OWNERSHIP & CONTROL 1988

JANUARY — APRIL

RAILWAYS

Gauging privatisation

Up to 25 railway lines may be offered for privatisation in the next 10 years

South Africa's first privatised railway service — the narrow-gauge Alfred County Railway (ACR) between Port Shepstone and Harding in southern Natal — begins full scale commercial operations in April.

SA Transport Services (Sats) and transport consultants are understood to be independently looking at privatising another three lines — the Apple Express from Port Elizabeth, the scenic George-Knysna line in the southern Cape and the Ixopo line in southern Natal.

According to Dave Stainer, a director of rail privatisation consultancy Prorail, which manages ACR, these lines may be the first of many. "We are told that over the next 10 years, up to 50 lines are to be closed, of which half could be privatised."

They are all lines which Sats considers uneconomic. However, as with ACR, private enterprise will be given the opportunity to prove otherwise. The first is likely to be the Ixopo line, which runs to the timber area of Donnybrook from Umzinto, near Umkomaas. The line has been closed since it was damaged by Cyclone Demoina more than two years ago.

Sats has written it off as part of its operations but has undertaken not to tear up the track for five months while local businessmen and farmers ponder whether they should commercialise it. If they decide to buy it, Prorail is likely to be asked to manage the service.

Insiders say the Apple Express is likely to be privatised within three years and the George-Knysna line thereafter.

ACR is seen as a test case for privatisation Although the line will only be officially opened at the end of April, trains have already begun hauling timber and containers between Harding and Port Shepstone. If the service lives up to the directors' forecasts, it will probably tip the balance in favour or further privatisation

ACR forecasts profits of R258 000 within two years, rising to R1,5m by 1994. These include contributions from the line's Banana Express passenger service for tourists Royalty payments will earn Sats R51 000 next year and more than R400 000 by 1994.

Sats has given ACR a head start by selling it rolling stock at scrap prices ACR has bought 400 wagons at R500 apiece and 28 steam locomotives for an average of R10 000 each. Had ACR not bought the equipment, Sats might have sold it as scrap anyway, since it couldn't use the narrow gauge wagons on its other lines.

Although ACR will initially concentrate

on timber, the directors hope it will eventually carry sugar loads as well. The company is currently attempting to raise about R1,5m through a share issue to buy equipment which will make the line more efficient The offer, through Pim Goldby, closes on April 15.

The directors claim their service is more cost-effective than road haulage, both because of road damage costs from heavy trucks and the fact that the cost of six new trucks alone is equivalent to the entire cost of setting up the railway.

They have already begun finding more cost-effective ways of operating Removing unnecessary poles from the Sats wagons has increased potential train payloads by 40 t. Loading timber crossways instead of longways, has more than doubled the payload of individual wagons from 8 t to 18 t.

According to the directors there are many more ways of innovating and increasing the line's profitability.

Sats may regard its branch line service as an uneconomic loss-leader. But there seems to be plenty of people out there only too willing to take on the lines and make a go of them. ■

MANUFACTURING

Making merry

Confidence has returned to SA's manufacturing sector. Consumers, in an effervescent mood after years of recession, have embarked on a spending spree

The latest business confidence survey from Stellenbosch University's Bureau for Economic Research (BER) shows the mood among manufacturers at its highest since 1982

e Federated Chamber of Industries' (FCI) Transvaal regional manager Ian Templeton confirms sentiment has changed for the better. He says the FCI's own index of business confidence is at 106 — higher than it has been since November 1981 — and heading for an all-time high of 120.

Says Templeton. "Virtually all our members report their factories are working at excess production and their staff are on overtime "

Sectors particulary buoyant, according to director of the Witwatersrand Chamber of Commerce and Industry Aubrey Pitt, are manufacturers of consumer durables, white goods, homeware and building material suppliers.

The increased uptake of industrial space in Johannesburg (*Property* March 25) is further evidence of a recovery.

The boom, however, could be fairly short-lived. BER director Ockie Stuart reports there are already signs that consumer spending could start to tail off towards the end of the year.

He says salary and wage increases for 1988 may be negative in real terms and that the high spending levels can be maintained only if consumers resort to credit purchases. A BER wage salary survey showed most industrialist would pay increases in the order of 15%-20% this year.

"Demand is likely to taper off later this year as a result of consumers' lower aggregate disposable income," says Stuart

He maintains higher interest rates forecast for later this year, coupled with the fact that the economy is likely to be less buoyant in 1989, could cause consumers to rein in their spending by around September.

Already, he says, surveys are beginning to show that the volume of retail spending is declining.

At this stage, however, manufacturers tend to be disregarding the warning signals and are busy gearing up production to meet increased levels of consumption.

Templeton admits some concern about the negatives which are emerging These include the inflationary effects of the current shortage of skilled labour, the need to install additional capacity and what higher interest rates will mean for new fixed investment.

Pitt confirms the growing consensus that the current recovery is a fragile one He says: "Everyone is a little concerned about the strength of the recovery. It is really as much a matter of sentiment as it is of hard fact."

Templeton reckons the improved level of business confidence and fuller order books should last for some time "I can't see a great deal of problems over the next 18 months. But in these times, even 18 months is long term." ■

FM 1/4/88

232 Bday 4/1/88

Financial giants' power increases

1987: dominated by listings and buyouts

KAY TURVEY

MERGERS and acquisitions gripped Diagonal Street in 1987, although the market was preoccupied with new listings. Many believe 1988 will take the market into a new cycle of heightened takeover activity.

Yet *least old acquaintance be forgot* . in the past year blazing takeover trails resulted in the birth of Kersaf's Interleisure, the rapid growth of Columbia and the transformation of cash asset Fintech into a dynamic company on the electronics board

The Group Five management buyout succesfully countered Murray & Roberts takeover bid in one of the most stalwart efforts of the year, whereas the much-publicised on/off Putco deal probably goes down as the biggest non-event.

Disinvestment gave impetus to entrepreneurial management buyouts or consolidated the power of giants such as Anglo, Old Mutual, Rembrandt and Sanlam.

Sanlam's Murray & Roberts snapped up Honeywell's local subsidiary after international pressure forced the automation giant to sell

Arson in Makro stores in the Netherlands precipitated the withdrawal of the Dutch wholesaler, SHV Holdings Retailing blue chip Wooltru, keen to gain entry into the high-growth black market, readily bought 75% of Makro for R43,3m.

Other major disinvestment moves continued to fill the stables of the financial giants — the main players in the takeover game

In February, Dow Chemicals sold its R140m a year SA pharmaceutical operation Mer-National to Premier's Twin Pharmaceutical Holdings and last month Barlow's Tiger Oats bought the assets of MSD, the SA subsidiary of US pharmaceutical heavyweight, Merck & Co for about R25m.

In July, SAB acquired Lion Match for R138m from Swedish Match Later in the year, Conshu's acquisition of SA Footwear from the SAB brought it together with Sanlam in joint control of SA's largest footwear manufacturer

Ruthless pullout

Management and local buyouts in often secured access to the overseas principle and the interchange of expertise continued, albeit at a lower level, for not all withdrawals were as ruthless as Kodak

Coca Cola completed its pull-out, offering black retailers R10m worth of shares in bottlers, Amalgamated Beverage Industries The departure of General Motors saw the formation of Delta, as IBM's withdrawal spawned ISM

In the financial sector, the introduction of the new building societies Act galvanised much activity. Volkskas and UBS came together to form a financial giant with assests in excess of R22bn, a new R7,5bn financial services group came into being through the Allied/Sage share swop and NBS acquired the total retail deposits fo Hill Samuel Merchant Bank.

However, another disinvestment move saw First National Bank acquire Citibank for R136m in cash, following the withdrawal to its own parent, Barclays, in 1985.

Liberty Life closed the gap on the insurance leaders when the merger with Prudential was sealed.

One of the largest and most controversial deals involved the winding up of fertiliser magnate Louis Luyt's former empire, when Indian Ocean Enterprises paid R100m for Triomf Fertilizer (Richards Bay)

Kersaf's insatiable appetite for fast-food chains marked its entry into the convenience food business and preceeded the formation of Interleisure. Once listed the group bought six businesses

Tradegro, in a year of strong recovery, absorbed Frasers into Metro and extended its department store division through the acquisition of Stuttafords and John Orrs

● See Page 6

Joint holding company as

Cape Times 6/1/88 232

Malbak scoops 93% ICL share

JOHANNESBURG. — The industrial group Malbak has acquired a major share in the South African operations of the leading British-based international computer company, ICL Limited.

The exact amount involved in the deal has not been disclosed but is given as less than 10% of Malbak's ordinary shareholders' funds — or almost R70m

The deal, announced jointly yesterday by Malbak's executive director, Hugh Brown, and ICL (SA) MD, Fred Luyt, is effective from January 1

In terms of the deal, a new yet-to-be-named holding company, jointly owned and controlled by Malbak and ICL, has been formed to control ICL (SA). It will own 93% of the company, with Old Mutual remaining as a 7% minority shareholder

The deal came about because of Malbak's desire to expand its involvement in the computer industry, while ICL Ltd saw it as a means of accelerating the growth of its South African operation Mr Luyt denied that the deal was a partial disinvestment by the British company from South Africa

The statement said the deal would not have a material effect on the net asset value, earnings per share or dividends of the Malbak group

ICL (SA) would continue to market the full range of ICL products, sourced from both local manufacture and from ICL in the UK

Mr Brown said "Malbak has as one of its objectives to increase its participation in the high-tech electronics industry This currently offers, and is expected to continue to offer for the next few decades, higher than average growth possibilities

"We see this partnership as an important strategic move for Malbak and one which will encourage the company to increase penetration of the market with its existing products and to extend the range of its activities " — Sapa

'Not a distress sale or sellout'

B/Day 6/1/88

Malbak to pay R50m for ICL stake

CHERILYN IRETON

MALBAK is buying a joint stake in ICL (SA) for about R50m from the computer group's British parent, ICL Ltd.

Malbak and ICL Ltd said yesterday they were to form a jointly owned and controlled holding company, which would hold 93% of the SA operation. The remaining 7% would be held by Old Mutual.

STC and ICL Ltd director Ken Gardener said while the move represented a partial disinvestment by the UK company, it was not a distress sale or sell-out. Rather it was seen as a useful joint venture initiated by Malbak.

ICL is one of SA's top computer companies and is rated second only to Technology Systems International (TSI) which was formed last year through the merger of Information Services Management (ISM) and Reunert Computers.

Director Hugh Brown said for Malbak, the deal represented a strategic thrust into the high-growth area of electronics. It also made access to changes in technology easier for the group.

Although the acquisition will have no meaningful impact on earnings or net worth, it strengthens Malbak's already considerable industrial portfolio.

No financial details have been released but the consideration is said to be about 10% of Malbak's ordinary shareholders' funds — incorporating the recently announced acquisition of Gencor's industrial interests. The pro-forma balance sheet, as at August 31, shows shareholders' funds of R453,8m.

The transaction is effective from January 1, 1988.

ICL SA will continue to market a full range of ICL products, sourced from local manufacturers and from the UK.

Malbak's shares firmed 25c to close at 825c on Diagonal Street yesterday

MIKE ROBERTSON reports from London that ICL Ltd, which is a wholly owned subsidiary of communications and electronics conglomerate Standard Telephones and Cables (STC), has just undergone a major restructuring which began five years ago when it narrowly avoided bankruptcy.

Rather than compete across the board with companies like world market leader IBM, ICL decided to concentrate on the retail, manufacturing, local government, public utilities, defence, central government, health, financial services and telecommunications markets.

The company was also reported to be trying to shift its geographic ground towards the European market instead of relying on the UK, the Commonwealth, SA and occasional success in the US.

The restructuring has begun to pay off. Largely on the back of stunning results from ICL, STC recorded pre-tax profits of £134m in 1986 after a loss of £11,4m in 1985 ICL boosted operating profits by 46% to £90,2m on sales of £1,19bn STC's pre-tax profits were up 57% in the six months to June last year

D/D 8/2/88

Data firm acquires shares in group

232

JOHANNESBURG — Mercedes Datakor has acquired a shareholding in the Dimension Data group

The two companies — which were both listed last year — expect to capture the major share of the R100-million data communications market this year, resulting in a consolidated position as the number one data communications systems supplier.

This market is the fastest growing area of electronics in the United States, Europe and South Africa

In terms of the agreement, Mercedes Datakor is to acquire 26 per cent of Dimensions Data from existing major shareholders in exchange for an undisclosed number of Mercedes Datakor shares

The chairman of Mercedes Datakor, Mr Nic Frangos, said that, although his company had been active in datacommunications prior to the deal, Dimension Data would ultimately take over all these activities and in return Mercedes Datakor would have a controlling interest

The acquisition means the group will be able to offer the full spectrum of data communications services Mercedes Datakor has exclusive distribution of the world's leading high-speed networking product — Sapa

Partial management buy out

CITY TIMES 13/1/88

Unidev scoops Correg for R1,3m

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN-based financial services company Unidev has acquired control of Corbank Registrars (Correg), the share transfer and registration division of the former Hill Samuel (SA), in a R1,3m cash deal.

The change of ownership is a partial management buy out The MD of Correg, Bill Vogel, and GM Francois Hornè, who have run the business for the past 20 years, have a substantial stake and a pre-emptive right to increase it.

The deal means that Unidev is likely to benefit from disinvestment by US companies in the coming year

Correg, which will be renamed Unidev Registrars, handled a number of management buy-outs of overseas companies in the past 18 months

Ridge Riley, MD of Questor 1V, the issuing house in the Unidev group, said there were about seven in the pipeline at present and he expected more

Unidev executive director Ronnie Stein confirmed "We believe that the new US legislation on double taxation for US companies based in SA will lead to an increasing number of opportunities for management buy-outs

"Unidev is in a unique position to assist in this We are prepared to take the risk and we have the necessary support and services structure to do so"

Stein said all Correg executives and staff would remain with the company Capital expenditure would be undertaken to enhance services and facilitate further expansion

"Correg currently services more than 200 companies on the Johannesburg Stock Exchange (JSE) and, with its increased capacity, will be in a position to imnprove its already substantial market share"

This is the second such acquisition made by Unidev in less than 12 months

In April it took over the Prestige group, formerly British-owned, which manufactures kitchen equipment The group was listed on the JSE in November.

B Day 14/1/88.

Over-regulation due to 'pressure'

232

GERALD REILLY

PRETORIA — Over-regulation often resulted from pressure from private sector interests, Economic Affairs and Technology Minister Danie Steyn said yesterday.

He told the tourism group of the local Afrikaanse Sakekamer entrenched interests often offered powerful resistance to the removal of regulations

The mere fact that a particular regulation had the support of influential interest groups did not necessarily mean it was generally beneficial.

Steyn said to often regulation failed to work, was futile, seriously impeded action and served only to protect certain interest groups and raise costs

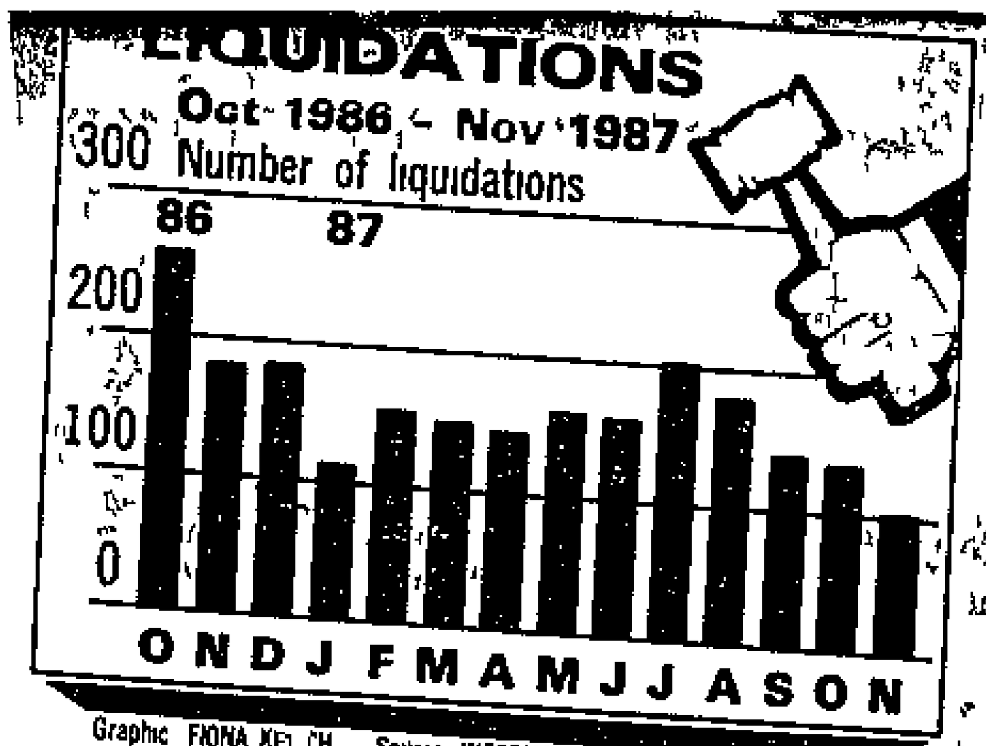
Those involved in the transport, accommodation, food, entertainment and tourism industries were aware of the extent to which they were affected by state and other regulations, and the presence of the state as a competitor.

Steyn said. "Probably few activities in the tourism sector are not subject to some or other form of control or regulation." He intended having that thoroughly investigated

He said a permanent standing committee would evaluate the hotel-grading system and make recommendations.

But, the deregulation process would not be carried out at the cost of acceptable standards.

In the 18 months since government launched its formal deregulation policy, efforts had been made to review the grading system and make accommodation cheaper without lowering standards.



Graphic FIONA KIRCH Source INFORMATION TRUST CORPORATION

November liquidations lowest since 1980

232 LINDA ENSOR and HELENA PATTEN

THE 101 liquidations recorded for November 1987 were the lowest since September 1980, says Information Trust Corporation MD Paul Edwards, who expects this low level to be maintained in the early part of this year.

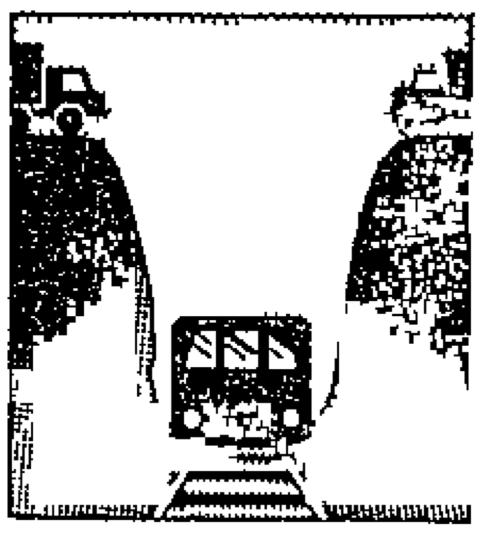
However, Edwards expects a short-term rise in sequestrations as a result of the crash on the stock market.

According to Central Statistical Services (CSS), liquidations decreased by 30,9% for the three months to November last year, compared with the previous quarter, and 43,6% over the corresponding three months in 1986.

Insolvencies declined by a slight 0,5% in the three months to October 1987, compared with the previous quarter, but by a more substantial 25,4% compared with the same period in 1986.

14/1/88 BDAY

Never letting go



The deregulation of road transport is being more than impeded — there is a real risk that such progress as has been made will be reversed. And behind-the-scenes pressures, particularly from Sats, cloud the efficacy of the entire programme.

The road transport system — and of course its attendant beneficiaries — is teetering on a knife edge The slightest push from government could well plummet it deeper into over-regulation — and that's after years of lip-service to exactly the opposite

The pressure to maintain the *status quo* — or worse, regress — is, predictably, coming from SA Transport Services (Sats), reeling from losses, and various powerful vested interest lobbies. So much so that sources within the Department of Transport (DoT) say that continued dithering could result in either a delay or an indefinite postponement of *any* decision to deregulate

The only sure thing is that 1988 will decide the industry's future

Regulated road transportation is a R26bn industry carting 6% of the country's total goods by volume around the national network. It touches upon every aspect of daily economic life, and a high-cost road transportation infrastructure pushes up costs universally — it not only fuels inflation, but retards economic growth.

For years, South African road transportation has been the most over-regulated sector of the economy The interests of Sats and its monopolistic control of rail services, coupled with its massive subsidised involvement in road transport, have seen to that

These activities have been protected by government edict — essentially through the issue of permits — on the types of freight which can be moved by private-sector road transport operators and even the routes they may use. This over-regulation reached the point where even the authorities agreed that something had to be done The result was the five-year National Transport Policy Study, followed by a White Paper setting out a programme of what government laughably defined as "deregulation "

Tentative steps were actually taken last December 1 new "exempted areas" were introduced, where goods can be carried without permits The next stage is the imposition of the so-called Road Freight Quality System to replace a myriad of complex regulations with a system of enforceable standards, and the new National Road Traffic Bill

Famous steps in the right direction? Not at all, as a newly completed and authoritative study — sponsored by BP and Nissan and undertaken by industrial market researcher Ian Byers (author of a syndicated national truck study now in its 12th year) and Max Braun (long-standing transport consultant and publisher) — shows The study — *Road Transportation in SA What is the Future?* — analyses months of work and more than 1 200 interviews

It states the issue baldly "The rule book relative to road transportation has not been thrown away but has merely been amended Government has not deregulated road transportation It has merely changed the rules "

In other words, deregulation in government's lexicon actually means re-regulation

Braun and Byers make the point that under the proposed new "deregulated" scenario, both private operators (who use transport to move their own goods) and public operators (who carry for reward) will be affected They note "(Private operators) will progressively become subject to a greater degree of regulation relating to the Road Freight Quality System This means that while their activities will be less restricted than before, the circumstances under which they will operate are to become more stringent " And more expensive, of course

Cargo's Roy Marcus.

