemination of information from the public sector to the private sector".

Van Wyk said he doubted whether such a large meeting could lead to practical implementation of solutions to the problems discussed. He said: "The problems of our society have become so complicated that solutions are not within reach of these open conferences. It's more a matter of judging whether the private and public sectors are on the same wavelengths on these issues."

Liberty Life releases prospectus

CAPE TIMES 16/10/86

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30m Libvest shares offered

JOHANNESBURG — Hard on the heels of its merger with the Prudential, the R11-billion Liberty Life group yesterday released the prospectus for a listing on the Johannesburg Stock Exchange (JSE) of 30m ordinary shares in Liberty Investors (Libvest), the core company in the Liberty stable.

The group is offering 12m shares on a preferential basis and 18m to the public, with the innovative precedent that if necessary as many as another 7m may be issued to the public — for instance if the offer is five or more times oversubscribed, so that all subscribers stand the best possible chance of receiving at least some shares.

Earnings yield forecast

Another precedent of the offer is that Liberty founder and chairman, Donald Gordon, is personally underwriting the entire offer, free of consideration, in terms of a new agreement with Libvest.

Assuming the shares are only half subscribed — almost unthinkable in view of Liberty's blue-chip status, the offer terms and current sentiment on the JSE — Gordon would need to cough up R30m personally (and from friends, family and family trusts) to take up shares not subscribed for

The shares are being offered at 200c each to yield earnings of a forecast 9,3c in the year to end-February next year and an estimated pro-forma dividend for the period March this year to end-February next of 7c, or 3,5% on the offer price

The actual maiden dividend envisaged is 2c, representing the final dividend for the year to end-February 1987.

The yields are thus finely pitched — a little above those in the Liberty group shares already listed but, with the possibility of the extra seven million shares, not designed to fuel speculation and thus undue stagging.

Nevertheless, the fact that investors are being given the opportunity to get into the group at a much lower price per share than they can at present, could work with the Liberty blue-chip status to produce a greater premium on the issue price than yields alone would normally determine

The offer opens this Friday, October 17, and closes on Friday November 7

Apart from the formal purposes of the offer as set out in the prospectus, it is clear from Gordon himself that another key objective is to relieve the group founder of the obligation to take up shares in DGI (the company which has until recently been used to give all employees at Liberty the chance of a stake in the group's operations and performance) which employees may wish to have sold

DGI shares were available at some R20 a share when first offered in 1980 but are now valued at about R120 each

Any shares in DGI which holders wish to sell in the future will first have to be offered to Libvest

Gordon said yesterday he did not expect a rush out of DGI but rather sales of 2% or 3% of the shares a year between 1988 and 1991-92

Net proceeds

Initially, the listing of Libvest will yield some R60m, or as much as R81m if the extra 7m shares are taken up and there are market profits to be made following the quotation

The net proceeds to Libvest will be used to take up investment opportunities in suitable sectors — mainly banking, insurance, the building society movement and other financial services

Current net asset value of Libvest shares is given as 223c a share, which will be diluted to 218c after the listing, still above the issue price

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Liberty offer

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A "major motivation" for the listing is described as the opportunity to "provide further incentive to senior executives of the Liberty Life group and to secure their long-term commitment to the group's development"

"It is anticipated that this will be achieved, inter alia, by way of opportunities for executives over a period to exchange their interests in DGI for listed equity in Libvest, upon which DGI should over the next decade become a wholly-owned subsidiary of Libvest"

Libvest's after-tax profits are shown as having risen from R4,6m in 1982 to R14,3m this year In the same period profits attributable to ordinary shareholders are shown to have risen from R3,5m to more than R11m

The Liberty Life group contributed some 79% of the profit before tax in the latest full financial year, and other investments some 21%

In 1981-85 Liberty Life's dividends on the ordinaries is shown to have risen from 144c to 300c a share In 1981-86 total assets were increased some five-fold from R1 841m to R8 415m

Total assets following the merger with the Prudential are above R11 billion

Gordon stresses that the proceeds of the listing will not be preferentially — if at all — directed towards Liberty's growing overseas empire

But it is clear from discussions with the Liberty chairman that the group has as a long-term objective plans for a significant role not only in the UK and Europe but also in Japan

Gordon "I see the distinct possibility of Japan developing into the capital market centre worldwide I am not sanguine about the future of the US in this regard.

"We have been exploring how we might participate in the Japanese strength, although it has not come to concrete developments yet" — Sapa

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ECONOMIC STRATEGY

What November 7 may hold

As the meeting between business and government on November 7 shapes up there is clearly a growing amount of scepticism among the 200 or so businessmen who will be taking part

No one wishes to be quoted ahead of this "mini conference" which promises to be something of a watershed in the relationship between business and government. So it has become a highly sensitive subject It could set the scene for renewed business confidence in the political economy or place in jeopardy future investment trends

Business needs to know how far down the line Pretoria plans to go both in terms of reform and redesign of our political structure and what this will mean for the business environment For example, businessmen have been hearing about deregulation and privatisation for so long, yet nothing has happened

And there is still remarkable confusion in government on the workings of the economy, which is probably why there is such dithering over economic strategy, and also why business has been increasingly criticised for "not getting things going."

Government seems to want to encourage the co-operation of businessmen on the formulation of economic policy but views political commentary as a matter of interference. Business takes the view that the two are inextricably linked.

From the remarks of some Cabinet ministers what appears not to be sufficiently understood in Pretoria is that an economy cannot be revived by decree. At the best of time, business confidence is a delicate phenomenon depending on a number of factors, among them political stability and adequate and sustainable real returns which, in turn, depend on a stable general level of prices

The free flow of information so that scarce resources are allocated efficiently by the forces of supply and demand is another important component of rising business expectations

Unfortunately, information flows remain restricted and fears that sanctions will encourage greater official intervention in the allocation of resources do little to ginger up business activity

The November 7 meeting is intended to provide a forum for business to discuss the State President's "blueprint" for the economy, drawn up by a sub-committee of the Economic Advisory Council

But what *should* they be talking about at this mini-conference? Will it be fruitful? And will government act speedily to restore consumer and business confidence, not only in the economy, but in its own ability to manage the economy, too?

Says an economist: "It would be pointless for government to come to the meeting and tell business it must invest more

"What must be discussed is the business climate. Government must explain how it's going to improve it sufficiently for business to prosper, and must create the impression that it will actually carry out what it says"

For the economy to grow there must be reasonable certainty and stability enough for businessmen to make long-term decisions, he says "Business must be reassured, not by long speeches, but by action with timetables"

Says an industry representative: "Government has become very critical of the business community, largely because of party political views expressed by some businessmen" Contacts with the African National Congress (ANC) are also a sore point

He says the sharper political statements from business leaders come at a time when external pressures on politicians have brought them to breaking point. Government is now saying. "Why don't you chaps get on with making money and leave us to run the country?"

But it is impossible to disengage politics and economics "Indeed, the previous attitude of government was to invite business community involvement in political issues Besides, it's not employer groups but business leaders in their individual capacities that have made strong politicised statements

"Unlike them, we don't follow party political lines, yet government has lumped us all together I believe the mini-conference will exclude political matters and be confined to economic strategy and policy

"I suspect some businessmen will be wary on this score and may sup with a longer spoon They won't want to come out of the meeting compromised"

As a leading businessman points out, the long-term picture is still bleak "When you still have a State of Emergency and unrest in the townships it's difficult to take any long-term view," he says "The key to the underlying lack of confidence is clearly the political problem Only when this is tackled will all things fall into place"

Indeed, politics has been a sticking point for many entrepreneurs For example, there was the August "austerity measures" in 1983 that were introduced to curb inflation and spending They were sudden and extremely disruptive In September 1984 Finance Minister Barend du Plessis said he planned to control government spending "vigorously" and "consult the private sector on strategies" Both objectives are in jeopardy

By March 1985 GST had hit 12% It was then announced that provincial councils would be scrapped This was followed in July by the State of Emergency and in August by the Rubicon speech, which further disappointed a business community looking for "meaningful social and political reform."

Low ebb

Then came the debt standstill on September 1 1985 Small wonder confidence reached such a low ebb To "get things going again" will take more than government injunctions to business.

Blaming businessmen for the situation is a nonsense One industrialist says governments the world over always look for scapegoats "We have a first-rate crisis on our hands, its roots are in apartheid I'm not too confident about the November 7 meeting. But I expect deregulation, privatisation and this thing 'inward industrialisation' will be on the agenda, which are good and constructive ideas Let's wait and see"

There comes a time when people realise they can't go on wringing their hands indefinitely, the economy seems to have adjusted to many of the shocks described earlier, which is why confidence generally seems to have improved considerably But this is only short term

This mood must be sustained and translated into a long-term view, an area still underpinned by political factors Government must use November 7 to put a long-term strategy in place so that certainty of the future and stability of the present at least can be counted on by those waiting in the wings to create jobs ■

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The statement on discontinued operations was prompted by SA's downturn in economic activity One aim is to clarify the accounting determination of the profit or loss, and encourage separate disclosure of results where appropriate

Compliance with AC 117 will show the impact of a distinct area of activity on overall trading operations It gives guidelines how and when expenses and income should be treated as extraordinary and not normal trading items

17/10/86 STAR

Produce markets 'must be privatised'

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Pretoria Bureau

South Africa's fresh produce markets should free themselves of the shackles of municipal bureaucracy and adopt certain principles of privatisation, delegates attending the National Fresh Marketing Conference heard in Pretoria yesterday.

Mr V J Rugani, chairman of the South African Agricultural Union's vegetable committee, told delegates that the key to the future success of the country's central national markets lay with producers and not municipal authorities.

Central national markets countrywide are owned and administered by municipalities. The activities of producers, buyers and agents who trade on the market are covered comprehensively by municipal by-laws.

Mr Rugani said he believed central national markets of the future would only take their rightful position as leaders in the industry if the whole concept of the ownership, control and management were completely overhauled.

"The ownership of central national markets should be vested in a central board consisting of a chairman, 51 percent farmers, representatives of the trade, the agents, the consumers and the municipalities.

"The central board would be directly in line with present Government privatisation policy with administration handled directly by the industry itself — a body independent of central government."

For the first time all central markets would have a common policy and a common controlling body without sacrificing each market's individuality.

America's Cup

Conner drops protest over Kiwi's hull

FREMANTLE — Dennis Conner and the Stars and Stripes syndicate will not protest against New Zealand's 12 m glass fibre boat in today's race in the America's Cup elimination series.

The Conner syndicate had issued letters and statements demanding core tests on the Kiwi boat to ensure its construction met the 12 m class rule.

It was believed the San Diego skipper would fly a protest flag

IT'S A

Year figure rising 10,37%, preliminary figures by the Reserve Bank show. Rock says the figures are pleasing but that "demand for credit is still..."

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Private sector set to take over hospitals

Health privatisation moves

PRIVATE hospital groups are ready to take over the running of state and provincial hospitals and turn them into money-making operations.

While government officials remain cautious on privatisation plans, the private sector say it is no longer a question of "if", but of "when" and "how". Some spokesmen believe the transfer will begin within two years.

National Health and Population Development Minister Willie van Niekerk said at the weekend that no specific hospital had to date been identified for privatisation.

Health Services Minister George Morrison set the ball rolling earlier this year when he announced government wanted certain health functions to be run on private enterprise lines.

Representative Association of Private Hospitals (RAPH) chairman Dick Williamson said the Department of Health had held several discussions with hospital

DAVID FURLONGER

companies on the issue.

He said private hospital groups would welcome taking over state and provincial hospitals, which had been a constant drain on public funds. He was confident they could be made profitable.

Williamson's Afrox group is one of the biggest private hospital investors, along with Rembrandt and the Clinic Holdings Group.

Clinic Holdings director Ian Bloch said his group was also interested in taking over state hospitals, but added he was still awaiting clarification rom government.

Details still to be worked out include whether private enterprise will take over all the functions of a hospital, or only certain ones.

Williamson was sure the private sector would prefer to take over the entire running of hospitals.

It is no surprise that private investors should want to take over established hospitals. When the cost of building a hospital is estimated at R120 000 a bed, there are obvious advantages in inheriting one with infrastructure.

It is unlikely, however, that the takeover would include major teaching hospitals. Private investors favour smaller provincial hospitals in the 300-to-350-bed range.

Representative Association of Medical Schemes (Rams) chairman Jan Fernhout agreed: "I would think smaller provincial hospitals could be sold to private initiative."

An alternative considered by government is that hospitals remain under present management, but be run on money-making lines.

One issue still to be resolved is that of people who cannot afford private hospital treatment.

Officials say those major hospitals the private sector does not take over will still exist to cater for the needy. Alternatives include a central health fund for those who cannot afford treatment, or the hospitals themselves claiming reduced fees from low-income patients.

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After Escom privatisation . . .

Societies covet state home loans schemes

20/10/86 BUS DAY

Business Day Reporters

BUILDING societies have set their targets on the housing portfolios of public corporations and government departments after Escom's plan to privatise its R268m housing loans.

Privatisation could be particularly enticing for corporations with large amounts of capital tied up in unproductive housing bonds — which are funded by revenue or loans, mainly on the capital market.

A building society source says: "Societies have for years been doing housing schemes for private companies and have the administrative skill to handle large portfolios."

It is understood that negotiations between Sats and one society were broken off about a year ago after Sats decided it could fund its employees' housing needs at lower cost.

Approached yesterday, a spokesman for Sats said the Wim de Villiers report, which deals with all aspects of privatisation recommended for Sats, is before the Minister.

He said he could therefore not comment on whether privatisation of home loans was on the cards.

Sats would make R350m available for housing loans this year, as opposed to the R400m made available last year, he said.

Iscor spokesman Piet du Plessis said home loans were granted to the corporation's employees through a housing company owned by Iscor.

At this stage, Iscor was not considering the privatisation of home-loan financing, he said.

□ The United Building Society received the lion's share of the Escom deal by acquiring 50% of the portfolio, followed by Barclays' 20%, the SA Perm's 20% and Saambou's 10%.

It is understood Escom did not want to be seen to be favouring any one institution, although the allocations would seem to suggest that the UBS ~~deal~~ was the most attractive.

Travel giants link interests

Post Correspondent

JOHANNESBURG — The merger between two travel giants, American Express and TFC travel — will leave both companies operating in the fields in which they have proved strength

American Express, in terms of the merger which involved a share swop between the two companies, will take over the running of the five retail outlets operated by TFC travel — the retail arm of TFC tours — one of which is situated in Port Elizabeth.

The other four are in Johannesburg, Sandton, Cape Town, and Durban

TFC, conversely, takes over the wholesale travel operations of American Express which adds to its own extensive operations in this field

This is the arm which supplies so-called "wholesale travel" in the form of tours and package tours

(232) 20/10/86 Eve Post

Malbak's Haddons deal

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BUS DAY 21/10/86

BRIAN ZLOTNICK

INDUSTRIAL conglomerate Malbak has acquired control of Haddons from Gencor in a R14,1m paper deal — a move widely expected to bring certain Gencor industrial interests under the Malbak umbrella.

At the same time Haddons, a leading supplier of paper and printing machinery, acquires 100% of Photra from Malbak for R16,1m, to be settled by issuing 1,728-million Haddon shares. Photra serves the printing industry.

Gencor, which had 59,3% of Haddons, has exchanged 54,7% of Haddons' equity for 2,68-million Malbak shares.

Malbak CE Grant Thomas, who is soon to head Gencor's industrial interests and oversee the rationalisation of these interests with Malbak, said he expects the long-term benefits of the marriage between Photra and Haddons to be beneficial to both Haddons and Malbak.

"By putting the two together we have created a company that is going to be a real force in the supply of paper and machinery as well as film, plates and pre-press equipment to the printing industry."

Management changes continue to move ahead within the Gencor group,

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Haddons under Malbak umbrella

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with Photra director Toekie Rudiazsky to become chairman of Haddons.

The acquisition has strengthened Haddons' balance sheet by reducing gearing to 53,3% from 84,4% But initially net worth declines from 1 181c to 1 105c and earnings would have declined from 158c to 147c in the year to June 1986

Directors expect the deal to have no immediate material impact on Malbak's net worth or earnings

A disturbing feature of the deal is that for the first leg of the transaction, whereby control of Haddons passes to Malbak from Gencor, the Haddons shares are valued at 870c each.

However, in terms of the second leg, a value of 950c is placed on each Haddons share.

Liquidation order against book shop

By CHRIS RENNIE

PORT ELIZABETH book shop Basil Fogarty (Pty) Ltd was placed under provisional liquidation by the Supreme Court today

The return date for the order is November 18.

The application was brought by Mr Edward Basil Smuts Fogarty, managing director and majority shareholder in the company

He said the company owed him R3 751. It had shown little profit over the past five years

The company was adversely affected over the last two years by "the startling increase" in the cost of imported books and the adverse currency rate.

Costs had trebled and publishers had reduced terms of payment from 90 days to 30 days.

As a result, the company was in an illiquid and insolvent situation

He said it would require a cash injection of R120 000 to continue trading

According to the balance sheet, the company had assets of R100 000 and liabilities of R162 890

Mr Justice Jennett was on the Bench. Mr R van Rooyen (instructed by Rushmere, Noach and Partners) appeared for Mr Fogarty

Eve Post 21/10/86 (232)

FINMAIL 24/10/86 (232) (88) (89)

STATE HOUSING LOANS

Sats set to privatise?

After Escom, Sats could be the next public corporation to privatise its employee home loan scheme. Theoretically, such a move could inject about R1,9 billion worth of capital back into the organisation, which reported a R367,2m deficit for its year-end to March 31.

It is understood that Dr Wim de Villiers' one-man commission — whose brief has been extended to include the privatisation of Sats — has recommended that the service shed the internal financing of its home loan schemes. The report is still under wraps, but has been circulated secretly to Sats staff organisations and organised commerce and industry for comment.

Clearly, however, private sector financiers cannot shoulder the load immediately, even though they are generally flush with funds Any move to place more public home-financing business with them would thus have to be phased in while additional deposits were sought.

The Escom move involves some R268m alone and if Iscor, for example, followed the lead, it would be looking for a further R216m (the figure quoted in its latest annual report) from private sector sources.

Barclays senior GM Jimmy McKenzie, whose bank participated in the privatisation of Escom's home loan scheme, reckons there is no way Barclays could handle the Sats business alone The likelihood is that it would have to be spread among a variety of financial institutions.

UBS MD Piet Badenhorst, however, is more optimistic He believes that the takeover of Sats' home loan schemes would present no problem to his society. If market-related rates were paid, he says he would have no problem in raising money to fund the loans in the market.

One of Sats' problems is that it has home loan departments in each of its 10 regions as well as at head office. Its March-end accounts show its internal mortgage loan commitment at R1,85 billion — up from R1,6 billion the year before.

Those figures represent amounts out on loan and not the market value of the properties, which would tend to be higher and thus carry good leverage in the private markets.

In its last financial year, Sats lent about R95m in 100% home loans for whites. Since the scheme started in 1937, more than 41 000 homes have been acquired for staff

Other 100% loans granted last year alone were to coloureds (R14m), Indians (R2,2m) and blacks (R17m).

Sats also runs a home ownership scheme with backing from its pension fund. This scheme has handled loans on more than 30 000 properties since 1975 and has paid out about R1,3 billion

Sats staff organisations, however, may well veto the privatisation plan in an effort to preserve jobs around the country The *FM* understands that at least one building society which recently approached Sats management to take over the administration of its housing loan schemes, was turned down

One reason given was that Sats believed it could administer the schemes more cheaply than societies. But, as one building society source points out, there are always hidden costs in self-administered schemes which tend to distort the picture and make costs appear lower than they really are

With building societies and banks becoming more aggressive in the market place (*Property* October 17), they also look set to approach major companies in future which handle their own in-house loan schemes in the belief that they, the societies, have the

UBS's Badenhorst... easy to fund

infrastructure to administer funds more efficiently

Subsidies could continue, they point out, but these would be paid directly to societies — a system which many State departments and private companies now employ Subsidies are paid monthly by government with one cheque, which greatly reduces administrative costs

This, in essence, is what is happening with the Escom deal which allows the building societies and participating banks to quote a lower interest rate.

However, neither Badenhorst nor McKenzie will say at what rate their deal with Escom has been struck. Badenhorst does admit that it is below market rates because of reduced administration overheads resulting from Escom's one-cheque subsidy payment

McKenzie hopes the Escom deal will generate additional business for Barclays He tells the *FM* that although all the Escom business will initially be dealt with through one branch (Braamfontein), the bank hopes to spread it around to other branches, hopefully gaining additional banking business in the process ■

MARITZBURG

Future perfect

Sleepy hollow is an epithet Maritzburg does *not* like And, reinforcing its claim to be as go-ahead as anyone, it has now joined a select group of major world cities like San Francisco, Tokyo and Glasgow in producing a strategic plan to guide future growth

The strategic plan in the city sense is completely different to the physical guide plans which most cities adopt to lay down long-term development parameters

Rather, the strategic plan seeks to pinpoint short-term objectives — in Maritzburg's case to the year 2000 — and devises an action plan for their achievement. Internationally, only about half a dozen cities have such a plan. Some Maritzburg ratepayers are, however, inevitably asking what tangible benefits will emerge to justify the R1 m they have been called on to provide Has the council, they are asking, merely fallen for the "if it's new, it must be good" line?

City Engineer Graham Atkinson puts it in perspective by pointing out that, with an annual capital budget of some R230m and no real forward planning, any plan which would help to effectively utilise the city's limited resources would be beneficial — especially for ratepayers

The council, he admits, took some convincing initially But the persuasive argument — that the city was in danger of moving rudderlessly into the future and that the actual cost of the plan as a proportion of total expenditure was negligible — tipped the scales in his favour

The council was no doubt swayed by the success Maritzburg has notched up since it established its own industrial promotions department (see box) Says Atkins. "The city has seen the value in getting off its tail and doing something, rather than sitting back and waiting for customers."

So far Maritzburg has defined the areas it

HOME LOAN FUNDING

Timing the action

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FIN MAIL 24/10/86

If other large public and private sector organisations are to follow the example of Escom and turn over their home loan financing to the building societies, and maybe other financial institutions, now is a singularly appropriate time to do so

Right now building societies are highly liquid. The business of funding home loans is a cycle of feast and famine. In boom periods, borrowers queue for months for financing, while bad times bring a steep drop in demand for money. So the current protracted recession has created a climate in which building societies battle to place their funds profitably

It is difficult to estimate accurately how much excess liquidity there is in the movement But building society sources guess that it is in the region of R400m

Certainly, the R268m Escom portfolio will be easily absorbed by the three societies concerned the United Building Society (UBS), the Perm and Saambou (as well as by the fourth beneficiary, Barclays Bank) The UBS, which has acquired 50%, has R333,5m in general reserves and retained income which gives it a ratio of reserves to liabilities of 4,25%. This is 0,25% more than the minimum required under the new legislation.

If large chunks of home loans previously funded by government, statutory bodies, public utility corporations and large private companies are taken over by the building societies, there will be a (temporary) drop in their reserve ratios. (An increase in assets has to be funded by an increase in liabilities, which consequently reduces the reserve ratio.)

Of course, building societies which haven't already established their ratios have 10 years to do so. But they require a plan of action which proves they are on course — so they have flexibility, but not total freedom, when it comes to taking in new business

This means that those organisations which are not ready to make the break with their traditional home loans policies should not delay too long

How much potential business is there? Many employee loan schemes (for instance those provided by the SABC, SABS, CSIR and Sasol) are already funded through building societies, while others are partially funded through them But Posts and Telecommunications (P & T), for instance, has an existing loan portfolio of R133m, while Sats has R1,9 billion outstanding, according to officials in those organisations And apart from other government and semi-government organisations, large private companies are known to have laid out vast sums on employee home loan schemes.

The privatisation of home loans by State bodies needs to be carefully evaluated by the building society movement. One thing is clear: urgent decisions need to be made.

The possible impact of these on building societies, should they be asked to absorb them at some future date, has to be seen against the background of the value of business currently handled by SA's building societies

The movement grants about R300m in loans a month and, by the end of July this year, had granted R2 billion. The total amount outstanding on mortgages at that point was R20,5 billion, with another R1,6 billion granted but not yet paid out.

Against this backdrop — substantial as it is — an inflow of business worth more than R2 billion from Sats and P & T would amount to an increase of 9% Even today, building societies would not fall over themselves to take on funding of this magnitude It is well above excess liquidity and would probably have to be absorbed over a 12- to 18-month period to give societies the chance to gather the funds in the market

Even Escom's R268m portfolio won't be taken over completely by the institutions concerned in under 18 months Raising a much larger sum could seriously destabilise interest rates, unless it were done over a period of time Escom's housing loans have been funded substantially from the long-term capital market, whereas building societies seek their funding from the retail market, which is subject to greater swings of liquidity because of greater sensitivity to interest rate movements

Another dimension of home loan privatisation is the impact on the organisations which hand over their schemes Sats's R1,9 billion home loan portfolio, for instance, dwarfs its deficit of R367m for the 1985-1986 financial year There must be many companies which would welcome an inflow of funds to wipe out debt and relieve them of mounting interest costs And those organisations comfortably in the black would also benefit After all, people who are running their businesses properly should be able to generate a better return than they get on home loans

The full implications of any future relocation of home loan funding is not completely clear, because the value of loan portfolios at present outside the financial institutions is not on record. At best one can hazard a guess; one such (from outside the building society industry) is that building societies and banks together have less than 50% of the market Even if this proves an overestimate, there must be a large pool of employer loan funding which in the long term could productively be channelled in the direction of building societies

That raises two questions One is whether it is desirable to increase the already unusually powerful role the societies have within the financial structure of the country The other is whether this sudden influx of conveniently packaged — and thus desirable — business to the societies will limit their ability to grant bonds to those who do not work for large companies

In this situation market related interest rates — both retail and mortgage rates — are essential if resources are not going to be misdirected Secondly, the greater securitisation of mortgage bonds should be encouraged to widen the market by attracting investors who have not traditionally opted for this sort of investment

In fact, privatisation of corporate housing schemes without securitisation could turn out to be folly ■

Govt 'retards' job creation

CITIZEN 23/2

GERALD REILLY

25/10/90.