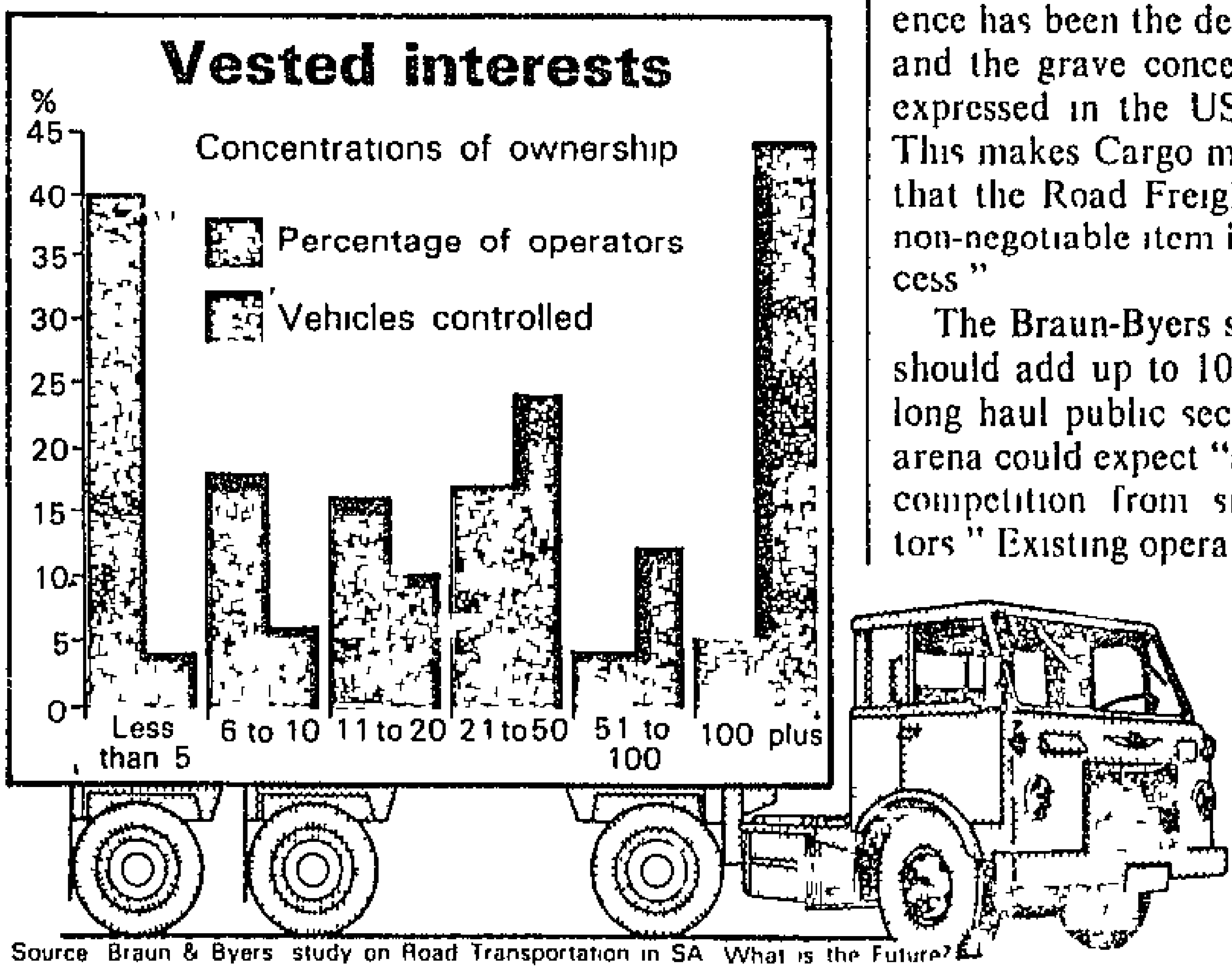
All transport operators have to start registering from July 1 this year, and enforcement of the new regulations is scheduled to begin on July 1 1989 Which is why, Braun and Byers say, "most public carriers are, and have for some time, been developing a set of strategies designed to circumvent the (new) regulations Vested interests in the industry see the change in regulations as threatening, in that it opens the door for a number of new competitors who, because of lower infrastucture costs and overheads, may well start carving the market with extremely competitive rate quotations and a lack of appreciation of transport operating costs

"The government's tendency to pander to vested interest lobbies suggests it is unlikely deregulation will be quick or easy "

Those "vested interests" are certainly strong enough to make a difference, only 5% of operators control 44% of the heavy vehicles in the country Known within the industry as "The Club," the big five — Cargo Carriers, TTI (Tanker Services), Unitrans, Hultrans and Mainline — wield enormous clout

This is obvious from the comment by Roy Marcus, MD of Cargo, who said recently: "Cargo Carriers is of the firm belief that deregulation cannot come about without a well-structured quality system A frightening realisation from the American experience has been the deterioration in standards and the grave concern which is now being expressed in the US about lack of safety This makes Cargo more adamant than ever that the Road Freight Quality System is a non-negotiable item in the deregulation process "

The Braun-Byers study says deregulation should add up to 10% more vehicles to the long haul public sector, and the short haul arena could expect "a significant increase in competition from small individual operators " Existing operators believe most of this competition will be "unfair," and are therefore -- as Marcus has underscored — anxious for implementation and enforcement of the mooted Road Freight Quality System regu-



Source Braun & Byers study on Road Transportation in SA What is the Future?

lations.

Everyone accepts that road safety is essential, but the inherent danger is that the system will be used as an excuse for the replacement of one set of regulations by another — equally overwritten — set

The attitude of Sats is paramount

According to Braun and Byers, there are "various lobbies" within Sats' management structure The rail lobby is in favour of deregulating road transport, while the road lobby is concerned that Sats will lose market share in traditionally profitable areas

Since the White Paper effectively gives Sats control over the timing of deregulation (because of the stipulation that it will have to be compensated for the loss of more than R1,5bn in subsidies), the eventual outcome of this internal struggle is vital to the future of transport

Braun and Byers underline this in their discussion of the possible privatisation of Sats, which is interpreting the concept as a chance to sub-contract or put out to tender much of its work "There is a strategic implication to the whole exercise that could result in the government adopting the same stance it has with deregulation — and that is to do whatever it does against a background of not actually relinquishing control

"It is a pity the DoT is seen by many to effectively be the controlling mechanism of Sats operations rather than paying attention to the entire transport requirement of SA

"This perception has been generated by the actions of the department over the years If the current incumbents of the key transport portfolios can move away from this image, the way will be clear for looking at more innovative transport solutions for SA in the future."

The way should also be clear for an urgent and intensive investigation into the management and future of Sats Last year it admitted forex losses in excess of R1bn and it has also just announced losses on its train services of close on another R1bn (an unacceptable figure — even allowing for the principle of operating high-loss suburban and "homeland" trains as a service to society and apartheid)

Assistant GM of Sats' road and passenger services, Barry Lessing, says tariffs would have to be increased by "more than 33%" to cover costs Whether via Treasury, or the RSCs, Sats is heavily subsidised by the taxpayer

This goes on while it calls the tune on transport deregulation, and manifestly constitutes mismanagement by government (The black transport situation is the direct result of geographic apartheid)

One of the problems — as described by a senior member of the DoT — is that senior government officials tend to listen to the last special pleader There is no single firm policy line — departmental policy swings like a pendulum, now supporting and now doubting the wisdom of deregulation and privatisation

Nowhere is this clearer than in the DoT's attitude to the setting up of two bodies essential to any deregulatory progress in the sector the Transport Advisory Council (TAC) and the Transport Tribunal (TT)

Mechanisms have been in place for months which allow for their implementation Both are designed to have majority private-sector representation, and both are integral to the White Paper programme — the TAC will assist in preparing policy, while the TT will aid in its enforcement

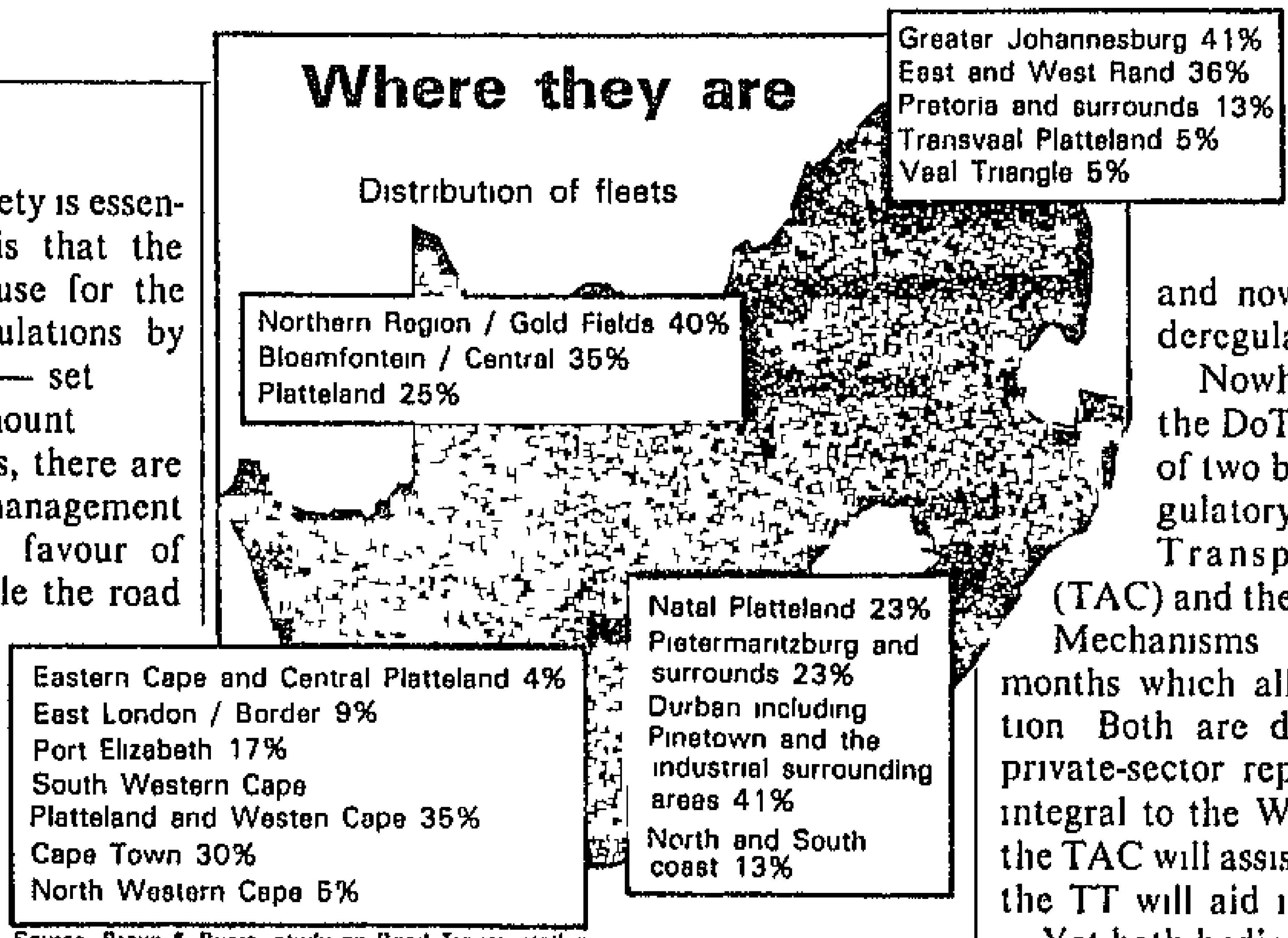
Yet both bodies have been delayed, for no apparent reason other than tremors within the DoT That attitude could destroy the progress expected by everyone in road transport in 1988

Government actions have not been encouraging even the introduction of the exempted areas was mishandled, with operators given insufficient time to register and testing stations insufficient time to prepare for the heavily increased demand on services Public carriers are still waiting for the hundreds of millions in fuel levy rebates owed to them by the Department of Customs and Excise So it goes on

If SA is to have an efficient transport sector, government will have to choose its policy and follow through with rigour Right now it is merely adding chaos to inefficiency.

Clearly, too, a prerequisite for an efficient transport system is for new management at Sats It needs urgently to be reduced radically, as Eskom has done, to workable proportions as a prelude to meeting the real needs of customers — and ultimately privatisation

Where they are



Source Braun & Byers study on Road Transportation in SA What Is the Future?

CORPORATE PROFITS

The tough keep going

Slack economic conditions and the JSE crash of October have obscured the sound base of many listed companies, and their consistent earnings' growth patterns. This year looks to be as good as last.

Corporate profits have now been firmly in a rising trend for more than 18 months. Despite the tepid performance of the economy during 1987, most industrial companies not only maintained the momentum but in many cases also quickened the pace during the second half.

Estimates of the average pace of growth in earnings per share run at 30%-35%, with dividends rising at a somewhat slower pace But it is no exaggeration to say that dozens of companies — well over 50 of those listed in the accompanying table — have shown significantly faster growth rates, far outstripping inflation The table summarises a selection of results published over the past six months Those whose figures are not comparable with the previous year have been omitted, as have many of the new listings, pyramid companies, and all of the DCM All but about seven of those listed increased their earnings, even though many are still rising off a low base

Industrial companies are continuing to enjoy benefits from improved efficiencies, even though the benefits from lower interest rates or debt repayments have largely run their course This means that business activity will have to be the main force behind profits during coming months But, with the economy presently on line for a better performance than that achieved in 1987, there is a lot of potential for the average 1988 profit growth rates to exceed many of the forecasts made six to 12 months ago

As always, forecasts on the economy's performance for the current year vary widely and the gold price — which at present is particularly difficult to call — will dictate the vigour of growth Still, gold currently stands above US$480/oz (its low point for last year was $390,25), the firmer rand against the dollar is helping to lessen the costs of imports; consumer spending is looking encouraging; and fixed investment is rising All these should contribute to a perkier economy, with varying effects on the different companies quoted in the industrial sector

Continued on P34

COMPANIES

● HIEMSTRA

Crash 'likely to prompt mergers'

B/Day 14/1/88

(2.32)

HELENA PATTON

CORPORATE finance specialists could expect to remain busy "post-crash", although not as busy as they were during the listings boom prior to the collapse of equity markets in October, said stockbrokers Ed Hern Rudolph's Tak Hiemstra

He said much activity in the mergers and acquisitions arena could be expected in coming months — especially around newly listed companies.

"Because of the stock-market crash, newly listed companies are now valued more realistically and are therefore more attractive takeover targets.

"Such companies also raised quite a lot of cash with the listings and could use it for acquisitions"

Potential vendors of private companies to listed groups would receive more value than before the crash, if they were paid by the issue of shares in the listed company

He said of the more than 200 companies listed last year, some might feel uncomfortable under the close scrutiny of the Press, brokers, shareholders, customers and the JSE Regaining their former private company status could begin to look attractive

Listed companies which were taken over by larger, industrial groups might face Section 311 minority take-outs and subsequent de-listings, as manoeuvrability with listed subsidiaries was restricted.

For a newly listed company, de-listing was also a possibility, but could be suspect because of the about-face it involved And if the share was trading at below issue price, minorities could be unhappy with offers made for their shares

A third way of abandoning the high profile of a listing could be for the owner to allow a reverse takeover of the company and buy back his original assets

Hiemstra said any type of de-listing would be carefully scrutinised by minority shareholders, the courts and the JSE, because of the possibility for manipulation of share prices to achieve more favourable deals.

FirstCorp's Richard Derman said the likelihood of a flood of development capital market de-listings by way of the sale of assets this year, was fairly low

"Naturally, each case has its particular circumstances, but it is not something we would particularly sponsor Mergers and acquisitions involving DCM companies are more probable than de-listings by this route"

19/2/88 FM 232

PRIVATISING THE AIRWAYS

The wings of profit

There was a time when South African Airways (SAA) had an enviable international reputation for safety, reliability and good service. Even the tragic loss of the *Helderberg* last November would not have affected that. But as increasing numbers of travellers are finding, the airline is flying into serious administrative and service difficulties. While the international arm, the flag-carrier, retains its reputation for quality, efficiency and civility, the local routes are overcrowded, gremlin-ridden, and increasingly shoddy. There is surely a lesson in this — that international operations need to be distinguished from domestic ones for the purposes of deregulation.

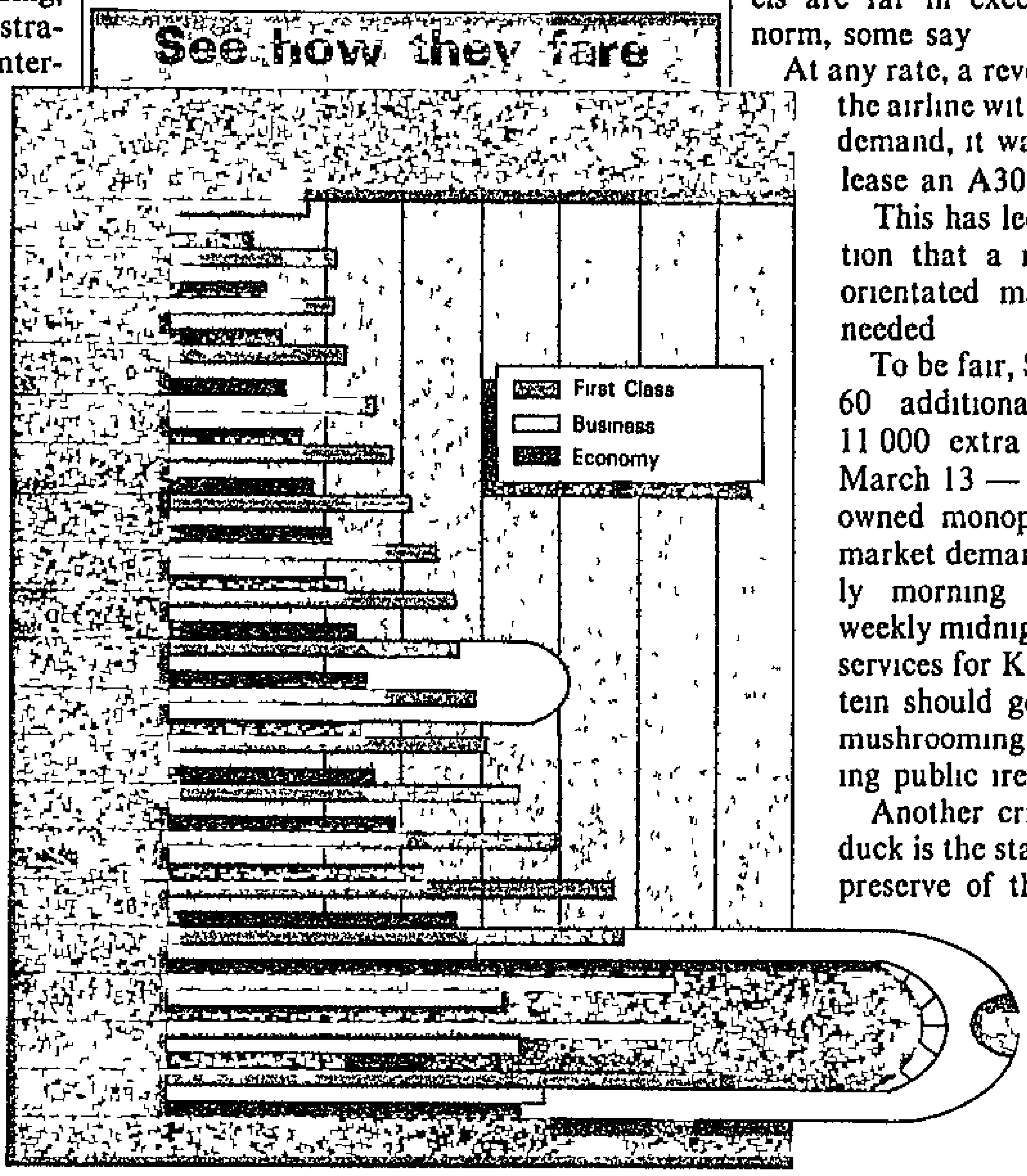
Meanwhile, the difficulties are manifesting themselves in non-availability of seats, sudden cancellations of confirmed bookings, late arrivals or departures — and even flight cancellations. Not to mention the ghastly food. You can no longer count on getting a seat on the next flight to Cape Town, Durban, Port Elizabeth or East London — even Upington and Kimberley present problems. As a State-owned monopoly, SAA is "expected" to provide for public demand — and, like Mussolini's trains, it must run on time. It is failing.

What's to be done? The answer is simple, and in line with P W Botha's landmark speech on the economy — privatise *and* deregulate. The first would make little sense without the second.

But as a preparation for that step, the root causes of the current malaise need to be addressed.

Essentially, they come down to a sudden 16% jump in domestic passenger traffic over the past year — the result of the economic upturn, a huge increase in local travel for business and holiday purposes, and a 14,3% jump in foreign tourism. SAA simply cannot meet the demand.

Because SAA falls under the umbrella of Sats, it's likely that government will balk at hiving off the public transport sector's most profitable component. But while there is a case for retaining the flag-carrying international wing under State control, the domestic routes are long overdue for deregulation.



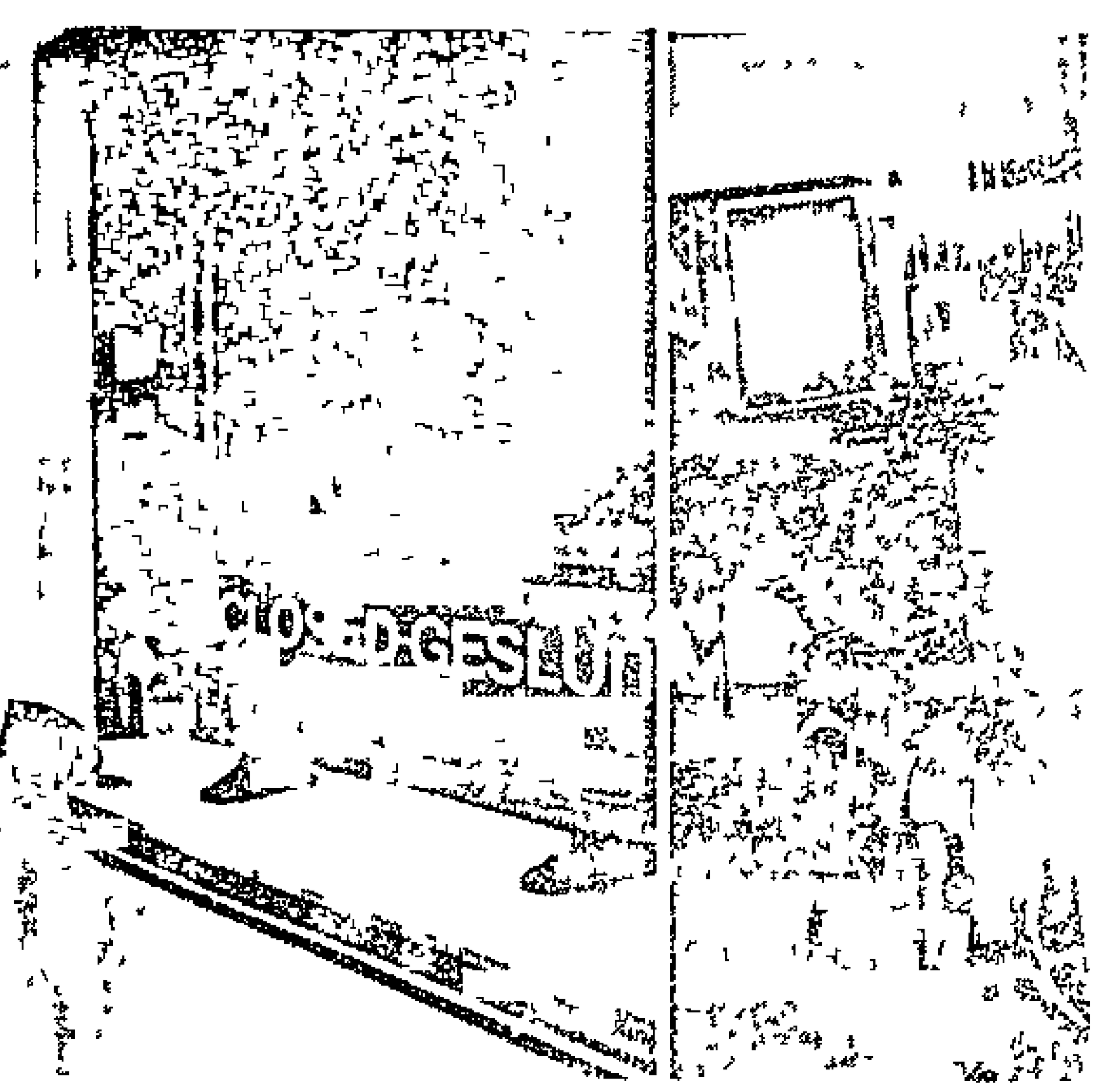
Nobody — and this includes the motor, hotel, travel and car rental industries — foresaw the massive take-off in local travel. Savage recession coupled to international opprobrium and disinvestment led to a massive fall in incoming tourism; and the forced cancellation of the US and Australian routes led to a slump in flying. SAA's part-answer was to lease out an undisclosed number of its jets (it could be three, or as many as seven) over the past two years. While this made good business sense at the time — and probably adds to the current income surge — hindsight, that perfect science, proves that SAA should have kept more of its craft in reserve. SAA's current high occupancy levels are far in excess of the international norm, some say.

At any rate, a reversal of fortunes has left the airline with egg on its face: to meet demand, it was recently compelled to lease an A300 Airbus.

This has led directly to the suggestion that a more sensitive, market-orientated management structure is needed.

To be fair, SAA's announcement of 60 additional weekly flights and 11 000 extra weekly seats — from March 13 — show that even a State-owned monopoly can be sensitive to market demands. New half-price early morning flights, 14 additional weekly midnight flights, and improved services for Kimberley and Bloemfontein should go some way to meeting mushrooming demand — and soothing public ire.

Another criticism which SAA can duck is the state of the airports — the preserve of the Department of Civil Aviation together with about nine other government agencies. Still, the fact that Jan Smuts has been described as "a major disaster" and the worst possible advertisement for incoming tourists weighs in public perceptions of incompetence in the airline. And rather closer to home (since here it does have authority) there are the bizarre conditions at the Johannesburg Rotunda terminus, for a start. It closes at 17h30, often leaving travellers stranded in an ill-lit, crime-ridden area with no telephones, toilet



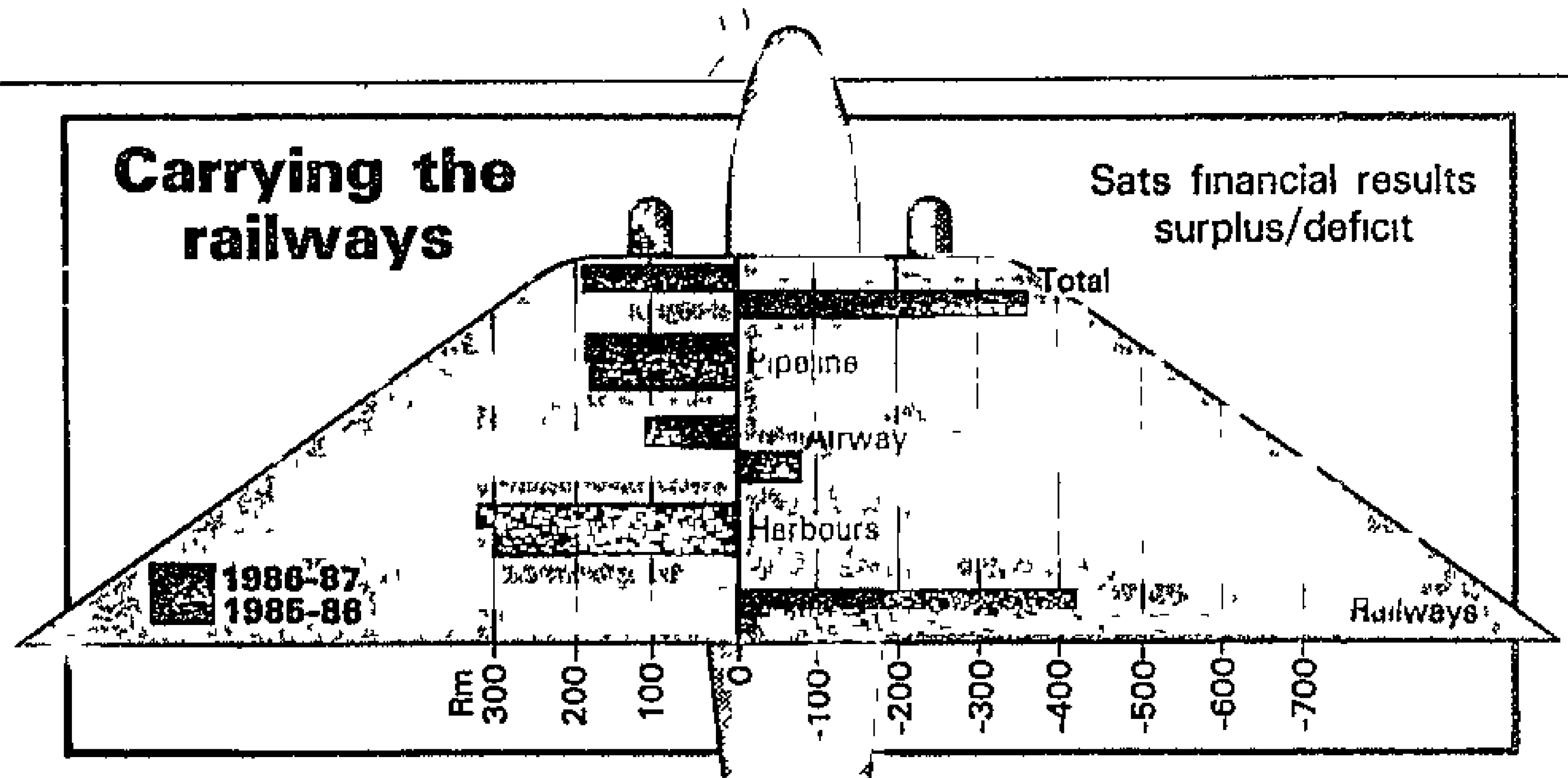
facilities or taxi ranks Yet another bad advertisement for SA's national carrier — and its major city.

Further aggravating the airline's discomfort is its unresolved dispute with the 470-odd members of the SAA Pilots' Association (SAAPA). At issue is the association's status as the representative body in negotiations with SAA, as well as poor pay A major bone of contention is that SAAPA is the only representative pilot body in the world that is not officially recognised by its management The reason is that SAA falls firmly under the SA Transport Services' (Sats) bureaucracy and is (independently) managed as an extension of its railway services, of all things.

SAAPA members met Transport Minister Eli Louw last Monday to try to resolve their frustrations. They have threatened to resign *en masse* and to join foreign airlines or form their own company to negotiate pay and employment conditions. Again, what is the public to think of this? The dispute comes at a time when SAA is heading for an embarrassingly huge (for a problematic State outfit) R134m surplus income surge (*Business* February 5). The pilots fret; the public is on their side

Sats' announcement that it will be carved up into five major, independent profit centres — railways, airways, pipeline, freight and harbours — from April 1 could be a start on the road to sanity and recovery. But the Sats bureaucracy remains the major stumbling-block to genuine managerial independence for SAA — it naturally fears retrenchments and pruning on merit

This, however, should not deter a privatisation programme from being instituted as soon as possible. And this is where cross-subsidisaion comes under the spotlight (see **graph**).



SAA's profits help to pay the huge deficits on Sats' railways passenger services. Privatise the local routes at least, and that cross-subsidisation would be impaired — but why not? The major hurdle, as Free Market Foundation transport specialist Terry Markham points out, is that privatisation that precedes deregulation would merely create a private-sector monopoly. While this would ensure the best price for the State at privatisation, the flying public would suffer Markham's answer is the obvious one "I believe we must deregulate first to create the competitive element. Then privatisation can follow — also on a gradual basis."

The State's inherent fear of letting go of a monopoly is understandable, given the fact that SAA's earnings are well above those of major international lines. Last year SAA's "surplus income" (profit) was R108,6m (including R43m on the unwarranted disposal of aircraft) against turnover of R1,63bn Compared with this, US major American Airlines last year turned a profit of only US$200m — on a $7bn turnover SAA's annualised surplus income expectation of R134,5m for the current financial year must also be seen as oddly high for a State-owned monopoly beset by labour problems which the private sector would have sorted out by now or paid a market penalty.

At the very least, the remuneration of disgruntled pilots could be boosted and fares slashed Take this comparison. while London's Teleport Travel agency offers return flights from London to Johannesburg at £515 (about R1 848), SAA's cheapest economy class return fare weighs in at R4 481; while a business class return ticket costs R4 800; and the luxury first class costs an inflated R7 054

The *FM* learns that the total cost to SAA of a 371-seater B743 return flight to London is R750 000, including agency commission of R120 000 At a theoretically full complement of 371 passengers, SAA would therefore need an average of R2 022 per passenger to recoup its costs — so the "cheap" economy class seat shows a profit of more than double the minimum.

SAA's London fares are jointly determined with route partner British Airways in terms of International Airline Transport Association (IATA) regulations — but many airlines have opted out of IATA regulations to bring down fares.

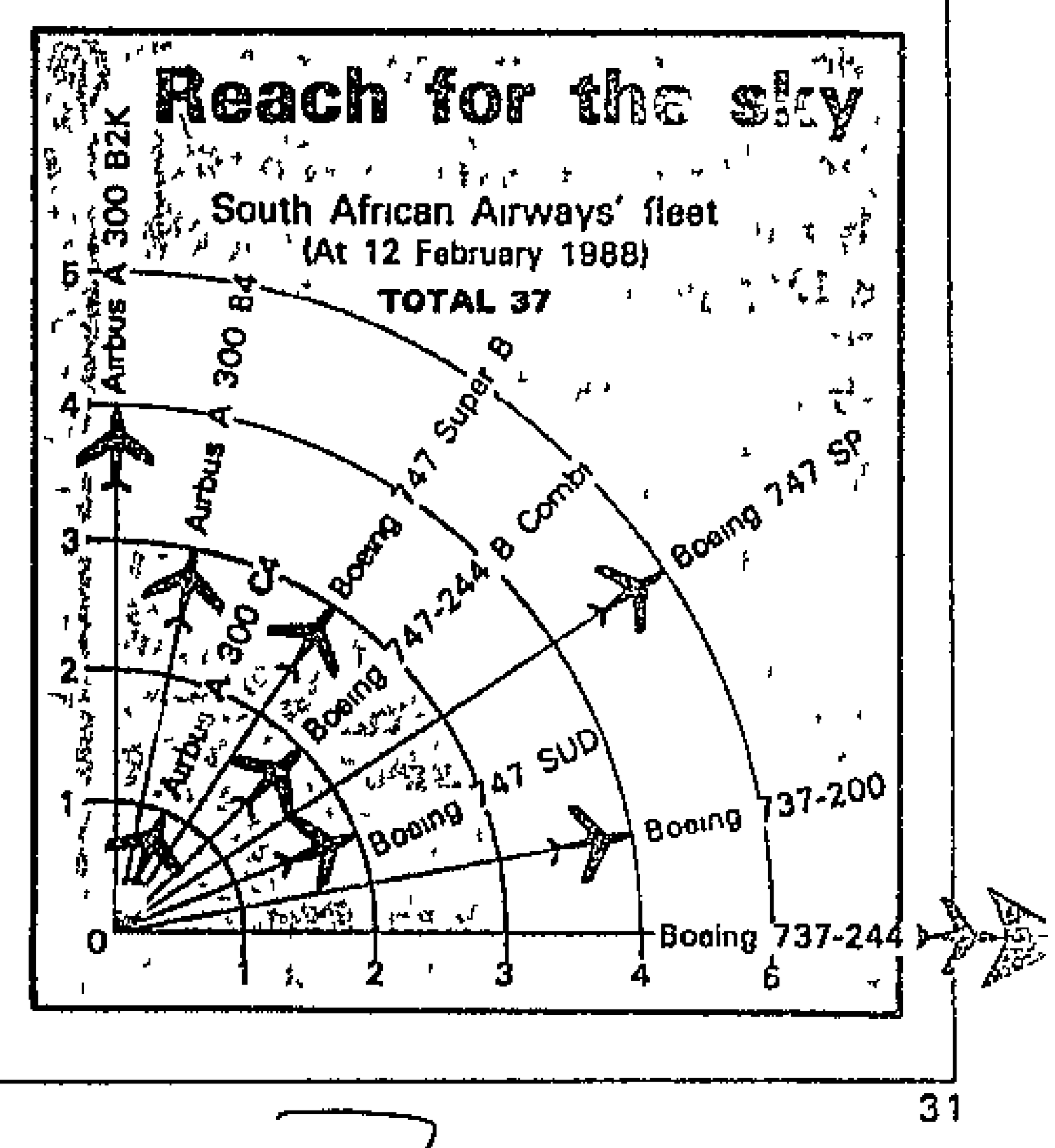
SAA's earnings simply confirm that it is being used as a cash cow under the Sats umbrella — that its profits are used to pay for uneconomic passenger train services, the ultimate result of geographic apartheid

Deregulation means, firstly, changing the restrictive "anti-competitive" Air Services Act of 1949, which provides security of route to the carrier with the appropriate permit or licence from the Department of Civil Aviation (DCA) In most cases, that prerogative is SAA's And SAA controls 95% of the domestic market

RAU's transport professor Jackie Walters adopts a conservative approach, arguing for the "responsible creation of a second force airline in SA This would only be made possible by the adoption of a new air transport policy in SA which would allow for the gradual increase in routing permits for alternative private-sector operators" He says that by initially turning over, say, 10% of the major routes to private-sector competitors, the necessary "investment security" would be established which would allow these operators to acquire the capital equipment necessary for an alternative airline He posits a consortium

"What one needs is 'controlled' deregulation, with a gradual increase in the major routing for the private-sector competitors This would allow organic growth and capital formation, so that the competitive element can be established in SA's skies This was the route successfully followed in New Zealand Alternatively, the private sector should concentrate on low-density routes with lower breakeven levels."

Meanwhile, at least one major private-sector carrier is prepared to take up the challenge "Should the DCA allow gradualistic route deregulation with investment security, we would definitely be interested in operating at least two narrow-bodied jets — DC9s or B737s — on a 10% route security in competition with SAA," says Comair MD



Pieter van Hoven.

The local market is growing quickly enough. But whatever the deregulation route, it is a prerequisite for privatisation, Van Hoven agrees. Privatisation without competition would, of course, be a recipe for disaster.

Cash-strapped as it is, government has probably never been more willing to privatise — but it is realism, not cynicism, to feel that what it really wants to do is keep the profitable bits for itself, divesting itself of the lossmakers. It needs to be repeatedly prodded on this — and a starting point is the division of SAA into its international and domestic units, the domestic routes being prime candidates for deregulation.

Simply because government is busily pondering the recommendations of its own White Papers on deregulation and privatisation — and because Transport Minister Eli Louw is expected to *return* to the debate in his Budget speech on February 24 — there should be no excuse for stalling on the issue. Deregulation should be the first priority. It can happen tomorrow; it can be done with the stroke of a pen. If no new airlines appear to take advantage of this, the market will have spoken. It's about time it was allowed to do so.

...of retrenchments.

C. Times 20/1/88

232

Liberty Life severs ties with U[...]

Own Correspondent

JOHANNESBURG. — Liberty Life has bought 20% of Charter Life for an undisclosed amount in a deal which will finally sever Liberty's acrimonious ties with the vendor, United Building Society.

Liberty now owns 60% of Charter Life — the remaining 40% staying in the hands of Guardian Life.

Dorian Wharton-Hood, speaking in his capacity as a director of Charter Life, said the transaction — concluded on December 18 last year, and approved recently by the Financial Institutions Office — was the final chapter in the stormy relationsh[...] Liberty and UBS.

The liaison turned sour when[...] CE Piet Badenhorst embarked [...] series of attacks on the life indu[...] fuelling a bitter battle of words leading to the resignation of Ba[...]horst and Liberty chairman Do[...] Gordon from each other's board[...]

Wharton-Hood said UBS's recen[...]quisition of a 20% stake in Com[...]cial Union was part of the packag[...] cut all ties between the two ins[...]tions. Liberty sold its around [...] shareholding in the composite ins[...] to UBS, in return for which UB[...] selling its 20% Charter Life stake.

CAPE TIMES 22/11/88 232

Foreigners buy local debt-ridden firms

By AUDREY D'ANGELO
Financial Editor

FOREIGN investors are using financial rands to buy control of SA manufacturing firms which have survived the recession but have a heavy load of debt, the manager of Nedbank's international division, Robert Stone, said yesterday.

Advantage

Attending a presentation by the Seeff Property Organization, which is marketing a R200m portfolio of Western Cape properties overseas, Stone said increasing numbers of overseas buyers were taking advantage of the financial rand exchange rate to acquire holiday and retirement homes.

In many cases, they were buying into retirement villages, where they would spend six months of the year to avoid the European winter.

But, Stone said, investment in manufacturing firms was becoming even more popular because this gave a better return than property. Most foreign investment in the PWV area was of this type.

"There are a lot of firms which managed to get through the recession but they are up to their ears in debt.

"British and continental European investors realize that they are getting a bargain by investing in financial rands and they have regained confidence in SA now that they don't watch Johannesburg burning on their TV sets every night, and they see our economy taking off.

"But very often they want control of the firm in which they are investing."

Confident

The head of Nedbank's exchange control department in the Western Cape, Daniel Pechiné, said Americans as well as Britons and Europeans were buying houses and flats of all types in the Western Cape.

"They seem confident of the future in SA and point out that there are troubles in overseas countries, too."

Net income soars 238% to R2,5m

Furnfair lifts earnings by 150%, doubles div

Cpt Times 25/1/88 232

Financial Editor

FURNITURE FAIR, the fast-growing Western Cape chain which has turned in consistently good results, has lifted interim earnings by an impressive 150% to 25c a share.

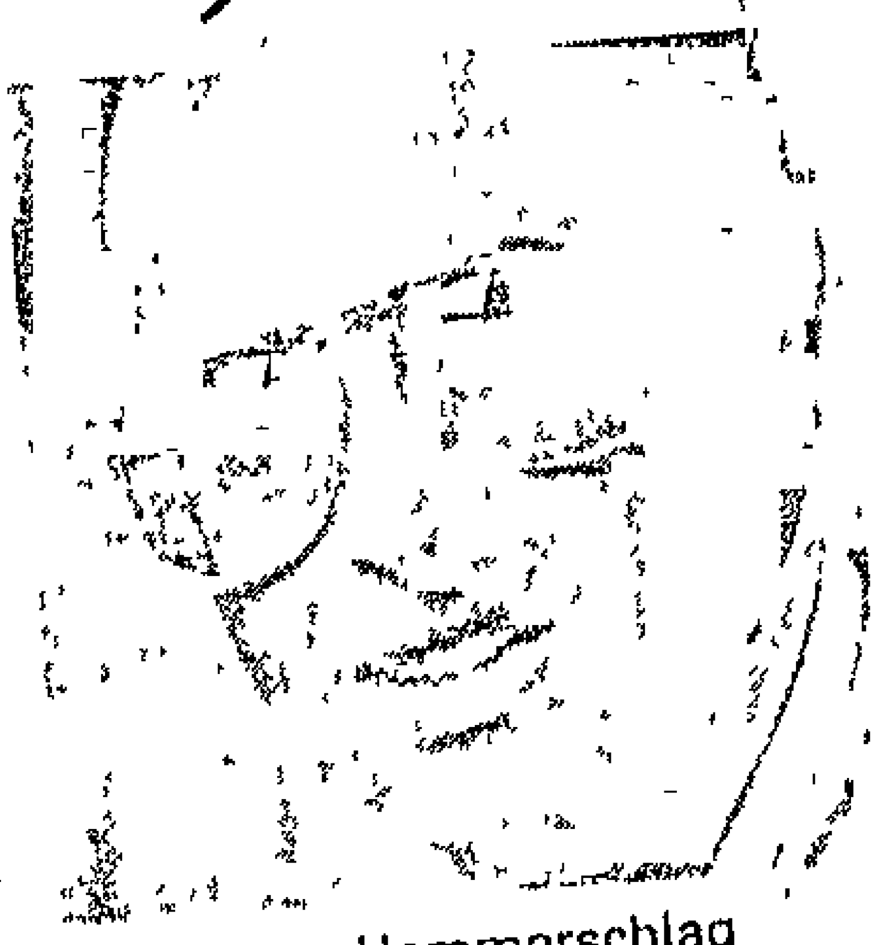
They already exceed the 18,3c a share achieved for the whole of last year although the number of shares in issue is up by 25% to 10,1m.

The interim dividend has doubled to 5c (2,5c) a share with cover increased from four times to 5,2 times to fund future growth.

Net income has soared by 238% to R2,5m and turnover by 134% to R14,3m.

The rise in net income has been achieved in spite of a higher provision of R1,2m (R225 000) for doubtful debts and unearned finance charges.

Chairman and MD Ivan Hammerschlag says this higher provision has been made only because of the growth in ledgers and not as a result of any increase in bad debt.



Ivan Hammerschlag

It is company policy to make a provision of 15% against the book "over and above any actual bad debts written off".

However, Furniture Fair's profit figures make no provision for taxation.

The company has adopted the partial method of accounting for deferred taxation and, with a constantly growing amount owing to it for sales on credit, does not expect tax to be payable in the foreseeable future.

Hammerschlag says he is confident sales and profits will continue to grow. He plans further expansion and the stores are all exceeding their sales targets.

"Trading has exceeded all our expectations. Our new Bellville store in particular is performing incredibly well.

"It has averaged 150% of budget since its opening in October last year. Its contribution is now second only to our Mitchells Plain branch, which continues to be our top performing outlet," said Hammerschlag.

"As the Bellville store traded for only three months of the reporting period, we can expect an even greater contribution from this source during the remainder of the financial year."

see any sharp rises ahead.

vestment research at Credit longer term."

BANKING

Argus 27/1/88 232

Allied ties up with RMB

From ANN CROTTY

JOHANNESBURG. — As competition in the financial services market hots up, Allied Bank is moving to increase its spread of interests by acquiring a direct stake in Rand Merchant Bank (RMB), which is one of the leading merchant banks.

In a move that should give it greater exposure to the wholesale and corporate side of banking, Allied is set to acquire a 10 percent shareholding in restructured Rand Merchant Bank Holdings for approximately R15-million.

The move by Allied is part of a restructuring, which also sees RMB Holdings acquire the entire shareholding of RMB in exchange for shares in RMB. All shareholders in RMB have received three RMB Holdings shares for every RMB share they held.

In addition, according to an official announcement, RMB Holdings is issuing an additional four-million shares at 300c a share to boost the numbers of shares in issue to just over 55-million.

Shareholders will be offered eight new ordinary shares in the company for every 100 existing shares held. The rights offer has been jointly underwritten by Allied and a consortium of directors and staff of RMB for no consideration.

Some of the major shareholders (Sage had 30 percent and the directors 60 percent) have undertaken to relinquish their rights in favour of Allied. An agreement has been reached between Allied and Sage, which will see Sage sell sufficient shares to Allied to ensure that the latter has 10 percent of RMB Holdings.

For both Allied and RMB the deal has obvious advantages. Allied already has an indirect interest in RMB through its 20 percent holding in Sage. Sage had a 30 percent stake in RMB before the deal and a 10 percent stake in Allied. If the two institutions were considering going the financial conglomerate route, then the choice of partner was obvious.

Their activities do not conflict. RMB specialises in the corporate and wholesale side of banking, while Allied's area of expertise is at the retail end. The link-up could provide RMB with access to relatively cheap funding, while Allied could get access to a greater depth of management.

from 198 to 285 out of a reporting panel of 317 (and a nominal full panel of 500) It has

set to clean up in the local photographic film market — as are grey market importers of sanctioned films

um on Japanese brands"

Owners of the French-built KIS machines, market leaders in photographic processing

The Sats factor

Government's SA Transport Services (Sats) has a key role in the hotly debated issues of deregulation and privatisation confronting the road transport industry this year. Cargo Carriers MD Roy Marcus gives his opinion.

The private sector's concept of deregulation is the elimination of all restrictive legislation to enable a transport operator to move all classes of goods anywhere in the country

Problems caused by our existing permit system must be eliminated, but at the same time no transport industry can run without some regulation, particularly with regard to safety of vehicles.

Government must relinquish some of its traditional hold. What is needed is a strategy to enable the private sector to become involved where it can provide an effective service — for example, long distance road transport.

Fundamental to deregulation is that it cannot occur without privatisation.

At the moment, Sats is privileged, it purchases vehicles at a special price, gets special fuel rebates, pays no GST and has special licensing arrangements

If privatisation does not occur simultaneously with deregulation, Sats will take over the private sector because of this unfair advantage

We have it on good authority that Sats recently applied for a licence to set itself up as a clearing and forwarding agent — distinctly in the private sector realm We are all gravely concerned, as it appears Sats is going to be granted these rights

The private sector needs to co-operate with Sats, combine resources to provide a cost effective transport network But at the moment, Sats' road transport activity is a major obstacle to co-operation

Another major issue is road safety. Deregulation and the Road Freight Quality System (RFQS) must be implemented simultaneously, even though many small operators will find it difficult to meet requirements because of inadequate workshop facilities

Operators in general will have to upgrade their staff. The private road transport industry will have to produce the manpower required to monitor its own operations

We can compare SA's road transport industry with the US, where some interesting scenarios came out of deregulation Larger companies initially suffered most because the floodgates were opened to small operators who undercut. After about four years, the small operator started losing out; unreliable service as result of frequent breakdowns in outdated trucks put him at a disadvantage

The US did not implement an adequate RFQS and today unsafe vehicles pose a grave danger to the public.

In SA, the private sector initially welcomed government's deregulation of certain zones In reality, the legislation is carefully designed to guarantee Sats' long-term survival because, for instance, it prohibits operators from going straight from Johannesburg to Durban or Cape Town

It also opened the floodgates to illegal operators who will push their luck and leapfrog from one 300 km zone to another There are too few law enforcement officers to ensure these operators are prosecuted

By virtue of vested interests in a political sense, one remains sceptical about total deregulation Take the Sats budget, for example a deficit in operating activities can be justified as providing an essential service, without indicating what operations are not essential and should therefore operate profitably It has an almost secret budget without real commercial constraints

The other problem is law enforcement. The calibre of law enforcement officers has to change towards a high skills profile What is needed is training and adequate pay. But will government change its basic philosophy now that requirement exists?