THE effort to create more jobs was being seriously retarded by the creeping pace of government's deregulation and privatisation programme, economists said at the weekend.

They agreed with Manpower Minister Pietie du Plessis that the country's big employers and government could no longer provide the jobs demanded by a fast growing black population.

Du Plessis said last week the country would have to depend on deregulation and privatisation as a contributory solution to the critical shortage of jobs.

Economists pointed out that up to 300 000 new workers landed on the labour market every year.

The chances of even 10% of them finding work were slim against a background of unemployment which many authorities put as high as 2-million.

They praised the efforts being made to create work by the Manpower Department.

Ovenstone takes bite into seafood

BUS DAY (232) 27/10/86

LIZ ROUSE

THE Ovenstone Group has announced an R11m seafood acquisition, a proposed rights issue and major restructuring of the group.

In addition, the planned sale of the group's property and construction interests — involving management buy-outs — has reached an advanced stage.

The final result will be the total absorption of Ovenstone Group (Ovgroup) by Ovenstone Investments Ltd (Oil).

Oil will acquire Southern Sea Fishing Enterprises (Ssfe) for about R11m, the purchase being financed initially by a loan, pending a rights offer by Oil.

SSFE has a large Dutch shareholding, so the deal is a disinvesment.

SSFE expands Oil's fishing interests, having a bigger anchovy quota than Ovenstone, as well as having rock lobster and pilchard quotas. SSFE has a 20% interest in Sea Harvest, one of the large trawling groups, which is controlled by Imperial Cold Storage.

It markets Redro fish paste, Peck's Anchovette, Iona brand names and distributes King Solomon smoked salmon.

The acquisition makes sense. Premier Group, which has effective control of the Ovenstone group, has a 10% interest in SSFE.

The deal will have a minimal effect on OIL's earnings in the current year ending March 1987.

Management in certain of the Ovgroup property and construction companies will take part financially in the sale transaction, according to Rand Merchant Bank.

Ovenstone therefore reverts to its original status as a fishing company.

Shareholders are advised to continue exercising caution in dealing in the shares. Neither Oil nor Ovgroup shares have provided much joy for investors.

Ovgroup shares were trading at 40c last week, while Oil shares were at 50c.

Argus 27/10/86

180 232

COMPANIES

Ovenstone pays R11-million for seafood company

By TOM HOOD
Finance Staff

OVENSTONE group is set to revert to its original business as a Cape fishing company but on a bigger scale

It is paying R11-million to take over an important seafood company, Southern Sea Fishing Enterprises (SSFE), to be financed by a loan until cash is raised from a rights issue of shares, and shedding its large construction and property interests

SSFE will increase Ovenstone's fishing interests sharply, possessing a bigger anchovy quota and having rock lobster and pilchard quotas

20 PERCENT STAKE

Another 10 percent of SSFE is owned by Premier group, which effectively controls Ovenstone

The takeover will give Ovenstone a 20 percent stake in one of the largest trawler groups, Sea Harvest, which is controlled by Imperial Cold Storage

The takeover is believed to involve a disinvestment by large Dutch shareholders

SSFE processes and markets fish and meat paste under the Redro, Peck's Anchovette and Iona brands and distributes King Solomon smoked salmon

The acquisition will have a minimal effect on earnings in the year ending March 31, says the company

Ultimately, Ovenstone Investments (OII) will buy out the minority shareholders of Ovenstone Group (Ovgroup) so that Ovgroup becomes wholly owned by OII

Ovenstone also announced today it will sell off its property and construction companies through management buy-outs — a move that will turn it into a slimmed-down group

These interests include Ovcon, which handles multi-million construction projects and Bellandia, one of the largest home builders in the Cape, and developers Ovland and Ovdeco Properties

All the transactions are subject to the approval of the JSE and of shareholders, who are advised to exercise caution in their share dealings

In its last financial year, Ovgroup's turnover fell by R43-million to R161-million Fishing contributed R15-million, up by R3,5-million, and earned 31 percent (R4,5-million) of group profits

Turnover from property, home building and construction dropped sharply by R26-million to R108-million but this group provided 50 percent (R10,5-million) of profits

DIVIDENDS CUT

Manufacturing and trading, mainly the former Diroyal companies, also had a big drop in turnover, down by R21-million to R37-million, and earnings dipped to R2,8-million from R3,5-million

Ovenstone was forced to cut its dividends last year after profits plunged to R4,5-million from R6,2-million after tax

The current year, warned the chairman, Mr Andrew Ovenstone in his annual report, would be a difficult one for the group with all its diversified local businesses being affected by tight economic conditions and its international fishing business suffering from dramatically lower fishmeal prices

INVESTMENT

ARGUS 28/10/86 (232)

Board pays R14-million in John Orr takeover

By TOM HOOD

THE Board of Executors has raised some eyebrows by taking control of the John Orr group of chain stores in a R14-million deal But it insists it is not going into the retail business

The Board said today it bought 50 percent of the issued share capital of John Orr Holdings (JOH) from the previous major shareholders at 555c, including the interim dividend

It will disclose its plans for the future development of the company when it makes an offer to minority shareholders

JOH is the holding company of the John Orr department stores in Natal and Johannesburg, the Hub budget stores and Foot Flair shoe stores and the national chain of more than 100 Milady's fashion stores

Commenting on the deal, the Board's managing director, Mr Bill Mcadam, said it should not be regarded as a move into the retail business

"The Board will remain firmly focussed on financial services, but it will retain a strategic stake in the John Orr company.

"Following the launch last year of Oceana Development Trust — South Africa's first international investment trust — the investment in John Orr is further evidence of the innovation and expertise now available from the Board and its new senior management team"

After-tax profits of JOH for the six months ended 31 August were 97 percent up on the previous year and signs are the trend will continue, says the group

Current intention is to retain the retail operations and the Board says it has already entered into arrangements with certain individuals who have acknowledged expertise in the retail field.

John Orr also has a substantial interest in the Umdoni and Tamboti property trusts

At current prices, the value of these units is some R21-million or R4 a JOH share

Should this value be realised and distributed to shareholders, the Board would effectively have paid 145c a JOH share (the purchase price of 555c, less the 10c interim dividend and the 400c attributable to the property trusts).

31/10/86
FIN MAIL

SAAMBOU 232

Joining the lists

Saambou this week broke its silence MD Hendrik Sloet announced that "the board is to recommend that the society be converted into a public company "

If this is accepted, Saambou will join the United Building Society (UBS), Allied and Natal Building Society in seeking a listing on the JSE

"An official decision was made only last Thursday," says Sloet. "But it has always been my opinion that the board would decide on this course "

A minimum of 75m R1 shares will be issued

People have until 4 pm on October 30 to become eligible for preferential rights — available to "existing shareholders" — to new shares

Like UBS, Saambou will make this opportunity available only to those who hold at least R1 000 shares Lesser shareholders will benefit indirectly as their holdings will be grouped and sold by tender and they will get the profits

According to Sloet, members who qualify for the offer will be able to convert 10% of their holdings to equity.

Before the announcement on Monday, Saambou's shares — valued at approximately R750m — were held by about 90 000 investors.

The three days' grace between the announcement and the deadline should add considerably to both figures

Information on this score will be available by next week

Saambou is the smallest of the five major societies, with assets at its March year-end of R1,9 billion After-tax profits in the latest financial year were R11,1m, up 15,5% on 1985 Its ratio of general reserves and retained income to aggregate liabilities was then only 2,8%, below the required 4% When it converts, the share capital may enable it to meet the requirement

But this is not essential Says Deputy Registrar of Financial Institutions Piet Badenhorst· "Societies who can't comply will be allowed a phasing-in period," the exact length of which has not been decided. ■

'Deregulation must be tackled with discipline'

Business community stifled, says Jacobsz

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DAVID FURLONGER

DEREGULATION of the economy must proceed "systematically", says the chairman of the President's Council Committee for Economic Affairs Francois Jacobsz

He said yesterday that government must approach the problem in a systematic and organised way

"Without such a system, deregulation stands in danger of resorting to *ad hoc* investigations to resolve crisis situations and, as such, loses the impact of the discipline and overall strategy designed to reduce the compliance costs or correct regulation in general"

Addressing the final day of the Building Industries Federation (Bifsa) congress in Pretoria, Jacobsz said the business community — particularly small business — was stifled by a mass of unnecessary restrictions

"But the right balance must be sought between liberty and licence," he said

"Effective deregulation requires that all regulations which have an impact on business must be identified and systematically reviewed in accordance with a predetermined time-scale to establish both their desirability and the costs of compliance."

Jacobsz said deregulation was taking place in two stages. The first was through immediate repeal or amendment of legislative measures, the second required creation and implementation of a new set of rules and framework.

He described as discriminatory and restrictive the large number of business obstacles which applied only to black, coloured and Asian businessmen, and said his committee had recommended all such legislative obstacles be abolished.

Parliament had since repealed or amended some of these measures.

He appealed to the private sector to identify areas where overregulation continued to stifle activity, and to make proposals on how to change the system.

"Private-sector input must be obtained to identify burdensome regulations and to respond to government reviews of existing regulations," he said.

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Frame empire regroups

JOHANNESBURG — Justin Schaffer, the recently appointed managing director of the Frame empire, has moved quickly to clean up the group's cumbersome financial structure.

In terms of the re-organisation proposals, Consolidated Textile Mills and SA Woollen Mills are to become wholly-owned subsidiaries of Natal Canvas Rubber Manufacturers.

Natcanvas is to issue its own paper to acquire those shares it does not already own.

Natal Consolidated Industrial Investments (NCI), in turn, is to swap all its investments other than its stake in Natcanvas for new Natcanvas shares

NCI will then become the ultimate holding company of the entire group — DDC

DD 21/1/86

Car radio

More firms in S Africa going bang

PRETORIA — The number of liquidations for the three months up to August this year showed a 14,7 per cent increase compared with the previous three months and an increase of 3,2 per cent compared with the corresponding period last year, according to figures released here yesterday by Central Statistical Services

The 14,7 per cent increase was due mainly to a relatively high figure for June this year

The number of insolvencies for the last three months up to August this year also showed an increase of 8,7 per cent compared with the previous three months and an increase of 29,1 per cent compared to the corresponding period of 1985. — Sapa

232 DD

4/11/86

Boumat on the expansion trail

4/11/96

LIZ ROUSE

BOUMAT, a leading plumbing materials merchanting group, has reached agreement in principle on two acquisitions.

The first proposed deal is the acquisition of a majority holding in Germiston Tools & Paint, a large supplier of builders' hardware, architectural ironmongery and related products. The second deal is the acquisition of stock, fixed assets and trading title of CMC Marketing, a wholesale supplier of hardware.

Total shareholders' funds of R37m

Ovbel expects to see R3m profits

CAPE TIMES 5/12/86

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By AUDREY D'ANGELO
Deputy Financial Editor

A NEW company — Ovbel Holdings — formed to take over the building and property interests of the Cape Town-based Ovenstone group (Ovgroup), has total shareholders' funds of more than R37m and is expected to make an after-tax profit of R3m in its first year of operation

This was disclosed in a statement issued by the Board of Executors last night.

The statement also disclosed that the company had been formed after a private placing by the Board to raise R12m.

Apply for listing

The chairman of Ovgroup, Andrew Ovenstone, is chairman of Ovbel Other directors will be A U Barnetson, J R S Clark, J W S Kaminski, J R Millar, N M Ovenstone and B M Sender

The directors hold 25% of the 16m preferred ordinary shares and 30,8% of the 13m ordinary shares

Andrew Ovenstone said it was intended to apply for a listing on the Johannesburg Stock Exchange but "not immediately"

He said the MDs of companies in the group would retain their positions

There has been keen interest in the future of major companies in the group since an announcement in October that Ovgroup planned to sell off its property and construction interests in a partial management buy-out and concentrate on the fishing industry

Chairman Andrew Ovenstone said at the time that it had been decided that fishing, construction and property did not go well together

It had been decided that Ovgroup should focus its interests on fishing, since it had started out as a fishing company

Last weekend the Rand Merchant Bank announced that Ovgroup would sell the property and construction interests for R23m, provided shareholders agreed

The statement issued by the Board of Executors last night said "The Ovbel group has total assets of more than R85m, total shareholders' funds of more than R37m and is expected to make profits, after taxation, of approximately R3m in its first full year of operation, which will end in March, 1988

Development field

"The Ovbel group comprises Ovland, which operates in the property development field, Ovcon Holdings, a civil engineering and construction company operating throughout SA, Bellandia Homes, which is involved in housing and the building of low rise structures, and Sun Trail Resorts and Ovdeco Properties, which syndicate resort developments in SA

"The Ovbel group's management have worked together for 10 to 15 years and have a thorough knowledge of each of the industry sectors in which they operate"

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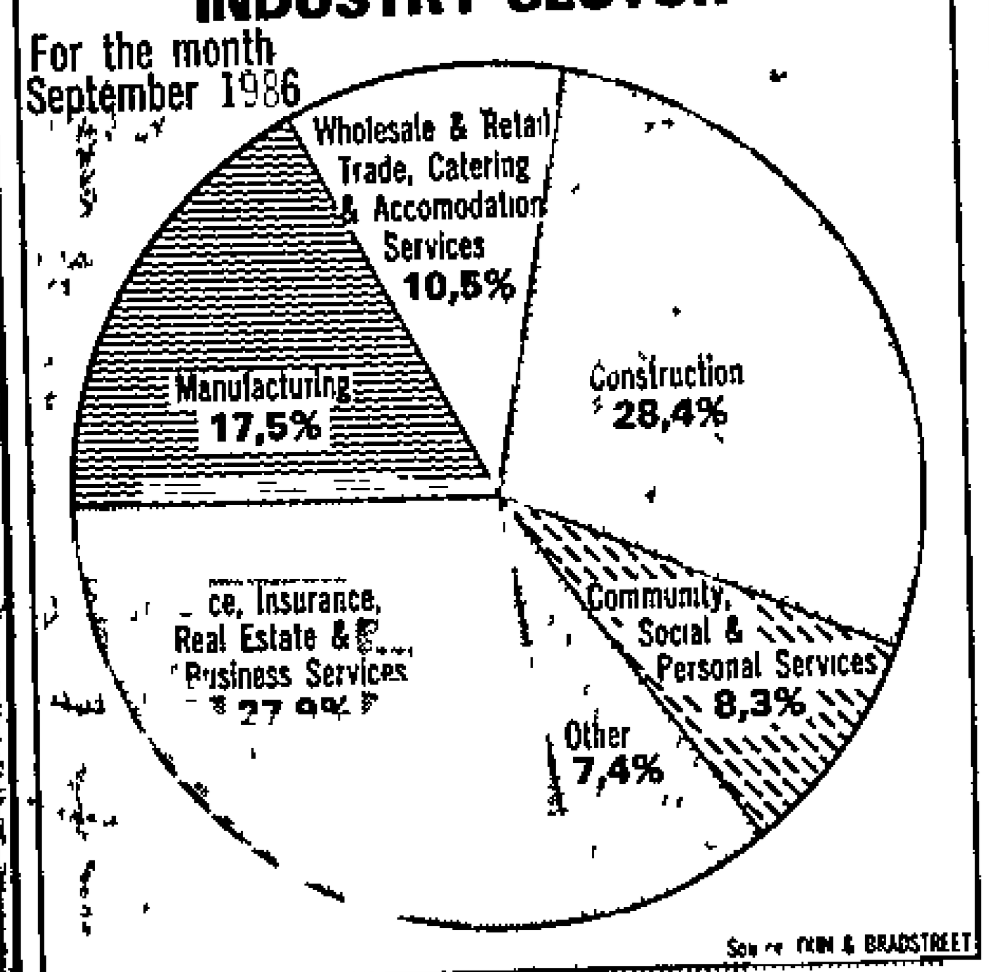
BUS DAY

LIQUIDATIONS BY INDUSTRY SECTOR



VCR picture fading

Industrial Staff

SALES of video cassette recorders have shrunk by at least 25% compared with 1985 and by 60% compared with 1984.

Next year is expected to be no better, with a projected fall in sales of 5 000 units.

A report compiled by National Panasonic shows blacks are not taking up the slack.

In 1984, 240 000 VCRs were sold in SA, and 120 000 last year. Sales of 80 000 are expected by the end of this year.

Saturation levels (VCR household ownership) for end-1986 are. whites 45%, Asians 42%, coloureds 8% and urban blacks 3%

Upturn too late for some

5/11/86
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BUS DAY

MICK COLLINS

LIQUIDATIONS are continuing at a high rate even though there are definite signs of the long-awaited upturn in the economy.

A spokesman for Dun & Bradstreet (D & B) said manufacturing, construction and financial services continued to bear the brunt of the tail-end of the recession.

September's liquidations numbered 229 — slightly up on August's 205 but below the 1985 average of 255.

D & B marketing director Paul Edwards said the pace of the upturn was not yet sufficient to save many marginal companies in the affected sectors.

He said liquidations in the wholesale and retail sectors seemed to be decreasing, presumably because of the impact of consumer spending These had fallen from July's 78 to 24 in September.

Failures in the manufacturing sector increased over the past few months from 29 in August to 40 in September.

He said this was possibly because cash-strapped companies could not survive until the cash-flows from the increased level of orders were received.

The construction industry had been badly hit and continued to experience a high level of failures, accounting for 28% of September's liquidations. And the financial services sector — real estate, insurance, finance and business services — accounted for almost 28% of failures.

In spite of the recession . . .

Cape Times 5/11/86

Waltons lifts earnings 71,8%

By AUDREY D'ANGELO
Assistant Financial Editor

WALTONS, SA's largest commercial stationers, lifted earnings for the six months to August by an impressive 71,8% to 33c (19,2c) a share and the interim dividend by 35,7% to 9,5c (7c) a share, conservatively covered 3,4 times.

And, unlike other encouraging results reported in the past few days, these were not achieved from a low base.

In spite of the recession Waltons has increased profits consistently in the eight years since it was listed.

Acquisitions' earnings

Turnover for the six months rose to R89,8m (R61,7m), operating income before net interest and taxation to R12,1m (R6,1m) and net income to R5,1m (R2,5m). Attributable income rose to R4m (R2,3m) and the tax bill to R5,8m (R2,4m)

MD Frank Robarts pointed out in an interview that turnover had grown steadily from R11m in 1978/79 to R144,3m in the year to February

"Our profits in the past six months exceeded our turnover for our first whole year as a listed company"

Apart from inflation, the earnings of acquisitions have contributed greatly to this growth.

"We buy companies which have not been doing very well and use our management expertise to turn them round," Robarts said

Waltons spent R15m on acquisitions in the past six months. The latest, Gala, was bought for R7,5m in cash too recently for its figures to appear in the interim results

Robarts and chairman J M Parrington say in the interim report that the increased profits were due to improved performances by all companies

The existing Waltons operation contributed about 25% to the rise in earnings Another 25% came from subsidiary and associated companies and the remaining 21% from companies acquired in the current year

The only sad note is that Waltons is now considering disposing of its two Australian outlets through a management buy-out because the political situation has caused difficulties.

The interim report says "to date these operations have made no contribution to group profits and if necessary could be discontinued at an insignificant cost"

Robarts said "The Australian venture cannot grow because people do not like the SA connection"

Frank Robarts

There were difficulties in getting containers unloaded and with financing the venture from SA

The interim report forecasts that earnings for the whole year will be about 40% higher than in 1986

It explains that "as a result of the additional profits now arising from companies who, for the first time, form part of our group, a more balanced spread of earnings will in future occur between the first and second six month periods"

● The holding company, Walhold, lifted earnings to 64,9c (37,8c) a share and the dividend to 19c (14c)

UNIDEV/RETCO

New investment vehicle

In a bull market, deals often seem to get more complicated as the market rises The proposed reshuffle between Retco, its pyramid Propgroup and Unidev needs the diagram to explain it Essentially, Unidev has been sold by Unisec It will be owned by a consortium consisting of Geoff Grylls, Steve Phelps and Propgroup/Retco

Unidev will acquire an unlisted company called Venture Capital and its subsidiaries, Venture will also own Retco subsidiary Retco Property Trading (RPT) So Unidev will be moving into investment banking and financial services and intends, says future MD Grylls, to sell the Unidev properties, as well as those of RPT

Running Unidev will be an executive committee consisting of the new consortium, the subsidiary company MDs and Propgroup CE Benny Rabinowitz Assets will be the properties of Unidev, valued at R4,5m, Unidev's R3,8m cash, R8m debtors in RPT, R6m in properties for trading in RPT, plus assets of the subsidiaries, a total of about R22m Net worth is close to 40c/share from the historical 31c on the enlarged share capital

Quaestor IV MD Reg Riley says the intention is to fill a niche between the financial and managerial services offered by the Small Business Development Corp and merchant banks Grylls says his companies have consulted to companies which are listed on the JSE (including Waltons and MAS Hold), and he would be able to invest and provide financial assistance through Venture Capital, in the manner of New Bernica.

Rabinowitz says Retco is to be a fixed asset-holding company, owning only Poyntons building in Pretoria and Salmon Grove in Durban Clearly, Rabinowitz won't sit still with a lowly-geared company, but he says the first priority will be to digest the Unidev deal He will be in charge of property sales

In payment for Retco's sales of RPT, Retco minority shareholders will receive Propgroup shares, probably in a ratio of one Propgroup for 10 Retco Propgroup will

Propgroup's Rabinowitz ... not purely a pyramid

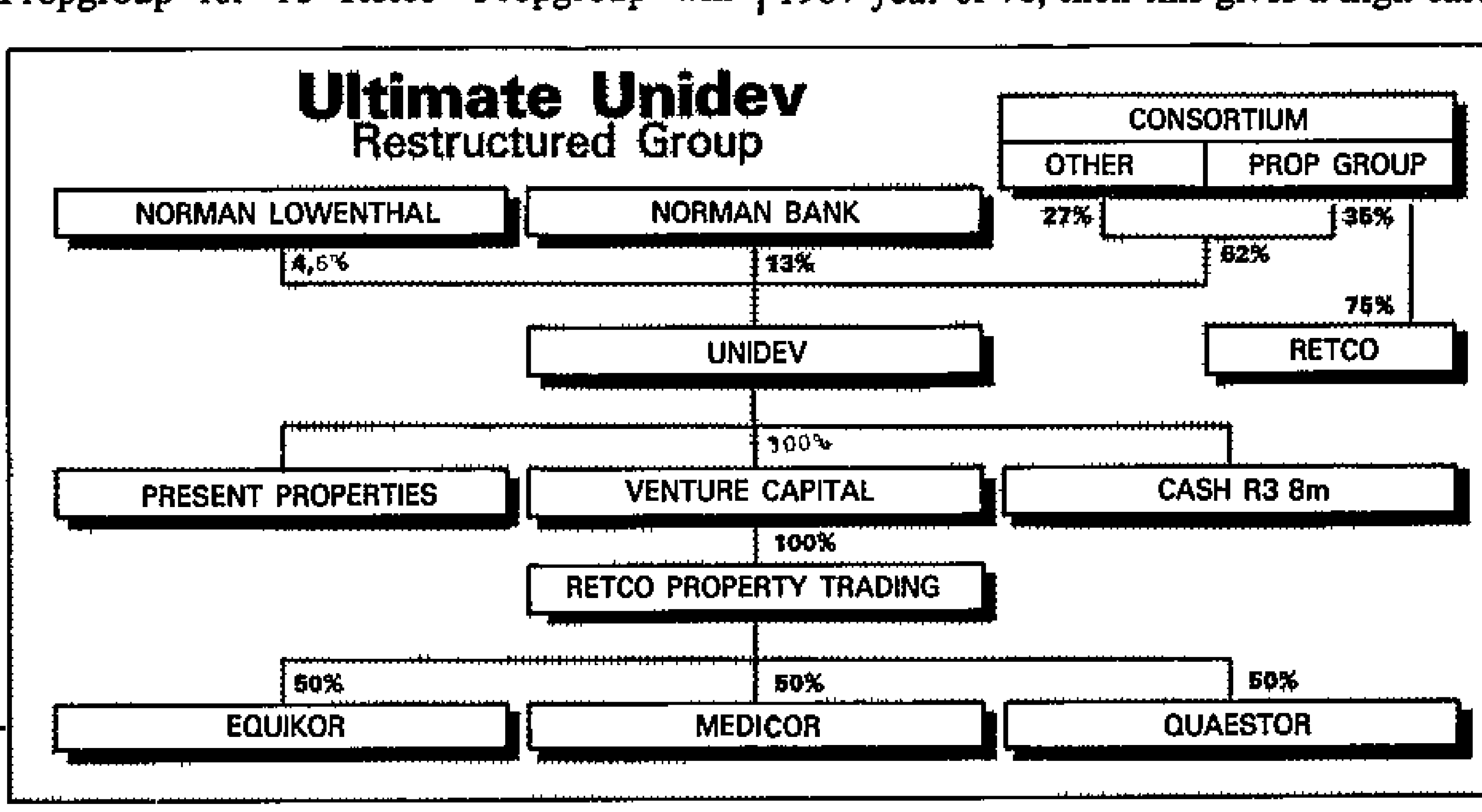
change from purely a Retco pyramid to being major shareholder in Unidev (Rabinowitz still controls more than 40% of Propgroup)

The consortium will extend the 40c a share offer to Unidev minorities, but large shareholders who together hold 4,1m shares have said they won't accept the offer Minorities will have the option of subscribing for three new Unidev shares at 40c a share for every 10 held in 12 months' time

The rating of this company will depend on management performance Still relatively unknown, they will have to prove themselves — but they give the impression that they will start making new investments as soon as some properties are sold. Comparisons with the established investment team at New Bernica are all very well — but that share currently yields only 2,7% on earnings

On the pre-suspension price of 40c, and if the market accepts the forecast EPS for the 1987 year of 7c, then this gives a high earnings yield of 17,5% Given the current earnings yield of 4,4% for the investment trust sector, Unidev's share price could more than double when the share is relisted. Where it eventually settles will depend on whatever premium may be attached to potential acquisitions and future growth prospects.