Compromise is, however, acceptable to the private sector, total deregulation coupled to RFQS And Sats off the road

One hopes that eventually sanity will prevail.

— Sapa-Reuter

CITY TIMES 21/1/88

(232) (200)

Anglo staff buy up shares

JOHANNESBURG — An offer to Anglo American Corporation employees of five Anglo shares each in 1988, made in terms of the Anglo employees shareholder scheme, has been accepted by 98% of the 2 445 eligible staff members, Anglo said yesterday.

The offer to head office employees with at least two years' service was accepted by 2 402 and declined by 43.

Anglo chairman Mr Gavin Relly said he was encouraged by the positive response and hopeful that both shareholders and employees in associated companies would similarly endorse the scheme. Sapa

Big buyers on the takeover trail

D/Dispatch 1/02/88 232

David Ress: London

Bigger may not necessarily be better in a corporation, economists say

But many financiers and corporate executives disagree

They are scouting for takeovers again, having carried out post-Crash-of-87 surveys and found the cost of buying other companies has tumbled along with the price of their shares

"Giantism now seems to be a requirement of business," said Keith Cowling, an economist at Warwick University, in England

And that worries some economists, concerned about how the sheer size of business affects the prices of goods and how easy they are to buy, as well as the people it employs — and how secure those employees' jobs are

In recent weeks, Italian tycoon Carlo De Benedetti has bid for effective control of Societe Generale de Belgique, that pillar of the Establishment founded eight years before Belgium itself which now owns a sizable chunk of the country

British tobacco-based conglomaterate BAT Industries also made a R8,4 billion offer for Los Angeles-based insurer Farmers Group Inc

Eastman Kodak Co is entering the drug business with a splash — a R10,3 billion takeover of Sterling Drug Inc, fending off an unwelcome R9,3 billion bid from Swiss drugs giant F Hoffman-La Roche und Co

British Airways, Britain's biggest airline, has taken over the country's second biggest airline, British Caledonian. Oil giant British Petroleum has bought 54 per cent of North Sea independent Britoil. In each case, the buyers all say they acted wisely

Takeovers typically let firms enter new areas or expand small existing operations Kodak, analysts say, has long wanted the distribution system of a major drug company to bring the fruits of its own research to market

Takeovers can also rid a company of a competitor Government fears about this sort of effect forced British Airways to sell off some British Caledonian routes after the merger

But mergers and takeovers do not always work very well, Cowling said

"You'd expect increased market control and increased efficiency, but the result of mergers is often lower productivity and creating lumbering giants," he said

Economists say bigness can insulate a firm from the real world Successful subsidiaries can carry a conglomerate's money-losers Bigness itself can assure finance, cautious bankers are often unwilling to lend to new, unproved businesses

The effect can be to shut other, more efficient producers out, if they happen to be smaller

And that is not a good thing for any economy

"Three companies are better than two and four are better than three," says West German Cartel Office president, Wolfgang Kartte, explaining why he does not plan to relax anti-trust laws

Meanwhile, some economists, and not a few management experts, argue that big companies are difficult to manage

"It is a question not only of size but of the politics within the company," said Mike Wright, an economist at the University of Nottingham, in England "When a company gets very, very large and diffuse it can get too big to control," he said

Some Belgian businessmen and share analysts argue that Societe Generale has reached that point

"They are everything except managers They have no vision of what management is all about," said the head of one leading Belgian company in which Societe Generale itself owns shares

De Benedetti, who transformed a sleepy typewriter maker, Ing C Olivetti & C Spa, into the second biggest maker of personal computers after International Business Machines Corp (IBM), says he has the answer

"There is certainly a major process of modernisation and rationalisation which must be carried out and which we are going to carry out," De Benedetti said

"We are at a moment when the future is confronted by the past," he added

Worries about the future are giving some governments second thoughts about long-standing policies on takeovers

Japan's Ministry of International Trade and Industry (MITI) has begun to study whether legal changes are needed to facilitate corporate mergers and acquisitions That could be one way of promoting foreign investment and restructuring industries, a ministry official said

"Particularly in an era of increasing international competition, we can no longer afford to attack American companies that are using innovative techniques to keep costs and prices down," said US Assistant Attorney General Charles Rule.

International takeovers raise questions of their own about governments' abilities to carry out policies, economists say One reason the British government approved the British Airways-British Caledonian deal was a rival offer from Scandinavian Airline Systems — some politicians feared losing control over aviation policy

Belgians are worried about De Benedetti, dubbed by some Italian papers as the new monarch of Belgian

"Can one imagine that sufficient autonomy of action would remain concerning, for example, the strategies of the leading bank of the country, the future of the principal shipping company of the country, the future of what is left of the non-ferrous metal industry, the future of the insurance sector?" said Societe General board governor Rene Lamy — Sapa-RNS

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Man prides himself on

Twins comes to market at 350c

Star 2/2/88

232

By Ann Crotty

Somewhat later than targeted, Twins Pharmaceutical, came onto the JSE yesterday at an initial price of 350c, while Alex Lipworth was removed from the board at a price of 430c.

The movements in the pharmaceutical and medical sector are part of a deal that has been long in the making. Last July Twins Propan, the pharmaceutical group jointly owned by the Krok brothers and the Premier Group, announced that it was going to get a reverse listing via the Triomf cash shell and that it intended to make 70 percent-owned Lipworth a wholly owned subsidiary.

At that stage the offer to Lipworth minorities was nine Twins for every 10 Lipworths, or cash of 325c for each Lipworth share.

In October, following a re-evaluation of Lipworth's earning's potential, the offer was upped to 12 Twins for every 10 Lipworths, or cash of 440c. At that time the listing was targeted for November.

The transmuted listing statement indicates that net asset value for the year to March 1988 would have been 148c a share if the acquisition had been completed on August 1 1987. Management is forecasting a turnover for the year to March of R248 million, taxed income of R28,4 million and earnings per share of 30c. For the eight months to March a dividend of not less than 6c a share is forecast.

The statement shows that of total company borrowings of R48,3 million, just over R40 million is owed to the Premier at overnight call rates and is repayable on call.

Midas continues on its acquisition trail

Star 2/2/88 (232)

By Ann Crotty

Motor parts distributor Midas looks set to continue on the acquisition trail that highlighted its first year on the JSE with the announcement of its first purchase in 1988.

The group has acquired 25 percent of Billwill Consolidated Holdings with effect from March 1987 for R2,8 million to be paid in cash. Billwill is the holding company for Quay Motor Services and Buffalo Motor Spares, which are based in the Eastern Cape and boast an average growth of 77,67 percent a year compounded for the three years to February 1988.

Midas will equity account its stake in Billwill. If it had held the 25 percent stake for the six months to August 1987, earnings would have been 27,9c a share, against the 26,8c reported.

The acquisition of a minority share, although supported by a pre-emptive right over the other 75 percent, is in line with Midas's strategy of not seeking a majority stake in the businesses of its associates. There are tentative plans to list Billwill "as and when considered appropriate at some time in the future".

Franchise 'a licence to print money'

Business hits at private N3 toll plan

232

B/day 3/2/88

MICK COLLINS

IN a rare show of strength, major business organisations have joined forces in a last-ditch attempt to block the privatisation of the N3 between Alberton and Hilton in Natal

The influential Transport Consultative Committee (TCC) is fighting the granting of the N3 toll franchise and calling for an open debate on the issue.

The TCC has warned the Standing Committee on Transport Affairs in Cape Town that tolls levied on national roads could be open to abuse.

It also fears a precedent may be set which could place the Transport Department in an invidious position regarding possible applications for the privatisation of other arterial roads

Private sector sources said the granting of a toll franchise on existing roads, constructed at taxpayers' expense, would be "a licence to print money" They have also hinted at "favours for chums" and fear the tolls will continue in perpetuity

The TCC comprises major organisations including Assocom, the SA Federated Chamber of Industries, Chamber of Mines, Motor Industries' Federation, SA Federation of Civil Engineering Contractors, Afrikaanse Handelsinstituut, National Association of Private Transport Operators, SA Vehicle Renting Association, SA Road Federation, Public Carriers' Association, Southern African Bus Operators Association, the Passenger Transport Association, SA Foreign Trade Organisation and Association of Ships Agents and Brokers of Southern Africa

"We are unanimous in our total opposition to the privatisation of existing roads We believe that existing rights of long standing will be withdrawn if the N3 proposals are accepted"

The TCC places on record that the private sector has never objected to paying the fuel levy and licence fees for road funding.

"Furthermore, the private sector accepts the principle that new roads may be constructed only if a toll is levied. In this context the imposition of a toll on the N17 (Krugersdorp/Springs road) is accepted.

The TCC notes the proposed agreements do not seem to require the Transport Affairs Minister to approve the toll amount. In the absence of competition, albeit in the form of a suitable alternative, the level of tariff is open to abuse, it says.

"It is believed that existing government toll roads could also be privatised which would result in substantially increased tolls on the basis that the private sector would require an after-tax return on capital

"Any tolling of any part of existing road networks will result in inequitable competition beteen road and rail modes after an equitable basis for the payment of infrastructure costs has been established and is in the process of being implemented"

Referring to the Transport Advisory Council, at present being constituted, the TCC says it should be given the opportunity to debate the issue before major decisions on transport are taken.

When the buying has to stop

232

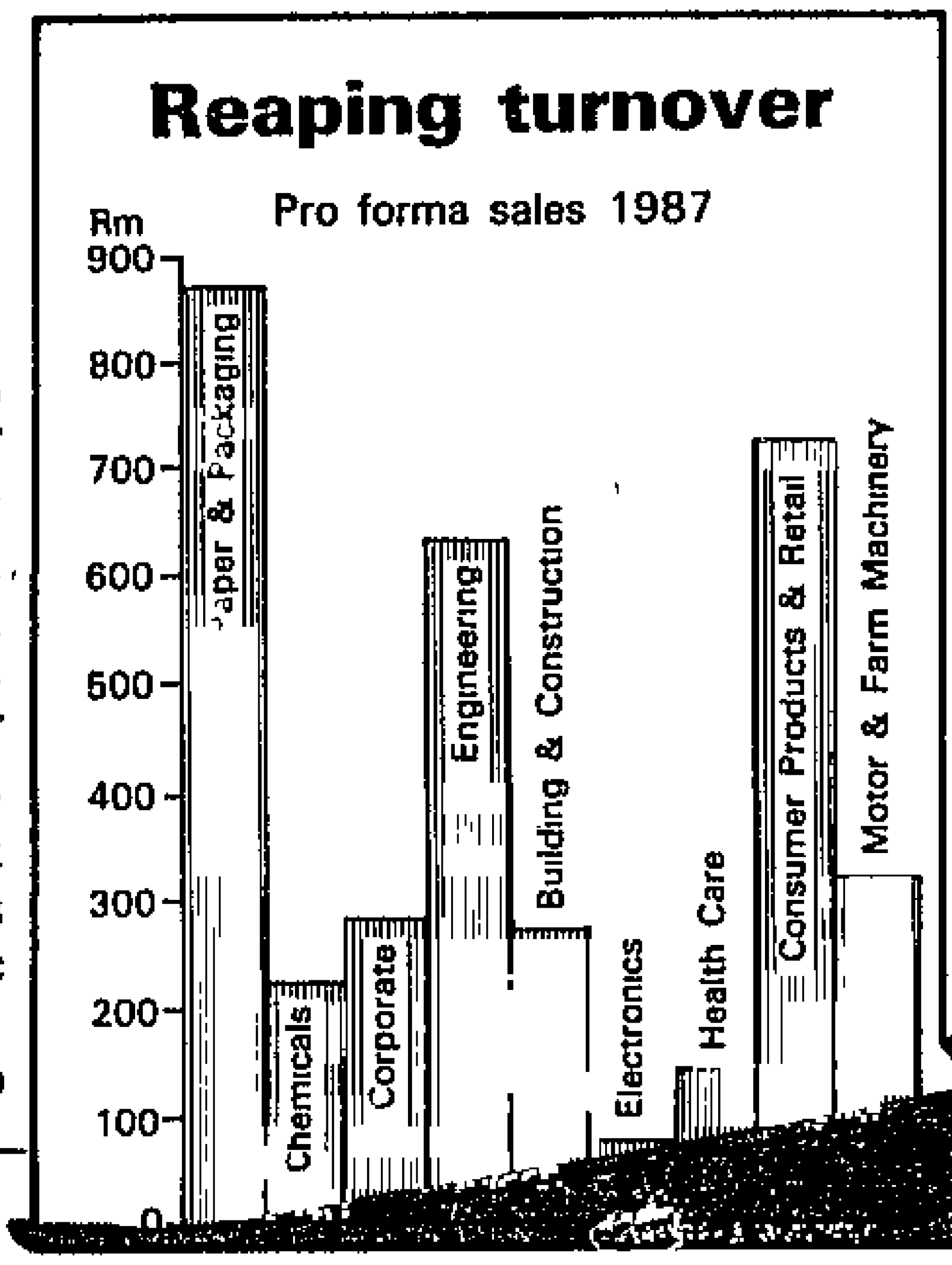
Now that Malbak has taken over Gencor's industrial interests, what can it do for an encore? Earnings growth has been rapid in the past three years and will continue to be so in the next two, but then the pace must decline. The question is whether the share is realistically priced.

At the time, the takeover of Protea, much larger than the Malbak group, seemed a real coup for Malbak. Yet, three years later, Malbak swallowed all of the Gencor industrial interests on terms consistently favourable to itself and its own shareholders.

But what now? There is not another Gencor industrial division to be had, so after the next couple of years, when the full benefits of the acquisitions should be felt, Malbak seems bound to move much closer to its basic level of organic growth And this will happen at a time when recession is again expected to be stalking the land To many investors, the question must be how well the group will survive, and whether the share price reflects this outlook.

Malbak cannot be separated from executive chairman Grant Thomas, though Thomas himself tries to give credit to a good team. A Malbak man for 12 years, he has been CE since 1978 and justly points to the performance of the Malbak (now Malcor) share price in that period· from 105c, it rose to a September high of R29,25 before declining to the present R15,50. Earnings leapt from 33c to 166c a share

To compare group performance over the same period, we have taken the Malbak figures for 1978 and the *pro forma* Malbak figures for 1987, since all the operating companies were injected into Malbak On that basis, total assets rocketed from R40m to R1 874m, sales soared from R90m to R3 561m, and attributable profit from R3,5m to R119,2m But this does not reflect the ability of the group as an operating concern — most of it came from acquisitions



Thomas is untroubled by this, saying there has been substantial organic growth but asks why any company should be limited to organic growth True enough — and there is no reason why a good operating MD should be given a higher rating than one who understands how to arrange deals which will benefit his shareholders through acquisitions But what has consistently worried us is what will happen when the buying stops.

It is very difficult to assess how well Malbak has actually run its companies when each year additional acquisitions make it impossible to compare performance with the previous one. And, even if excellent organic growth is achieved, it is very unlikely to measure up to the 136% taxed income growth in the year to end-August

There are two reasons why this point needs emphasis The first is that Malbak would need to buy a group with sales approaching R4bn to repeat the performance after the Gencor deals. Secondly, after an achievement like this Thomas will find it difficult to put together deals big enough to keep himself satisfied. So where to from here?

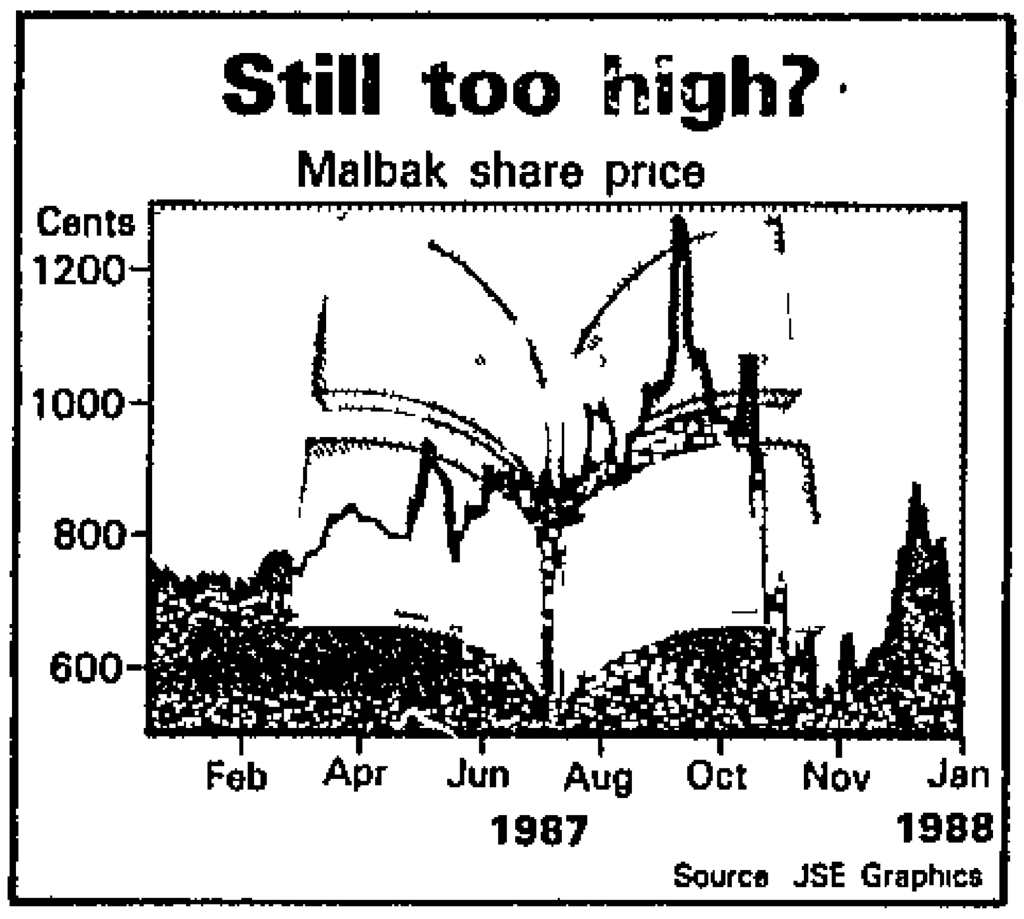
For the company, there are at least two good years to go A number of the Gencor companies, with the obvious exceptions of Standard Brass and Kanhym, were already about to turn around when Malbak acquired them With the income from these groups entering the Malbak accounts in financial 1988, earnings will leap again, as indicated by the fact that the *pro forma* earnings are 88% higher than the 1987 actual (although EPS, because of the 71m shares issued for the acquisitions, are only 10% higher). Add to that the effect of the turnarounds and another

100% rise in earnings, though not in EPS, is possible this year.

The year to August 1989 should also see a steep profit climb, following the usual rationalisations and improvements which come with acquisitions. But growth will be less than in the current year

It is possible that the group can benefit from large capital projects, either public-sector or grassroots ventures that might be pursued by Gencor or by Malbak These, however, will have to be financed and such projects generally have fairly long payback periods.

Of course, further takeovers could continue to boost income, even if these are smaller than the Gencor purchases. As Thomas puts it: "It is Malbak which is suffering from indigestion, not the subsidiaries" The latest Abercom deal is a case in point. With the size of the Malbak juggernaut, though, relatively small deals by subsidiaries will not make much difference to the group's bottom line



The organogram shows only the top structure of the group. At end-August there were 19 subsidiary companies, and Thomas says he does not know how many companies there are in the Malbak group. With nine divisions and 11 listed subsidiaries before the arrival of Abercom, it is small wonder that he has had to create an executive committee The five directors report to him, and in turn have a number of divisions for which they are individually responsible.

The structure is by no means simple, as responsibility for the companies in five of the divisions are split between as many as three committee members. Thomas says he plans no further changes in the Malbak structure. Except for electronics, he adds that he has no plans to expand any particular area: "Malbak has always been opportunistic"

The old reservation about conglomerates raises its head. One stockbroker's analyst suggests that the group is unfocused and that buying Malbak is like investing in an investment trust Thomas, for his part, does not see a lack of focus To him, the group is well arranged in the divisions and he is emphatic that management is left to run the business without interference from Malbak itself.

It seems that Thomas concentrates on motivating management and establishing a set of controls, but is insistent that the executive committee provides rapid decisions "We have undertaken that, if a project comes to us properly motivated by the Wednesday, the decision will be made by the following Tuesday," he asserts

A number of members of the investment community have great respect for Thomas's ability to choose the right man for the job. Thomas says that he has never failed to employ an individual because there is no appropriate job at that particular moment· "We have a nursery going here with a number of executives at any one time"

Exceptions to this policy were Hugh Brown — whose skills were immediately needed at Darling & Hodgson and for the electronics division — and Dirk Jacobs, chairman of Kanhym, who has been appointed to the board and the executive committee, and is in charge of the greatest part of the engineering section

Thomas's ability to negotiate deals which are to the advantage of Malbak and its shareholders must be counted as strength, although minorities in the companies taken over have reason for complaint The outcry from Abercom minorities has been particularly voluble Malbak's sale of the Davidson fan interests in England brought it a cash sum of R34m, which means the rest of the group was bought on a p e of around three times — low even in today's market

Net worth per Abercom share at the end of June was 431c, and the market price just before the deal was 260c, but the offer price from Malbak amounted to only 217c before the fall in its share price, and 198c taking the latest decline into account Similarly, in the case of the Gencor deals, the companies were almost all acquired at lower p e's than the Malbak shares issued in payment

Thomas's argument on this count is that he was negotiating for Malbak and not for the other companies. He succeeded in protecting his own company's interests Certainly it is doubtful that anyone else could have

Chairman Thomas . . . rapid, effective decisions

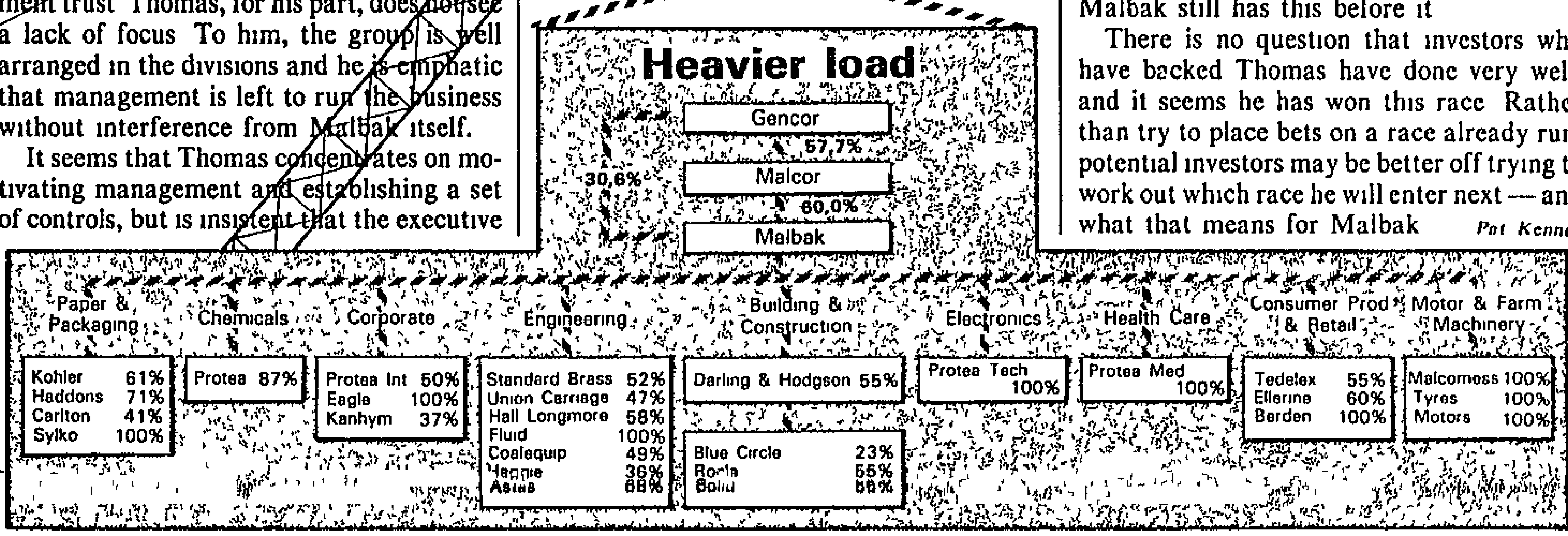
negotiated the terms obtained from Gencor. It seems Malbak was chosen largely because of the long relationship between Thomas and Gencor chairman Derek Keys, one of the founders of Malbak

The question then arises as to what Thomas will do next He says that negotiating the deal is only 15% of the problem and that making it work accounts for 85% "In the Gencor deals we have done only the 15%," he says "Over the next two to three years, we must get the same standard of performance from the enlarged group as we had before"

There is also a strong possibility that Thomas could eventually take over from Keys at Gencor. Keys has indicated that he may announce a deputy in a few years and that the deputy would come from the younger group of Gencor executives This could be enough to keep Thomas (44) at Malbak for a number of years, and it is possible that other Gencor doors will open for him before then

The question of whether Malbak is overpriced compared with some other conglomerates remains The market gave the share a low rating after the Protea takeover, but the rating shot right when the Gencor acquisitions were announced Though currently substantially lower than at the peak of the bull market, it is on a 3,3% historic dividend yield against Barlows' 5% On forward dividends, Malbak could be on a 4,3% yield against Barlows' 5,8%, buy Barlows appears more focused, with a record of solid growth. It has also been through the phase of being downrated when acquisition growth ran out, Malbak still has this before it

There is no question that investors who have backed Thomas have done very well; and it seems he has won this race Rather than try to place bets on a race already run, potential investors may be better off trying to work out which race he will enter next — and what that means for Malbak *Pat Kenney*



Traders foresee rush of visitors

New company to take over Gold Reef City

Star 5/2/88 232

Staff Reporters

Johannesburg Gold Reef City company is to be liquidated and a new company formed under another name — but operations will continue uninterrupted, JGRC managing director Mr Stuart Shaw announced today.

Arrangements would be finalised in six to eight weeks.

The proposed reduction of entrance tariffs and the abolition of parking charges has been greeted with cheers by the traders and shopowners of the complex, who foresee an enormous increase in the number of visitors.

In his statement Mr Shaw said the liquidation had been proposed as part of the substantial reconstruction of the company first announced in December last year.

Reconstruction was necessary as JGRC, a non-profit company under section 21 of the Companies Act, had an inappropriate structure and its establishment costs had greatly exceeded the estimates

The new company, termed Newco, would be formed with substantial capital and would lease the premises for 60 years from Gold Mine Museum — a Chamber of Mines controlled company — for a nominal R1 a year.

Newco would give participants greater security of tenure but reconstruction would also involve revising leases and some rent and levy increases, he said

Participants had welcomed the proposals as a means to strengthen the overall business, Mr Shaw said

Some store owners gathered at one of the bars yesterday to celebrate and remarked that up to 10 000 people could soon be expected on Sundays instead of about 8 000 as in the past.

Many store owners said the entrance fees — R7 for adults during the day and R3 at night, and half price for children — were too high, and people were reluctant to spend more money once they were inside the gates

"The entrance fees have been killing our trade," said photographic studio director Ms Marianne Cowan

Toy shop manager Mr Michael Burke added that bad publicity for Gold Reef City and bad management by the company were reasons why there had been a lull in business.

Another store owner, who did not wish to be named, said she hoped the restructuring would bring tour groups to all shops and not only to certain ones

"So often the tour guide will hurry them from one attraction to the next and then they do not have time to have a good look at my shop," she said.

She too welcomed the proposed drop in entrance fees and said: "We want more people to shop here because prices are better than in shopping centres"

Opposition to road privatisation

232 Star 5/2/88

By Sven Forssman

Strong opposition has been voiced to the privatisation of existing roads

The Transport Consultative Committee (TCC), which comprises the Association of Chambers of Commerce of South Africa (Assocom), Public Carriers' Association and the SA Federated Chamber of Industries, yesterday expressed "total opposition" following reports that the main Reef to Durban route may be privatised

A TCC spokesman said the committee believed that long-standing rights would be withdrawn if the N3 proposals were accepted.

The private sector had never objected to paying fuel levy and licence fees for road funding And the private sector accepted the principle that new roads might, in some instances, only be constructed if a toll was levied In this context the imposition of a toll on the N17 (Krugersdorp-Springs road) was accepted

"The Transport Advisory Council should be given the opportunity to debate the issue before major decisions concerning transport were taken"

In a separate statement yesterday, Assocom called on the standing committee of Transport Affairs not to privatise the N3 motorway between Johannesburg and Durban

Assocom objected to the privatisation of the N3 because there was no viable alternative to the N3, a private sector monopoly would be formed and the toll would be considerably higher than if Government operated it

Brits minister leaves NGK

Star 5/2/88

Another Nederduitse Gereformeerde Kerk minister has left the church to join the whites-only Afrikaanse Protestantse Kerk (APK) — along with 60 of his 600 congregation members

The resignation of Rev Marthinus Taute, of the Sanddrif NGK congregation near Brits, follows a complaint by a church member about the way he criticised new NGK policies from the pulpit

New control for Gold Reef City

Star 5/2/88 232

The Johannesburg Gold Reef City company is to be liquidated and a new one formed, but operations will not be interrupted, JGRC managing director Mr Stuart Shaw announced in a statement yesterday

He added that arrangements would be finalised within six to eight weeks New proposals include reduced entrance fees and no-charge parking

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Reconstruction was necessary because JGRC, a non-profit company, had an inappropriate structure and its establishment costs had greatly exceeded estimates

The new company, Newco, will have substantial capital It will lease the premises for 60 years at a nominal R1 a year from Gold Mine Museum

New control for Gold Reef City

Sbev 5/2/88

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Malbak takes over EL firm

DD 6/2/88

232

by Gaye Taylor

EAST LONDON — Protea Pharmaceuticals, a subsidiary of the Gencor-owned Malbak group, have announced the takeover of an East London company, Pharmador (Pty) Ltd

The managing director of the new combined Protea company, Mr Eddie Hart, would not disclose financial details of the deal but said the first phase of the total new investment in the region — which includes the purchase price of Pharmador from the Greyvensteyn family — will be in excess of R10 million

The combined turnover of the new group would be R60 million in the coming financial year, Mr Hart said

He said the new group would give employment to more than 500 people in the area but the hope was that the figure would be between 600 and 700 by 1989 Total combined employment currently stood at 385

Part of the new investment involves the move of Protea's Johannesburg Clinimed penicillin plant here and extensions to their Wilsonia factory The Clinimed move will entail the creation of 50 jobs

Commenting on the takeover, Mr Hart said "We see this not only as a tremendous opportunity for our company to become a major force in the South African pharmaceutical market, but an excellent opportunity to enhance East London's reputation as a key industrial development location "

Mr Hart said since the Greyvensteyn family took over Pharmador in 1978 The company had had an impressive record of growth through various acquisitions, one of them being a range of consumer/OTC products from the Casella-Med division of Hoechst

He said Protea Pharmaceuticals, through its holding company Promardis (Pty) Ltd, had successfully built a business with a sizeable share of the pharmaceutical and toiletries market over the past year

"Protea already owns a modern pharmaceutical plant in Wilsonia and we see the Pharmador plant in Chiselhurst complementing that manufacturing operation "

He said most of the head office functions would be relocated here from Johannesburg later this year

The combined production facilities will manufacture key ethical medicines such as antibiotics, diuretics and anti-inflammatories as well as popular medicines such as Anadin, Fibretrim, Veinoids, Flutex and Laxa

The company also has major products such as the Hang Ten and Dante range in the toiletries market and Kempura black hair care products

Mr Hart complimented the Border Metropolitan Development Corporation (Bomedco) on their support and encouragement in the development of the pharmaceutical industry in the region

The chief executive of Pharmador, Mr Pierre Greyvensteyn, said Pharmador's operations were "so concentrated" in East London and this would have meant a move for the family who were all Johannesburg-based

He said they had therefore decided to pursue their business interests on the Reef

Safcec voices support for privatisation

232

Star FRANK JEANS 6/12/88

Mr Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors (Safcec), commenting on President Botha's moves on road privatisation, says.

"The federation supports the concept of privatisation in respect of infrastructure work such as national roads, water purification and sewage works.

"One of the main reasons is that due to lack of finance, the public sector may find it difficult to provide these services timeously, so that by mobilising private resources, such projects can be undertaken earlier."

Mr Lagaay says the roads mentioned in the President's report have heavy-density traffic.

In these circumstances, toll companies should remember that they should not price themselves out of the market.

"They should note that the State President has already stated that alternative routes will remain," says Mr Lagaay.

Privatisation frees R60bn

MICK COLLINS

GOVERNMENT'S Thatcher-style plan to privatise large parts of the public sector will release more than R60bn into the economy, industrial analysts said at the weekend.

President P W Botha said government would introduce legislation to convert Eskom, Sats and Post and Telecommunications into tax-paying, profit-seeking enterprises.

It was also planned to privatise the state phosphates company Foskor, steel giant Iscor and the offshore gas project at Mossel Bay.

Pim Goldby national director Roger Keyte said the release of static funds tied up in major undertakings would have far-reaching effects.

The proceeds — Eskom (R28bn), Sats (R18bn), Post Office (R8bn) and Iscor and IDC (R3bn each) — would be used to redeem public debt for basic infrastructure in developing areas and to create funds for developing small business. To place the amounts involved in context, Keyte said, SA's annual budget was R40m.

While analysts believe the privatisation moves will be led by Eskom, they point to the pivotal role played by government's Industrial Development Corporation (IDC), which holds a majority shareholding in Foskor, Atlantis Diesel Engines, Alusaf and Sapekoetea, with its tea and other agriculture-based interests.

The IDC has been in the forefront of privatisation and, through its majority shareholdings in subsidiaries Industrial Selections and National Selections, has already allowed the investing public into proven unquoted companies.

IDC GM Carel van der Merwe said it was still too soon to forecast when more privatisation moves would take place, but he pointed to the corporation's existing record on privatisation.

"We believe private participation is healthy and necessary. Government obviously believes Foskor is ready to take the plunge and in all probability, many others will follow."

IDC chairman Marius de Waal, who is also chairman of Iscor, said he welcomed the undertaking that government would actively reduce its role in the economy in an effort to curb inflation.

He said government's approval of a VAT system of taxation was heartening as exports of products were not subjected to it. It would be exports that would have to carry the economy through difficult economic conditions.

With regard to the privatisation of Iscor, De Waal said Iscor must now assess the cost structures to make it possible, and in order that Iscor be able to pay an initial dividend to its shareholders.

More than 99% of Iscor's shares are owned by the state. A number of individuals hold a total of 200 000 Iscor shares, but these constitute less than 1% of the total. Iscor's fixed assets totalled R28,27bn at the end of June last year, and its investments R578m. It has shown profits for the past four years.

He said the IDC would sell its interest in Foskor as soon as possible, but would not consider further sales now, as it had adequate funds for the financing of industrial development.

Eskom chairman John Maree welcomed the announcement that Eskom should plan for a listing on the JSE.

Maree said: "We have not been caught unprepared for this move. Eskom has completed a very successful restructuring along sound business lines, with the most significant changes coming in the areas of decentralisation, major cost reductions, tighter financial controls, reduced staff numbers and sound business management."

Datakor acquires 26% of DD

9/2/88 Star (232)

Mercedes Datakor has acquired a shareholding in the Dimension Date group.

The two companies — which were both listed last year — expect to capture the major share of the R100 million data communications market this year, resulting in a consolidated position as the number one data communications systems supplier.

This market is the fastest growing area of electronics in the United States, Europe and South Africa

In terms of the agreement, Mercedes Datakor is to acquire 26 percent of Dimensions Data from existing major shareholders in exchange for an undisclosed number of Mercedes Datakor shares

Mercedes Datakor chairman, Mr Nic Frangos said although prior to the deal his company had been active in datacommunications, Dimension Data would ultimately take over all these activities and in return Mercedes Datakor would eventually have a controlling interest

The acquisition means that the group will now be able to offer the full spectrum of data communications services

Mercedes Datakor already has exclusive distribution of the world's leading high-speed networking product from Timeplex, which it has successfully marketed to First National, Nedbank, the Perm and NBS

The full Timeplex range of products will now also be marketed by Dimension Data, although both companies will, in the meantime, continue to pursue their existing data communications activities working off their present client bases

Dimension Data managing director, Mr Jeremy Ord says that the move is logical in terms of the expanding marketplace

"In order to be a major player in the electronics field today one needs to have access to all the technologies involved We are in a strong financial position and we could have taken an independent route but the advantages of joining a large group such as Mercedes Datakor, which already has complementary technologies, were obvious."

Dimension Data forecast in its prospectus that turnover would reach a record R17-million in the year to December 1987, with net income rising from R1,2-million to R2-million

This followed a period of rapid growth which saw turnover rise from R400 000 in 1984 (when Mr Ord joined the company) to R14 million in 1986 —Sapa

Cosatu against privatisation

9/2/88

JOHANNESBURG — Cosatu has warned that the new economic policy, and particularly attempts by private sector employers to adhere to government calls for wage restraint, would serve only to heighten worker militancy.

Cosatu's information officer, Mr Frank Meintjies, said the organisation's living wage campaign had highlighted the dangerously wide income gap between rich and poor

Union perceptions were that employers had always employed wage restraint in collective bargaining, and any further wage restraint would exacerbate this danger

He also criticised the failure of the State President to give any emphasis to price freezes or restraint

Privatisation, he predicted, would further concentrate wealth in the hands of the few, as shares in privatised corporations would be snapped up by the monopolies.

This, he said, would endanger jobs, reduce the possibilities for a redistribution of wealth, and would set back the efforts of workers to achieve more control over their lives.

Referring to the Freedom Charter's provisions for the nationalisation of major industries, he added that those monopolies which bought up the privatised corporations should remember that it would be only a short-term gain for them. — DDC

232

Deal 'reduced to partnership'

Govt to keep firm rein on parastatals

B/day 232 9/2/88

CHRIS CAIRNCROSS

CAPE TOWN — Government intends to retain tight control over those state and parastatal bodies it has earmarked for privatisation and in each instance will hang on to a majority shareholding.

Its concept of privatisation is thus reduced to the level of a partnership arrangement only between the public and private sector.

Government's stance was revealed yesterday by Deputy Finance Minister Kent Durr while addressing a business convention at a Cape Town hotel.

Referring to what he described as the "accelerated programme of privatisation" announced last week by President P W Botha, Durr noted that this would embrace legislation whereby the country's leading public utilities — Eskom, Sats and the Post Office — will be converted to private corporations, either wholly or after their division into appropriate components.

"The state will, however, be the controlling shareholder," he stressed.

Durr subsequently told Business Day this provision would also apply to Foskor and Iscor, and would effectively amount to a majority controlling interest in these organisations

He agreed this amounted to "a partnership arrangement between the private sector and the state" rather than full privatisation "in the ideal sense of the word"

He explained the purpose behind this approach was to ensure that the sale of state assets was not accompanied by disruptions and problems downstream.

As an example, Durr said government had no intention of relinquishing control over Iscor to a private sector purchaser who might subsequently decide to embark on an asset-stripping operation that would harm secondary industries.

It was also important that government was able to exercise control over strategic industries like Eskom. And, given the size of the organisation, it was necessary that its sale, through a listing of shares on the JSE would be a progressive and gradual exercise.

PFP finance spokesman Harry Schwarz yesterday described Durr's explanations as largely fallacious.

He said he had no problem with the state adopting a gradual approach in selling off its stake in these oorganisations, or of maintaining control of a strategically important operation like Eskom, but to retain a majority shareholding in enterprises like Iscor was unacceptable.

"In no way is it true privatisation," Schwarz said, adding there was no valid reason why the state continued to hold a major financial stake in National Selections and Industrial Selections, both of which are quoted on the JSE.

● To Page 2

Sappi earnings a share soar 173%

232 9/2/88 B/day

● From Page 1

Attributable earnings, after provision for outside preference shareholders in subsidiaries and preference dividends, amounted to R206,9m — a 235% rise on the previous year's R61,8m.

To cater for its future tax obligations — which are expected to come into force in 1991/92 — an appropriation of R44,9m in deferred tax was made compared with the deferred tax benefit of R5,3m in 1986. This left distributable income of R162m (R67m)

Borrowings were substantially reduced with gearing currently standing at 79% compared with the previous year's 93%.

Distributable earnings would be reduced by further appropriations for deferred tax but not by the share conversion as the preferred ordinary shares had historically been treated as ordinary shares.

Storey tilts at privatisation of health care

232

Star 9/2/88

By Carina le Grange

The provision of health care is a matter of simple justice, not a privilege, the Reverend Peter Storey said in Johannesburg last week.

Mr Storey, a former president of the Methodist Church, addressed a multidisciplinary symposium on "Medicine and Health Care in South Africa" held at the University of the Witatersrand The symposium was addressed by theologians, health care workers and lawyers.

Mr Storey referred in his address to the victimisation of the Baragwanath doctors who voiced their concern about conditions at the hospital and who faced disciplinary measures for doing so.

He said no doctor could, in good conscience, take the Hippocratic Oath without becoming a life-long, active enemy of apartheid.

Saying health care was a human right and taking a strong stand against privatisation of health care, Mr Storey quoted British health service pioneer Mr Aneurin Bevan: "No society can call itself civilised if a sick person is denied medical aid because of a lack of means."

A POLITICAL PROBLEM

"In the context of South Africa, true justice in health care is impossible to attain without fundamental political change. Justice in health care is a political problem before it is a medical one."

He said there was hardly a more glaring example of the "immorality of reform" than that seen in health care

"So-called reform consists in the deprived majority being served crumbs from the tables of the privileged minority. Accelerated reform means a more generous helping of crumbs but not an invitation to take a seat at the table.

"Consider the message communicated when a new hospital is built in Johannesburg — presumably because the old one (now Hillbrow Hospital) was hopelessly outdated Blacks are told 'You can have the old one now, it is no good to us any more'."

RACIAL SUPERIORITY

Mr Storey said that the shiny, half-empty, new Johannesburg Hospital contrasted sharply with the "overcrowded, dilapidated Baragwanath" and that a new hospital was planned for Pretoria while Mamelodi, with a larger population, had inadequate health care facilities.

"Each of these examples speaks of an official attitude blinded by an ideology of racial superiority, compounded by righteous indignation when proper gratitude for the crumbs is not forthcoming

"To those who hound doctors whose simple concern for justice led them to protest against conditions at Baragwanath, Jesus would say 'You hypocrites — focusing your wrath on a splinter of procedural indiscretion in these people when you should be taking the great plank of 300 years of gross discrimination out of you own eye You strain at gnats and ignore camels'

"Privatisation of health care will make it a matter of accounting instead of caring and I find it strange that a government so obsessed with controlling every area of our lives should want to abdicate at a point where they have real responsibility for those same lives," Mr Storey said

BUSINESS

The new board of Billwill Consolidated Holdings at the signing with Midas In front from left managing director of Midas, Mr Georg Ludwig von Loeper, Billwill executive chairman, Mr Bill Williams, and chairman of Midas, Mr Derek Riley At the back is Quay director, Mr Norman Dyer (left) and Mr Phillip Wolk

Merger links EL firm with listed company

P/P 10/7/88

232

by Matthew Mooneya, business editor

EAST LONDON — An East London motor spares firm has merged with a Port Elizabeth company and the new company has sold 25 per cent of its shares to a national marketing and distribution organisation specialising in low cost warehousing

The managing director of Buffalo Motor Spares here, Mr Phillip Wolk, said the firm had merged with Quay Motor Services and the new company was known as Billwill Consolidated Holdings.

Midas, a listed company, acquired a 25 per cent stake for R2,8 million and Mr Wolk said Billwill, of which he is a director, would also seek a listing soon

Mr Bill Williams is the executive chairman

Mr Wolk said operations in East London as well as the other outlets in the Border and Transkei would continue as usual

"The merger means we are part of a larger organisation with bigger buying power which will be a plus factor because we will be able to keep prices down more easily," Mr Wolk said

Buffalo Motor Spares was founded in 1957 as used spares distributor and in 1959, the scrapyard was sold and the business concentrated on new spares

The first branch was opened in Umtata in 1968 and another in King William's Town in 1973 The latter branch got the Midas franchise and in 1986 another branch was opened in East London

In June 1987, they bought the Bryson group which included another three Midas stores in East London, Mdantsane and Parkside

First AEC group to be privatised

Star 11/21/88 (232)

Pretoria Correspondent

A high precision facility that manufactures the separating elements for uranium enrichment plants is to be the first group within the Atomic Energy Corporation (AEC), to be privatised.

It is at present being run as a separate business, known as Prima, within the AEC.

Prima has a staff of about 500 people and the Industrial Development Corporation has been involved in its management for about a year.

Although Prima's main client is still the AEC, sufficient market penetration has already been achieved to ensure that the corporation's share of its turnover will be reduced substantially in the near future.

A statement by the AEC said a decision had already been taken to enter the "second phase" of Prima's privatisation.

Negotiations were being conducted with the private sector on the appointment of a board of directors and chairman.

Negotiations with financial institutions regarding financing had also reached an advanced stage, it said.

FM 12/2/88

232

PRIVATISATION

Farewell IDC?

After nearly five decades, the Industrial Development Corporation (IDC) could be on its way out of government hands A move to privatise it — as some are speculating will happen — would be welcome

"Sell the whole thing off," says University of Port Elizabeth economist Pierre le Roux "It's just an exercise in central planning"

Founded in 1940, the IDC was intended to promote new industry and employment It now holds majority shareholdings in Foskor (whose privatisation is on the cards), Atlantis Diesel Engines, Alusaf and Sapekoe

Its investment-trust subsidiaries Industrial Selections and National Selections, which are listed on the JSE, generate income, as does its 30% holding of Sasol The corporation also participates in such schemes as subsidising exports and promoting government's decentralisation policy

In his speech to open parliament last week, President P W Botha did not list the IDC as a privatisation target However, he said it should sell shareholdings in large companies and focus on assisting small and medium-sized industries Because the Small Business Development Corporation (SBDC) already does that, some analysts suggest government should simply sell off the IDC

This would be no problem By law, the State President can sell the IDC's B shares — worth about R1,2bn — at his discretion An Act of parliament would allow the sale of the A shares, worth R1m.

MD Koos van Rooy expects no immediate change in the IDC's structure following Botha's announcement He says it will sell shareholdings only when it needs money to fund small- and medium-sized undertakings And, he says, "in view of an adequate cash flow there is no pressing need for the IDC to realise investments"

Van Rooy says the IDC will continue to co-operate with the SBDC and "guard against wasteful duplication of effort" He argues that the corporation should not go private "The IDC's whole function is the promotion of private-sector development, and it is the considered opinion of the board, largely representatives of the private sector, that the IDC can perform its role most effectively as a State corporation"

Le Roux disagrees. He says the sale of the IDC would allow for market-led industrial development, rather than development of firms that can convince government they need support

"In the past, it has frequently been just an extension of life for some firms that would have died out earlier in the market They went another seven or eight years by getting a cheap loan from the IDC" When aid was cut off, they died, making a mockery of the word development.

"If the IDC were in private hands and managers made mistakes, shareholders would take the brunt of it, which would provide the incentive to make good investments," he says

Even if the IDC were privatised, Pretoria could still promote industry it feels essential for national security The best way would be by subsidising a private industrialist for a specific project — a form of "contracting out" — rather than owning the industry itself or subsidising a wide range of other firms along the way

Privatisation would not mean the death of the IDC. It would mark the beginning of a profit-seeking investment group free of political pressure

"There are a lot of bright brains at IDC," says Le Roux "I'm sure they'd make it as a private concern" ■

FM 12/2/88

DIAGONAL STREET

Privatisation jitters

While most JSE analysts are hailing President P W Botha's privatisation plans as a brave and positive step in principle, the short-term implications are not comforting for the stock market

To put it mildly, the timing is hardly favourable — from the JSE's standpoint the announcement would have been a great deal better received 12 or 18 months ago. In the heights of the bull market, which was abruptly halted last October, the prospect of listings of large organisations such as Eskom and Iscor probably would simply have added to the excitement The present atmosphere on Diagonal Street is far less receptive.