Pat Kenney



DIAGONAL STREET

Profits boost

Bullion's slide back towards $400/oz was bound to cause renewed weakness in share prices, and that trend has been clear in the JSE Actuaries All Gold index for more than a fortnight

Since October 13 the index dropped from 1 996 to 1 759 at the close on Monday before recovering to 1 815 at midday Tuesday. On the $408/oz gold price, the rand gold price was holding around R930/oz Even at that level, a number of analysts felt that share prices were discounting a higher gold price, so there were expectations of a much sharper crack in share prices should gold slip below $400/oz

The industrial index seemed set to fall along with the gold board until dramatically improved company profits started flowing from major companies, notably those in South African Breweries (SA Brews) and Barlow Rand While company profits started improving in early August, most of the good earnings advances seen by about mid-October were derived from lower interest rates, repayment of borrowings and corporate rationalisations

Really good news on the industrial front came in the last few weeks, when we saw big companies revealing much more fundamental improvement, with strong upturns in operating profits As the research director of a large stockbroking firm says, "that's where the magic is in the results coming out now."

After the Industrial index's brisk climb up to 1 390 at the end of September — a move of more than 15% in two months which depressed average dividend yields on the industrial board to only 3,2% — many believed the shares had fully anticipated the profit improvements But certain of the latest results have been well ahead of most forecasts

Excellent results were expected from SA Brews on Wednesday, and more good figures should come from Barlow Rand companies until the holding company's year-end figures are released on November 17 This was underlined again on Tuesday, when RIH an-

Cape Times 5/11/86 (232)

Board set to break up 50 cartels

Own Correspondent

JOHANNESBURG — As part of its ongoing crackdown on illegal trade practices, the Competition Board expects to break up more than 50 cartels by the new year.

Sources close to the board have supplied a short-list of industries almost certain to be affected by board action.

The list includes short-term insurers, stockbroking services, Fedhasa, coal, advertising, newspapers, building activities, cement and timber.

The sources say a list of 62 industries alleged to be involved in illegal trade practices, published last year in the Government Gazette, gives a reasonably accurate view of affected industries

Economists predict price wars by early 1987 as companies try to grab markets in free competition

The board would not comment on companies and industries involved in the shake-up.

Board chairman Stef Naude says fewer than 10 permanent exemptions have been granted from the more than 90 applications received since the board began reviewing applications from industry groups in May

Exempted groups include Spar, Bonus, Plus, Family Circle, and advocates

Exemptions are granted only if they serve the public interest or because of dangerous uncertainty or disruption in the economy

Although Naude would not specify industry groups, he said "a few of the largest and best known cartels" have been given a one or two-year transition period to phase out illegal practices

Most smaller cartels have been given three to six months to bring their industries in line with the prohibition announced in May.

In cases where the board is of the opinion an industry has been engaged in collusion on prices, market sharing or tender practices, the decision is confidential between the industry and the board

Naude said the consumer would not benefit from broken cartels until early in 1987, when most industries' transition periods expire

The cartel crackdown was welcomed by the director of the SA Co-ordinating Consumer Council, Jan Cronje He expects board action in the milk, tyre, cement and coal industries, among others

The penalties for operating illegal cartels are fines of R2 000 to R100 000 or prison terms up to five years

FINMAIL 232

JOHAN NAUDÉ

Civil deregulation?

Johan Naudé is legal adviser of the Small Business Development Corporation. He specialises in removal of unnecessary legislative barriers on small business development.

Government has set the stage for vital deregulatory initiatives with the promulgation of the Temporary Removal of Restrictions on Economic Activities Act (TRREA); with the new policy to consider the effects of economic measures on small business and minimise restrictions on entry; ending restriction impeding any person from economic participation on the basis of race; and the instruction to State departments and other official institutions to co-operate.

It must, however, be asked whether the proposed methodology and good intentions of government will result in real reform

As a society that traditionally required licences, permits and authorisations before economic activities could be embarked upon, we will have problems in adapting to a radical new approach One would expect it to be a gradual process, to aquaint law enforcement agencies with the need not to persecute the informal small business sector, but allow its development.

Government has instructed the bureaucracy to deregulate specific legislation.

The most important instructions are that the Department of Constitutional Development and Planning give attention to land use control measures which hinder establishment and development of business activities. This must surely again bring into question the Group Areas Act.

The Minister for Administration and Economic Advisory Services, with the active assistance of the Competition Board, will be responsible for implementing the principle of control of business activities after the entry of businessmen, rather than setting stringent requirements before The question of licensing, in consultation with provincial and local authorities, also has to be examined

These are immediate priorities to enhance competition, stimulate employment creation and contribute to economic growth

Several major problems are, however, contained in this modus operandi The instructions to government departments themselves will have to be closely monitored to ensure meaningful reform The question of consultation and community co-operation on all levels is of course vital A question mark surrounds the ability of the bodies concerned to consult effectively

Traditional interest groups which have up to now dominated the legislative process will also be present during this process But the voice of small business, the unemployed and lesser-developed communities must be heard

New legislation must be scrutinised for negative control elements that could have the same effects as measures that are supposed to be done away with The resources of the government bodies concerned must be sufficient to examine the vast array of unnecessary control measures, especially at local authority level.

Of utmost importance is a decentralised approach to solving the problem of excessive control through provincial ordinances and local by-laws The ombudsman or grievance commissioner can play a crucial role in local communities The accessibility of such a grievance commissioner to all communities would be a big help in normalising the situation under which economic activities are governed through the local authority, and also expose problem areas to central government.

An important principle that must be implemented on local level is flexibility in legislation By providing greater autonomy to local authorities and allowing them to relax inhibiting legal requirements, people who have had problems in entering the economic mainstream could enter and participate in the process of economic growth. The Natal Local Government Ordinance has recently been amended accordingly.

Ideally, the State President could exercise his extraordinary powers under the TRREA Act in circumstances where the necessary reform has not been achieved and where the need for entrepreneurial freedom is the greatest. He has authority to, by proclamation, suspend or grant exemptions from any law that relates to matters such as licensing, health requirements, building regulations, transport, land use and business hours These matters relate directly to the question of access to economic activities.

If we realise that we are a developing country and the challenges we face require solutions in a Third World environment, perhaps we have at least crossed one attitudinal hurdle It is meaningless to declare free trading areas in terms of the Group Areas Act in CBDs while at the same time restricting the activities of hawkers in these districts.

Most black entrepreneurs' enterprises are at elementary development stages. For the opening of CBDs to have any substance, legislation must be adapted We need a revolution in reforming economic legislation to save ourselves from another revolution.

What is the cost of our beautifully controlled business environment? What is the economic impact of control measures? With an estimated 4m unemployed we still debate issues like whether hawkers should be allowed on Johannesburg pavements.

Experts fear firmer govt hand in economy

BUDGET 232 7/11/86

STEPHEN ROGERS

RECENT figures on government consumption spending have led to fears about the extent of government involvement in the economy and the commitment to privatisation and deregulation

Government consumption spending grew, in real terms, by 5% in the year to June and, according to Reserve Bank economic adviser Roger Gidlow, has been the main stimulus behind the upswing in the economy.

Many economists believe these figures confirm a trend of increasing government involvement in the economy in the 80s. Public sector spending — as a percentage of gross domestic product — rose to 26% last year, from 22,1% at the beginning of the decade

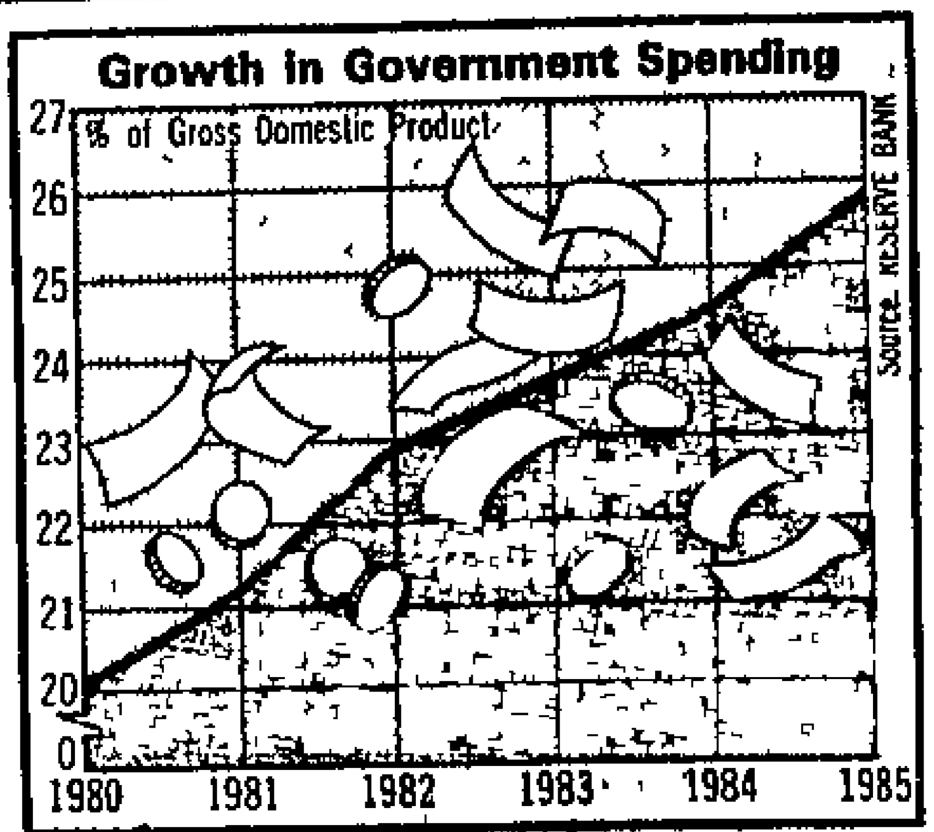
"This was in a period of economic difficulty and perhaps was inevitable as the public sector took up the slack in the private sector," says an economist

Higher public spending has been advocated by many as a short-term policy for an economy in recession

"This Keynesian policy may actually be desirable if it stimulates the economy in the absence of any improvement in the private sector," says Reserve Bank Governor Gerhard de Kock

Hopefully, today's conference between government and business will allow the private sector to persuade government to reaffirm its commitment to privatisation and deregulation

"Government must initiate a transfer of resources to the private sector which is productive in the utilisation of resources," says JCI economist Ronnie Bethlehem.



Shake-up of cartels spreads unease

Bus Day 10/11/86.

Industrial Staff

INDUSTRIES slated for shake-up by Competition Board (CB) action liken their situation to sitting ducks splashing about under a cloud of uncertainty.

A survey of industry spokesmen reveals widespread fear and confusion — particularly with the threat of price wars — in the wake of the CB's threat to lean on cartels.

Many industries, including building, coal and short-term insurance, are negotiating with the board over their future.

Other industry groups like Fedhasa, advertising and cement have received temporary exemptions from CB action. But they join a long list of industries scrambling to come up with strategies for the post-cartel era.

Industry spokesmen naturally downplay their fear of CB action, sensing any publicity could upset delicate negotiations with the board.

But Mike Perry of corporate consultants Perry and Associates gives a more sobering view. He says the gazetting of groups to be affected "... is the first tremor in a landslide of change to traditionally hide-bound South African business practice"

The CB has decreed that all forms of market sharing, price fixing and collusive tendering will be illegal Industry sources agree ultimately the consumer and efficient producers will benefit.

Short-term insurers have asked the CB to leave them alone. SA Insurance Association CE Rodney Schneeberger argues that any cartel-like activity in the insurance industry is in the public interest He is still waiting to hear the board's response.

Advertising agencies have been told fixed commissions will fall away on December 31 But details of agency remuneration remain under negotiation

Other industry groups targetted by the CB include school books, chemicals, milk and dairy products, records and travel agencies.

Govt set to launch privatisation programme

Star 10/11/86

232

By Bruce Cameron

The Government will soon launch a three-year privatisation programme in terms of proposals agreed at President Botha's business conference in Pretoria on Friday

Proposals on which central and provincial functions could be privatised are to be drawn up by the Cabinet Committee on Privatisation and submitted to the Cabinet for approval

The Government hopes privatisation can achieve benefits such as lower tax, greater private sector investment in job-creation and stimulate small business

Guidelines were spelt out in detail in proposals put to the conference, and the proposals are to be translated into a Government White Paper

Privatisation has also been closely linked to deregulation to give private enterprise more opportunities to expand.

The primary objective was to "improve the performance of the economy by the effective use of the production factors and by allowing market forces to function optimally, to increase the percentage of fixed investment by the private sector and to channel a large percentage of this to employment creating production sectors such as mining, agriculture and manufacturing as well as the underdeveloped sectors of the economy"

General guidelines proposed for privatisation include.

- No privatisation where public interest could be affected, although some parts of those functions could be privatised,
- Privatisation should not involve risk to national security or internal order, or defeat political, social or ecological objectives,
- It should be reconcilable with the competition policy. The Government saw "little benefit in substituting a private monopoly for a public one, which in its turn would have to be regulated in the public interest." But in such cases the public and private sector could form a partnership in controlling monopolies;
- Although the proposals recommend a move away from subsidised services it says the Government should continue to subsidise privatised functions if it was in the public interest,
- The possibility that a service may cost more should not stop privatisation; and
- In socio-economic services the state had to remain responsible for the "really needy", but areas, such as low-cost housing, could be privatised.

...already being pursued, said government. Government also recognised that inflation and taxes had to be lowered

□ The opening of business districts to all; and,
□ Providing housing for all.

Govt to push ahead with privatisation

BUSDAY (232) 10/11/86

LINDA ENSOR

A THREE-YEAR privatisation programme is to be launched for the identification and exploitation of privatisation possibilities.

In the discussion paper on privatisation presented at Friday's business summit with a view to preparing a White Paper, government said the programme would be carried out by the Committee of Ministers for Privatisation. Private sector involvement in the process would be sought on occasion.

Privatisation was necessary, the paper said, to reduce government's share of the economy. It would take place in the context of government's policy of determining priorities for public expenditure and its zero-based budgeting system for public finance.

The primary objective of privatisation was to improve the economy's performance by effectively utilising production factors and by allowing the market forces to function optimally, thereby increasing the percentage of net fixed investment allocated to the private sector — especially the employment-creating production sectors.

A further objective was to create more opportunities for all population groups to participate in the free enterprise system

Sale of assets

Privatisation could occur by way of sale of assets, the sale of government undertakings or the acquisition of shares by the private sector in existing government undertakings with government participation being either of a temporary or permanent nature

The leasing of businesses or the granting of concessions was also a suggested method, as well as the farming-out of activities and the termination of activities by government which could then be provided by the private sector

The paper proposed the following general guidelines for privatisation.

□ That it be an ongoing process aimed at the effective allocation of resources;
□ The private sector should be responsible for activities in which production and consumption could be undertaken efficiently by the market and the price mechanism,
□ The private sector had to make the largest possible contribution to GDP;
□ The promotion, where possible, of small business development and participation by individuals of all population groups.

Long-term benefit

The paper recommended that those government functions "indissolubly related to the public interest" should not be privatised Privatisation, the paper said, must be to the long-term benefit of users — taxpayers or society generally.

The fact that loss-making public services were subsidised was no reason not to privatise them, nor was the argument that services would be more expensive after privitisation a convincing one to oppose it

Privatisation of a function or activity should not entail a real risk to state security or internal order, nor defeat the political, social or ecological objectives served by it, the paper said

Competition had to be assured so that a public monopoly was not substituted by a private one Therefore, sufficient capacity had to exist in the private sector In appropriate cases, partnerships between government and the private sector could be established

Also, it was said to be of cardinal importance "that in the absence of effective competition, any privatisation measure be accompanied by appropriate deregulation to obviate, for example, the mere replacement of a public monopoly by a private one"

EAC report set the scene for conference

Economics Editor


DE KOCK


CLEWLOW


STEGMANN

232 BUSDAY 2/11/86

THE RECOMMENDATIONS of the Economic Advisory Council (EAC), presented to government before Friday's economic summit, include the need for positive interest rates, flexible exchange rates, privatisation of state functions and tax reductions.

The document was prepared for the EAC by a seven-member subcommittee, chaired by Sasol's Joe Stegmann, and included among others Barlow's Warren Clewlow, Sanlam's Fred du Plessis and Reserve Bank Governor Gerhard de Kock.

Economic principles

The EAC document, and government's response, formed the framework for last week's meeting and, in broad terms, set out government's economic principles.

The EAC recommended that priority be given by government to job-creating growth to bring about equal opportunity for all.

Government, in response, said it had already taken steps to ensure a better use of manpower, to abolish the statutory restrictions on employment, to stimulate the economic growth and to combat unemployment

"The pursuit of these objectives also imposes a certain responsibility on the private sector — to accept the realities of the circumstances in which the country finds itself and to act accordingly"

The EAC recommended that government's financial policy should ensure that tax, price and interest rate distortions are reduced

Interest rates should be positive in real terms over the long term.

Government said.

- ☐ Eliminating distortions had been the subject of several White Papers as well as the De Kock Commission,
- ☐ Also, the Margo Commission was working towards ensuring that taxes were neutral,
- ☐ Tax on fringe benefits represented a step in the direction of the elimination of distortions with regard to labour compensation;
- ☐ Over the past 10 years government had eliminated price control on almost all products where competition made effective price determination possible,
- ☐ The powers of the Competition Board had been extended, and,
- ☐ Government's monetary policy had been characterised by a more market-related approach to interest rates.

The EAC also recommended that the share of government consumption expenditure in gross domestic expenditure and the public sector's claim on scarce capital and manpower be reduced by greater effeciency, a rearrangement of spending priorities, compiling and revising long-term spending guidelines, and budgeting by objectives

"Government has already taken the intiative in this regard and is still seriously endeavouring to cut public expenditure so far as its responsibilities permit."

Use of resources

Government's plans to implement this recommendation included.

- ☐ Performance auditing was being introduced to enable the efficient use of resources in the government sector;
- ☐ Ensuring that government departments provided only services and functions in proportion to the need for them,
- ☐ Placing restrictions on the creation of new posts;
- ☐ Emphasising spending on socio-economic development, and,
- ☐ Introducing spending objectives and guidelines for government departments to form part of a five-year spending plan

The EAC recommended the rearrangement and curtailment of government responsibilities by concentrating on the needy in providing social services, providing equal services for all, shifting the development role of government from the economic to the socio-economic, and removing factors that hindered the process of privatisation and deregulation

It also said government spending had to be scheduled to avoid fluctuations, that a budget deficit before borrowing of at most 3% of gross domestic product had to be set as a target.

Government had committed itself to monetary targetting and flexible interest rates, "but considers it extremely important that short-term adjustments in these rates should not be of such a nature that they have an adverse influence on business confidence"

It says it is important that exchange rates should follow a more stable course to reduce the negative effects of sharp fluctuations on business

However, it affirms its commitment that exchange rate policy cannot be determined independently of monetary and fiscal policy

Government also committed itself to the "development and conservation" of the workforce

Measures to achieve this included.

- ☐ Job-creating programmes;
- ☐ Improvement of apprentice training; and,
- ☐ Opening training facilities under the Department of Manpower to all races.

To ensure the availability of capital, the EAC recommended that government restrict consumption spending and capital expenditure to a minimum, move away from cross-subsidisation and eliminate the distortion of relative prices These goals were already being pursued, said government.

Government also recognised that inflation and taxes had to be lowered and that there had to be an adequate return on high-risk capital

Furthermore, the EAC recommended government should concentrate on the creation of incentives and elimination of obstacles to ensure that private savings are directed to opportunities in the less-developed sections of the economy Also, it should privatise state functions where this would lead to more productive use of capital, and allow new capital projects, such as road-building, to be undertaken by the private sector without state interference

The EAC said balanced industrial development required the distortion of relative prices and cross-subsidisation to be eliminated.

Export incentives

Government, to promote exports, said export incentives that did not conflict with the GATT subsidy code would be retained, and new incentives explored Also, the possibility of exporting to SA's non-traditional markets would be explored, and trade with existing parnters strengthened.

To protect industry, the EAC recommended the use of indirect tariff protection rather than import controls

Other recommedations by the EAC include.

- ☐ Not burdening the SA economy with excessive regulations;
- ☐ That greater emphasis be placed by employers on profit sharing;
- ☐ The opening of business districts to all, and,
- ☐ Providing housing for all.

Govt to push ahead

1986

Barlow's Bibby shows record profits

CAP Times 12/11/86 132

JOHANNESBURG — Key features of the record results of J Bibby — the international arm of Barlow Rand — which were released yesterday in London by Bas Kardol, the chairman, include

● Pre-tax profits for the year to September up 21% to £37,8m — a record for the company,

● Earnings a share increase by 17,4% to 21,01p,

● Dividend a share increase by 23,7% to 8,25p,

● A strong balance sheet — gearing reduced from 36% to 24% and, including disposals after the year end, virtually eliminated,

● Disposal of a number of activities that are not part of the new long term strategy "All activities now achieve very satisfactory returns on capital",

● "Very good prospects for growth both organically and by acquisition, utilizing its low gearing and extensive finance facilities", and

● "Another year of substantial progress anticipated"

Kardol said when releasing Bibby's audited results for the year to end-September (the company's first full year as a subsidiary of Barlows). "During the year a major review of the company's present activities and future plans was undertaken

This review has identified the future business profile of the group

"In line with this refocussing of the group's portfolio of businesses, a number of disposals were effected. — Sapa

Firm fails 'after U S orders dry up'

Court Reporter

A FINAL winding-up order against Maspik Two (Pty) Ltd, which has liabilities of R777 515, was granted by Mr Justice Kriek in the Supreme Court, Durban, yesterday

An application for the company to be wound up was brought last month by the KwaZulu Finance and Investment Corporation Limited, which advanced it R500 000 in May, 1982

In papers before the Court it was stated that Maspik Two operated in the textile industry as a cut, make and trim factory It secured its orders from U S companies associated with American shareholders in the company.

The papers said the company was initially fairly successful, but later the orders dried up, apparently because of U S consumer resistance to South African products

The papers added that the company suffered a severe cash flow problem and attempts to keep it operating failed

232 N/M 12/11/86

SHARE PARTICIPATION SCHEMES

Credit for go-getters

232

FINMAIL 14/11/86

Schemes which allow employees to participate in the fortunes of their companies are well on their way to becoming another cornerstone of Western economic success So Inland Revenue's fresh assault on share participation schemes can expect to meet with considerable resentment. It also represents a threat to productive enterprise which SA simply cannot afford

The West widely encourages employees, not just key executives, to participate directly in the fortunes of their employers. Yet in SA outmoded tax laws are being used to discourage this.

For historical reasons, notes Ernst & Whinney's Julian Nagy, the benefits of share participation schemes in SA are restricted almost exclusively to key executives. So, for the present at least, only the relatively affluent are directly affected But Inland Revenue's policy ignores major developments in the West that could have a highly beneficial application in SA

In the UK, where share participation schemes are tax-exempt, Margaret Thatcher's government is trying with some success to popularise the concept of share ownership

The greater the number of people who can hold shares, the lower the perception of a capitalist minority controlling the economy

Surveys in SA have shown widespread black perceptions of an "oppressive" capitalist domination, and that the concentration of corporate power is unacceptable One way to overcome these false perceptions, and to encourage wider share ownership — which should also be seen as wider ownership of productive capital — is by fairer tax treatment of share participation schemes

They could be made tax-exempt, or at the very least the rules associated with share transactions could be clarified The problem is simply stated· the surplus (or loss) arising on a share disposal may be either *taxable* revenue, or a *tax-exempt* capital gain Regardless of whether the shares are acquired in open trading or under a participation scheme, the problem is the same

Tony Norton, executive director of the Johannesburg Stock Exchange (JSE), has called consistently for the capital/revenue problem to be cleaned up According to him, an unquantifiable level of JSE activity is suppressed by the problem many people simply do not know if they will be taxed on a share sale or not

The capital/revenue distinction forms the biggest grey area of South African tax law. As a loose rule, if shares are used with the intention of making quick bucks, dealing (speculation) is assumed and the profits are likely revenue But if the shares are acquired with an investment intention, especially on a long-term basis, the gains are likely capital Some 90% of SA's tax case law attests to the thin line between capital and revenue

Price Waterhouse's Chris Frame lists three of Revenue's inherent difficulties in dealing with share sales

☐ The attempt to classify share transactions as part of the *salary* received by an individual, for services rendered (foreign experience has shown the need for detailed and complex legislation),

☐ The attempt to tax share transactions as a return on the separate trade of *sharedealing* (Revenue's costs here can easily outweigh "returns"), and

☐ The attempt to classify share transactions under the provisions of a *capital gains tax* (CGT), where gains can, of course, only be taxed under the provisions of such a tax

At present, corporate and personal tax planning in SA has generally been severely confused by the work of the Margo Commission on tax, which has yet to file its report What the commission is involved in is *sub judice*, but there is credible speculation that a CGT will be recommended

Nobody wants any new taxes, but assuming that CGT is implemented, it could go some way towards clarifying the present difficulties surrounding share participation schemes The thin line between capital and revenue will be more distinct It could be a rule, for example, that if a share is held for more than 12 months, profits will be classified as capital and not revenue

In SA, share participation schemes have

developed into two main branches: share option schemes, and share trust schemes. If directors or employees are involved in the latter, in terms of the Companies Act, shares must be issued to them through a trust.

Option schemes — preferred by Norton — normally allow the employee to acquire the shares at a future date at an option price — generally today's market price. If, when the option is exercised, the shares have risen on the market, the "profit" is taxed This, however, is a paper profit as the shares have not necessarily been sold, so the employee has cash-flow problems

Aiken & Carter's Patrick McGurk points out that when such an option is exercised, the Income Tax Act expressly provides that the profit will be taxed If exercise of the option is subject to a condition — for example, that the shares may not be transferred for a fixed period — profit will not be taxed till then

But the employee can sell some shares to pay the tax If he sells the remaining shares at some future date, he *may* be taxed on the gains as a share dealer So share options can be taxed twice

- ☐ When the option is exercised, and
- ☐ When the remaining shares are sold

Share trust schemes generally involve immediate ownership of the shares at today's market price The acquisition is normally financed by way of a soft loan to the employee This loan is subject to perks tax, introduced in 1985

Subsequent share sales by the employee are also open to attack, as representing dealing in shares So both option and trust schemes can be twice taxed But in a trust scheme, perks tax on the soft loan is payable in full, even if the share declines in value

Employer practice over the past two years has switched from trust to option schemes. Depending on the assumption of how well the shares may appreciate between granting and exercise of an option, "extra" shares can be issued to pay the tax. Thus the employer bears the cost of the tax, though the employee is liable for it. How widespread this is depends on the employer-employee deal

Revenue's new policy is probably also rooted in a Cape tax case handed down last year This taxed the share *trust*, the conduit used in share participation schemes, on its profits Commentators have criticised the case and singled out the provisions of the trust in question as unusual

But whenever a case in favour of Revenue falls in its lap, it is used as ammunition to gather more taxes The Cape case is also of doubtful authority, as cases handed down in the tax courts do not form part of the doctrine of precedent — used in the Supreme and Magistrates' Courts

JSE's Norton . . . reform the system

Another reason for the apparent clampdown on share participation schemes is a rejuvenated Inland Revenue, with recruits from the accounting and legal fraternities

Norton says the JSE has been calling incessantly for the "six month" rule used in the US — surpluses on share deals after six months of holding are a capital gain In SA, the overall countenance of the schemes can be given an inexpensive facelift by relaxing or eliminating taxes on share transactions. More employees at differing levels of the corporate structure could benefit Employees who may be given shares as part of Pretoria's deregulation programme would feel better

Liquidity at the JSE, a centrepoint for capital formation in a capital-starved country, would increase Norton says that practically every company that has come to the market this year has hosted a share participation scheme If there is one area where a tax can be fruitfully abolished, this is it

Clarification of tax law applicable to share participation schemes and share transactions generally is exceptionally important, and needs to be done in any event

Finance Minister Barend du Plessis has not hesitated to move on tax matters when it suits him despite the Margo Commission This is a technical point that does not need whatever insights Judge Margo and his manifold commissioners might feel they need to bring to bear on a capital gains tax — a tax that would itself be a mistake

It is not the function of the revenue authorities to use obscurities in tax law and practice to wring more income out of taxpayers Yet this seems to have become normal in SA Equity is not a principle on which our tax collectors place much weight.

If it is the serious intention of Pretoria to encourage business activity — which appears to be the message from the November 7 summit — then clarity in this matter is a pressing necessity There is no need to wait for the Margo Commission, where consensus is going to be difficult, so weighed down is it in the unbalance of its own membership

What is also needed, of course, is a wiser and more constructive approach to ownership and generation of capital, a problem in which tax laws and their application are a key element

The benefits of an enlightened tax policy have been clearly demonstrated elsewhere as have the costs of an overly short-sighted view

If there is merit in following the Japanese — which appears to be the view among some members of government and industrialists — then we have to look seriously at removing or reducing taxes not only on share options but also on interest payments and dividends

If we are to spread the fruits of capitalism, then the fiscal restraints on the benefits must go This requires no great act of courage, no orderly introduction or consolidation period all euphemism for doing nothing All it needs is common sense ■

FINMAIL 14/11/86

SHARE TAX TEASER

The perceptual problems associated with share dealings are not difficult to illustrate. Kessel Feinstein's Raymond Fine raises the point of how Revenue would tax the "surplus" arising on the sale of shares acquired under an option.

For example, if the option price is R10 000 and the market value of the shares when the option is exercised is R50 000, the "surplus" is R40 000.

Assuming a 50% marginal rate, R20 000 is paid in tax. But assume that these are high-growth shares, and the taxpayer holds tight and then disposes of them for R70 000 The taxman deems this revenue, hence a taxable transaction

Normal tax rules require the tax to be computed on the difference between the cost price of R10 000 and the sale price of R70 000. But in this case it could be argued that Revenue should use the notional cost price of R50 000

The difference is material either R20 000 or R60 000 is taxable Fine feels, however, that in practice Revenue would tax the "lower" surplus The argument could be that because tax has been applied when the option was exercised Revenue should give a "stepped-up" cost of R50 000

FINMAIL 14/11/86 (232)

SHARE TAX TEASER

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W/E ARGUS 15/11/80

R30-m deposit for Liebenberg?

By DEREK TOMMEY

BUSINESSMEN are intrigued at the prospect that the troubled Nedbank is likely to outlay at least R30-million to secure the services of Mr Piet Liebenberg, chairman of Finansbank, as its new chief executive.

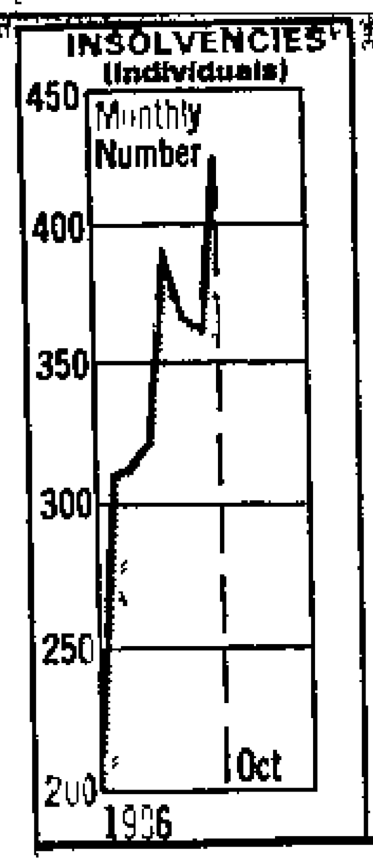
It was announced this week that Mr Liebenberg will be taking up the post of group managing director of Nebank from the beginning of February, provided a satisfactory deal can be worked out for the purchase by Nedbank of Finansbank

Finansbank has disclosed net assets of R30-million But as banks do not have to make full disclosure it probably has assets worth several millions of rands more hidden away, but which Nedbank would be expected to pay for.

However, the view of local business is that if Mr Liebenberg can restore Nedbank, laying out R30-million or more for the same amount of assets is not an excessive price to pay

Since the investing community became aware of Nedbank's troubles last year, its share has fallen from R16 to R6, knocking R900-million off the company's market value If Mr Liebenberg can get the share price back to R12 he would put R540-million back in shareholders' pockets

The Good Hope Bank is a subsidiary of Finansbank If the deal goes through, the Good Hope Bank would become part of the Nedbank group



Twice as many people go broke

BUS DAY

232

STEPHEN ROGERS

PERSONAL insolvencies have more than doubled this year to the highest level since the Second World War

The rate of insolvencies soared from 200 a month at the beginning of the year to more than 400 a month in October, according to statistics published in the October issue of Barnib's *Industry Focus* .

Barclays economist Cees Bruggernmans said the decline in personal disposable income, unemployment and the high interest rates in previous years were the main factors behind the increase.

Unemployment among whites, coloureds and Asians increased 16% from the beginning of this year to October from 70 000 to 81 000, while the unofficial number of unemployed blacks is estimated at 4-million.

Although interest rates had been dropping since early last year, many smaller borrowers had been tied into high fixed-rate hire purchase contracts or had been charged maximum rates on loans.

Sats unions seek assurance on job security

BUSDAY 19/11/86

GERALD REILLY

RAILWAY union leaders want assurances from Transport Minister-designate Eli Louw that their job security will not be undermined by privatisation and deregulation.

The presidents and general secretaries of the 10 SA Transport Services (Sats) unions will meet Louw in Pretoria on November 25.

Artisan Staff Association president Jimmy Zurich said they would also want assurances of an "adequate" pay rise from the start of the new financial year in April

He said railwaymen saw the threat of privatisation and deregulation as a factor undermining their security. The Wim de Villiers report submitted to outgoing Transport Minister Hendrik Schoeman last month recommends what services would lend themselves to privatisation.

Louw will also be expected to give his views on the way the new salary negotiating machinery for railway workers, which is recommended in a report submitted recently by labour academic Nic Wiehahn.

Two of the 10 unions are coloured, one Indian and one black.

● See page 9

McCrystal favours protective tariffs

GERALD REILLY

TARIFFS as the primary instrument for protecting industry are favoured above controls, Board of Trade and Industries chairman Lawrence McCrystal said in Pretoria yesterday.

Outlining the board's policy to the Northern Transvaal Chamber of Industries, he said this did not mean import control did not have a role to play.

Industries orientated to the local market must be encouraged to grow not only to replace imports but also to meet the demands of a growing local market.

Should they need protection to survive against imports, then they should get it, especially in the case of industries producing raw materials needed by other industries. Consumer goods industries could get somewhat higher protection.

The board was currently looking at possibilities to encourage local production of imported components, especially for the electronics and motor industries.

The board was concious of the need to promote labour-using industries. This was the reason for concern for the health of the textile and clothing industries.

On "buy outs" of foreign companies McCrystal said this had positive features. "We have been the subject of economic colonialism and greater South African control of local industry would be a good thing in the medium and long term."

On exports he said a board committee was looking into improved incentives to encourage exports as a matter of urgency.

On inflation McCrystal said monetary measures were of no avail under current circumstances. Obviously fiscal and monetary discipline was needed at all times. "However, what is needed are direct measures to slow down the frequency of price rises. I can see no alternative under present circumstances to a policy which addresses this subject in a direct way."

Makes you think, doesn't it?

Grt Time 22/11/86 232

JOHANNESBURG — Pretoria has confirmed the R70-million Nedbank-Finansbank takeover will in no way be jeopardized by the rebuke from Finance Minister, Barend du Plessis.

Although Nedbank meticulously reports in its announcement the Reserve Bank had been informed of the negotiations, Du Plessis took both parties to task for not consulting with the Registrar of Banks, Dr Robert Burton, and the Competition Board.

Trade and Industry Minister Dawie de Villiers has instructed the Competition Board to investigate the deal and to report back to him

But after the rebuke, the two banks were assured by Du Plessis that "everything necessary will be done to bring the matter to an early conclusion"

Liebenberg netted

Nedbank says it is paying R70m for Finansbank — and its chairman Piet Liebenberg, who will become Nedbank Group MD.

The deal values Finansbank's 7-million issued shares at R10, including R1 a share for Finansbank's 40% holding in Federated Insurance

Payment will be effected by the issue of 11,1-million Nedbank shares at a price of 630c a share, the offer being underpinned for cash by Old Mutual

By agreement with Federated, Finansbank will sell its investment in the insurance group because of a possible conflict of interest due to Old Mutual's dominant holdings in the Nedbank Group, which will not be materially affected by the issue of the new shares

Nedbank says the deal will have no immediate material effect on earnings and a minimal effect on the net asset value a share

Piet Liebenberg will take over as group MD and CE of the Nedbank group in place of Mr Gerry Muller on February 1, 1987

Mr Muller came out of retirement to fill the hiatus after the resignation of Rob Abrahamson He will remain as deputy chairman of the group

Anton van der Merwe-Vance remains MD of the Nedbank group — Sapa

Tip of the week

Cadswep to effervesce

SUNTIMES 23/11/86 232

INVESTORS seem to have taken a cautious view of Cadbury-Schweppes (Cadswep) takeover of Bromor Foods from Murray & Roberts, the share price moving up less than might have been expected.

The details of the deal and the effect on earnings are now known, and investors should take another look at the share.

Apart from the improved earnings that the takeover will bring to Cadswep shareholders, the merger of two such strategically similar companies makes so much sense that it seems strange it did not happen sooner.

Managing director Peter Bester says: "We looked at Bromor years ago, but Murray & Roberts acquired it before we could. We never lost interest and we are delighted to have it at last."

Both companies have products which are market leaders in the fast-moving consumer goods industry and with a more balanced product range, the quality of earnings is considerably enhanced

Mr Bester says. "Although we intend to take advantage of the obvious synergies, we have also acquired a dynamic and young management team. Bromor will be operated as an independent division."

The issue of 1,1-million-shares in Cadswep to finance the deal reduces majority shareholder Cadbury-Schweppes Plc's holding from 64% to 53%. In the light of anti-South African sentiment abroad this is a shrewd move, even though the deal makes sense on its commercial merits alone.

Cadswep's performance in the second half of the year is 20% better than directors predicted at the half-way stage The new forecast is earnings a share of 128c. Taking Bromor earnings into account the forecast for the year is 145c based on the weighted number in issue, a further increase of 13% on last year.

Mr Bester says "The next six to eight weeks will be critical But we have every reason to believe that sales will hold up until Christmas

. "Many of the products in the Bromor range are almost generics, for example, Moirs, Oros and Lemos, and in the medium term there is substantial growth potential in repositioning and marketing those brands."

Cadswep share is trading at 1 975c, showing a PE of 18 and yielding 5,7% on 1985 earnings. Taking the sector's average PE of 17 and forecast earnings of 145c, the share seems undervalued and could reward investors with an attractive increase in price.

MANAGEMENT

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Buy-outs may lessen liquidations

'Invaluable aid towards lower unemployment'

MORE management buy-outs would lessen liquidations and unemployment and give the economy a boost, argues Mick Davis, senior manager at Peat Marwick's Johannesburg office.

This is an edited version of an article that appeared in the company's latest *Business Letter*

"It is obvious that for SA to progress economically and to reduce unemployment and so extinguish an everpresent fuse of unrest, it will need a vibrant economy offering growth, employment and training opportunities

"The economy must be given every means to lift itself from its present slough

"One way of doing so is to encourage management buy-outs — the process in which a business is bought by its management — as these can be invaluable aids in helping to minimise unemployment.

"Moreover, by keeping companies in business, MBO's conceivably also could help push economic growth above the 1,5% expected this year.

"There have already been a number of well-publicised buy-outs of local companies by their managements.

"There are many more in the pipeine. Sanctions will create even more opportunities for SA managers to buy out businesses from overseas parent companies

"The alternative will be closures and more people joining the unemployed.

"Once managers became owners and thus accountable only to themselves and their financial backers in going for success, MBO's undoubtably will stimulate entreprenurial skills and growth momentum.

"Certainly they offer a positive way of retaining precious trained skills

"The biggest impediment to MBO's so far has been the absence of venture capital, with very few institutions active in offering risk capital.

"So, up to now, the change-over of resources from one hand to another have mostly involved mature companies, with financial backers looking for payback after three to four years at the most

"However the number of such businesses which permit investors in MBO's to look for paybacks in so short a time is relatively limited.

"By comparison there are far more opportunities for existing managements to take over and turn a stagnating or stumbling operation into a viable business, especially if it operates and seizes opportunities in a depressed sector of the market

"A lot of the businesses coming up for sale therefore will be enterprises carrying a greater risk element and needing venture capital over a much longer period than three or four years.

"At the same time, many financial institutions have huge cash resources which are being swollen daily. A move into an even more closed economy is likely to trigger a greater willingness to ut up venture capital for MBO's of a riskier nature.

"But the rewards correspondingly are likely to be greater for the investors. In the circumstances cashflush financial institutions are unlikely to pass up this sort of challenge.

"So, even without the tough economic sanctions by SA's trading partners, circumstances exist which must encourage the development of a venture capital market to support the growing number of MBO's.

"It is worth noting too; MBO's present opportunities where major groups divest themselves of sectors of their businesses that either are not profitable enough or do not fit into their business profiles.

"Until now the tendency is for big business to sell off an unwanted or unprofitable segment of a group back to another sector of big business. This does no more than move capital around in a circle.

"What should never be overlooked is the option of selling the company to its management.

"There should be a meeting of minds by owners and manager because this is where a major opportunity arises to give the company a new lease of life.

"Overall more MBO's would lessen the number of liquidations and closures, broaden the economic base, extend opportunities for employment and widen the scope for managers to exercise latent entrepreneurial skills.

"The whole base for management training thus would be extended."

SAAN swings into the black

From MERVYN HARRIS

JOHANNESBURG. — South African Associated Newspapers (SAAN) has made a dramatic turnaround from a loss of 251c to earnings of 182c a share in the six months to end September

The sharp reversal in the group's fortunes came in the wake of a new marketing approach, improved efficiencies, joint printing with Argus in Johannesburg, a joint operating agreement in Cape Town, and a 42% reduction in staff

MD Stephen Mulholland said the group had overcome its major problems and now had only objectives and challenges

He cautioned, however, that with the change of the financial year to end March, the second half contained weaker months of publication and profits would be less than those of the first half.

Shareholders could expect to be compensated with a resumption of dividend payments once the group was making decent profits

Turnover rose from R64,4m to R68,8m despite the closure of the Rand Daily Mail and Sunday Express With all three Johannesburg publications trading profitably, the swing at operating level was from a loss of R1,8m to a profit of R6,4m

SAAN's coastal newspapers were also profitable.

While investment income fell to R96 000 (R132 000), the interest bill increased marginally to R2,8m (R2,7m).

R3,6m profit

With no tax payable, profit before extraordinary items was R3,6m against losses of R5m in the same period last year and R19,3m in the 15 months to end March 1986

This brought profits after extraordinary items to R7,1m against the previous interim loss of R8,8m and a swing of R28,3m from the loss of R21,2m in the 15 months to end March

This translated into earnings a share of 355c (loss of 440c and 1 060c respectively)

The balance sheet has been strengthened with shareholders' funds rising to R18,6m (R11,5m) and borrowings down R10m to R32,9m

Borrowings, down R10m to R32,9m, will be further reduced by the sale of assets since September of R6,2m. A further R16,7m is expected before the end of March from assets already sold but for which payment is not yet due

However, an outlay of about R4m will be made on further investment in M-Net, retrenchement costs and funding the joint operation in Cape Town, to leave borrowings of about R12m at end March

This figure will be reduced further on proceeds from the disposal of properties and equipment, estimated at about R8m, which are not yet sold.

Less control, more space for economic activity

AT THE State President's November Pretoria indaba with business leaders, privatisation, deregulation and an economic strategy for SA were under the spotlight But these cannot be discussed in isolation — they must be seen against the background of the need to create jobs, increase real capital investment in the economy, stimulate economic growth, increase confidence and fight inflation

Everyone supports these ideals — but opinions differ on the measures required to achieve these ends. Which fiscal or monetary measures are required, which financial policy must be followed, what manpower policy do we need and which investment policy? The correct educational, rural development and small business policies are also sought

We now need to set our priorities regarding these vitally-important and wide-ranging matters. But no solutions can be found during a three-hour meeting, with each participant having, at most, five minutes to state his case.

Nevertheless, the initiative for the discussions on priority policy measures in Pretoria came from the private sector, with the Economic Advisory Council (EAC) providing most of the input Certain assumptions created a consensus that underlay the discussions — primarily the need to restore economic confidence and to speed up political reform

Action programme

But while consensus was reached on the aims we are striving for, the practical implementation programme must now be highlighted. Government's responsibility is to draft and implement an action programme, covering these matters, while the private sector must invest more in the real economy. Privatisation and deregulation — which lie in government's ambit — are universally supported, but the real problem lies with practical implementation.

Today there is a clear reciprocal relationship between politics and economics. Economic prospects for 1986 and further ahead are largely dependent on political prospects — therefore we still await the right political scenario to show the way towards the resolution of our compounded problems.

We need a reform action programme that will be acceptable to all important action groups in SA politics. This must lead to a more representative form of government The causal link between this outlook and economic growth

BEN VOSLOO

Ben Vosloo is MD of the Small Business Development Corporation, which is at the forefront of stimulating small business, deregulation and entrepreneurial development in South Africa

is now more vital than ever.

Confidence in the political and economic future of SA plays the biggest role in influencing long-term investment decision-making by businessmen and thus in setting off economic growth through increased production and employment. But, like a good reputation, confidence is far easier lost than regained.

It must be underlined that the indaba did not imply an alliance between business and government, but was merely a discussion between the two estates, with economic matters on the agenda. Participants to the indaba went away positively inspired on economic matters — but there was a clear consensus that economic policy aims cannot be attained in isolation from political realities.

Political reform must be positive, should not lead to further conflict or violence and should create stability and political satisfaction (*tevredenheid*). This alone will ensure that the current outflow of capital will be replaced by a future inflow, increased confidence and renewed economic growth.

The private sector has a vital role to play in the implementation of this process. This forms part of the principle of civic responsibility and can be exercised by business through organised commerce and industry. Follow-up talks are vital and on-going private sector initiative remains an important ingredient of political and economic reform. In fact, government expects this initiative from business — after all, we are all in the same boat.

Government is ultimately responsible for implementing the action programme — but this involves such a wide front/area, involving so many state departments and officials, that private sector input remains vitally important.

Privatisation is a case in point — while Government has indicated its willingness to implement this, the private sector must indicate *where* this is most essential From this cross-pollination will flow an action programme, where policy can be practically implemented.

Of the essence

An important priority is the need to create more jobs through private sector business development. But deregulation remains a prerequisite for increased private sector investment. We need more employers, more business organisations with the vitality and strength to make a success of the policy of inward industrialisation that must of necessity accompany increased urbanisation flowing from the scrapping of the pass laws. We need to create space for more entrepreneurs.

Deregulation and the restoration of political confidence are essential — deregulation will create the space needed for providing the products and services the market requires. We must not restrain people from entering the market and thus boosting the economy.

As far as practical deregulation is concerned, this is now the responsibility of the Competition Board (CB), while the new Temporary Removal of Restrictions on Economic Activities Bill empowers the State President to intercede as ultimate arbiter. Businessmen should utilise this avenue to ensure practical implementation of deregulation.

On the local level, many existing provincial ordinances which restrict the deregulatory activities of municipalities should be reformed; local authorities should be encouraged to practise the right style of management in areas where an amount of discretion already exists.

The *style* of regulatory control exercised by any such governing body is of the essence — whether it is exercised with empathy and compassion or whether the letter of the law/regulation is imposed dictatorially would make all the difference between acceptability and rejection by the people affected To ensure a measure of accountability and recourse for the general public, an ombudsman or grievance commissioner should be appointed for each area.

Deregulation is essential to simplify the point of entry to the economy for all budding entrepreneurs. We need to liberalise existing strict licencing requirements, while zoning regulations should also be simplified. Our current zoning policies are too rigid.

Other areas where deregulation can encourage increased economic activity include our strict health regulations, while building regulations, which are based largely on First World standards in a developing Third World economy, should also be liberalised. By simplifying the point of entry for entrepreneurs, deregulation can therefore create increased opportunities for economic growth.

We need less control and more space for economic activity. Although vested interests will always fight to retain their power, we are making progress towards our goal of a freer and more open society. But, to quote Pericles: "The price for freedom is eternal vigilance."

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'Free those small businessmen'

SMALL businesses in the informal sector made nonsense of economists' predictions and SA planners' blue-prints, Ian Hetherington, MD of the Job Creation SA programme, said yesterday.

Explaining this at a luncheon in his honour, after receiving the 1986 Free Market Foundation Award in Johannesburg, Hetherington said: "Probably as many as two-thirds of all SA households have some cash income other than from wages and salaries.

Perhaps as much as 30% to 40% of all economic activity in some black areas goes unrecorded.

"This accounts for the unexplained aberrations in official statistics. It has something to do with the shortfalls in GST collections."

Hetherington added: "It suggests that an economic strategy should concentrate on releasing this bursting entrepreneurial energy by swiftly and savagely slashing government intervention, by reducing taxation and by putting in laws to enhance individual economic freedoms whilst repealing those that restrict them. .