Finance Minister Barend du Plessis gave an assurance at Tuesday's Frankel Kruger investment conference that privatisation would be a gradual programme, undertaken over many years This is all well and good, but the situation remains vague and potentially unnerving for a market which now is simply looking for negatives and more arguments that can be used to justify lower share prices

Some stockbrokers can recall only too well how, in the past few years, at least until the bull market really got going, mere rumours of another major rights issue for Sasol was said to be encouraging institutions to build up cash. The Southern Life listing had a similar effect. For some time, there were concerns that such large equity issues could soak up huge dollops of cash and would, therefore, help to depress prices generally.

That such concerns did not necessarily prove justified when the listings actually took place is beside the point In inactive markets these events can be seized upon as reasons for more weakness By historical standards institutional liquidity is not high at present.

The initial reaction among stockbrokers and institutions is that Botha's announcement could have a similar dampening effect, at least until there is more clarity on the intentions. A whole number of questions have been left hanging in the air by Botha's announcement The main omission is that there is no timetable for privatisation and there has been no real indication of how quickly the first flotations will be made and what methods might be used

As a number of brokers have asked, even if Eskom is seen as a major and early candidate for privatisation, what sort of Eskom would in fact be listed? Would it be listed in one step, or would it follow the pattern set by Sasol? Some nine years after the initial flotation, government still owns 30% of the listed Sasol Limited and 50% of Sasol 3.

Further indication of government's plans was contained in comments attributed to Deputy Finance Minister Kent Durr, who said the State does not intend to relinquish control of organisations privatised. This may ease fears of unduly large flotations; it also undermines hopes that the companies concerned will be run according to true free market principles later (see *Leaders*).

Uncertainties are never helpful in a bear market. However, Mathison and Hollidge's David Gleason does not see the announcement having lasting negative effects. He feels that once investors assimilate the information which has been made available, more sober assessments could be made over the next few weeks

Meanwhile, there has been speculation about the effects of a privatisation of Eskom on non-equity markets. It is unclear whether the listing would be accomplished via a conversion of debt to equity or simply by a conventional rights issue

It is highly probable that Eskom itself has not yet worked this out. But the financial rand fluctuated widely on Tuesday, moving from Monday's closing rate of US33,88c to close at US34,38c and the rumour in London was that Eskom stock was being bought on hopes of a later conversion to equity

A listing for Foskor, also cited as an early candidate, has long been mooted as a logical move and would have a much smaller impact on the JSE than Eskom In the year to end-June 1988, Foskor made pre-tax profit of R31,5m (R48m before interest) on turnover of R249m, despite our local markets. A problem with many of the State-owned corporations — not necessarily Foskor — is that their accounts frequently are not drawn up according to conventional accounting practices, their pension funds may also have to be examined

Notably, no mention was made of Sasol in Botha's speech Yet Sasol is undoubtedly in a financial position which makes a takeover of the 50% it does not already own of Sasol 3 entirely feasible The market view appears to be that the weak oil markets will keep this on the back burner for a while Unlike the more diversified Sasol 1 and Sasol 2, Sasol 3 is primarily a synfuel producer which is highly sensitive to oil prices in rand terms. But Durr's statement does not leave much room for optimism that there will be a total privatisation of Sasol

Andrew McNulty

ROAD TRANSPORT

Deregulation doubts

You can't please some people Road hauliers may claim to dislike the over-regulation which shackles their industry — but then they don't want deregulation either

The message from the first convention of the Public Carriers' Association (PCA) was that they would prefer maintenance of the status quo, as long as SA Transport Services (Sats) is removed from the scene

They were direct last week about the level of protection they expect for established companies, should deregulation become a reality They favour the Road Freight Quality System (RFQS), which will ensure road safety and operating standards but also operates in favour of larger companies and could control entry into the industry; a block on unfettered price competition through the setting of minimum rates, and "Sats off the road," to quote PCA chairman Phil Erasmus

Delegates to the three-day convention in Swaziland heard four speakers. Glyn Samuel (national chairman of the Road Haulage Association in the UK), David Lowe (British transport consultant and author), Clifford Harveson (president of National Tank Truck Carriers in the US) and Wynand Pretorius (professor at the Rand Afrikaans University's Transport Department).

The overseas speakers stressed the pitfalls of deregulation. Samuel said the British haulage industry, while in private hands, "is about the most regulated occupation there is, with the possible exception of the airlines"

Lowe said EEC licensing arrangements in the UK had been "debased by the sheer numbers qualifying" and lack of experience.

Harveson said deregulation was responsible for destroying US road safety and the profitability of the national haulage industry by allowing inexperienced "cowboys" to compete on the basis of price rather than professional ability or service He said steps to obviate this should be taken "before and as a part of legislated deregulation

"Insist government have a meaningful and enforceable safety oversight programme in place before economic deregulation takes effect" ■

12/2/88 FM

2-3-2

Buthelezi backs privatisation

DD 12/2/88 AD 232

ULUNDI — The Chief Minister of Kwazululu, Chief Mangosuthu Buthelezi, told leading international financiers here yesterday that President P.W Botha's privatisation programme had the potential for "astounding progress".

But he emphasised his regret that the programme was not part of a reform package deal aimed at addressing real political issues.

He asked where else in Africa or the Third World there could be any prospects of such a privatisation programme succeeding and said it could do so here because South Africa was distinctively itself in the Third World

"The country's banking system, the degree of its economic infrastructural development, its sophisticated management expertise, its technological know-how, its transportation and electricity supply and communication systems, all add up to a battery of forces capable of making astounding progress in the face of immense difficulties

"My reaction to the State President's announced privatisation programme was dominated by the lament that (it) could achieve so much more so much faster if it were located in a reform package deal in which the Government could begin to address the real political issues we face

"I believe it is the task of black political leadership to drag the government, albeit kicking and screaming, to the negotiating table where political issues can be decided within which we will be able to maximise economic growth "

Chief Buthelezi said he believed the scales were tipped in favour of the democrats "and I believe that non-violent opposition to apartheid will best lead to the politics of negotiation so essential to arrive at a future political dispensation in which a government will be able to govern for the benefit of the people "

The KwaZulu Chief Minister and Inkatha president was addressing a group of European, American and British company directors including, Mr Geoff Rothschild and Dr Leslie Frankel, of Frankel Kruger, Mr Ivan Mazuranic, of Switzerland's Banque Bruxelles Lambert, and Mr Julian Baring, of Britain's James Capel and Co) — DDC

TOLL ROADS

Opposition mounts

Is it too late to halt government's plans to put major sections of the national road network in the hands of private toll operators?

The two roads initially affected by the Department of Transport's (DoT) proposals are the Hendrik Schoeman Highway between Springs and Krugersdorp, which Toll Highway Development Company has been invited to operate, and the Alberton-Hilton section of the N3 given to Tollroad Concessionaires. Both are comprised of consortiums

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12/2/88

of major road builders.

Opposition to the move, led by Assocom and the Transport Consultative Committee (TCC), is growing, especially since Transport Director-General Ron Meyer has admitted, at this stage, that the arrangement between the DoT and the consortiums is only an agreement in principle

He claims there are still a few points that need to be settled before the agreement becomes a binding contract However, it is generally accepted in government circles that there can be no turning back at this stage The consortiums involved have already set up the necessary infrastructure to run the operation.

The SA Agricultural Union (SAAU) has now joined in the protests Chief economist Koos du Toit contends most agricultural produce carried by road is high-bulk, low-value. Toll payments could severely hit farmers' pockets

Like Assocom and the TCC, who have fought the move since October, the SAAU argues that the roads were built with taxpayers' money, so should not be handed to private-sector monopolies, that the toll — an amount of R60 for a trip between Johannesburg and Durban has been suggested — will fuel inflation.

A major concern is that road users will not benefit from this form of privatisation. The 7c road-building element built into the fuel price will remain and, in view of the government's intention to do away with dedicated funds, will not necessarily be used for roads.

Assocom considers the toll contracts "a contravention of the undertaking given by the DoT that tolls will only be levied in respect of roads which would not otherwise be built This road (the N3) already exists and, therefore, no toll should be levied. The addition of an extra lane and resurfacing does not constitute a new road"

Former Transport Affairs Minister Hendrik Schoeman also has reservations He says "This alters the whole concept of what I stood for. The old route to Durban can hardly be called a suitable alternative route. The Minister must also stipulate that he become part of the body that decides on the tariffs to ensure they don't become excessive"

But Meyer takes issue with the critics. He says tollroads will save users and taxpayers money. "They will get roads now that we (the government) would not have been able to build in five years with the money collected from the fuel levy."

Regrets the absence of a reform package deal

Buthelezi endorses privatisation plan

Star 12/2/88.

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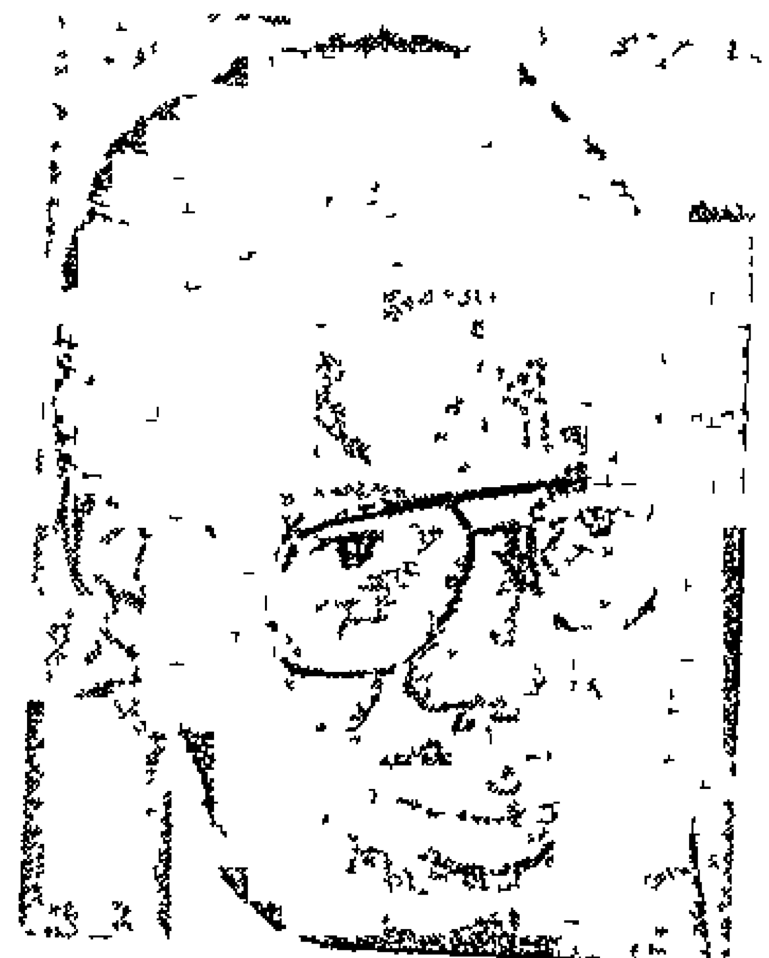
Special Correspondent

ULUNDI — Chief Mangosuthu Buthelezi told leading international financiers yesterday that State President PW Botha's privatisation programme had the potential for astounding progress in South Africa.

But he stressed his regret that the programme was not part of a reform package deal aimed at addressing real political issues

He asked where else in Africa or the Third World there could be any prospects of such a privatisation programme succeeding and said it could do so only in South Africa

"The country's banking system, the degree of its economic infrastructural development, its sophisticated management expertise, its technological know-how, its transportation and electricity supply and communication systems, all add up to a battery of forces capable of making astounding progress in the face of immense difficulties



Chief Buthelezi

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BUSINESS

DD 13/2/88

Eskom gears up for JSE listing

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JOHANNESBURG — A steering committee, on which a cross section of "outside experts" are represented, has been set up to plan Eskom's listing on the Johannesburg Stock Exchange later this year

A spokesman for the electricity giant said the experts serving on the committee included private sector representatives, but their identities could not be disclosed at this stage

Eskom has undertaken to go to the JSE before the end of this year as a first step towards privatising its operations as announced by the State President, Mr P W Botha, in Parliament last week

The amount of the share offer is expected to be in the region of R900-million, but Eskom chairman John Maree declined to speculate yesterday about the amount involved nor the form the share offer was likely to take.

He confirmed however that a share offer would take place before the end of the year in line with the economic package announced by Mr Botha

Mr Maree said Eskom was budgeted to look for borrowings of about R4-billion in 1989 The corporation was well aware of the impact such a huge sum would have on the capital market and the pressure it was likely to cause on interest rates

"Dependent on ruling rates, we will still look offshore for some of our requirements," he said

"We obviously couldn't look for the R4-billion through a listing The market couldn't take it We must first test the water and then take it from there, but we won't take more cash out of the total pool.

"Details involved in the share offer still have to be worked out. The amount of the first tranche could be known soon" — Sapa

Malbak plays it big in pharmaceuticals

14/2/88

By Ian Smith

THE Malbak group, still flexing its muscle throughout SA's industrial sector, is taking aim at the pharmaceutical industry.

Subsidiary Protea Medical & Laboratory has moved into the industry's big league with two acquisitions and a strategic policy aimed at growth

Group managing director Tony Bame says it will challenge for one of the industry's top three places, currently occupied by Sanlam's SA Druggists, Premier's Twins Pharmaceuticals and Barlow's Adcock Ingram

The industry has traditionally been dominated by multinationals, but as disinvestment has gathered pace SA-controlled groups have strengthened their position There is intense competition for acquisitions whenever there is a suggestion that a foreign parent may be prepared to abandon a subsidiary.

Lapsed patents

The advent of generic substitution and the growth of the home-care sector have allowed the entry of many smaller companies which are taking advantage of lapsed patents to claim some of the territory of the majors.

Protea Medical & Laboratory came into the Malbak stable in March 1984, and was reorganised to form the group's health-care division in the following year

It now has nine separate operations, covering the scientific, medical supply and pharmaceutical fields.

"In most of the fields in which we operatre we have the dominant market share — with the exception of the pharmaceutical division," says Mr Bame.

"We see this as the natural area for expansion and we have defined sectors for a special drive"

These are over-the-counter medicines and home-treatment products.

Economic move

In line with the new direction Protea took over Whitehall Products, subsidiary of the American Home Products group, late last year. The US company's withdrawal was probably an economic move, says Mr Bame, but Whitehall had recently completed a factory in East London and Protea decided that it needed a factory in that city

Mr Bame says "Our production was centred on fifth- and sixth-floor premises in Doornfontein, Johannesburg, and we badly needed a new production unit. Whitehall offered the solution"

Now Protea has acquired the pharmaceutical interests of Pharmador, an East London-based company with a good record of growth through acquisition

Pharmador's range of over-the-counter products fits in with Protea pharmaceutical and toiletries trading company Promardis, which has built up a sizeable market share in the past two years

R60m turnover

Pharmador's manufacturing plant at Chiselhurst will complement Protea's modern factory at Wilsonia.

The two plants will produce ethical medicines, such as antibiotics, diuretics and anti-inflammatories as well as established over-the-counter lines

The combined turnover of the new group will be more than R60-million in the next financial year, says the managing director of the new company, Eddie Hart.

"We see this as a great opportunity to become a major force in SA's pharmaceutical industry," says Mr Hart.

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Disaster warnings for transport operators as deregulation looms

By Ivan Philip

SA ROAD transport is about to be deregulated — amid warnings of possible disaster if the exercise is not handled properly.

About 300 operators have been given a glimpse of what deregulation involves. Theere were long faces after the first convention of the Public Carriers Association in Swaziland after delegates had heard what had happened in other countries which went through the deregulation hoop — particularly the US and Australia.

It was not exactly what the champions of free enterprise had in mind.

Sudden death

But much depends on what is meant by deregulation in SA. If, as many suspect, it is to be a "sudden death" process it could have a disastrous impact on the transport industry.

Disastrous was the word used by guest speaker Clifford Harveson, president of National Tank Truck Carriers of the US, to describe the effects of deregulation in his country.

Among the problems experienced in the US were a drastic drop in road safety, rampant tax evasion by "cowboys" who poured into the industry in search of a fast buck and the eventual concentration of 40% of the US trucking business in the hands of only four companies. They were surrounded by a horde of small operators weaving their way in and out the law and discount structures in an effort to survive.

Mr Harveson forecast that the aftermath of deregulation would be draconian legislation adter a public outcry about road safety. He referred to the "Henry VIII stage" that followed US legislation — bloodshed and head chopping.

Discounting, he said, became rampant. Truckers did everything to try to keep money coming in, chiefly killing off the opposition and cutting back on maintenance and vehicle purchases. The average age of tankers on US roads was 14 years.

Bankruptcies

Between 1980 and 1984 more than 4 000 entries to the US trucking business had gone bankrupt and a third of the manufacturers of tank trailers had gone out of business. Many truckers had to operate illegally to survive and trucks were on the roads for up to 20 hours a day.

The result was a huge increase in accidents. In three years, increases of 14%, 15% and 16% were recorded.

Mr Harveson said: "The theory was that deregulation would improve prospects for well-managed companies. It didn't work out like that, despite a rush for management expertise."

Fortunately, strong anti-trust legislation in the US had prevented collusion between the four surviving majors.

But, as Professor Wynand Pretorius of Rand Afrikaans University says, SA's Competition Board has no such teeth.

In Australia, four years after deregulation, 4% of trucking companies control 70% of the market.

Monopoly

A big question for SA is: Does it help to replace a State monopoly with a virtual private enterprise monopoly?

Mr Harveson said that after deregulation in the US employment in the trucking industry fell by 35%, volume of shipments by 36%, ton-mileage by 35% and truck-load-tons by 63%.

But the figures were not a true reflection of the state of business. The rest of the business was going to new entrants who did not report to the Government.

With these bleak official industry figures US truckers were finding it hard to borrow money for equipment replacement, further jeopardising safety standards.

Mr Harveson recommended that SA introduce a proper safety programme before deregulation. But this might not be possible within a short time, particularly as Professor Pretorius contends that there is a severe shortage of skilled people in law enforcement and in the industry.

Mr Harveson said future regulations should prohibit what he described as predatory pricing.

"You must not be victimised by the kind of discounting that has driven the US trucking industry to despair."

Indeed, before SA took the unfettered plunge, it would do well to note that the US Department of Transport was having second thoughts about deregulation.

Professor Pretorius said: "We must have fair industry prices."

Fair competition

If SA follows a similar road to the US and Australia, the truck-building industry may find itself in severe difficulties, it is said. Not only would sales of new vehicles drop as fierce competition led to expenditure cutbacks, but manufacturers would be faced with a market divided among a few giants and many fleas.

The giants could force unrealistic discounts and many of the fleas would be poor credit risks in a cut-throat environment.

Another powerful reason to take deregulation in easy stages is the position of SA Transport Services. It is impossible to define fair competition while Sats exists in its present form.

Sats can claim with some justification that it is disadvantaged because it has had to build its own permanent way, its own signalling and traffic control systems while road transportation has benefited from taxpayers' investment in roads. But Sats receives a variety of subsidies and, it is claimed, its balance sheet does not disclose its true extent or deployment.

Perhaps SA should consider West Germany's example before inviting a bloodbath that a key industry can ill afford. There truckers may take what they like where they like. But the number of trucks allowed on the roads is strictly controlled.

Each year the industry consults the Goverment on prices, from which truckers may deviate by only 10% up or down — after they have sought permission.

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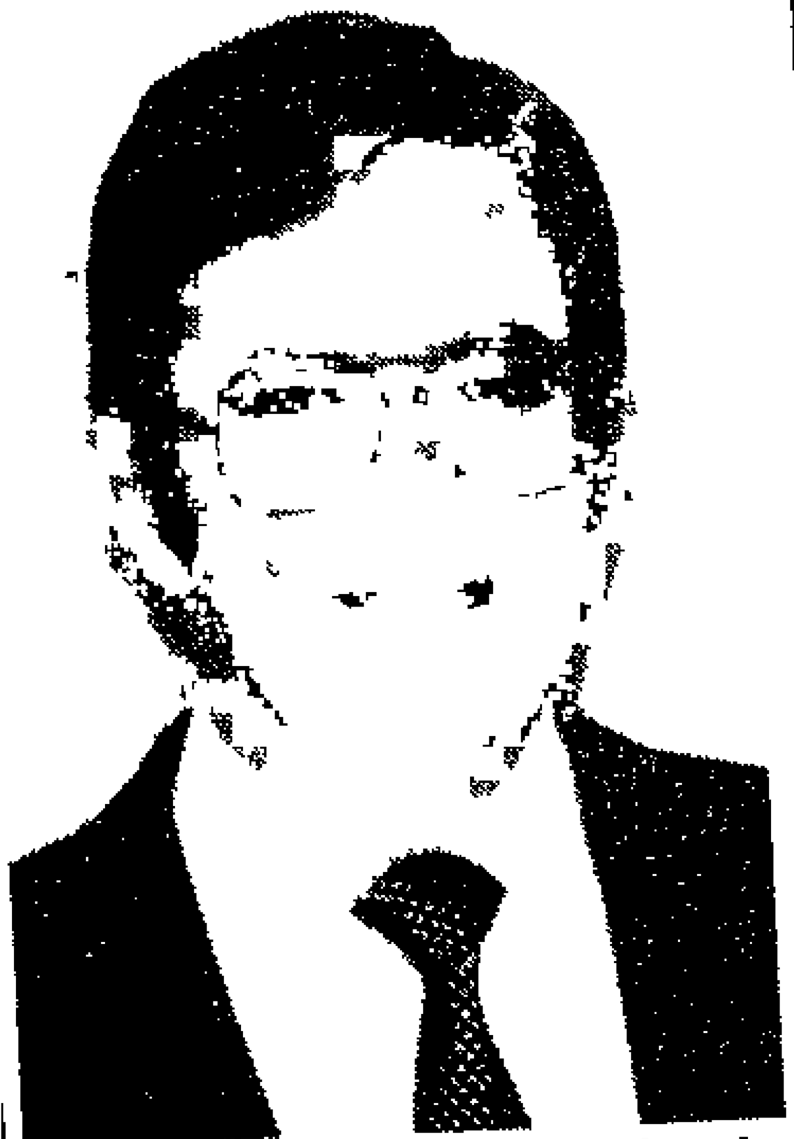
NATIONAL

Interleisure kicks off with forecast-beating payout



Ian Heron . . . time to digest the takeovers

By Ian Smith

FOOD and fun group Interleisure, which produced sparkling results in its maiden half-year, is settling down to digest its acquisitions.

The group, formed by the merging of the JSE-listed Squires Loft and Mike's Kitchen restaurant chains and Satbel's cinema, video and film-making operations, has surged ahead since July 1

So far R63,7-million has been laid out for all the acquisitions — by cash payment of R9,1-million and the issue of 5 868 656 shares at an average price of 315c each Another 12 620 059 shares will be issued at average price of 286c in full settlement if profit warranties running through to 1990 are fulfilled

Main task

The effect of the acquisitions increases earnings a share in the six months to December 31 from 5,5c to 6,5c and the net asset value from 45c to 63c.

"Now we must take breath," says Interleisure chairman Ian Heron. "We have not closed our eyes to acquistions, but our main task must be to maximise the potential of what we have."

He is pleased with the first half-year's performance, which is "slightly ahead of our very optimistic forecasts"

Interleisure has declared a maiden dividend of 3,25c on the back of atributable earnings of R10,9-million, which is 41% ahead of the R7,7-million for 1986 given in the transmuted listing statement.