"But Pretoria clamps down on hawkers Johannesburg clamps down on home-based businesses Licensed taxi-owners in Cape Town oppose pirates

"Almost everybody, it seems, opposes the 'Temporary Removal of Restrictions on Economic Activities Bill', even before it has actually been used

"Fortunately, the small business people among whom I work carry on regardless

"But this does not in any sense remove the obligation to deregulate, scrap licensing and red tape — make the market free . . ."

Hetherington received the award for "Exceptional Contribution to the Cause of Economic Freedom". — Sapa.

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FIN MAIL 28/11/86

GOVERNMENT POLICY

Time for action?

Recent changes in ministries governing fiscal and economic matters could be a significant step in putting into action words concerning privatisation and deregulation. The Department of Finance, and the new Department of Economics and Technology, are preparing for policy changes that could, at last, change SA's face for permanent benefit.

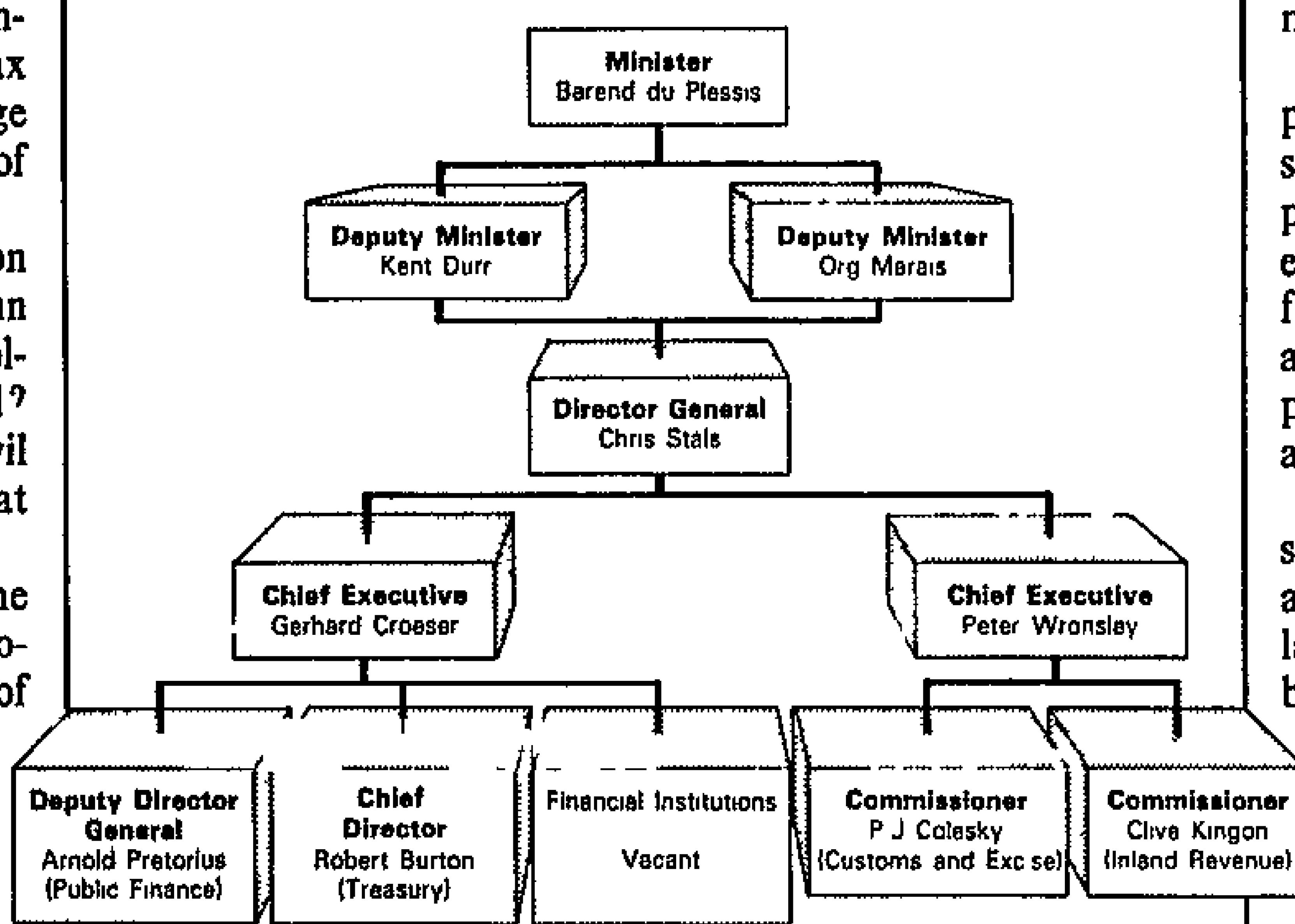
High-level discussions on promoting economic efficiency were held in Pretoria this month. The problems are well known: economic recovery too much a patchwork; static unemployment; a tax burden continuing to discourage endeavour, and the freezing of foreign capital inflows.

Major points for discussion have been identified: can certain government services be abolished, others be privatised? Where can the numbers of civil servants be reduced? And what can be deregulated?

The basic answers could come from the Departments of Economics and Technology, and of Finance. Danie Steyn, Economic and Technology Minister from December 1, is well aware of his new-found powers.

Management for the 90's

Department of Finance



Steyn's department combines the previous Mineral and Energy Affairs with Trade and Industry. It will initially have two directors general, although Steyn expects their tasks to be merged within a year. He tells the *FM* that his new department was not created to counter sanctions.

"The combination of the departments is a step to develop technology — in its totality — to foster ongoing wealth. Government has approved, in principle, the establishment of a framework for small business. We are now preparing the framework for a more efficient policy on deregulation to counteract regulations and legislation that hamper development."

In Du Plessis' ministry, the changes have been internal. Eleven officials, including Du Plessis (see diagram), now function in a circle of management akin to that seen in effective private-sector bodies. Du Plessis and Pretoria can only be commended for this change.

It gives Du Plessis, and his Deputy Ministers Kent Durr and Org Marais, time to formulate policy, rather than sinking into the quagmire of day-to-day management detail. Gerhard Croeser and Peter Wronsley have been given "think-tank" jobs. Precisely how the five "divisional" heads in finance will operate has not been finalised. Discussions are being held, for example, on the division of work between Durr and Marais.

The overlaps between the departments of Steyn and Du Plessis are a vital key as to how the two will function. Durr was previously also a deputy minister of Trade and Industry; and Steyn was a deputy minister under previous finance minister Owen Horwood.

Steyn, essentially a scientist, has become an outgoing politician who "welcomes criticism," and will be receptive to "quality input." Du Plessis has become a politician who no longer says the first thing that comes to mind, and is patently determined to leave his mark on SA's most traumatic times.

Steyn and Du Plessis, interactively, may serve up the "master plan" for SA's engine room: the private sector. To what extent is each responsible for Pretoria's four central economic policies: deregulation, privatisation, tax cuts and shrinking the size of bureaucracy?

Du Plessis is essentially a fiscal animal, the minister of the Budget. Inland Revenue and Customs and Excise collect cash, Public Finance decides technical policy; the Treasury dispenses cash; and the Registrar of Financial Institutions is a regulator.

But the real meat of SA's new economic thrust falls under Steyn — including trade inspectors, patents and trademarks, competition law, companies, import and export control, the Board of Trade and Industry, foreign trade relations and liquor laws. In short, most things in the way of a more free economy. Under him also fall some prime targets for privatisation: Escom, the IDC, Iscor, CSIR, SABS, Soekor, Foskor, SBDC, meteorology, Mintek, even the Central Energy Fund and Atomic Energy Corporation.

Privatisation and deregulation (certainly for "small" business) are official policy. There is widespread perception in Steyn's and Du Plessis' departments that the time has arrived to recognise SA's hybrid First/Third World economy. That means: get laws out of the way.

Technically, the question of privatisation is with the Commission for Administration — the personnel office of central government. It is reviewing all State functions; Steyn will then review all functions referred to in his portfolio. But no time scale is attached.

Tax cuts are a function of shrinking the bureaucracy, but also of privatisation and deregulation. Hopes of tax cuts cannot be placed on the delayed work of the Margo Commission; it is concerned with technical matters, not the stimulation of political will.

The private sector must not underestimate the importance of Steyn and Du Plessis in the current political atmosphere. The *FM* perceives a newfound will to listen to the private sector. Recognition that financial and economic policy are pivotal to a political settlement has come of age.

The main obstacle in the way of positive development may, ironically, be vested interests in the private sector. They have built very solid temples held together by regulations and restrictive laws. ■

FIN MAIL

INFLATION 28/11/86

Stomach ache

Food, comprising a quarter of the consumer price index (CPI), continues to eat into consumers' pockets. In October, food prices increased by 2,8%, bringing the year-on-year increase to 23,2%.

This compares to the overall year-on-year October CPI increase of 19,2%, down from from September's 19,7%. The index increased by 1,1% to 239,3.

Central Statistical Services says that food prices have not risen at such a rate since early 1981. The difference, of course, was

ARGUS 28/11/86 232

COMPANIES

Anglo's net worth rises by R9-billion

By DEREK TOMMEY
Finance Editor

ANGLO American, already the country's richest mining house, has benefited by billions of rands from the share market boom in recent months.

Figures issued today show that the the value of its assets, based on the market value of its share investments, rose by R9-billion — that is 72 percent — in the 12 months ended September to R21,5-billion

Whether its assets will retain this value will depend on what happens share prices in the coming months

Should the market rise further their value will also increase If prices fall their value will drop Of course much will depend on what happens to the gold price and the rand

Increased dividends from the gold mines, together with higher dividends from diamond platinum and ferro-alloy producers helped increase income from investments in the six months ended September by 32 percent to R400-million compared with R304-million a year earlier, the company reports

Other income rose from R230-million to R278-million

Altogether, Anglo American's income before tax was R678-million against R534-million a year earlier

After tax and other provisions, earnings attributable to shareholders were 25 percent higher, rising from R320-million to R402-million which is equal to 176c (140c) a share

In line with the increase in profits the interim dividend has been raised by 25 percent from 50c to 62,5c a share

In addition, Anglo American can lay claim to undistributed profits totalling R579-million (R463-million) made by companies in which it has a substantial stake

Taking these figures into account the company's total earnings for the six months ended September were R569-million (R463-million) equal to 254c (199c)

Will this improvement continue in the next six months ?

Anglo American's directors would appear to think so They say "The results for the year ending March 31, 1987 are expected to show a similar improvement"

Southern raises interim div

THE Southern Life Association has raised its interim dividend by 20 percent from 8c to 9,6c a share This is in line with the 19,7 percent increase in the disclosed taxed profit in the six months ended September from 13,2c to 15,8c a share

for the arms deals move ...
Post's sources said.
here than met the eye". — Sapa-AP.

Company's equipment is impounded

BUSDAY 1/12/86

'No' to private telex services

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CHRIS CAIRNCROSS

THE Department of Posts and Telecommunications has no intention of allowing commercial telex networking services, although it has said it is amenable to the privatisation of several of its operations.

This was stressed to *Business Day* in response to a request for clarification after at least one company's telex operations had been summarily closed down and its equipment impounded.

The company concerned, a Cape Town-based offshoot of a UK organisation, had been providing cut-rate communication services to Gilbeys and the University of Cape Town on the understanding that this was permissible.

The intention was to eventually become a fully-blown commercial operation. Other large independent telex users have also in the past indicated a desire to follow the same route — if only to ensure an economic utilisation of costly equipment.

A Posts and Telecommunications spokesman said that the handling of "third-party telex traffic is prohibited, except in cases where a person has been specifically authorised by the Postmaster-General to operate a telex bureau service".

Such authority is granted subject to the following restrictions

- No means other than the public switched telex network may be used for transmitting and receiving messages;
- The telex service may not be used for sending and receiving messages for retransmission, with a view to evading the end-to-end telex route,
- No privately-owned equipment shall be connected to PO telex services without prior approval.

The spokesman said the department could not permit telex refiling on behalf of third parties with the object of bypassing the traditional public telex network and evading charges on national and international routes

BUS DAY 1/12/86

Market stays on even keel

SHIPPING

THE SA freight shipping market remained steady last week.

There was little change in rates for handy-sized vessels, but larger vessels felt an easing in both demand and rates

Afromar reports that with the holiday season approaching there is likely to be some last-minute bargaining as charterers clear out year-end requirements and owners try to avoid vessels standing idle over the holiday period.

In the coal sector, Korean charterers took two vessels out of SA last week. One was a 33 000-35 000-ton cargo from Richards Bay to Mokpo at $8,15 for a late December position, and the other a 35 000-tonner at $8,25 from Richards Bay to Inchon or Ulsan for a January cargo.

A trading house was talking of a 50 000-ton cargo from Richards Bay to Iskenderun, Turkey, with loading during December.

SA charterers arranged a 40 000-ton cargo of maize to South Korea, for loading in the first half of December, at $12

London traders had an inquiry for lifting 17 500 tons of bulk sugar from Maputo or Durban to London for mid-December, at a likely rate of about £12,50.

Turkish charterers were seeking indications for the movement of 250 000 tons of steel slabs from Port Elizabeth to Eregli, in the Black Sea, in 25 000-ton lots, with shipment during 1987.

There was interest in several other cargoes to both the Mediterranean and Japan Local operators came into the market for a Panamax-sized vessel for a trip from SA to the Continent, with delivery on a mid-December position.

BUSDAY 1/12/86 (232)

Ovgroup loses out on sale

BRIAN ZLOTNICK

OVGROUP has made a R14m loss through the disposal for R23m of Ovdeco, which houses all its property, home-building and construction interests.

The buyer of Ovdeco is Ovbel, a company in which the directors of Ovgroup and its subsidiary Ovenstone Investments (Oil) have a significant shareholding

Based on the financial statements of Ovgroup and Oil for the year to March 1986, the deal has the effect of reducing the net asset value of an Oil share by 24,6c to 3,2c and of an Ovgroup share by 20c to 49,8c.

The directors say the transaction would have had a minimal effect on earnings but "will enable Oil and Ovgroup to reduce borrowings substantially and focus its objectives on the fishing industry"

Oil's and Ovgroup's share listings were suspended on November 21 after an announcement that negotiations were under way which could result in a major reconstruction of Oil

Negotiations are continuing and the directors expect to make an announcement in mid-December, when interim results will also be unveiled.

Purchase price R14m less than book value

Ovgroup to sell property, building interests for R23m

1/12/86

By AUDREY D'ANGELO
Deputy Financial Editor

THE Ovenstone group (Ovgroup) will sell all its property, homebuilding and construction interests for R23m in a partial management buy-out, provided shareholders agree

This is about R14m less than the book value of these interests at the end of Ovgroup's last financial year in March

But property and construction have been among industries most badly affected by the recession.

Sliding profit

Ovgroup's trading profit fell to R16m, compared with R18m on an annualized basis, in the year to March and attributable income to R4,4m (5,7m)

The total value of its assets fell to R144,9m (R147,2m) and its total liabilities rose to R86,7m (R81,6m)

The results for the six months to September will not be announced until mid-December

In an announcement that negotiations for the disposal of the property and construction interests had been concluded successfully, Rand Merchant Bank said last night that "the transaction will enable Oil and Ovgroup substantially to reduce borrowings and concentrate on the fishing industry"

It was announced in October that Oil had reached agreement to acquire the entire issue share capital of Southern Sea Fishing Enterprises for about R11m and was negotiating to sell the property and construction interests

Chairman Andrew Ovenstone said the construction and property companies "would basically stay together" and jobs retained

Last night's announcement said it was proposed that Ovdeco, the holding company of all Ovgroup's property and construction interests, would be sold to Ovbel "in which certain directors of Oil and Ovgroup and certain management members of the operating companies of Ovdeco will hold approximately 30% of the issued share capital"

The directors are Andrew Ovenstone, A U Barnetson, J R S Clark, J R Millar, N M Ovenstone and B M Sender

Rand Merchant Bank said "directors interested in the transaction recused themselves from the decision by Ovgroup to dispose of Ovdeco".

According to the announcement, the disposal of Ovdeco will reduce the net asset value of Oil to 53,2c (77,8c) and of Ovgroup to 49,8c (69,8c)

Earnings boost

It will lift earnings a share to 7,4c for Oil and 6,7c for Ovgroup compared with 7,1c for Oil and 6,4c for Ovgroup if Ovdeco is not disposed of

Share dealings in Oil and Ovgroup were suspended on November 21 Rand Merchant Bank said negotiations which could result in a major reconstruction of Oil were continuing "and an announcement cannot be expected to be made before mid-December"

Talent drain rises

11/2/8 DD

236

Dispatch Correspondent

JOHANNESBURG. — The talent drain is accelerating as the sanctions net tightens and political problems remain unresolved.

Economists say this is clear from the latest migration figures issued in Pretoria by Central Statistical Services.

These show a migration loss of more than 11 000 for the first nine months of the year compared with the same period last year.

Between January and September, 10 767 left the country to settle elsewhere and there were only 5 355 immigrants.

Last year in the same period there were 8 380 emigrants and 14 276 immigrants — a gain of 5 896 people compared with this year's loss.

In September this year, the number who emigrated was almost double the immigrant total — 1 024 as opposed to 547.

Professional and technical workers who left the country in the nine months totalled 1 797 (1 193 in January-September last year).

Among them were 366 engineers, 76 medical doctors and dentists, 224 accountants, 221 educationists and 910 "others".

DD 3/12/86

232

Court order against Ciskei textile factory

Dispatch Reporter

EAST LONDON — The Ciskei-based Disa Garments factory in Fort Jackson has been placed under provisional liquidation following its sudden closure at the end of last month.

This was confirmed yesterday by a spokesman for the Ciskei People's Development Bank, Mr Dave Hart, who said the possible closure of Disa Garments had first come to the bank's notice last week.

"We sent staff to investigate the matter and found that most of the factory's machinery had already been vacated from the premises," he said

He said it was highly probable that most of the machinery had been shipped out of the country soon after the company's closure.

Mr Hart said the Ciskei Government had been granted an interdict ordering that the remaining assets still at the factory be retained in lieu of money owed to the government and taxes due by the company.

Following this the Ciskei People's Development Bank applied for a court order, which was subsequently granted, placing Disa Garments under provisional liquidation.

Mr Hart said the liquidators appointed were the East London-based firm of Coopers and Lybrand.

"This secured our position in that any machinery still in the country will fall under the control of the liquidators.

"We were subsequently told by the liquidators that Disa Garments had more than enough funds to pay all the claims against it," Mr Hart added.

He said the Ciskei People's Development Bank was already investigating the possibility of placing another company in the factory premises vacated by Disa Garments by early next year. He said the company would probably employ about 1 000 people

Mr Hart said he could not yet disclose the name of the company as final negotiations were not yet completed.

Yesterday, a Cape Town-based international distribution company — who have done business with Disa Garments for the past three-and-a-half years — expressed anger at the manner in which Disa Garments closed its factory without informing businesses that dealt with it.

The director of YKK Zippers in Cape Town, Mr Ugo Colombo, said he had visited Disa Garments on business on November 25, only to find that the factory was closed He said he had been told by a member of management still on the premises that the factory would reopen in January

THE ECONOMY

SA's awash with takeover money

By PHILLIP VAN NIEKERK

SOUTH AFRICA'S disinvestment run is likely to kill President PW Botha's initiative, unveiled two weeks ago at a summit meeting with business leaders, to restore business confidence

Analysts believe that business will be holding onto its investment capital as it waits for the assets of disinvesting companies selling out at bargain basement prices, to be thrown its way

This week's buy-out of Barclays PLC's holding in Barclays South Africa at a 23 percent discount has tightened Anglo American's grip on the South African economy

Robin McGregor, director of McGregor Research Services and the editor of Who Owns Whom, says Anglo's newly-acquired control over Barclays raises its share of the Johannesburg Stock Exchange from 54,1 percent to 54,63 percent

McGregor says that the total market worth of the JSE is R228-billion Barclays SA's market value of R1,25-billion is 0,53 percent of this total

According to McGregor, both Anglo's senior partners in the deal — De Beers and Southern Life — are themselves in the Anglo camp He says Anglo's share in Barclays SA has jumped from 25 to 55 percent

A little-recognised feature of the takeover is that it puts Anglo's control over Southern beyond doubt

Until the takeover deal, Barclays and Anglo each held 30 percent in Southern, but Anglo's stake has substantially increased because it has taken charge of Barclays

McGregor points out that Anglo has not been involved in a major takeover for two years They may have been sitting on a pile of money, chiefly from gold and other mining revenues, waiting for something good to come their way

In fact, for South African companies now is an ideal time to snap up firms selling out at way below the market prices because of political pressures

South Africa is awash with money due to revenues from the high gold price and a very favourable balance of payments resulting largely from the low rand

The governor of South Africa's reserve bank, Dr Gerhard de Kock, estimated last week that the country was headed for a 1986 surplus on the current account of the balance of payments of R5-billion to R6-billion

What De Kock refers to as the tightest exchange controls in the country's history have cemented in the surplus capital, preventing it — legally at any rate — from leaving South Africa

There is so much money around that banks are having difficulty finding people to lend to and interest rates continue to slide

But because of the uncertain political climate, business confidence remains low No one is putting money into new ventures

Little of the capital around is being turned into productive investment to build new factories or provide jobs for the country's unemployed, conservatively estimated at more than 3-million but perhaps as high as 6-million

Despite desperate attempts by the government to stimulate the economy, De Kock estimates that it will grow by only one percent this year

The reason for this is that investment capital is still chasing paper The Johannesburg Stock Exchange is booming and there have been a rash of take-overs of already established firms

It was with this fact in mind that Botha called businessmen around for Carlton III, trying to inspire a sense of a little adventure

However, despite attempts by the SABC and Beeld to buoy public spirits by portraying the Barclays PLC pullout as a victory, the current run of disinvestment is a cold wind for all but a few participants in the South African economy

The lucky handful are a group of *nouveau entrepreneurs* — senior managers now given the chance to own their own companies — and Anglo, who got a little bit bigger this week

232

COMPANIES

New ventures to boost Vansa

4/12/86

BUSDAY

CHERILYN IRETON

VANSA VANADIUM'S earnings should improve by about 10c a share in the current year as a result of the acquisition of the Winterveld Chrome mines and participation by Rand Mines in the platinum venture on Kennedy's Vale, near Lydenburg.

Vansa has just reported earnings of 3c a share for the nine months to September. The financial year-end was changed to accommodate the deal with Rand Mines.

A circular to Vansa shareholders explaining the deal says other financial benefits may emerge from the rationalisation of resources between Kennedy's Vale and the chrome mines, which are 11km apart

Meanwhile development of Vansa's vanadium mine is under way. Chairman David Marshall says in his annual report that work on the layout, design and establishment of the mine and recovery works has proceeded swiftly

The plant, on which construction was to have begun in mid-November, is expected to be commissioned by June 1988

However, Vansa has been plagued by the scarcity of suitable second-hand equipment and the drop in the value of the rand against other currencies.

Marshall says these factors have been partially offset by limiting the foreign content of plant units and amending design to trim initial budgets.

REPUBLIC OF SOUTH AFRICA

REPUBLIEK VAN SUID-AFRIKA

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Vol. 258 PRETORIA, 5 DECEMBER DESEMBER 1986 No. 10544

GOVERNMENT NOTICE

DEPARTMENT OF TRADE AND INDUSTRY

No. 2594 **5 December 1986**

MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1979

ACQUISITION BY NEDBANK GROUP LIMITED OF FINANSBANK BEPERK

The Competition Board hereby makes known for general information that, on the direction of the Minister of Economic Affairs and Technology, it is undertaking an investigation in terms of the provisions of section 10 (1) (b) of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of 1979), in order to ascertain—

(a) whether an acquisition by Nedbank Group Limited of Finansbank Beperk has been, is being or is proposed to be made; and

(b) the nature and extent of the controlling interest held and acquired, being acquired or proposed to be acquired by Nedbank Group Limited of Finansbank Beperk.

Any person may within thirty (30) days from the date of this notice submit written representations regarding this investigation, to the Director, Competition Board, Private Bag X84, Pretoria, 0001. (Reference R5/1/2/2/1.)

GOEWERMENTSKENNISGEWING

DEPARTEMENT VAN HANDEL EN NYWERHEID

No. 2594 **5 Desember 1986**

WET OP DIE HANDHAWING EN BEVORDERING VAN MEDEDINGING, 1979

NEDBANK GROEP BEPERK SE VERKRYGING VAN FINANSBANK BEPERK

Die Raad op Mededinging maak hierby vir algemene inligting bekend dat hy, in opdrag van die Minister van Ekonomiese Sake en Tegnologie kragtens die bepalings van artikel 10 (1) (b) van die Wet op die Handhawing en Bevordering van Mededinging, 1979 (Wet 96 van 1979), ondersoek instel ten einde te bepaal—

(a) of 'n verkryging deur Nedbank Groep Beperk van Finansbank Beperk plaasgevind het, aan die plaasvind is of voorgestel word; en

(b) wat die aard en omvang is van die beherende belang wat gehou en verkry is, verkry word of waarvan die verkryging voorgestel word van Finansbank Beperk deur Nedbank Groep Beperk.

Enigiemand kan binne 'n tydperk van dertig (30) dae na die datum van die publikasie van hierdie kennisgewing skriftelike vertoë aangaande hierdie ondersoek rig tot die Direkteur, Raad op Mededinging, Privaatsak X84, Pretoria, 0001 (Verwysing R5/1/2/2/1.)

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FIN MAIL 5/12/86 232

REGIONAL SERVICES COUNCILS

Sluggish confusion

Are the proposed regional servies councils (RSCs) characterised by aims diametrically opposed to Pretoria's avowed policies of privatisation and deregulation? If so, it will be another minus for RSCs, which in any case hardly get a kind word from any quarter

Against all opposition, it appears that RSCs will be steamrollered through by Pretoria Though RSC law and regulations may be in tatters, demarcations have been made for the Bloemfontein, Pretoria and Witwatersrand areas

Many advisory bodies like Assocom are inundated with queries as to how to budget and plan for RSCs The immediate concern is the levies they will exact from productive enterprises, but the public service will cough up too

Though it is legal personae that will be liable to pay a percentage of payroll and turnover to RSCs, such levies are ultimately paid by people· business taxes mean lower dividends, wages and profits, and higher prices

General sentiment

General sentiment is expressed by Assocom's legal manager Ken Warren: "Implementation of the levies should be deferred until conditions for success are better. And the report of the Margo Commission should be taken into consideration We simply cannot afford a constitutional failure of the magnitude possible if RSCs do not work."

Nobody knows when the final regulations will appear. It is generally accepted that they will be difficult to implement, interpret and administer without substantial governmental *and* corporate bureaucracy

It is doubtful, says an ex-town clerk, that the levies will ever be cost-effective compared to other more logical ways of funding And it has been noted that the taxes are open-ended and could rise to prohibitive levels.

Clearly RSCs' priority is to defuse racial barriers at the third tier of government — at, it appears, any cost. Economic priorities such as privatisation and deregulation seem largely to have fallen by the wayside.

Ironically, free-enterprise policies have been adopted at local level for some time Much meter reading is done by private enterprise; refuse disposal and parks administration are other examples in private hands. And there are many cases of hiring out services, one step toward privatisation Johannesburg, for example, provides sewerage and joint fire services for other local authorities

Some private-sector bodies have asked for a book of standard by-laws to facilitate privatisation and deregulation Such a rulebook would simplify the efforts of private enterprise in taking unproductive work away from government.

RSC levies are easy to condemn from an economic viewpoint. A low-markup store is assessed on the same basis as a high-markup business Levies cannot be deducted by a business running at a loss which is not, therefore, paying tax And capital-intensive business is favoured over those emphasising use of labour ■

TAYLOR DEPARTS

Joe Taylor, MD of the newly created SA Housing Trust, is to leave the State President's Office as Executive Officer of the Economic Advisory Council, to which he was seconded for two years from Santambank He will be replaced by Bertus van Zyl, a senior manager at the Reserve Bank.

Board ponders milk shortage

5/2/86 BUSDAY 232

GERALD REILLY

EXPANSION of privatisation in the diary industry over the past few years meant the industry was now operating in a virtually free market where supply and demand had to balance, Dairy Board GM Edu Roux said in Pretoria yesterday.

He said the current shortage of fresh milk was mainly because a large number of producers had ceased production, resulting in restricted supplies to distributors. The board was looking at ways.

Reacting to reports that certain dairy product prices would rise by 10% to 20% from February, Roux said the only control exercised by the board was over the producer price of milk and the wholesale price of butter.

The board had already given an assurance that the wholesale price of butter would remain unchanged until the end of February. Roux said that dairy products, even at current prices, were good value for money.

Insolvencies rise by 26,2 percent

6/12/86 STAR (232)

In the third quarter of this year, South Africans continued to be hard hit. Insolvencies rose by 26,2 percent compared with 1985, according to the Central Statistical Services in Pretoria.

However, liquidations of companies in the same period dropped by 3,2 percent.

Between July and September this year, 692 companies were placed under final liquidation, compared with 715 the previous year. Insolvencies totalled 1 203 compared with 953 in 1985.

Most liquidations finalised in August and September this year took place in the manufacturing (70), construction (42) and the financing, insurance, business service and real estate sectors (179). — Pretoria Bureau.

Clothing-store giant in offing

BUSDAY

Wooltru, Pep in R1,2bn merger talks

232

9/12/86

LIZ ROUSE and MERVYN HARRIS

WOOLTRU and the Pep group companies are engaged in negotiations which could create a clothing-store giant with a combined turnover of R1,2bn a year.

They announced yesterday that talks were in progress that could affect the share prices of Wooltru, Pepgro, Pepkor and Pep Stores.

The deal could be the biggest ever in terms of turnover and market capitalisation in the stores sector.

The current giant in the clothing sector is Edgars, with an annual turnover of R735m, followed by Foschini, which is way behind with sales of R280m.

The deal was foreshadowed in a statement from Wooltru chairman David Susman last month that the group saw the black consumer market as the major area for expansion and wanted another chain at the lower end of the market

The new group could grab a larger share of the clothing market. Pep has manufacturing facilities, while Wooltru buys from suppliers, which could include the Pep group.

Pep Stores consists of the Pep Stores chain with 511 outlets, Ackermans with 39 department stores, and seven factories.

The announcement nevertheless came as a surprise yesterday to most analysts, although takeover speculation has been swirling around Wooltru for the past three weeks.

A merger with Foschini was mooted, but Foschini's market capitalisation appeared too small to swallow such a whale.

In fact, the Pep group's market capitalisation is much smaller than Wooltru's, with Pepkor worth R276m against Wooltru's R533m. However, on Wooltru's side, large institutions are involved, with 55% of issued share capital in their hands, led by Old Mutual's holding of more than 24%.

If, as surmised, Wooltru and Pep Stores are merged, Wooltru could issue

To Page 3

Wooltru, Pep in merger talks

BUSDAY 9/12/86 232

From Page 1

shares for Pep Stores and Pepgro could become the ultimate holding company

It is impossible to predict at this stage what the mechanics of the deal will be.

Yesterday's joint announcement said negotiations were at an early stage and that it might not be possible to make a further announcement before the second half of next January.

Talk of restructuring continued after last week's news that chairman David Susman was resigning and that MD Tony Williamson would step into his shoes.

Pep's Christo Wiese has made some smart moves in restructuring the group, reversing Pep Stores into Bearing Man Holdings and listing the group's supermarket chain, Shoprite, at the end of last week.

Waltons moves in

9/12/94

BUSDAY

LIZ ROUSE

(232)

WALTONS Stationery Company has tied up a deal with the Robin group, most of whose subsidiaries were placed in provisional liquidation in September.

Waltons has reached agreement to buy Amalgamated Industrial Investment Corporation's (AIIC) holding of 775 259 ordinary shares and 134 559 preference shares in Premier Industries

Settlement will be R400 000 cash for the ordinary shares (51,6c a share) and R1 cash for all the prefs In addition, Waltons will arrange that the inter-company debt of R82 992 owing by AIIC to Premier will be waived by Premier.

Waltons will make an offer of 62,3c a share to Premier minority shareholders

Following the transaction and payment of AIIC's creditors, it will be left with net cash of about R300 000, its only asset.

Negotiations are continuing for possible injection of assets into AIIC, which will change the nature of its business The deal is conditional on approval by AIIC shareholders and the offer of compromise with Premier's creditors being sanctioned by the court.

9.12.86 (232) BUS DAY

Malbak, Gencor in R90m deal

Investment Staff

MALBAK yesterday acquired more of Gencor's industrial interests by taking over Carlton Paper and Kohler in a deal worth around R90m.

The deal is in line with the announcement in September that Gencor would progressively transfer the bulk of its industrial interests, excluding Sappi, to Malbak

The first step in that series of transactions was Malbak's acquisition of Gencor's holding in Haddons The latest deal means the Malbak group ends up with an enlarged spread of paper, printing and packaging interests consisting of Haddons, Kohler, Carlcor and Malbak's two packaging companies

As part of the package, parent company Malcor Holdings takes over 6 451 883 Carlcor shares, equivalent to Gencor's 40,8% stake in the company At Carlcor's share price of around 500c a share at the time of transaction, this puts a price tag of about R32m on the Carlcor portion of the transaction.

Malbak is acquiring a 55% interest (after all conversions) in Kohler — 6 150 695 Kohler shares At Kohler's recent market price of around 950c, this means the Kohler part of the transfer is worth about R58m. In total, this places a value of around R90m on the deal.

The Carlcor shares will be settled by way of the issue to Gencor of 1 920 205 new Malhold shares, while the Kohler transfer will be settled by the allotment of 9 738 600 new Malbak shares to Gencor.

Gencor will renounce its rights to these Malbak shares in favour of Malhold and, in exchange, will be issued with 3 478 071 new Malhold shares The Carlcor shares will be retained in Malhold which, in future, will be the vehicle for investments in which Malbak does not exercise absolute management control This means Malhold will no longer be a pure pyramid.

Wooltru-Pepkor merger could create retail giant

9/12/86 232 STAR

By Gareth Costa

The battle is hotting up in the highly competitive retail sector with the announcement of talks on a possible merger between Woolworths/Truworths and the Pepkor group that could create a new giant with turnover in excess of R1,5 billion.

And it appears that Wooltru is gearing up to take on the might of other conglomerate retailing chains, in an attempt to gain a greater market share as margins become tighter

However, uncertainty still surrounds the Wooltru/Pepkor cautionary announcement, with analysts mystified as to what sort of deal would be structured between the two companies

Speculation ranges from a straight merger between the two groups, or the sale of certain Pepkor operating companies to Wooltru But, whichever option proves to be the final route, analysts foresee many hurdles yet to be overcome.

Part of the problem is that Pepkor recently underwent a major restructuring from which it has still not fully recovered.

The two groups are also very different culturally, and if there was a merger between them, analysts say they would view the deal "exceptionally negatively for a time to come".

They point out, however, that Wooltru shows a gaping hole in exposure to the lower or "non-white" end of the market, which is not completely serviced by either Woolworths or Truworths

The Ackermans chain — now a Pepkor subsidiary after being bought from Edgars a couple of years ago — is singled out as the prime candidate of the discussions since it is not as down-market as Pep Stores and could slot into Wooltru a lot more easily.

Shoprite could also be a candidate since it would tie in quite well with Woolworths' food division which accounts for between 20 and 25 percent of Woolworths' turnover It is certainly an area where Wooltru would like to generate more growth.

Lastly, the Hyperette operation, with turnover of R15 million, is also a candidate for fitting into the Wooltru stable.

Wooltru had a turnover of R744 million for its last year, while Pepkor is approaching a figure in excess of this for the current year to end-February, while at the interim stage it had sales of R409 million.

On the profit side, Wooltru reported net earnings in the last full financial year of R29 million, while Pepkor lost R16,8 million.

The two are quite similar in size, and analysts feel that the whole Pepkor group, or even the whole of the clothing division, would be too big for Wooltru to digest successfully.

Pep Stores and Ackermans had a combined turnover of R336 million Ackermans has 39 department stores country wide, while there are 511 Pep Stores.

On the basis of a current R17 share price Wooltru is capitalised at R530 million, while Pepkor's R23,50 price gives a market capitalisation of R275 million

CAPE TIMES 11/12/86 (232)

Macadams buys three firms

Deputy Financial Editor

MACADAMS — the Cape Town-based manufacturer and distributor of bakery and confectionery equipment — listed on the Johannesburg Stock Exchange in September — has made three major acquisitions

Joint MD Arnold Resnick announced yesterday that it had acquired B Joffe Manufacturing (Pty) of Epping, which makes catering equipment, for R1,6m

Dominant share

He said Macadams had also acquired Status of Port Elizabeth, which specializes in bread-making equipment, and a Reef firm, Omega Bake Equipment and Omega Shop Equipment

Together, the three will expand Macadams' already dominant share of the bakery equipment market and extend the scope of its operations into the much larger catering equipment market.

Resnick sees import replacement as a major opportunity

Joffe, which is one of the largest food equipment manufacturers in the Cape, employs 100 people in a 10 000 m² factory in Epping and has an annual turnover of more than R4m.

It has started producing, under licence, a range of ovens previously imported by Macadams

It has been acquired from MCB Distributors, part of the Murray & Roberts group

The purchase was financed through the issue of 1m new ordinary shares at 50c each and a cash payment of R1,1m.

The shares are being placed with Ronnie Price and family, which gives them a holding of 7,5% of the issued share capital of Macadams. They also have an option to acquire a further 1m shares at 60c a share

The Status operation has been bought for R10 000 in cash and 20 000 new ordinary shares It will be moved to Cape Town and incorporated into Joffe Manufacturing as a new bakery equipment department

Omega has been bought from Theo Kyriacou, well known in bakery circles, in a R500 000 deal. This will be financed by the issue of 650 000 new shares at 53c each and a cash payment of R155 000. Mr Kyriacou will join Macadams' board

'Highly strategic'

Resnick said yesterday that the three acquisitions were "highly strategic, positioning us ideally for future growth and market share"

They would also strengthen the group's presence in the important Transvaal marketplace.

Although the acquisition of Omega is effective from November 1, the acquisitions of Joffe and Status are with effect from February 1, 1987

Macadams financial director Kevin McEvoy, left, with chairman and joint MD Arnold Resnick.

12\12\86

FIN MAIL

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WOOLTRU/PEPKOR

Weaving deals

An announcement this week of talks that could lead to a deal between Wooltru and Pep Stores had analysts scratching their heads for a good explanation Heavy trading in Wooltru shares had presaged a deal of some kind, but few if any had anticipated a merger of two groups so different in culture, target markets and trading ethos

If present conjecture proves correct, then substantial value could be unlocked in holding company, Pepkor. Some insiders believe the deal could involve nothing less than the complete takeover of newly-listed Pepkor subsidiary, Pep Stores — capitalised at around R450m — by Wooltru.

If so, this could be the largest retailing takeover in years. It would certainly dwarf other corporate deals of 1986 with the exception of the Barclays Plc disinvestment Negotiations are in an infant stage, with final details expected only in late January Both Wooltru group CE Tony Williamson and Pepkor chairman Christo Wiese declined to comment.

There are obviously many permutations for a possible agreement. Present thinking is that Wooltru is considering acquiring Pepkor's 99,5% stake in Pep Stores for a combination of Wooltru equity and cash. Given that Wooltru has limited cash resources, a deluge of new Wooltru equity would be needed to fund the acquisition, leaving Pepkor with a large, possibly even controlling, interest in Wooltru.

Wooltru management, which does not have control, is unlikely to pass control of Wooltru to any one shareholder. This would suggest the deal could be structured in some way that allows Pepkor's holding to be diluted to less than the 25% which is currently held by Old Mutual, the largest shareholder Or the deal could simply amount to a cross shareholding arrangement which gives, say, Wooltru 15% of Pep Stores, while Pepkor gets an equitable stake in Wooltru

Apart from Pep Stores, Pepkor currently has various other assets, including the controlling stake in supermarket chain Shoprite. The remaining assets are, however, small compared with Pep Stores

Pep Stores — consisting of a massive trading base of 545 retail outlets, including 39 stores in the Ackermans chain, and seven factories — came to the JSE in November with a sparkling record of 35% compound growth since 1983. After-tax profits reached R30,9m in the year to end-February 1986, and were forecast to rise this year to R36,1m, equivalent to 79,2c a share At the current price of 975c, and on a projected p·e ratio of only 12 times, Pep Stores' shares still look attractive.

Pepkor's Wiese ... unlocking wealth

The deal could make sense for Pepkor group, which is grossly undervalued relative to Pep Stores On current market prices, Pepkor has a capitalised value of R280m compared with R450m for Pep Stores By selling the subsidiary for a combination of cash and tradeable equity, Pepkor chairman Christo Wiese apparently hopes to shift Pep Stores' capitalised wealth up the group structure, where it will benefit himself and minority shareholders in Pepkor.

When Pep Stores was listed in November, through a reverse take-over of Bearman, Pepkor was left with a stake of 99,5%, way above what the JSE normally allows a controlling shareholder to retain At the listing, the JSE gave Pepkor six months to sell sufficient shares to give Pep Stores the minimum spread of shareholders. The mooted deal with Wooltru could pre-empt such a move and could even result in Pep Stores being delisted.

The whole idea of the link-up is certainly surprising, but the synergy, according to a senior analyst, is "so obvious nobody could see it" Pepkor stands to gain links with a highly-rated blue-chip retailing group From Wooltru's viewpoint, Pep Stores represents an important move into the bottom end of consumer marketing — and a move which management has for some time perceived to be necessary

The black market is now seen as the best source of powerful growth In its traditional niche at the top end of retailing, the Woolworths chain appears to be slowing down Pep Stores has successfully specialised in mass production and retailing of basic, low fashion garments

Analysts seem sceptical of any further merger benefits emanating from the tie-up Administrative functions could be merged, but it is stretching the imagination to think of Pepkor's high-volume basic-lines factories churning out garments that comply with Wooltru's impeccable standards. It seems likely the groups would retain separate identities, while maintaining a close association.

Shares in Pepkor, at R23,50, and pyramid Pepgro, at R15, should be watched closely, although both have gained sharply on speculation Any attempt to move the unrealised wealth of Pep Stores up the group structure could boost the shares. *Neville Glaser*

EUREKA/H & J

Deal tied up

Eureka chairman Ronnie Price has a history of negotiating deals at ,below market price and likes to boast that he will only buy assets at net worth The price put on H & J Cables (H & J), in the long-expected reverse takeover by Eureka's unlisted subsidiary Oak Industries, meets the first of these criteria but not the second.

At 135c, it is certainly below current market price of 340c, but much of the present price has been added on rumours of the Eureka deal Moving off a low of 65c in August, H & J climbed from 175c to 300c in a week as rumours grew stronger and last week the share reached a high of 380c.

The price paid for H & J is some 20% above net worth of 112,9c a share. But Price sees synergy potential to justify the premium "The strategic value of these two together is unlimited," he claims. "We try to dominate market niches and these two companies combined give us wonderful opportunities for that"

H & J receives the entire share capital of Eureka subsidiary Oak Industries in exchange for 5,2m new H & J shares at 135c a share, a total consideration of just over R7m. Eureka's holding in the newly reconstructed H & J is reduced to 4,85m shares or 49,7%, as 350 000 H & J shares are being sold to executives and brokers, who are turning an immediate profit. H & J's net worth will rise by 11,8c a share and earnings for the year to September 1 1987 are forecast at 20,5c (9,3c) a share.

Eureka benefits by a net worth improvement of 35c a share Earnings would have been 2,5c a share or 7% higher had the deal been done in the 1986 financial year.

H & J could do with some profit growth as earnings rose only 3% last year after falling 11% in 1985. Forecast earnings put the earnings yield at 6% against the sector average of 6,8%, so the share looks pretty fully priced on its present earnings potential But Price has for some time wanted to list the group's electronics activities and the market obviously expects him to use this vehicle for other deals.

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Consortium aims at control of sorghum beer industry

JOHANNESBURG — In a politically-sensitive deal thought by industry sources to involve more than R100m's worth of sales annually, and "possibly more than twice that", a consortium of Natal and KwaZulu organizations has been launched in Durban "with the express purpose" of acquiring control of the sorghum beer industry in the region

An important part of the deal is the acquisition by the consortium of six breweries and "the most advanced" sorghum malt factory in SA

'Monopolistic'

The parties concerned said yesterday that a key objective of the deal is the prevention of further "monopolistic tendencies" in the industry, and shares in the venture "will be available for purchase by the general public"

The private sector has been unhappy for years over what it has claimed to be the monopolistic ownership structure of the country's giant sorghum beer sector, with enormous sales (to blacks) relative to sales of clear beer to whites

These monopolistic tendencies were an important reason for pressure to dismantle the Development Boards, which formerly controlled much of the sorghum beer business, enjoying huge revenues

Details of the terms of the current takeover remain under wraps

The consortium consists of Ukhamba Liquor Association of Natal and KwaZulu, Khulani Holdings and the KwaZulu Finance and Investment Corporation (KFC)

Formerly dominant in the industry was the now disbanded Natalia Development Board, which worked through the umbrella of wholly-owned Ijuba Breweries, in turn the holding vehicle for production units

Khulani holdings is jointly owned by Inkatha and the Inyanda Chamber of Commerce and Industry, while Ukhamba represents about 300 black businessmen involved in the liquor trade

The KFC is a statutory corporation "charged with the promotion of economic development in KwaZulu"

The three organizations said yesterday that the consortium will tender for the assets of the sorghum beer interests of Ijuba breweries

Tender documents are being prepared by merchant bankers acting for the Department of Constitutional Development and Planning.

If the consortium's bid to buy the breweries is accepted by the central government, it intends acquiring the extensive sorghum beer interests of the KFC and managing the entire operation as one rationalised business

Ijuba breweries owns three breweries in Natal, and the KFC owns three in KwaZulu and what is claimed to be the most advanced sorghum malt factory in SA

'Backing of Kwazulu'

A spokesman for the consortium said that the plan to buy Ijuba's breweries and to run them jointly with the beer interests of the KFC had the full backing of the KwaZulu government, which was in consultation with the central government

The spokesman added that central government had taken a firm decision to privatize the sorghum beer interests of the former Development Boards nationwide and that it also wants to avoid the formation of a monopoly

He said the consortium was aware that the other major bidders for the sorghum beer industry were involved in both clear and sorghum beer — Sapa

SMM 13/12/86 (232)

Deregulation a major factor in ongoing fight against inflation

By Reg Rumney

Inflation threatens to stay on next year like an unwanted guest after the party

The inflation rate, as measured by the Consumer Price Index, came down only slightly in October, to 19,2 percent

And an increase in the Producer Price Index, which measures price inflation at the wholesale level and which foreshadows the Consumer Price Index, bodes ill.

The PPI rose to 20,6 percent in October, pushed up by the depreciated rand, and to a lesser extent by local prices.

Inflation for the whole of this year could be between 18 and 19 percent And forecasts are of inflation next year around 17 percent

Economists agree that no steep fall in inflation is likely.

They agree too that "demand-pull" inflation — too much money chasing too few goods — is absent from the economy, but "cost-push" inflationary pressures remain

The growth of the broad measure of money supply, M3, remains well below the target range set by the Reserve Bank.

But South Africa's special circumstances make the monetarist approach to controlling inflation by controlling the money supply, according to Nedbank in its November *Guide to the Economy* "not relevant"

Nedbank, as do other economists in the private sector, puts down persistent inflation to, at least in part, too much control on the economy, such as administered prices, and believe the solution, if any, lies in deregulation.

But more control — in the form of freezes on pay — has also been suggested as a strategy to fight inflation

A freeze on pay increases in the public sector and the mining industry as a move in fighting inflation was suggested in a recent report drawn up on behalf of the Afrikaanse Handelsinstituut (AHI), by Professor Geert de Wet of the Rand Afrikaans University.

He says indications are South Africa is heading for an inflation rate of between 20 and 30 percent in the long term if the private and public sectors do not make an all-out joint effort to fight inflation.

Nedbank, in its *November Guide*, is not hopeful of any advances on the inflation front next year

"The stabilisation of the rand in the second half of this year and the general relative restraint on the wage front should be positive factors in achieving some abatement to the rate of inflation during 1987.

"But," the report notes, "the persistence of inflation in South Africa, notwithstanding favourable circumstances at times — such as the total absence of demand pressures in the last two years — is cause for pessimism on this score "

Nedbank notes that too great a part of the fabric of the South African economy is made of administered prices. These prices are determined by cost and income calculations rather than by market considerations

"Hence the inexorable upward ratcheting of prices regardless of the state of the market or effective demand.

Any favourable cost development is treated as an opportunity for profit correction

"In such a system, money supply is 'largely of no relevance'

Trust Bank, in a recent *Economic Report* points out "... another major item which fuels inflation is the large rise in food prices, with red meat still on top of the list."

Food prices, according to the United Building Society's *Economic Monitor*, rose 22,3 percent in the year to September.

The Trust Bank says: "After the recent good rains farmers will be even more reluctant to reduce their depleted livestock. Meat prices could rise further towards the end of the year ",

The UBS adds new car prices, up 45 percent for the year to September, to the list.

Sanlam's November Economic Survey notes "The reluctance of prices to drop in the midst of poor, and even falling, demand for goods and services has given South Africa's inflation rate a special character over the past decade or so.

"The unwillingness of prices to respond downwards at times of poor demand and the relative ease with which undertakings could pass cost increases on to consumers have caused the successive upper and lower turning points in the inflation cycle to move to higher levels time and again

"This development makes the combating of inflation extremely difficult because it leads to an inflation psychosis that finds expression in higher expectations regarding the future course of inflation, and this, in turn, forms an integral link in the inflation spiral "

SUN TIMES 14/12/86 (232)

Iscor closer to going public

By Don Robertson

THE greatly improved position of Iscor's balance sheet will help it to beat sanctions and finance capital projects internally.

It also brings closer the possible privatisation of the R3,9-billion corporation

Group profits for the year to June last rose to R163,2-million from R14,2-million in the previous year, allowing the payment of a 7,5% dividend on all shares — the first the corporation has been able to pay to the State since 1972

Reserves

These profits, plus the accumulation of reserves, helped to lift shareholders' equity to R3 126-million at the yearend from from R2 810-million in 1985, and long-term loans were reduced to R998-million from R1 227-million

As a result, new capital projects amounting to R335-million as well as the net repayment of R274-million in debt was paid from internally generated funds It was not necessary to use new external financing sources or use any contribution from the State.

Because of the threat of sanctions, future dividend payments are uncertain, says chairman Floors Kotzee in his annual report But he adds that alternative markets have been found to replace traditional trading partners and these will be used to best advantage.