After the expansion Interleisure has been restructured into five operating divisions — cinemas, handling film exhibition and distributiuon through Ster-Kinekor; restaurants, fast foods and theme pubs through Interfare, film and television production through Toron International, services through Computicket, Ster-Kinekor Video, Cinemark and Irene Film Laboratories, and Intersport wholesaling and retailing division

Down the line

Mr Heron says more good results are down the line Many of the acquisitions only took effect in September and October and there is considerable potential for organic growth

"We are well positioned in the market place, and all the auguries for growth are good. Consolidation is a main aim"

Other benefits could flow from rationalisation

The group is also underborrowed The ratio of interest-bearing debt to total shareholders' funds is only 6%, which suggests that that there is scope for acquisitions and for growth by expansion of existing operations

The sports division was formed by the takeover of The Pro Shop and Cobie le Grange retail golf shops. The Sweat Shop chain was acquired and Intersport now has four wholesale operations, 17 retail stores and 17 franchise outlets

Combined Caterers and the Porterhouse restaurant chain added 19 restaurants, a bakery and a franchise outlet and Bimbos and the Cattleman chains brought in another seven company-owned and 11 franchised outlets

Interleisure says the recovery in consumer spending is shown by the 12% increase in cinema attendances and buoyant trading in the food and retail sports outlets.

Tricom offer draws R41m

Business Times Reporter

IN spite of investor caution, there is still support for property.

The public and preferential offers of units in Tricom Property Fund attracted R41,7-million.

The public offer of 1-million units at 500c was subscribed 4,9 times, drawing 469 applications for 6,7-million units. But the preferential offer to Syfrets and Commercial Union Property Fund unitholders (other than UAL Property Fund Managers and its shareholders) of 2-million units at 500c was undersubscribed.

It attracted 752 applications for 1,6-million units. The units not taken up will be available for public applicants.

Applicants for the public offer will receive about 20% of the units they sought.

UAL Property Fund Managers managing director John Peters says "The response has been refreshing, particularly because investors are fighting shy of the stock market and new issues have been cancelled, or deferred".

Tricom will be listed on February 18

BUSINESS

COMPANIES

Argus 15/2/88 232

Seardel buys Bonwit in R9-million deal

By TOM HOOD, Business Editor

WOOLTRU is moving out of clothing manufacturing and selling the Bonwit group of 13 clothing factories to Seardel in a R9-million-plus deal.

Bonwit, established in the early 1940s, is the manufacturing arm of the Wooltru group.

It employs more than 1 800 workers and has a reputation of being one of the most efficient manufacturers, winning national productivity awards.

The group concentrates on women's and children's wear and has factories around Cape Town and at Atlantis, Darling and Malmesbury.

Effective date of the transaction is July 1, subject to the approval of shareholders of both companies.

The purchase price is expected to be about R9-million, based on the net asset value of the company on July 1, plus an amount for goodwill dependent on profits in the next two years, says a joint announcement today.

Wooltru chairman Mr David Susman said changes in the nature of the fashion clothing industry in recent years meant that the dedicated manufacturing service provided by Bonwit to group companies had become less relevant

At the same time Bonwit's position within a retail group inhibited to some extent the company's ability to expand its customer base.

Seardel's chairman, Mr Aaron Searll, commented. "We are delighted with the acquisition. The addition of a manufacturer of high-quality fashion women's and children's wear will complement our existing business.

"The deal makes sense if one considers the opportunities available to Bonwit as part of a group with a specialist manufacturing focus."

The management team at Bonwit was held in high regard in the industry and this was an important factor in the decision to go ahead, he added.

The team, headed by managing director Ron Malcolm, would continue to run the operation under its present name

● Supermarket group JAZZ STORES achieved a 69 percent increase in net profit in the six months to December, with earnings of R2,5-million against R1,5-million a year ago

This translates into 7c (5,3c) a share and brings an interim payout of 2c (1,5c) a share for shareholders

The group acquired supermarket and general dealer group Frasers on July 1 last year and the directors say the 169 percent increase in turnover to R167-million was mainly attributable to this acquisition, which brought 100 outlets into the group to make a total of 152 outlets.

RETAILING

Swimline buys foreign stake

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JOHANNESBURG — In its first offshore venture, Swimline Holdings Ltd, has acquired a majority stake in a foreign company distributing swimming pool equipment and chemicals.

Swimline, the Ciskei-registered group in which AECI Ltd has a 26 per cent stake, says the acquisition will result in an increase in earnings of at least 1,5c a share in the current year to June.

The forecast for the year is 11,4c a share. Last month Swimline reported earnings a share for the half year to December at 6,8c, 89 per cent better than the corresponding 1986 figure.

The chairman, Mr John Puttergill, says that projected earnings for the current year would have increased from 11,4c to 16,9c a share if the transaction had taken place on July 1, 1987.

He says that, because of the sensitive nature of the transaction, exchange control permission has been granted for non-disclosure of the name of the company or its location. — DDC

Bonwit Cloll

(232)

Wooltru's R9m deal

CAPE TOWN — Seardel Investment Corporation is to purchase the Wooltru group's manufacturing arm, Bonwit, both groups announced in a joint statement yesterday.

The transaction will go through on July 1, while the purchase price will be in the region of R9 million.

Wooltru chairman, Mr David Susman, said that the dedicated manufacturing service provided by Bonwit to group companies had become "less relevant because of changes in the nature of the fashion clothing industry in recent years". — Sapa

D/D 16/2/88

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☐ROLLING ON but Iscor's flotation hangs in the balance

Iscor tempers its stand on privatisation

LINDA ENSOR

AS THE euphoria over the privatisation initiative gives way to a more realistic assessmemt, so the "ifs" and "buts" begin to emerge This is especially so for Iscor, the State-owned steel giant, which has established an internal committee to investigate just how privatisable the corporation — with a shareholders equity of R3,5bn — in fact is

The committee will be reporting to Minister of Economic Affairs and Technology Danie Steyn before the Parliamentary debate on his budget, which is likely to take place in May

Iscor's flotation is something which hangs in the balance, depending finally on whether it is profitable enough to pay dividends sufficiently attractive to a private investor.

Investors eager to share the Iscor cake may discover that the crumbs likely to be apportioned to them don't, in the final analysis, justify it being cut up

Its high capital expenditure — about R500m per annum — constrains its ability to pay dividends, an event which has in the past been more an exception than the rule

Apart from the R65m paid in dividends to government in the financial year to June 30, 1986, no dividends have been paid for many years

The decision to do so is purely an internal one, based on profitability and funding requirements, with no pressure being exerted by government.

Government holds 500 000 A class shares in Iscor, 341,9-million B preference shares and 90-million redeemable preference shares The private sector only holds 219 636 shares in the form of 7,5% cumulative preference shares

The size of Iscor's capital expenditure is apparent from the fact that in 1985/86 group pre-tax profit was R426m, before an increased provision for the replacement of assets and R172m after this provision In 1986/87 the figures were R467m and R101m respectively

Iscor chairman Marius de Waal says "Iscor's capital expenditure is very high, as there is a continuous development in technology and demand for new and better quality steels

"This means that if one wants to keep one's debt ratios in order, one has to fund a fair proportion of new developments from cash flow The need to pay dividends could diminish the ability to fund this capital expenditure"

He adds that the internal committee's investigation may reveal that Iscor "just cannot pay the kind of dividends that a normal investor would like, that we just cannot make the profits"

Were a private company to resort to borrowings to fund its capex programme, it would probably be precariously overgeared and strangled by enormous interest payments Iscor's debt equity is a healthy 28% at present, though it has soared as high as 70% in the past

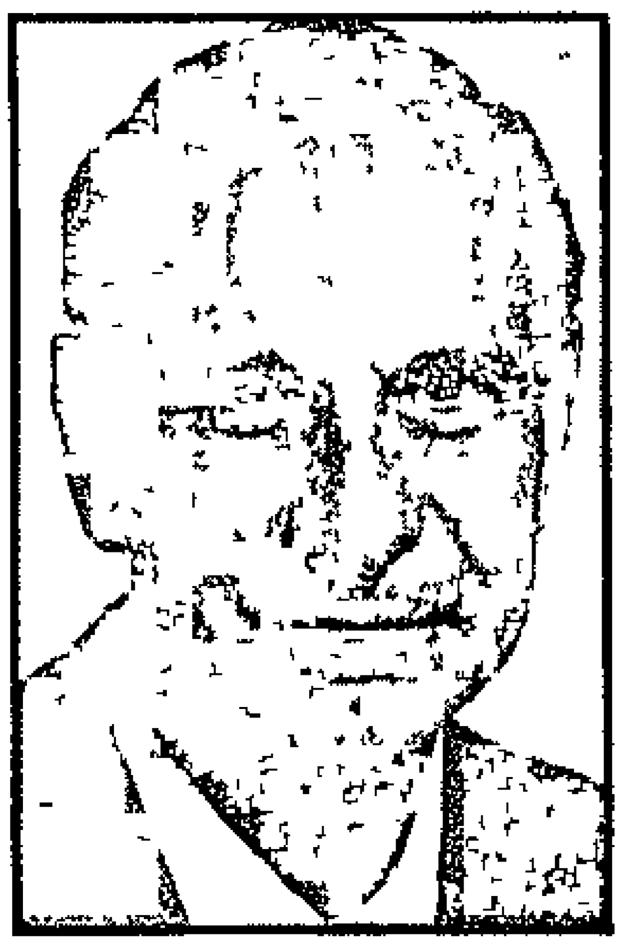
The committee will be drawing up projections of Iscor's profitability and forecast earnings and dividend growth for the next 10 years, as well as future capital expenditure requirements based on the likely demand for steel

A further central element of the committee's analysis will be the likely trends on the world steel market, which will play a determining role in Iscor's future profitabilty as the scope for growth of the domestic market is relatively small

There is presently a world oversupply of steel, which has depressed prices But De Waal says there are indications of a stronger demand for flat steel products, which appear to be holding their own against substitutes like plastics and ceramics

"If there is an upward trend in world steel demand, then obviously prices will rise and this would provide Iscor with the required growth opportunities," he adds

And once SA resolves its political problems in an internationally acceptable way, it will be able to resume exporting steel to lucrative markets such as the US Africa also has growth possibilities once its member countries build up foreign exchange earnings to purchase South African steel



☐DE WAAL ... "early days"

A report on these issues will be submitted by the internal committee to the Iscor board, and thereafter it is intended to solicit the views of institutional investors on how the market is likely to respond to the listing of the corporation on the basis of its fundamentals The report will then go to the Minister

Iscor's possible flotation is still "early days," and De Waal does not envisage it occurring this year, as he does not think the market will be able to absorb Eskom's flotation as well as that of Iscor And 1989 also appears too soon

A considerable increase in the world price of steel would impact on timing "Our profitability would increase considerably once export prices increase, and if we had to delay a listing an opportune time to proceed with it would be when prices rise"

In De Waal's view it would be preferable to sell off a majority shareholding, with government possibly being a minority partner

He is quite adamant, however, that Iscor should be sold as a group, if at all, and is quick to squash suggestions of separately hiving off any of its 14 constituent operations — which include three steel works and 11 mines

No rationalisations would be necessary to make Iscor privatisable, according to De Waal. "Over the last number of years we have done an enormous amount to streamline Iscor and improve efficiencies and productivity," he says

Professsional management systems have been introduced, staff has been cut from 79 000 to 56 000 and loss-making product lines have all been eliminated so that all operations are now economically viable In addition, obsolete plant — such as the Dunswart Steel Works in Benoni — have been decommissioned

Processes and equipment have also been improved, with the switch to continuous casting being a major step forward In addition, the corex process for producing iron will be commissioned in the middle of this year to make SA less dependent on scarce coking coal

De Waal vehemently denies that SA's strategic interests interfere with Iscor's policy decisions and is emphatic that all projects — including government contracts and the production of steel for Armscor — are undertaken only if they are commercially viable

Neither, he says, does Iscor benefit in any extraordinary way, such as by concessions or privileges, from being government-owned It pays normal income tax and is not financed by government loans but by money raised on the capital market

In short, De Waal does not think the corporation can benefit in terms of profitability and efficiency from being privatised

"I dare anyone in the private sector to do better than our excellent management team," he says "Iscor has been one of the few steel works in the whole world that has been profitable during the past four years of tremendous recession in the world steel market

De Waal thinks that, on the contrary, privatisation holds out the threat of increased steel prices "There is always the temptation to improve profitability by raising prices," he says

This is not unfeasable, especially as Iscor produces 72% of SA's steel requirements with six producers supplying the remaining 28% However, Iscor claims since 1980 its price increases have been consistently lower than those of both the producer price index and the consumer price index

But De Waal does think that privatisation will open up greater possibilities for the steel producer in that it will give it the opportunity to diversify downstream by entering the secondary production of steel products This could have considerable synergistic benefits, he adds

At present Iscor has not been able to do this because, as a parastatal, it is not allowed to compete with the private sector

In conclusion, De Waal says that if Iscor is to be floated it must be done so successfully and not follow the British example, where British Steel was a state corporation which was privatised then rationalised and now — under Thatcher — is a candidate once agiin for privatisation

Star 16/2/88

Nuclear workers demand reaction to private sell-off plans

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By Martin Challenor

A group of skilled white artisans at the Atomic Energy Corporation's Pelindaba complex say they are angry and frustrated with the delays in finalising plans to sell off part of the plant to private enterprise.

The AEC last year retrenched about 330 people as part of its rationalisation programme. About 660 more resigned, partly influenced by the uncertainty over the rationalisation moves, AEC's chief executive Dr J W L d Villiers confirmed yesterday

Pelindaba is the centre of nuclear research in South Africa

The first section to be sold will be a high-precision plant housing some of the equipment used in the manufacturing of separating elements needed for the uranium enrichment process.

For the past year it has been run as a separate business unit, known as Prima, within the AEC. It has a staff of 500 and a turnover of R30 million a year.

Some of the skilled artisans in the plant said that for the past 18 months they had been waiting for the AEC to carry out its plans to convert the plant into a private company

The artisans say their former colleagues received retrenchment packages of between R60 000 and R300 000.

The employees still working are to be paid out for the State benefits they will lose, such as special leave, when they fall under the new private firm.

They complain, though, that each time the deadline nears for privatisation, it is delayed

"We want our money now. There are always meetings but nothing ever happens They are not playing the game with us. Our problem is that we do not have unions we can go to," says one of the workers

"All the other guys got their money. Now the guys here are quarrelling among themselves We just feel the outside world must know about this There are many jobs outside that we could take but we are scared that days after we resign they will pay out the money we have waited for so long"

Dr De Villiers said: "Unique skills and technology are vested in the group's employees. The success of the venture is mainly dependent on the retention of staff and their willingness to support the venture

TERMS AND CONDITIONS

"The AEC cannot afford to lose these skills and will negotiate with the employees to establish reasonable terms and conditions for their transfer to the private company.

Dr De Villiers says Prima is involved in the manufacture of high-quality, high-precision products and precision machinery for the automised production of precision products and components.

Dr De Villiers said privatisation took time AEC had conducted a programme of rationalisation and restructuring of its activitites in the past two years, based on a business orientated approach.

AEC is running Prima as a separate business and with private sector help Products have been diversified to penetate a larger sector of the market on a commercial basis

Eventually a separate company with its own board of directors will be formed, to be financed by loans and share capital. AEC could retain the majority shareholding, but all forms of subsidy would end

When the company fuctions independently and profitably, shares will be offered for sale

Dr De Villiers said AEC was now Prima's main client but major market diversification had been achieved.

Seardel to acquire Wooltru clothing

Star 16/7/88

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By Tom Hood

Wooltru is moving out of clothing manufacturing and selling the Bonwit group of 13 clothing factories to Seardel, in a R9 million-plus deal

Bonwit, established in the early-1940s, is the manufacturing arm of the Wooltru group.

It employs more than 1 800 workers and has a reputation of being one of the country's most efficient manufacturers, winning national productivity awards

The group concentrates on women's and children's wear and has factories around Cape Town and at Atlantis, Darling and Malmesbury.

The effective date of the transaction is July 1, subject to the approval of shareholders of the companies

The purchase price is expected to be about R9 million, based on the net asset value of the company on July 1, plus an amount for goodwill, dependent on profits in the next two years, says a joint announcement from the companies.

Wooltru's chairman, Mr David Susman, said changes in the nature of the fashion clothing industry in recent years meant that the dedicated manufacturing service provided by Bonwit to group companies had become less relevant

At the same time, Bonwit's position within a retail group inhibited to some extent the company's ability to expand its customer base. An important connsideration was that Wooltru had no basic objective of being a clothing manufacturer.

Seardel's chairman, Mr Aaron Searll, commented "We are delighted with the acquisition The addition of a manufacturer of high-quality fashion women's and children's wear will complement our existing business. The deal makes sense if one considers the opportunities available to Bonwit as part of a group with a specialist manufacturing focus."

Bonwit's management team, headed by managing director Ron Malcolm, would continue to run the operation under its present name

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17240 bus, which is more than 85 percent locally sourced; the Leyland Tiger luxury bus; new models in the Range Rover Vogue, which have electronic fuel injection; a diesel model Land Rover and a long-wheelbase Land Rover.

Says Mr Szymonowicz: "I find the situation here incredibly exciting and rewarding in terms of job satisfaction. It is a greater hands-on operation than I have experienced before. Naturally, it has its own share of difficulties which we have to overcome.

"The gratifying aspects of this venture are that I can bring in new ideas, and that my colleagues are having their ideas listened to for a change. Of course, while we want to create our own identity as quickly as possible, we have to balance this with our available resources. We want to create a se-

Star

Scrap cartels, says Ackerman

Star 16/2/88

(232)

By Caroline Mehliss

The Government deregulation campaign should begin with bread, wine, petrol and television sets, says Mr Raymond Ackerman, chairman and chief executive officer of Pick 'n Pay.

"Although I welcome President Botha's announcement that Eskom will be privatised, I feel the first attack of deregulation should be directed to monopolies and cartels, which control basic commodities, and do not allow consumers to benefit from free and fair competition.

"The Government should start at a grass roots level where the consumer would feel the benefits immediately

"If petrol was deregulated, it would allow price cutting and competition among the oil companies This would help the man in the street and keep the cost of transport down

BAKING GIANTS

"The baking of Government loaves of bread is in the hands of the big baking giants at the moment Independent bakeries, such as those in supermarkets, are not allowed to bake Government loaves.

"Deregulating bread would force competition in this industry and bring down the price by about 10 percent.

"Independent bakeries could never force the baking giants out of business — we could never produce all the bread required — we would merely force healthy competition

"To protect bottle stores, hoteliers and manufacturers, who operate in a huge cartel, the selling of beer in supermarkets is forbidden and the selling of wine is restricted Why not allow supermarkets to sell these commodities freely? The price would come down and consumption would go up

TELEVISION SETS

"The price of television sets could drop by R1 000 if deregulation allowed us to import them from Hong Kong and China. We proved this in December when we found a loophole in the import laws and brought in monitors (screens) and tuners as two separate units and sold the sets for less than R1 000

"But television manufacturers raised such a performance and went running to the Government for protection with the result that we received a fine for our activities. We are refusing to pay, however, and are challenging it in court, as we believe we were legitimately allowed to import the units"

Mr Ackerman said freeing vested interests by deregulating basic commodities would allow consumers to get a fair price for bread-and-butter items which would go a long way towards winning the battle of inflation.

"And that, after all, was the main thrust of the President's opening of Parliament speech," he said.

BUSINESS

DD 18/2/88

Giddy's net bigger slice of R150m

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by Matthew Moonieya
business editor

EAST LONDON — Furniture group Giddy's has bought four more stores from Cape Town-based Montana's in a bid to increase its share of the lucrative R150 million a year Eastern Cape market

The stores — in East London, King William's Town, Queenstown and Port Elizabeth — have been closed and their stock transferred to existing Giddy's branches

More than 50 people have lost their jobs following the takeover of the Montana Furnishers outlets, but public relations and marketing manager of the Giddy's Group, Mrs P Channon, said the staff had been asked to submit applications to the Giddy's outlets They would try to absorb them

Montana's assets were purchased at a book value of between R6,5 million and R7 million and was described by Giddy's managing director, Mr Rocky Ridgeway, as having been bought at a "considerable discount" after Montana had found itself in "distress"

He said that by purchasing the book debt, Giddy's higher purchase base increased from 21 500 to 30 000 and enabled them to expand their market base at the lower end

Furniture Fairs owners, Jeff and Ivan Hammerschlag, who bought the Montana chain from the liquidators last year, said the sale was in line with restructuring the Montana chain and in line with their company policy of concentrating their trade in the Western Cape

With the exception of the Free State outlet, the remaining eight Montana stores are all located in the Western Cape Montana will remain as a separate competing chain

Mr Ivan Hammerschlag said the sale had created substantial working capital which enabled them to expand further in their home territory R300 000 would be spent on refurbishing the remaining Montana stores which would now implement a new corporte image. When the outlets have been placed on a profitable basis, they would be sold to Furniture Fair

Furniture Fair moved onto the main board of the Johannesburg Stock Exchange last year, a year after its listing on the DCM

CAPE TIMES 18/2/88

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Std Bank buys into Swazi banking group

STANDARD Bank Investment Corporation is to acquire from Swaki (Pty) Ltd 49% of the equity of Fincor, Swaki's wholly-owned banking subsidiary.

A further 21% has been acquired by European investors and 10% by the government of Swaziland.

Swaki will retain a 20% interest.

The agreement concerning the change of ownership is subject to certain conditions, including the granting to Fincor of commercial banking and foreign exchange licences.

The Standard Bank of SA (SBSA) will assume management responsibility for Fincor, which is to be re-named and will extend its operations to include commercial banking and foreign exchange activities.

Road called a gift to Tollcon

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N3 toll row causes split in business

DIANNA GAMES

THE continuing furore over the proposed privatisation of the N3 Durban-Johannesburg highway threatens to split the ranks of organised commerce and industry

The handing over of the highway, officially estimated to be worth R350m, to private toll consortium Tollcon has turned into a straight fight between vested interests in the construction sector and the broad spectrum of commerce.

Private construction industry sources said even with amortisation over the past 10 years, the Department of Transport (DoT) estimate of R350m was conservative and the value could be closer to R800m at 1988 prices

The DoT yesterday denied the road, built originally at taxpayers' expense, was a "gift" to Tollcon, which is to rebuild and maintain it for the next 25 years

Assocom's powerful Transport Consultative Committee (TCC), which represents all associate members' interests, has come out strongly against the idea and has recommended the plan be scrapped.

However, the Automobile Association, Safcec and Safto, have dissociated themselves from the TCC motion which called on government to protect the interests of motorists and the transport industry.

Commerce and industry yesterday again voiced its fears that the cost to the road user, particularly on container traffic, would see an increase in the cost of goods being transported and said the move was inflationary.

It also feared the project could set a precedent for the privatisation of other arterial roads.

DoT director, national roads, Malcolm Mitchell said the maximum toll rate was set at 75% of the estimate of what the road user would save in time and distance.

The toll rates had been the subject of a great deal of decision-making, negotiation and investigation, he said, and were worked out according to an internationally accepted formula.

Mitchell said it was common knowledge the fuel levy system had resulted in an under-recovery from the road user and Tollcon would step into the gap of upgrading and maintaining the road

At the end of the 25 years set aside for Tollcon's contract, there would be four toll gates and only one — at Mooi River — on a section of existing road, Mitchell said.

He denied allegations that the alternative routes were so badly maintained that they were not considered a viable option, saying they were better than alternative routes on other toll roads, such as Tsitsikamma.

Also at issue was the cost to the private motorist, who, according to one transport source, "had been sold down the river".

● To Page 2

N3 toll row causes business split

● From Page 1

An AA spokesman said yesterday the association had accepted that in the circumstances it was feasible and necessary to have the road given to private enterprise as there were no public funds available.

While the AA would like to see government paying for the road, it had had to adopt a "pragmatic approach".

But the transport industry source said the AA's about-face on the issue of toll roads, to which it was originally opposed, was tantamount to "throwing its members to the wolves".

AA figures show the toll rate agreed on for the section of road between Kheeversfontein, near Van Reenen's Pass, and Estcourt has been set at R6,50 for the 16km stretch

This is more than double those for relative distances on state-owned toll roads such as Tsitsikamma (R2,50 for 10kms) and Kranskop (R2,60 for 13km).

For whom the road tolls

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Having used funds that it should have earmarked for road maintenance and development for other purposes, government is committed to a policy of handing substantial portions of roads, built at taxpayers' expense, to private companies to run as toll roads.