But the corporation continues to operate in difficult times. World steel demand increased by only 1% in 1985 — considerably lower than the 7% improvement in the previous year

Mr Kotzee says, "Oversupply in the world steel industry has lead to a series of trade restrictions, which include import-export quotas, voluntary restraint agreements and concealed subsidies

"The emphasis in the world steel industry falls strongly on the necessity of technological modernisation and of

Floors Kotzee ... brighter balance sheet

rationalising production capacities in an effort to restore the equilibrium between world supply and demand."

Nevertheless, Iscor increased sale of steel products by 401 000 tons to 5 689 000 tons. Iron sales reached 501 500 tons.

Exports to established markets progressed well and the weaker rand played a major role in maintaining earnings.

Price cuts

"In addition to continued steel exports, a start was made during the year with the exporting of pool-iron and pig-iron, which secured further foreign-exchange earnings," says Mr Kotzee.

Iron-ore exports also improved, rising to 9-million tons from 8,7-million tons in the previous year. As a result, it was possible to amortise R167-million of the outstanding debt of R814,3-million for the Sishen-Saldanha railway line and harbour in the 18 months since the debt was taken over from South African Transport Services by the Government

However, the declining trend in iron-ore prices, halted in 1985, resumed last year with price reductions of about 1,5% in Europe and 4,5% in Japan.

"This represents the oversupply of iron ore on the world market."

Drastic drop

Looking at the domestic market, Mr Kotzee says the weakening of the economy since the beginning of 1986 caused a drastic decline in private consumer spending

This was noticed in a 25% fall in the sale of vehicles and considerable difficulties in the construction industry. Aggravating the position was the cutback in spending by various public bodies.

This led to a 3% decline in domestic sales after the 13% fall in sales in the previous year.

However, the selective stimulatory measures announced by the authorities should have a favourable influence on certain sectors and promote steel consumption in 1987 Import replacement should also help, says Mr Kotzee.

2232 DD 16/12/86

Frame Group splits into 3 firms

Dispatch Correspondent

DURBAN — The giant textile Frame Group has been divided into three operating companies with a 10-man executive committee to control the affairs of the group.

Announcing this yesterday, the managing director, Mr Justin Schaffer, said Consolidated Cotton Corporation (CC) would combine cotton-related activity, Consolidated Waverley Textiles (WT) the blankets, knitting yarns and bottom weight upholstery, and Consolidated Apparel Manufacturers (CAM) groups all needles trade.

He said: "Management authority and responsibility are being decentralised into self-contained strategic business units which can function against clearly defined performance targets.

"The object is to become better equipped to meet the needs of the market, to provide meaningful jobs with appropriate rewards for all employees, and to give competitive returns to investors."

Shortly after Mr Schaffer joined the group in August, the triumvirate of managing directors that has headed the group since the death of founder Mr Philip Frame some years ago, moved out.

And soon after a proposed arrangement of the four JSE-listed companies was announced which would house the operating companies in one company.

Mr Schaffer said the executive committee would comprise Mr Abe Frame as managing director of CC; Mr Sid Frame as managing director of WT, Mr Barry Steel as managing director of CAM, Mr Mike Bouchier as deputy managing director of CC, Mr Peter Richardson as group human resources director, Mr Johnny Norris as group marketing services di[rector], Mr James Powell as group treasury direc[tor], Mr Bruce Sanders as group financial ad[ministration] director and Mr Jud Frame as group purchasing direc[tor].

STAR 17/12/87 232

AECI is poised to take over embattled Triomf

By Gareth Costa

AECI is poised to take over embattled fertilizer outfit Triomf from Nedbank, as negotiations take place between the bank and AECI for the sale of Nedbank's 75 percent stake

The move makes a lot of sense for the industry as a whole, as spokesmen have been saying for some time that rationalisation is needed to avert another crippling price war

In addition, the sale should be an enormous fillip for Nedbank, with investment support likely to be given a much-needed psychological boost now that the proverbial millstone is being removed

No price has been mentioned for the takeover of Triomf by AECI's fertilizer division Kynoch and executive director Mr Chris von Solms declined to comment other than to confirm that negotiations are underway

Also, no details are being revealed as to whether there will be much in the way of rationalisation between Triomf and Kynoch. The latter was relaunched two years ago when AECI split with Triomf after a 12-year partnership in the fertilizer industry.

From 1971 to 1984 AECI held 49 percent of Triomf. After the split, Triomf was left with the Potchefstroom factory and the export operation at Richards Bay — the two most modern plants in the country — while AECI took back the antiquated operations at Chloorkop and Somerset West.

These latter two plants are located alongside explosives factories and can operate reasonably well because of the proximity to raw materials that are a by-product of explosives production However, soaring rail tariffs have pressured these older, less-efficient, plants because of the vast distance from Foskor's mining operations in Phalaborwa

The inclusion of the Potchefstroom operation in the Kynoch stable, and with it a combined 50 percent plus of the local market, should open the way for both more orderly marketing and improved profitability

BOWING OUT

Triomf's 123 million issued shares have a net asset value of about 37c a share, and the takeover will include the acquisition of the ordinary and preferred share capital currently held by Nedbank

Presumably the deal will also include an offer to minorities, and could see the Luyt family finally bow out of the company Dr Louis Luyt founded some 20 years ago.

The main asset of Triomf is its Potchefstroom plant, reported to be running at around break-even at about 75 percent capacity The Richards Bay plant is now in provisional liquidation, and Nedbank management reports that negotiations are taking place for the sale of the plant

Triomf shares were due to be re-listed on the JSE today after a lengthy suspension, but an extension has been granted until negotiations are completed In fact, more raw materials have been ordered from Foskor to keep the plant running until a buyer can be found

Triomf's fortunes have been given a lift in the last few months with the good rains across the country Analysts report that the balance sheet is looking relatively healthy — after enormous write-offs — although gearing is still high.

One disturbing factor is the R79 million of term preference share capital, which one analyst feels should be termed debt and not equity If this were the case, Triomf would have negative shareholders' funds, with the ordinary share capital of R61 million and non-distributable reserves of R34 million being completely wiped out by the accumulated deficit of R128 million.

However, Triomf director Chris Liebenberg says that ultimately the shares are redeemable, but the money has been committed for a number of years before it is repayable, and it is on this basis that it is considered equity

Analysts add that the ingredient for success still missing is a determined and innovative marketing campaign to replace that of founder Dr Louis Luyt.

Prior to the AECI deal analysts were forecasting a re-listing price of about 38c, the trading level prior to suspension, while one even rated the shares as high as 55c.

However, the strength of AECI backing, along with improvements in the industry due to the rationalisation, could mean that Triomf gets a favourable market reception when it returns to the boards

75% stake to change hands

Nedbank and AECI in deal over Triomf

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BUSDAY 17/12/84

NEDBANK is to sell its 75% stake in Triomf to one of the fertiliser giant's main competitors, AECI.

AECI will take over the ordinary and preferred share capital of Triomf held by Nedbank.

No selling price, as yet, has been mentioned and, with the share still suspended, it may be difficult to put a value on the company.

However, industrial sources have suggested the Potchefstroom factory which — with the liquidation of Richards Bay — now comprises the bulk of Triomf may command as low a price as R60m. The plant is believed to have a replacement value of about R100m.

The sale is not expected to have a material effect on earnings or net asset value of AECI or of the Nedbank group.

Triomf's shares — which were due to be reinstated today — will remain suspended until the negotiations between the two groups have been finalised.

STEPHEN ROGERS

The acquisition of Triomf makes good sense for AECI since its fertiliser arm operated in partnership with Triomf until 1984.

It is believed the combined operations will give AECI a market share in excess of 40%, making it the market leader in the fertiliser industry.

Nedbank will be glad to get rid of what has become a millstone of doubtful debt around its neck.

However, a question mark remains over the Potchefstroom factory. Although capacity utilisation has improved this year from 60% to 75%, price discounting in the fertiliser market may result in the plant incurring large losses this year.

With production in the fertiliser industry now at about 50% of the market's 5-million-ton capacity, it is likely AECI will rationalise its combined operations.

Barlow's offshore arm makes first big buy

Bibby acquires US printer for $26,5-m

STAT 232

19/12/86

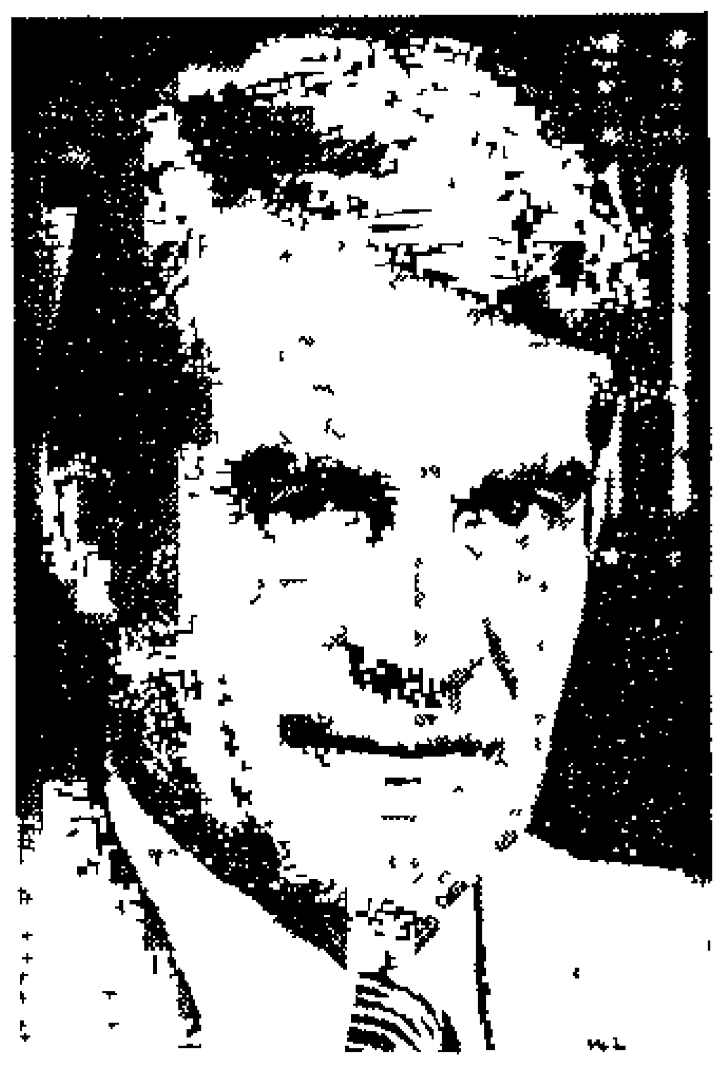
By Peter Farley
Investment Editor

J Bibby & Son, Barlow Rand's offshore platform, made its first major acquisitive move this week with the purchase of US-based cheque printing company Interchecks for $26,5 million.

The deal has been structured through Bibby's packaging subsidiary in the US, Princeton, and provides the first meaningful proof of Bibby's intention to develop a widely based industrial conglomerate overseas.

Bibby's chairman, Mr Bas Kardol told *The Star* the purchase was an important strategic move designed to improve the group's earnings' quality. It will be paid for out of borrowings, through the recently announced £70 million facility arranged in London.

Before this deal the group had cleared its balance sheet of debt, but is opting for borrowings to grow because of the poor rating currently accorded its scrip in London. However, this should go some way to restoring investor faith in Bibby's longer term intentions and provide some impetus for an upwards movement in the share price



Bas Kardol

The Intercheck deal is based on a PE of 10, with the Seattle-based printing operation currently producing annualised net profits of $2,6 million on sales of $56 million. Net worth, based on historic cost, is only $7 million.

The deal is certainly well below the going rate for similar companies in the US, with Interchecks' two biggest, listed competitors trading on the stock exchange at PE multiples of around the 23 mark.

Mr Kardol says, however, that there is enormous potential for earnings growth within Intercheck after recent changes by a new management team and the current returns are considerably in excess of budget

The group has 12 printing facilities in the US, mainly concentrated in the north west, around Seattle, the south west, around Los Angeles and then scattered across the south in states such as Tennessee, Mississippi, Arkansas and Arizona

In its north west stronghold the company has some 35 percent of the market, with about 10 percent in each of the other areas in which it operates.

One of the company's greatest assets, says Mr Kardol, is the solid growth in a non-cyclical market. Bibby also has the benefit of being able to draw on the experience of the cheque printing company already operating in SA in the Nampak fold, under a joint deal with the UK's McCorquindale.

And though there are no plans at present, it would not be a surprise to see Interchecks extend its business activities into the credit card field.

For the time being, however, Mr Kardol says plans are already under way to spend some $9 million upgrading and modernising much of the company's plant and equipment. This should also lead to significant savings and improve efficiency.

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FOX

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NEDBANK/TRIOMF/AECI

Easing the burden

Nedbank could be close to ridding itself of the Triomf albatross A deal with Triomf's old partner, AECI, has long been an obvious solution, and this week it was announced that negotiations have reached an advanced stage for the acquisition by AECI of Nedbank's ordinary and preference shares in Triomf

Nedbank senior GM Chris Liebenberg says the negotiations have only been in progress for "the last few days" He suggests that "the terms we are talking about are in the ball park area where both parties will be happy"

AECI spokesman, financial director George Thomas, is more evasive, saying "it is inappropriate to make any comment at this stage." Liebenberg adds that the announcement was only made because Nedbank wants to further extend the already protracted suspension of Triomf's shares.

Analysts and industry sources agree that AECI must be getting Triomf at a bargain price Other fertiliser producers have emphasised that the industry remains depressed by weak demand and large over-capacity, estimated at some 40%-50%, despite closures and rationalisations. Total losses in 1986 are expected to easily exceed last year's figure, which was put at upwards of R100m.

Triomf's Richards Bay operation was placed in provisional liquidation earlier this year. The main remaining asset is the Potchefstroom plant, whose current replacement cost an industry source estimates at R80m Others think this too low, though the book value of Triomf's total assets are only R72m, but a buyer of Triomf would also acquire R81m in accumulated losses

Nedbank stands to gain in several ways, not least by enjoying a powerful boost to investor sentiment on its share price

The group obviously never wanted to be in the fertiliser business It was forced into taking control of Triomf when the problems at Triomf Fertilizer (Richards Bay) (TFRB) clearly became insoluble. TFRB had to be put into provisional liquidation, this being seen as a prerequisite for the sale of the rest of Triomf

Nedbank's greatest potential bad debt exposure is to TFRB A claim for R200m has been made to the TFRB liquidators, according to Nedbank CE Gerry Muller, and the exposure to the Potchefstroom plant is another R170m So most of the R248m which Nedbank has provided against its Triomf exposure is for TFRB This presumably would not be affected by the sale of the rest of Triomf.

There are other advantages for Nedbank. Most fertiliser industry sources thought the bank would have difficulty turning Triomf around and there was a danger of increasing losses calling for additional finance. This possibility will be eliminated if Triomf is sold and the loans of R55m may also be guaranteed or taken over by AECI, a highly rated borrower

Benefits for AECI are less evident One objective may be to buy market share — AECI and Triomf have some 24% each It could also have in mind further rationalisation, which most senior executives in the industry believe is essential if the fertiliser producers are to see a return to reasonable profitability Also, Triomf had requested the scrapping of tariff protection on ammonia-based urea, which only AECI produces locally As an AECI subsidiary, Triomf won't seek actions against AECI's interest

It is uncertain whether the price war which shredded the profits of all fertiliser companies is over Even if Triomf is incorporated into AECI, there is still main competitor, Sasol

Conditions in the fertiliser market are still worrying Though rains have been good so far this season, farmers are heavily in debt.

Already Nedbank is looking a lot healthier than it was in May, when the full extent of the financial and management problems became known When CE-designate Piet Liebenberg assumes office in February, bringing a needed injection of senior management, he could find a group which has gone a long way towards recovery Agreement with AECI should clear a major hurdle still remaining And, even those who did not suspect AECI could be a buyer now say "they are the only ones who could take Triomf over"

Pat Kenney

THE JSE

Best of 1986

SA's economic and political traumas were ignored as the JSE romped to record highs in 1986 During the year the JSE Actuaries All Market index rose by no less than 50% to 1 914 Much of the excitement was focused on the mining sector, and the All Gold index gained 63% against the Industrial index's advance of some 32% Ironically, of the top 20 performing counters in our table, only two are gold-related counters

Again this year, the really big money was to be made in selected financial/industrials — those "special situation" stocks that get carried along by deals, takeovers and reconstructions Indeed, the performance roster suggests 1986 could be called the year of the investment entrepreneur. It was not always the skilful manager, but the astute investment banker who attracted the highest premiums. Men like Arnie Witkin, Ronnie Price and Mannie Simchowitz came into their own — gaining much support from bullish market conditions.

In some cases, such as Malbak, W & A and Mathieson and Ashley, price gains were linked to radically changed perceptions of the fundamentals But a number have been riding at least partly on speculative considerations — and, perhaps, wishful thinking. Dividend yields are generally low or non-existent, reflecting the high expectations

Top performer **Eureka**, which appreciated more than 900%, was acquired by Price a few years back when it consisted of little more than a pile of cash He injected properties and trading assets into the shell, and later floated off leasing subsidiary, **Eurefin.** Eureka's price began picking up steadily, and in mid-1986 accelerated explosively when computer firm Computermatic was listed via a Eurefin rights issue Analysts perceived that the formerly amorphous Eureka was acquiring a high-growth profile

Eurefin, which holds a stake in Computermatic, a pile of cash and various other trading companies, followed Eureka upwards, and over the year recorded the fifth biggest price gain Another company in our roster, **H & J Cables** gained recently from links with Eureka In fundamental terms, H & J Cables did nothing to justify a major rerating of its shares, both its profits and its reporting standards offered no encouragement But the cable company received

JSE TOP PERFORMERS

Name	Price (c) Dec 15	Gain Cents	%
Eureka	1 450	1 305	900,0
Math Ash	360	310	620,0
N Bernica	1 200	1 010	531,6
Gant's	250	210	525,0
Eurefin	650	525	420,0
W & A	1 400	1 120	400,0
Amic Opt	725	575	383,3
Inv Club	330	255	340,0
Rale	70	54	337,5
Fintech	1 115	850	320,8
Waicor	725	550	314,3
Elcentr	170	128	304,8
H J Cable	335	243	264,1
E Dagga Opt	1 100	790	254,8
Tarry	1 500	1 075	252,9
SA Wool	2 600	1 850	246,7
Channel	24	17	242,9
Rd Lease	770	540	234,8
Malbak	730	505	224,4
Gant's 12,5% CP	225	155	221,4

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HOTEL GRADING

Filling inns

The embattled hotel industry has been deregulated in a move to boost tourism by giving hoteliers more freedom to set their own standards. It's hoped that one- and two-star hotels, which predominate in SA, will be able to attract more custom by providing the type of service the market demands.

For example, they are now required to serve only one meal other than breakfast, and they can determine whether to cater for lunch or dinner trade

The new standards were gazetted last week and the Hotels Act is to be changed next year to accommodate them. Tourism Minister John Wiley says· "They will contribute to the promotion of tourism and re-

One-star hotels . . . a better future

duce control and management to give establishments greater freedom to set their own standards "

Provision has been made for the Hotel Board to consider exemptions of any nature so that, in effect, hoteliers can meet the standards while shaping their own businesses around market forces

On the other hand, an attempt has been made to give greater credibility to the grading system, controlled by the Hotel Board

The board's Tony Dodson says. "Hotel customers must be able to expect minimum standards of cleanliness and state of repair, whether they stay in a one- or five-star hotel The new regulations are a set of revised *minimum* standards "

The move follows months of consultation between hoteliers and the SA Tourism Board

Dodson says every effort has been made to meet hoteliers' wishes, the most important being their demand to be allowed to determine the type of accommodation and facilities provided ■

W/E ARGUS 20/12/86 (232)

BUSINESS

Bibby cheques in for $26,5-million

From PETER FARLEY

JOHANNESBURG. — Barlow Rand's offshore platform, J Bibby & Son, made its first major acquisitive move this week with the purchase of United States-based cheque printing company Interchecks for $26,5-million.

The deal has been structured through Bibby's packaging subsidiary in the US, Princeton, and provides the first meaningful proof of Bibby's intention to develop a widely based industrial conglomerate overseas

Bibby chairman Mr Bas Kardol said the purchase was an important strategic move designed to improve the group's earnings' quality It will be paid for out of borrowings, through the recently announced £170-million facility arranged in London.

Prior to this deal the group had cleared its balance sheet of debt, but is opting for borrowings to grow because of the poor rating currently accorded its scrip in London However, this should go some way to restoring investor faith in Bibby's longer term intentions and provide some impetus for an upwards movement in the share price.

WELL BELOW

The Intercheck deal is based on a PE of 10, with the Seattle-based printing operation currently producing annualised net profits of £2,6-million on sales of £56-million Net worth, based on historic cost, is only £7-million

The deal is certainly well below the going rate for similar companies in the US, with Interchecks' two biggest, listed competitors, trading on the stock exchange at PE multiples of around the 23 mark

Mr Kardol says, however, that there is enormous potential for earnings growth within Intercheck after recent changes by a new management team and the current returns are considerable in excess of budget

The group has 12 printing facilities in the US, but mainly concentrated in the north-west, around Seattle, the south-west, around Los Angeles and then scattered across the south in states such as Tennessee, Mississippi, Arkansas and Arizona

In its north west stronghold the company has some 35 percent of the market, with about 10 percent in each of the other areas is operates

One of the company's greatest assets, says Mr Kardol, is the solid growth in a non-cyclical market Bibby also has the benefit of being able to draw on the experience of the cheque printing company that is already operating in South Africa in the Nampak fold, under a joint deal with the United Kingdom's McCorquindale.

And though there are no plans at present, it would not be a surprise to see Interchecks extend its business activities into the credit card field For the time being, however, Mr Kardol says plans are already underway to spend some £9-million upgrading and modernising much of the company's plant and equipment. This should also lead to significant savings and improve efficiency

37 000 lose jobs as US giants cut back

NEW YORK — Two giants of American high technology, AT & T and IBM, have announced plans to slim down in the face of slack business, reducing their work forces by more than 37 000 employees

AT &T said this week it would cut up to 27 400 jobs through layoffs, attrition and other unspecified means

IBM announced that more than 10 000 United States employees had accepted early retirement incentives, and said its organisations in Canada, France, the United Kingdom and the Netherlands would offer similar incentives

Gillette said it would cut about 2 400 (8 percent) jobs The company said it also will sell several divisions as part of a restructuring prompted by last month's takeover battle with Revlon Group

AT &T's job cuts cover 9 percent of the company's management and 8 percent of non-management workers IBM's cuts will eliminate about 4 percent of its US employees

The company will have cut about 84 000 employees since the breakup of the Bell System in January 1984 More than 290 000 remain on the payroll

New York-based AT & T has been fighting increasing competition from domestic and overseas rivals. Although it continues to reap big profits from its long-distance service, analysts say it is barely breaking even on sales of equipment.

Armonk, New York-based IBM, the world's largest computer company, said it saw "no signs of improvement in its general worldwide business climate as 1987 approaches"

As a result of the pre-tax charge against fourth-quarter earnings, AT & T said it will show a loss in the quarter, but should still show a small profit for the year

IBM said it would take a $250-million after-tax charge against earnings to cover the cost of the retirement incentives — Sapa-AP.

SA reform urged

The Argus Foreign News Service

LONDON — The Overseas Development Institute argues that to increase sanctions against South Africa would remind it that it has to negotiate political reform to attain high and sustainable economic growth.

Even without further sanctions, low international and domestic confidence are set to interact, the ODI said.

22/12/86

Barclays takeover sum paid

BUSDAY

HAROLD FRIDJHON

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MOST of the R526-million due to Barclays Bank plc, London, for the outstanding shares in Barclays National Bank (Barnat) was paid last week by Anglo American Corporation, De Beers and Southern Life Association.

The foreign exchange reserves, however, will be unaffected by the transaction which makes Barnat wholely SA-owned. Barclays plc can repatriate its capital only through the financial rand mechanism, and since the supply of financial rands is limited because few foreign investors are interested in South Africa, it could take years before all the funds are finally transferred.

Meanwhile the "frozen" balances may be invested in marketable securities, the interest on which can be paid in commercial rands.

Putting the cash together caused some ripples in the money market last week but dealers said that the transaction was not responsible for the upward movement in interest rates.

● See Page 5

Tighter monetary controls 'inevitable'

22/12/86 BUSD 44

POLITICAL events and outside pressures imposed on SA indicate the authorities may have no option but to increasingly reintroduce direct financial and monetary controls in various areas, in an effort to correct some of the imbalances occurring within the country's embattled economy, reports CHRIS CAIRNCROSS.

AUTHORITIES may have no option but to reintroduce direct financial and monetary controls in various areas, in an effort to correct some of the imbalances occurring within SA's embattled economy.

This message is now being stressed by economists on almost every platform across SA

This does not mean preference is not still being given to the desirability of maintaining and encouraging the creation of a broad economic framework, which allows free market forces to operate.

The tendency is, however, to be less dogmatic in opposing the introduction of any direct controls.

Most analysts now suggest direct controls may be necessary in the short-term. And there is acknowledgement that further government interventionism must be inevitable

Where opinions differ is on the balance between direct and indirect measures that need to be imposed, and on the time-scale over which they must be applied.

These issues were the focus of a countrywide Mercabank presentation last week, following an analysis of the likely effects of direct or indirect measures of managing the economy in an environment of boycotts and disinvestment, which unilaterally suspended the working of normal market forces.

The forums indicated there was unanimity, for example, over the debt moratorium and the imposition of exchange controls. However, there were also cries that matters had not been taken far enough and that it was still too easy to get money out of the country

"Disinvestment by SA firms must be stopped in the interests of the overall economy," declared University of the Western Cape (UWC) social economist, Pieter le Roux.

Deputy Governor of the Reserve Bank, Jan Lombard, stressed the Bank still firmly held the view that direct, quantitative controls never worked in practice.

He neverthless acknowledged that corrective direct controls in the short-term could be beneficial

Sanlam economist Johann Louw pragmatically reckoned that further interventionism was inevitable He foresaw a greater government role in the money and capital markets.

There were also growing suggestions that greater control might in future be exercised over wage and price increases, in the interests of putting a brake on an unacceptably high rate of inflation.

Again, Lombard was not prepared to add fuel to this speculation. He called on business and labour to take a more responsible attitude on prices and wages

But he added: "We must not expect government to freeze public service wages, because in the future there wil have to be a shock adjustment."

Thus direct government controls are still collectively viewed as reprehensi ble — but perhaps desirable in the short term.

BUSINESS

COMPANIES

ARGUS 22/12/86 232

Ovenstone chief quits

MR ANDREW Ovenstone has resigned as chairman of Ovenstone Investments (Oil) and Ovenstone Group (Ovgroup) and Mr Tony Bloom, chairman of Premier Group, is taking over

This is disclosed today in the interim report, which also says no dividends are being paid because of heavy losses in the half-year to September 30

Ovenstone Investments (Oil) and Ovenstone Group (Ovgroup) both experienced losses after showing a respectable profit in the corresponding period last year

Writing off the Chilean fishing operations and other losses brought losses of R30-million for Oil and R35-million for Ovgroup Before the write-off, Oil had a net loss of R2,3-million compared to a R2,1-million profit, equal to a loss of 4,7c a share against previous earnings of 4,4c.

Ovgroup had a net loss of R2,4-million against an attributable profit of R2,7-million

Trading profit of the group fell by more than R6-million to R2,5-million

The directors blame the poor results on the operating loss of R1-million which Premier Wire experienced and the loss of R1,7-million experienced by its offshore fishing companies in the nine months prior to September

The directors say it is unlikely that the group will be paying a dividend in the current financial year but preliminary estimates for the year ending March 31, 1988 indicate a return to profitability.

Hint of a possible rights issue of shares to raise cash is given in the interim report and shareholders will be told of the steps "as soon as possible"

"Clearly steps need to be taken to raise finance to place Oil on a sound financial footing generally and to proceed with the acquision of Southern Sea Fishing Enterprises, as previously announced"

The proposed Ovdeco Holdings sell-off will reduce Oil's borrowings by R38-million and avoid the need to provide future working capital, it is disclosed

If the deal is not concluded, total borrowings, including offshore liabilities, would exceed R100-million — "an amount clearly beyond the capacity of the group to finance"

Ovdeco, holding company of the property, homebuilding and construction interests, holds assets with a total book value of R84-million and liabilities of R42-million, including R18-million of borrowings

Maggie Rowley

Standard makes R27m acquisition

Investment staff

STANDARD BANK has acquired all the shares and loan accounts of International Shipping from Trade & Industry Acceptance (T & I) for about R27m.

The net cash flow from the deal will be about R17m as certain assets and liabilities of International Shipping will be acquired by T & I for not less than R10m.

T & I can also decide by January 19 to include the sale of its shares and claims against Anglo African Shipping in the transaction.

A joint announcement by the two companies says the acquisition gives Standard Bank the "ability to access certain of T & I's assets and gives T & I the ability to concentrate on its investment holding company activities".

FIN MAIL 24/12/86 (232)

BANANA SPLIT

The Banana Board (BB) has provided a fascinating glimpse of just how far official thinking in SA is still removed from the genuine spirit of free enterprise

The board has issued a sombre warning to farmers not to sell poorer quality bananas to "smugglers," who exploit the "substantial market for single bananas" and sell them cheaply to black township dwellers. This practice is not "in the interests of the industry," says the BB

Even police efforts to trap smugglers at roadblocks on the main routes from the eastern Transvaal have been circumvented. They're now taking to the back roads, and the BB spokesman grudgingly admits that the informal trade has compelled the board to reduce the official price of single bananas.

With a burgeoning black population as the natural growth market for the industry, one would expect some praise for the enterprise of "illegal" black entrepreneurs who exploit the township demand for cheaper bananas They are, after all, finding a market for farmers' produce that is more often than not left in the lands to rot. They are also providing an income for themselves and supporting families

And surely cheaper bananas would mean an expanding market.

But the BB does not see it in this light.

"The Board is aware of the substantial market that can be developed for single bananas," says the board spokesman. "However, distributors cannot be expected to exploit and promote this market if they have to compete against low prices. The distributor loses money and falls into debt with the board, and then he also loses interest in bananas and turns to other more profitable crops."

It is particularly surprising that the BB is more concerned about the financial plight of its distributors than to encourage enterprising blacks to expand and formalise the township market for low-quality bananas, thereby widening the marketing channel for their farmer-members' produce

Where's the great spirit of free enterprise and the encouragement of inward industrialisation-related job creation in SA's Third World economic sector? Or do some officials still see SA as a wholly First World economy with some "illegal" and unacceptable Third World characteristics that must be eradicated at all costs?

FIN MAIL (232)

PRODUCE MARKETING

Salad days

26/12/86.

Agricultural deregulation might be extended to the marketing of fresh fruit and vegetables in SA.

The Department of Agricultural Economics and Marketing has sent out questionnaires to all producer, wholesale and retail organisations and marketing authorities in an attempt to gauge whether the industry should be investigated.

Recipients include members of the agricultural, distribution and major food retailers' technical committees of Assocom.

The survey calls on respondents to rank potential research topics according to importance on a scale from one to five. It covers existing legislation, all aspects of production, packaging and distribution, the marketing of produce through dealers, agents and produce markets, and direct sales to wholesalers and retail chains. Respondents are also asked to comment on imports, exports, processing and market research, and the communications procedures between the various organisations

The organisations involved have also been asked if they would be prepared to help finance an investigation.

Returns, which were due by mid-December, are now being analysed by the Commission for Fresh Produce Markets. A final recommendation will be made to Deputy Minister Gert Kotze after respondents' representatives meet the commission in early February. ■

Nedbank wriggles out of Triomf

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SUNTIMES 28/12/86

Business Times Reporter

NEDBANK hopes to have the Triomf millstone off its neck early in the new year, says the bank's managing director, Anton van der Merwe Vance.

Nedbank, which is owed more than R300-million by Triomf, has put the fertiliser firm's Richards Bay phosphoric acid plant into provisional liquidation and is negotiating the sale of its other interests to AECI.

Mr Van der Merwe Vance and a Nedbank team were locked in negotiations with an AECI team, led by director Chris von Solms, until Christmas Eve

The parties had hoped to reach agreement by Wednesday, but because so many people are away the negotiators doubt that will clinch anything before the first few days of January.

Mr Van der Merwe Vance says there is no possibility that the Triomf issue will drag on for as long as another six months.

"We have several parties interested in the Richards Bay plant and we cannot give them forever to make up their minds. They have a lot of homework to do, however, so it is bound to take time."

The extent of Nedbank's loss on its Triomf exposure depends entirely on what bidders for the Richards Bay plant and AECI are prepared to pay.

The Richards Bay plant continues to operate largely for the benefit of prospective buyers. Several interested groups have visited the operation. Most are from abroad. The plant is more interesting for foreign buyers because they will be able to invest at a 50% discount through financial rands.

The Richards Bay plant would be profitable were it not for debt costs. There has been an international glut of phosphoric acid, leading to low world prices. The fallen rand gave Triomf some compensation, but it was offset to a large extent by the high cost of imported sulphur.

Triomf also complains about the cost of phosphoric rock supplied by Foskor. Foskor has been cited as a likely buyer of the plant. It could add more value to rock that would otherwise be exported raw

Stopped

If AECI acquires Triomf's fertiliser interests at Potchefstroom, it would gain more than 40% and perhaps as much as 50% of the SA market Its only large competitor would be Fedmis, which belongs to Sentrachem. AECI and Triomf have collaborated in fertiliser before.

The Competition Board once stopped a proposed deal between Triomf and Fedmis, but is expected to give the go-ahead to AECI because of the huge oversupply in the fertiliser market and because of Triomf's financial straits.

The word from Nedbank is that provisions already made — more than R300-million — will cover all losses. Large loans will have to be written off. But if proper prices can be realised, there could be write-backs.

List given 'top confidential' tag

Privatisation investigations by govt go on

Business Day Reporter

THE Cabinet committee responsible for privatisation is to be presented early next year with a new list of State activities which could be privatised.

The list is being kept highly confidential until final decisions are made.

And Commission for Administration Deputy Director-General Ian Robson told *Business Day* all State departments were being studied to see which functions could be privatised.

Functions which could be privatised had been found in several departments, he said.

Government is not being too slow with its privatisation initiative in the view of Eustace Davie, administrative director of the Free Market Foundation.

"For government to succeed with privatisation, they need to get people to understand what it is all about.

"People only began talking about privatisation about 18 months ago.

"In Britain, it took a few years after the initial talk of privatisation for it to be put into effect," Davie said.

"What government could do, however, is to provide more information on what it intends doing."

Earlier this year government announced privatisation of certain of its activities, such as the production and sale of tobacco seed, evaluation of farm machinery; laboratory services for agricultural products; agricultural engineering services; government motor transportation; construction and maintenance of roads; regulation of meat, cotton, butter and cheese standards; marketing of meat carcasses at abattoirs, and toll-roads.

Commenting on some of these, Jimmy Vermaak, chief director of privatisation and deregulation, said:

- Government motor transportation. Outside consultants have been appointed to examine the feasibility of privatising this activity.
- Road construction and maintenance is to be further privatised. An investigation into this is proceeding.
- Toll roads. Letters of intent by the National Transport Commission and two consortiums, Tolcon and Tollway, have been signed and details of contracts for completion of a double carriageway from Johannesburg to Durban and between Brakpan and the South Rand, west of Johannesburg, are being studied.
- Internal investigations into privatisation of certain Escom activities are continuing.
- Investigation into privatisation of certain SA Transport Services' activities has been completed and the Cabinet's decision is awaited.
- An investigation into the Department of Posts and Telecommunications has just started.

Liquidations still high despite the coming upswing

3/12/86 (237)

By Reg Rumney

The old saw about it always being darkest just before dawn may be illustrated by the latest liquidation figures, which continue to be high in the face of the beginning of the upswing

Liquidations continued to climb in October, according to figures released by Dun & Bradstreet, and were 13 percent up on September

However, the figures are brighter than last year's. Latest Central Statistical Services figures show liquidations in the third quarter of this year dropped by 3,2 percent compared with the third quarter of 1985

In October 259 liquidations were recorded, compared with September's figure of 229, Dun & Bradstreet says

"This was the second highest number of failures this year, the highest being in June at 301

"The 1986 monthly average failure rate at 237 is however, still lower than the 1985 average rate of 255."

The highest failure rate was in the finance, real estate and business service sector, at 118 failures, or 45,6 percent of all liquidations

The failure rates in the wholesale, retail, catering and accommodation services were sharply up to 61 liquidations or 23,6 percent. Manufacturing scored high among the other failure rates.

Dun & Bradstreet comments: "It is clear that the consumer upturn is only benefiting certain sectors of the economy at this time

"Monthly liquidations may therefore be expected to continue at between 200 to 240 into the early part of 1987 and thereafter should start declining

On the positive side, Dun & Bradstreet notes, more new businesses were registered in October

At end October 24 180 new businesses were registered, compared with 21 749 for the whole of 1985

Close corporations are all the rage Of that figure, 19 790 were close corporations, compared to a total of 15 911 for the whole of 1985.

Of the total number of close corporations, 12 223 were conversions for private companies, and 24 246 were new.

Dun & Bradstreet says the total number of actively trading companies in South Africa is now estimated to be just over 210 000, and the total number of registered companies and close corporations is estimated at 300 000

Privatisation: The Global Revolution

(232) SMM 15/12/86

I have set myself the task of providing an overview of what I call the First Global Revolution.

There have been countless major and minor, peaceful or violent revolutions throughout history, and there will doubtless be many more.

Dramatic and far-reaching as many of these episodes have been, none have, to my knowledge, been global in magnitude.

Great episodes such as the Enlightenment, French Revolution, Industrial Revolution, Christianity, Marxist revolution, etc have been confined — at least at the time they occurred — to relatively small parts of the globe or percentages of humanity.

The more modern and far-reaching revolutions, such as the information, technological and medical revolutions, have not reached vast populations or entire countries.

Perhaps the two most extensive revolutions have been Christianity and Marxism, each of which directly affected and continues to affect or governs hundreds of millions, or even thousands of millions or people.

However, probably well in excess of half the world's population remains relatively untouched by them.

There is no revolution that seems to have been nearly as extensive and as potentially far-reaching and profound as what is becoming known as the Privatisation Revolution

Comparative failures

In a survey published by the Adam Smith Institute in London, covering over 100 countries, it was found that privatisation (and deregulaton) — which we might call free-marketisation — is occurring in virtually every significant country, whether East or West, First or Third World, old or new, communist or capitalist, big or small, rich or poor.

The global Privatisation Revolution is essentially a near-universal acknowledgement that policies such as interventionism, central planning, socialism, welfare statism, communism, nationalisation, et al, have been comparative failures.

The world has gone through an orgy of government mythology, the belief that government behaviour is essentially and inevitably good for society at large, that it produces wealth, justice, equality, efficiency, welfare, and more

It was, and to an increasingly lesser extent is, believed that the natural order (free markets) is riddled with so-called market failures. Without further ado it has been concluded that governments can and should step in to prevent these failures.

We were promised Utopia on earth whereby governments would end the trade cycle, inflation, unemployment, inequality, risk, instability In truth, the problem of government failure has turned out to be a much greater monster The fact is that there is an imperfect world, and government that is coercive and attempts to perfect it compounds the imperfection

Social engineering

The Privatisation Revolution then is a largely unarticulated admission of failure in statistic ideologies The return to free or near-free markets is not an alternative or new or old ideology. It is, indeed, a non-ideology. It is a withdrawal from Utopian attempts at social engineering and planned or imposed orders in society.

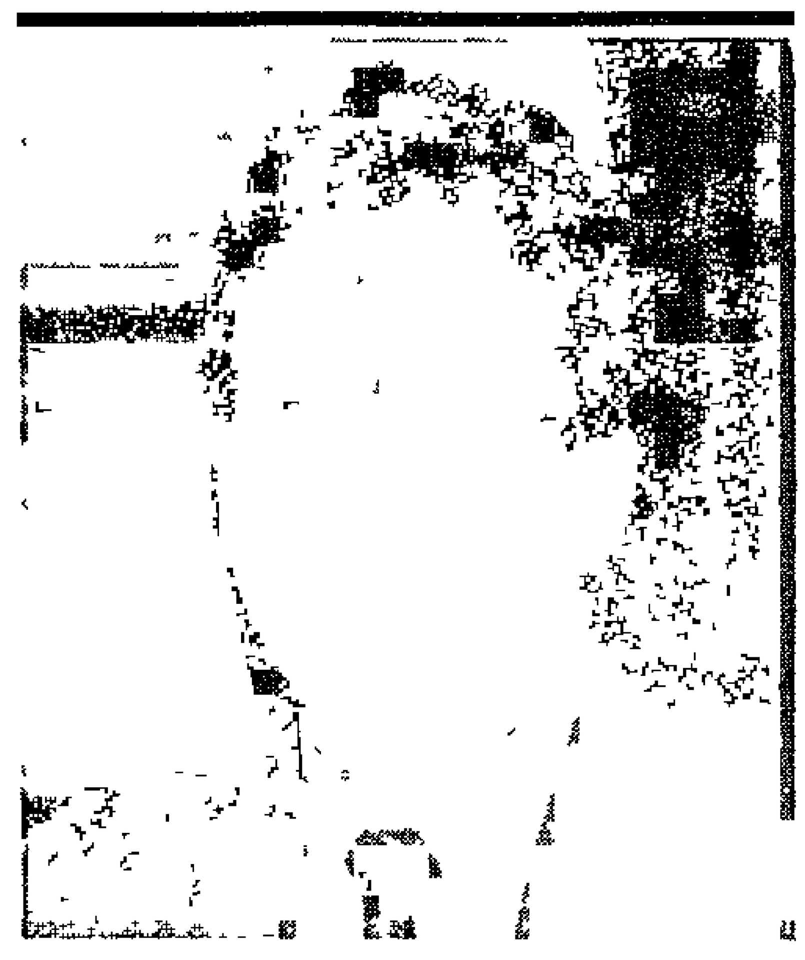
Privatisation and deregulation in South Africa are, just as elsewhere, a retreat from ideology, in our case the ideology of the form of social engineering known as apartheid

In other countries the retreat might be from welfare statism, fascism, communism, African socialism or social democracy

Institutes like my own, the Free Market Foundation, have proliferated all over the world They might be called think tanks, public policy institutes or pressure groups

The Free Market Foundation pioneered the deregulation and privatisation case in South Africa at a time when intervention was still a sacred cow until as recently as the late 1970s.

The foundation's views used to be denounced as "pie in the sky", "too idealistic" or even "the lunatic fringe". Today, we are, typically, complimented on how much more reasonable and moderate we have become Actually we have become more purist and radical, but the climate of opinion here and



This is an edited version of the 5th Annual Rand Afrikaans University lecture on free enterprise which was delivered by Leon Louw (above), executive director of the Free Market Foundation of Southern Africa.

around the world has swung so dramatically towards the positions we have been advocating that our even more radical position today seems moderate to the casual observer

When we spoke of private roads, fire brigades, police or prisons, just five years ago, such thoughts were regarded as outrageous Today, they all exist, even in self-proclaimed communist countries

It would be tempting for those of us who have preached privatisation as voices in the wilderness to claim that we are finally succeeding But a problem we face is that the revolution seems to be taking place — frequently more dramatically — in parts of the world where to our knowledge there have been no protagonists

In some countries such as Red China, Cuba or the USSR, it has even been forbidden to advocate the policies that are now being implemented in those countries. How then have these ideas prevailed?

The most plausible answer seems to be that it is because it is plain for all to see that they work. The reason China now has privately owned and commercially operated roads, the Soviet Union allows private vehicle owners to provide taxi services at will, or Cuba is privatising land, cannot, it seems, be explained by reference to the convincing arguments and lobbies of free market theoreticians, but merely by reference to much more mundane pragmatic reasons of expediency

Continuing dispute

If there is such an open and shut case for free-marketisation (a term which is avoided so that free markets can be introduced by stealth), what explains the continuing dispute that rages among intellectuals?

First, a decade or two ago there was what was called the "left wing bias of academics" when there was scarcely a social scientist who was not a Marxist Now the position is very different, and even those who would still call themselves Marxists, readily make many concessions or anguish at length in the standard Marxist literature at the compelling evidence against their ideology

Second, and more profoundly however, it seems as if there is a fundamental "essence" that separates the two basic world views, namely, the individualist and the collectivist view

Many people who sincerely subscribe to the view that there should be a coercive, paternal (socialist) state or, on the other hand, that there should be a system reliant primarily on individual freedom and initiative, wonder whether their opponents are motivated by error or evil.

Do they hold a different view because they lack your information, or is it because they have a malicious hidden agenda? It often seems as if it has to be one of the two

In anticipation of this address, I spent some hours in conversation with people of opposing ideologies and tried to identify whether there is a basic, single monocausal source of different conclusions

There does seem to be. It seems as if at the root of the free market or what I prefer to call the libertarian view, is an essentially benevolent world view or view of humanity

Conversely, statists of all complexions, whether left-wing, right-wing or centrist, seem to have an essentially malevolent world view

When a libertarian and a statist observe the same transaction, they see two entirely different things occurring. If A and B transact voluntarily with each other, the libertarian is delighted To the same degree, the statist is appalled This seems curious

Any transaction between A and B can be imagined Let us suppose that it is a contract of labour A and B agree that B will work at manufacturing widgets which A sells for a profit In return for his labour and skill, B is paid a wage To the libertarian, both A and B have made a profit from their transaction. Were that not the case, they would not have transacted voluntarily with each other They and society (whatever that might mean) are better off. It is a win-win situation, or a "positive sum game"

Sadly, however, precisely the same circumstances offend the statist unless A happens to be the "state". What he or she sees is a win-lose situation or a negative sum game and, at best, a zero sum gain To the extent that one gains or profits, the other has necessarily lost The librarian sees co-operation, the statist sees conflict

From this essentially different world view, it seems the different conclusions that are reached can be explained All the arguments for coercive wealth redistribution, trust-busting, interventionism, state paternalism, and so on, are founded in these essentially opposing paradigms

When there is inequality emerging from a just and free volitional order, the libertarian sees some people prospering more than others, the statist sees prosperity for a few at the expense of the suffering masses

Equal freedoms

The statist wants equality not at law or of opportunity but of consequence He or she wants "sameness". The libertarian wants equality at law, equality of opportunity and equal freedoms The statist wants equal outcomes, equality of condition, equal consequences.

The libertarian is for an unequal distribution of wealth The statist, for an equal distribution of poverty To the statist, if some must be less successful, then all must be. The world is characterised by conflict and injustice unless the benevolent state steps in rather than as the libertarian sees it, where the state itself is usually the primary cause of inequality, injustice, privilege, poverty and so on

Unfortunately for the statist, his or her essentially malevolent view of humanity presents an irreconcilable contradiction If the basic nature of people transacting voluntarily in a free or near-free market is such that they inflict harm upon others, then how much worse must it be if they are endowed with the coercive powers of the state?

The only refuge of the statist is to suppose that some people are good and some are bad (which flies in the face of the socialist charge that all are equal) and that by some as yet unknown method, those who are good, will govern But all our experience suggests the opposite

Power freaks

Power, it seems, attracts no society's most benevolent fold, but all too frequently power freaks, status seekers, and people lacking in either creative energy or the service motive

The same people, when in the private sector, seem to be stirred to greater heights in a competitive market where their self-interest coincides with doing more for less In the government service, it is usually the other way around

Fortunately, as the Privatisation Revolution snowballs, increasingly large numbers of intellectuals are making the pilgrimage from statism to libertarianism, even if they do stop somewhere along the way

A point that is not entirely new but is nonetheless seldom recognised is the potential privatisation holds for helping resolve the crisis in South Africa That it accelerates growth, reduces corruption, improves opportunity, promotes small business, and so on, are useful indeed, but there is a benefit of much greater significance: depoliticisation

I would like to provide some brief additional arguments for privatisation

First, whoever governs in a country such as South Africa will find that government ownership or control politicises issues and provokes conflict

If things such as housing, education, transport and labour (the four most conflict-ridden areas in South Africa) were privatised/deregulated, the major problems would be solved These areas would be depoliticised

Second, if the state owns and controls less of the economy and is therefore less important to the average person, the potential for finding politically popular and successful solutions and compromises would be considerably increased It has been observed that "the greater the power of government, the greater the struggle for power"

Third, privatisation is by far the most exciting and promising way of providing thousands of entrepreneurial opportunities overnight, especially to black people

Fourth, the Government is committed — and pressure is upon it — to end discrimination in programmes such as education, pensions and health A few simple calculations will demonstrate that this cannot be done by raising expenditures upon blacks to the levels presently allocated to whites per capita simply because there is not enought money

It is politically unsaleable to reduce white levels so that, with existing government resources, there will be equal benefits

Generating money

Privatisation apparently provides the **only** known way of generating vast sums of money quickly with which to equalise fast enough to satisfy black aspirations, international demands, and government objectives Without large scale privatisation, there is an insoluble impasse

There is at least one extraordinary privatisation success story in South Africa that could become a model for others to follow, namely, the Welkom Bus Service

The Welkom Municipality, last year, made a R1,4 million loss on its buses This year the loss was expected to be around R2 million

It recently sold the bus company to the existing management. The company has the same buses, routes, depots, staff etc, the only thing that has changed is that it is now private

From the very first month, monthly losses in excess of R100 000 became profits of R20 000

In addition, not only has the Municipality avoided that R2 million loss, but is now receiving R100 000 to R200 000 in the form of licence fees, rent on its depot and other sources of revenue Furthermore, the central government is receiving taxes on the company profits, increased salaries, GST and more

Turn around

Time does not permit a full explanation of how this dramatic turn around has occurred Very briefly, the staff now have incentives to find methods of getting cheaper (eg used) spare parts, refurbishing instead of replacing buses, reducing staff bonus and incentive schemes, negotiating deals for cheaper fuel, etc

It is still too early, of course, to say that the privatisation of Welkom buses is a total success story But the early indications are that it is consistent with the world-wide experience with privatisation

Typically, privatisation produces immediate savings to the government of between 20 percent and 50 percent in addition to the capital revenue generated by selling off its assets

How can the privatisation revolution help solve South Africa's political problems? I have already hinted that privatisation is not just an efficient economic strategy, but that it is a political strategy which depoliticises society

In a depoliticised South Africa, resolving the ultimate constitutional questions will be a great deal easier Whites, justifiably, fear a potential black majority government if government is presumed to be omnipotent — controlling or owning virtually everything

Equally justifiably, blacks resist a white omnipotent government However, if government were less powerful and less important in the course of events, white fears would be diminished and black demands defused