Few can argue with the principle of a private company risking its own capital, building a road where there isn't one and tolling it. But the thought of government handing existing arterial roads to private companies to run for their own account — even if upgrading projects are part of the deal — is anathema to many.

A growing body of opinion believes that toll roads are not the answer to government's liquidity crunch. They believe if the State needs money for road building, it should generate it by increasing vehicle licensing fees and the road building levy should be built into the fuel price.

That has not dissuaded government from going ahead with expanding the toll road concept. It argues that by privatising roads, toll consortiums can mobilise the cash needed for improvements immediately, whereas government must work to a strict system of priorities.

Toll companies, it seems, took the initiative in persuading government of the efficacy of the new policy. In September 1984, they suggested that they be allowed to operate roads in critical need of repair. Government called for a number of construction groups to submit suggestions. Many were turned down and the survivors formed two consortiums.

Toll Highway Development Company (Tollway) — consisting of LTA, Concor, Basil Read, Grinaker, Finansbank and Standard Merchant Bank — acquired the Hendrik Schoeman Highway between Springs and Krugersdorp

The consortium is obliged to develop certain sections of the road and will have the option of developing a section through the south of Johannesburg Judging by Tollway CE Horst Kohlberg's statements, it intends opening the highway in stages by 1995.

Tollroad Concessionaires (Tollcon) — made up of Group Five, Murray & Roberts, Grinaker, Keeve Steyn, Senbank and Sanlam — was presented with a section of the Johannesburg-Durban N3 from The Old Barn, near Alberton, to Cedara, near Hilton Road, as well as the N1 from Uncle Charlie's, south of Johannesburg, to Kroonstad.

It has taken two years of negotiations to work out details of the contracts. Final versions have been drawn up and will be signed soon, says Transport Director General Ron Meyer.

"There are no free lunches," insists Tollcon chairman and CE Ron McLennan, stung by press suggestions that his consortium and Tollway have been handed profits on a plate He says Tollcon spent R3m on research before putting together a proposal to be put to the Cabinet for approval. There were weekly meetings with the Department of Transport "at which no stone was left unturned to ensure equity between the parties and between Tollcon and the public."

Capital investment and operating expenses will be heavy Tollcon's members are looking at an equity commitment of R100m and borrowings of R1bn at today's values over the 25-year period of the concession. "After that, this company will have no assets The existing and new roads will revert to the State. We will have the right to bid for it again, but it will be like buying a company on a price-earnings ratio," says McLennan

The road between Koppies and Kroonstad on the N1 is being constructed at a cost of R80m Tollcon has also begun upgrading a section of the N3 from Hilton Road to midway between Estcourt and Mooi River at a cost of R500 000/~~km and~~ will start building a new, four-lane, undivided road later this year between Warden and Villiers at a cost of R160m-R170m It is obliged to convert the new road into a double carriage highway when traffic reaches a certain intensity The existing road will become the alternate road and be maintained by the State

"Early in the Nineties, we'll build a straight road between Keeversfontein and Warden over the De Beers Pass It will cut out Van Reenen's Pass, which will become the alternate road, and shorten the distance between Johannesburg and Durban by 65 km," says McLennan "It will be possible to travel between those cities safely in five hours"

This 100 km section, passing through difficult terrain, was planned by the State some years ago According to Meyer, at today's prices it will cost R3m/km-R4m/km to build "and more over the pass"

The N3 construction will be completed by 1995 The company will then employ 350 people — 80 from Mooi River — which will make it the town's biggest employer

The total anticipated toll from Johannesburg to Durban for a car will be R30. Trucks will pay more

For example, a four-axle truck will pay R15, compared with R6,50 for a car at the Keeversfontein toll plaza

McLennan says concessionaires cannot charge what they like They may charge no more than 75% of the estimated saving in motoring costs of using the more direct toll route They need permission from the Minister of Transport Affairs to alter rates

Says Meyer: "We use a formula to determine the saving. It is based on the cost of using the toll road and comparing that with the higher cost of using the alternate road."

PROBLEMS OF PRIVATISATION

Back to the real market

232

With privatisation a buzzword in SA, it is worth examining the very successful British experiment in dismantling State utilities. There have been problems, but no future Labour government will be able to reverse the achievement.

Until the worldwide stock market crash of last October, the British government's main difficulty with its privatisation programme — which has seen the sale of 16 State-owned industries and other assets for £20bn since Margaret Thatcher came to power in 1979 — seemed to be getting the price right. The confluence of the bull market in equities and the political aim of widening share ownership to an extent that would make it electorally suicidal for any future Labour government to reverse the process, made for an embarrassing success. It tended to obscure some of the more far-reaching issues, such as how to balance free markets and monopolies.

Even after advice from some of the finest investment brains in the world, issue after issue (with the notable exception of Britoil) soared to huge premiums over the offer price as unsatisfied demand from institutions, largely frozen out by democratic preferences given to the small investor, hit the stock market. "Pitch it low, make it go" is an old City of London adage. But the notional 10% inducement discount was made to look silly in the event. British Airways' share price was based on a small discount to the market with its p:e ratio of 13.

But on day one of trading, the market priced it on a p:e of nearly 18, a premium of 36%, suggesting that even after allowing for some jam, the taxpayer had been deprived of £230m. And as investors were only required to put up 65p of the 125p price on application, their immediate profit was 67% — in line with the five previous big privatisations.

The alternative of tendering has not been widely employed In the sale of British Airports Authority, bids were invited for 25% of the shares and the cutoff tender level struck was a modest 14,3% above the fixed price of the rest

October 19 changed all that for the government, which had been accused of giving money for nothing to the underwriters by underpricing its shares Four days before the collapse, the £7,2bn sale of British Petroleum (BP) shares was priced (£5,7bn being the residual government stake of 31,5% and the rest a rights issue) and underwritten It turned out the coup of the century for BP and the Treasury. At BP's current level, the government's shares would have been worth £1,2bn less Unhedged underwriting institutions carried the can and BP's £23m advertising campaign to persuade the small man to subscribe proved a waste of money.

But pricing has been only the top of a pyramid of problems which the Thatcher government has had to address, in a revolution which has so far been a resounding success; over a third of nationalised industry, employing close to 800 000 people, has been returned to the private sector with dramatic impact on profitability. And with 90% of eligible employees taking up preferential (or free) rights to shares, as well as millions of customers of British Telecom and British Gas, the number of private shareholders has trebled to 9,5m — equal to UK trade union membership

Many of the industries were not commercially profitable, with huge accumulated debts to the Treasury ad the result of appalling performances As a first step, the government severed the umbilical cord between the industry and its ruling department, by installing commercial managers free to take tough decisions The success stories are numerous, highlighted by British Steel, up for privatisation in November From the bottom of the heap in an internationally depressed industry, British Steel has come to the top by slashing its work force by two-thirds and returning to profits which, on current market estimates, will see it floated off for £2bn.

At the same time, however, the Treasury has had to write off hundreds of millions of pounds of public money pumped in to save companies such as Rolls-Royce (aero-engines) and Leyland Trucks. IN the case of British Steel, the Accumulation amounts £6bn and that issue will arouse controversy when the Bill to transform the operation into as public company is debated next week

Even so, the stickiest political question has been, and still is, that of how to make a hitherto State monopoly into a competitive private-sector business, un-

der which the consumer will benefit and its new shareholders reap rewards of profit and dividend growth

So far, the two biggest utility monopolies privatised have been British Telecom and British Gas. And, in both cases, their entry into the free enterprise system has involved the contradiction of new regulatory authorities to control their prices and monitor service. As private-sector companies they have to produce the kind of profits and growth to enable them to make new investments through retentions or raising funds on the open markets Yet they are fettered to formulas, administered by the "independent" government-instituted Oftel and Ofgas The two are classified as "non-ministerial government departments," like the Office of Fair Trading, which monitor and enforce the operating licences granted to Telecom and Gas

While gas and electricity compete in that they offer alternative types of energy, Telecom does have direct opposition for at least part of its business in the shape of Mercury, the UK subsidiary of Cable and Wireless, the former State-owned international telecommunications group Mercury is a growing infant with its 900 km optic-fibre loop linking the major cities, but its customer base is still largely in the business community, increasingly encroaching on Telecom's market of 4,3m subscribers But, for the time being, Telecom monopolises the residential sector with 17,3m customers. In order to foster Mercury's viability, the government has agreed that operating licences will be limited to the duopoly at least until 1990

Telecom's licence requires that it maintain standards of service, provide public call boxes, meet social requirements in remote areas and facilitate the interconnection between Mercury subscribers who do not have direct access to the rival's loop It has also split Telecom's business between that which competes with Mercury and that where it has a monopoly. And the monopoly is subject to the so-called price cap mechanism

It is known as RPI-3, which means that Telecom cannot increase its monopoly charges by more than the rate of increase in the Retail Price Index (RPI) minus three percentage points Applied to last month's 3,3% rise in the RPI, it would restrict Telecom to an increase of 0,3% and if inflation dropped to under 3% it would be required to cut average prices The price cap was chosen over alternatives such a formula linking prices and profits to a return on capital employed (used in other countries such as the US) According to the Treasury, the return on capital basis was too contentious and open to abuse — for one thing, utilities could inflate the value of assets

In spite of the cap — which has had the effect of reducing inflation-adjusted charges by 12% — Telecom's profits have almost doubled since it was privatised in 1984, while the return on capital has risen from 17,5% to 21,4%. This produced the comment in Oftel's consultative paper (the RPI-3 formula will be reviewed during the coming year) that "perhaps the biggest worry associated with a price-cap regime is that the firm will have received too vigorous a signal that it can increase its profits by reducing costs." It was a gentle way of saying what many consumer bodies have alleged (with supporting evidence) that behind Telecom's profits growth lies a deterioration in the standard of service. Delays of up to six weeks in repairs and installation have become commonplace, amid accusations that what has been good for Telecom's shareholders has not necessarily been the same for its customers.

Ominously, from Telecom's viewpoint, the head of Oftel, Professor Bryan Carsberg, has spoken of linking a price-control formula to quality of service If Telecom and Oftel fail to agree on a new regulatory system, the matter will be referred to the Monopolies and Mergers Commission

Given the uncertainties over how to make a monopoly competitive within itself, the government is looking at a variation in the case of the Central Electricity Generating Board (CEGB) which, valued at £27bn, is the real giant waiting for privatisation in 1991. Instead of floating the CEGB as a monolith, the government favours "creating competitive forces" by dividing it up The CEGB will retain 70% of generating capacity (including existing and future nuclear stations) with a new company having the remainder

In tandem, 12 separate regional distribution companies will be set up which will operate jointly on the national distribution grid (to be run on a non-profit basis). The distributors will have the right to buy power from any source, including their own power stations if they build these. They will, for example, be allowed to take supplies from France (with its surplus nuclear capacity now linked into the UK grid) or Scotland.

Treasury sources insist that market forces will prevail Theoretically a company which built a coastal thermal station could import coal (which at present prices is almost 60% cheaper than the British product), enabling it to undercut operators with higher fuel costs

But the freedoms will still be regulated by obligations to meet demand, and a form of the price-cap to impose greater efficiency and lower costs is being studied by the Department of Energy.

Argument about the CEGB privatisation has yet to produce a consensus Claims that competition, combined with lower-cost coal from the new breed of mechanised pits being opened up, could save consumers £1,2bn a year, are countered by those that the CEGB's continued dominance in the market will be an inhibiting influence. One leading advocate of privatisation, Professor George Yarrow of Hertford College, Oxford, believes the tendency towards collusion would be difficult to resist, leading to the anomalous "enforcement" by regulation of competition on allegedly private-sector business.

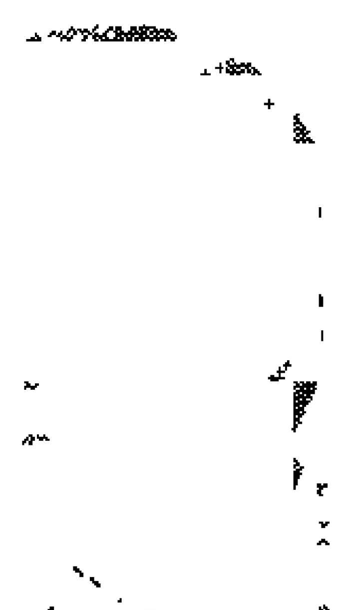
The easy part of Thatcher's privatisation is clearly over. Water, the post office, coal and the railways are likely to prove stiffer hurdles in the dismantling of the State sector of the economy and returning it to the real market. ■

19/2/88 FM (2-32)

232 Bday 19/2/88

Privatisation to pay for social investment

HOUSE OF ASSEMBLY — Social investment would enjoy a high priority when it came to using the proceeds from government's privatisation programme, Finance Minister Barend du Plessis said yesterday.



● DU PLESSIS

Replying to debate on the Part Appropriation Bill, Du Plessis said the President had indicated in his speech at the opening of Parliament the types of expenditure which would be financed by the proceeds were,

- ☐ Redemption of public debt,
- ☐ Investment in infrastructure and services in developing areas,
- ☐ The establishment of capital funds for the promotion of small- and medium- business enterprises

He said government was serious in addressing the underdeveloped areas

The lack of infrastructure there meant people had to put up with a lower standard of living than they would otherwise have enjoyed, or, alternatively, that they had an incentive to leave and head for the metropolitan areas

It was clear there were vast areas which had not been given attention and were "just shouting and calling" for investment of a social nature

More would be said later on privatisation when firm guidelines were published but, in the meantime, it would be agreed broader ownership was one objective of the programme

The Minister said he could not at this point define the order of priorities for each stage of privatisation

It would, however, lead to an overall increase in activity in the private sector, a better functioning economy, a broadening of the tax base and to job creation in certain areas

There was merit in the statement that there should be ownership by the people, but this need not necessarily exclude larger institutions from having a share in the exercise

There was an obvious lack of sufficient investment opportunity in SA and large enterprises would clearly buy in directly and indirectly, by taking up the stock sold by smaller shareholders.

Du Plessis said Harry Schwarz (PFP Yeoville) had asked whether government's decision not to grant general pay increases in the civil service was an anti-inflationary or fiscal move

To the extent that state expenditure was the villain in the anti-inflation drive, it was anti-inflationary

However, the President had also made it clear that had a general wage increase been considered, it would have had tax implications This was what was at the bottom of the move

Du Plessis said the President had taken upon himself a great deal of personal responsibility in persuading the private sector to co-operate with the new economic initiative

This was why he had called in representatives of the private sector the day before his speech in order to "exercise the necessary degree of persuasion", to call for team spirit and to dampen unrealistic hopes of what his speech would hold

Private sector wages and salaries and prices were as vital a factor in the initiative as the state paypacket

Du Plessis said he had noted with alarm that in a "particular institution" wage and price increases had followed each other in quick succession

That kind of chain needed to be broken and the President was totally committed to doing just that — Sapa.

Climate of oppression says MP

Political Staff

GOVERNMENT detained more black leaders than it talked to and policemen were deciding what sort of political activity should take place, Tian van der Merwe, PFP Green Point, said yesterday.

"There is a climate of oppression prevailing in the country and particularly in black politics," he said during the mini-budget debate. This was due to the application of the emergency regulations and other oppressive legislation.

"It hampers political activity and interferes with the process of opinion forming and the spreading of political information.

"We actually have a situation where it is often policemen who decide what kind of political activity is allowed and what is not.

"The unpleasant truth is that the government puts more black leaders in detention than it talks to. In these circumstances, they cannot expect a coherent and reasonable response," Van der Merwe said.

The government went out of its way to prevent negotiation with dissident organisations and regarded anyone who did speak to them as committing high treason.

It was also unwilling to accept a future political dispensation in which it did not retain a dominant position, said Van der Merwe

Eskom's giant Hendrina power station . . soon in private hands?

Fears still persist over effects of privatisation

Star 19/2/88 (232)

By Stan Kennedy

Although privatisation promises the economic and political benefits South Africa desperately needs, there are still many people afraid of the economic changes it will bring, says Ms Nancy Seijas, an analyst with the Free Market Foundation of Southern Africa.

Each sector of the economy fears it will be harmed by privatisation, she says in a document, *Privatisation in South Africa. allaying the fears*, commissioned by the Privatisation Centre

Consumers, civil servants, workers and large and small business owners all believe they will lose power so that some other sector may gain Each may very well realise the overall benefits South Africa could reap by privatising, such as reducing the nation's debts and lower tax, but it does not answer the questions What will happen to me, to my job, my benefits, my business?

Economic groups

Ms Seijas says the architects of privatisation will have to allay the fears of these different economic groups because it requires grass-root support for it to succeed

"With Iscor and Eskom now adopting a private sector management approach, actual privatisation can be implemented more smoothly than most people realise And it can be done in such a way as to avoid the problem people expect most — abusive monopoly power," she says

"Again, if it is to succeed, it must have consumer support. Most consumers believe that privatisation puts individuals at the mercy of an unstable, uncontrolled market. If Eskom, for example were a private corporation, what would prevent it from raising its tariffs If the Government does not intervene in the economy, or somehow control the private sector, who will?"

The freer these corporations are from central government control, the freer the entrepreneurial individuals within them would be to innovate

When the Government owns or controls a large portion of the economy, only political power can effect economic change. In a privatised economy, however, consumers can use their economic power to change their environment Privately owned businesses depend on consumers choosing to patronise them.

By their buying preferences, consumers decide what goods should be produced, in what quantity and to what standard

This is a much quicker, more informed process of economic change than the political process of government No matter who wields the political power, it is a threat to the economic power of individuals. Privatisation reduces that threat.

It de-politicises the economy by giving decision-making power to private shareholders and it decentralises it by spreading that power through the private sector to the different buyers of government assets

Workers will want more say in management decisions, a greater stake in the success of the corporation, more attention to their ideas and a higher income

Ms Seijas says privatisation must satisfy these demands if it is to win widespread support from workers

"Only a participation-ownership package gives employees real power and if that were a part of the privatisation process, labour unions would be much more likely to support it

"Because privatisation tends to increase economic efficiency and forces corporations to cut costs, civil servants fear they will lose their jobs or that there will be a reduction in their salaries and perks.

"These fears are unwarranted," she says "To win civil servants over to the idea of privatisation, the Government must offer them assurances that staff reductions would be achieved through attrition or voluntary retirement"

Under privatisation, the Government will be more wary of big business and will almost certainly take more action against monopolies. This has led to disenchantment with this aspect of privatisation in big business circles because of the fear of heavier business legislation

If government were to privatise the Industrial Development Corporation (IDC)and the Small Business Development Corporation (SBDC), it would create a better environment for further privatisation by de-politicising and decentralising the creation of new industry.

"The point of privatising the IDC and SBDC is not to change the corporations themselves Both are effective as they are, they run on sound business principles and are important sources of development aid

"In these cases, the purpose is to change the environment, to create a situation that does not lend itself so readily to the concentration of economic power in selected hands

International market

"Furthermore, if the IDC were completely separated from central government, it could gain an international market from which South African politics have barred it That would lead to increased profits, changes in the taxes it pays to the Government and in the industrial development of the country as a whole

Ms Seijas says the revenue from Iscor, Eskom, the IDC and the SBDC could make significant improvements in the economy The reduction of the national debt and marginal tax rates would translate into more money in everybody's pockets.

"This is the quickest route to an improved living standard, particularly where black infrastructure is concerned Blacks could raise those standards themselves if they had more disposable income They would have more power over their own lives if they were free to spend on the education and housing they choose The revenue from privatisation can give them some of that power."

Move to still capital market fears

CHRIS CAIRNCROSS
and MICK COLLINS

232 B/day 19/2/88

THE prescribed asset status of gilts and other securities issued by Eskom, SA Transport Services and the Posts and Telecommunications Department up to the time of their eventual privatisation will not change as a result of the privatisation process.

This assurance was given by Finance Minister Barend du Plessis in a statement yesterday in an effort to allay the considerable speculation in the financial markets since President P W Botha made his initial announcement concerning privatisation

This has particularly involved the prescribed asset status of the paper of these three organisations, guarantees in respect of foreign loans, and tax concessions at present applicable to marketable securities tax and non-residents' tax on interest.

"The effect of this speculation has unfortunately been an appreciable rise in the interest rate at which the stock of these organisations is trading, especially in the capital market," Du Plessis said.

He said this had also made it more difficult for these organisations to trade in their own stock

"It is clearly not in anyone's interest that this uncertainty continue.

"I would therefore take this opportunity to assure the participants in the mar-

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232 B/day 19/2/88

Move to still capital market fears

● From Page 1

kets that the status of stock and loans already issued by these institutions, or which will be issued up to the time of privatisation, will not change in consequence of the privatisation process," Du Plessis said.

Late yesterday Eskom treasury manager Francois Botha said "I'm very pleased with the Minister's statement. It's very timeous and will remove current uncertainty in the markets."

Referring to Eskom and RSA bonds, Botha said the gap between the two had been widening, which impacted badly on the utility's interest rates and finance charges

"The statement will go a long way to removing uncertainty in the market for existing stock From Eskom's point of view we will continue to make a market

Privatisation won't make a difference; we have a business to run.

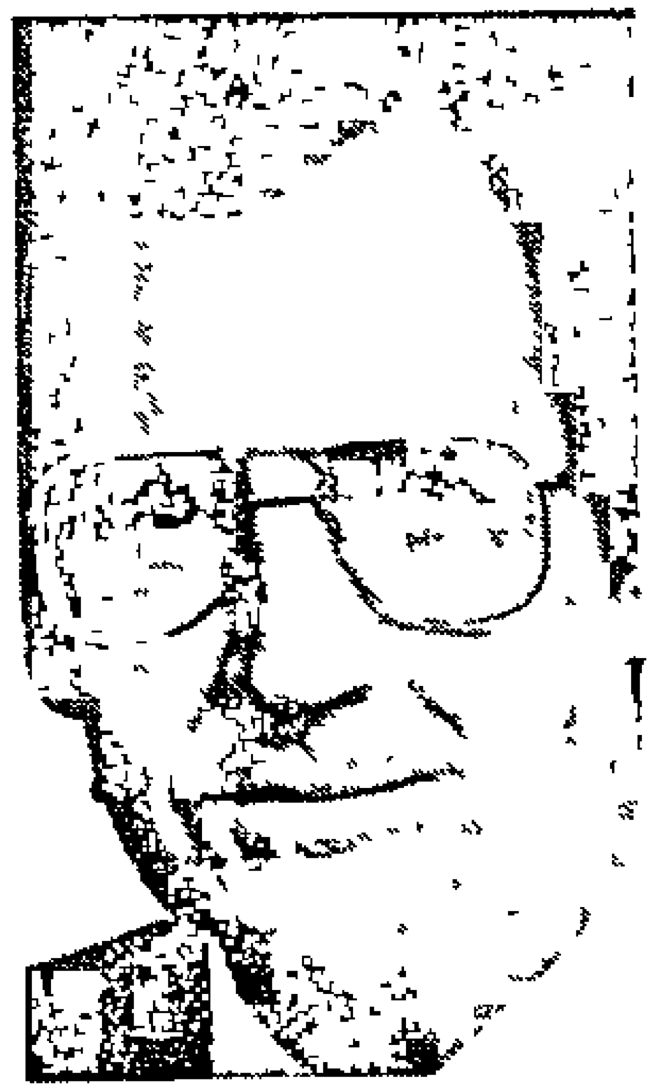
"We will continue to be a buyer of last resort but will obviously control volumes of stock through the normal price mechanisms as in the past."

Botha said Eskom would still be an attractive investment medium for local institutional and foreign investors'

"We still offer a wide range of investment products — marketable stock, gilt options — from the short maturity right through to the long-term stock. In addition we have assets of over R28bn which provides the necessary security and gives added peace of mind to the investor"

CAPE TIMES 20/2/88 232

No free enterprise — no privatization says Syfrets



BRIAN ROBINSON: "There are too many regulations"

"SOUTH AFRICA doesn't have a free enterprise system — there are far too many regulations," states Brian Robinson, chief executive of Syfrets, on government's privatization moves and promises of a more free economy.

"I am, of course, completely in favour of a free enterprise or capitalist system," he emphasized in an interview yesterday, "but it must be handled correctly and afford everyone the opportunity to put something into the economy.

"At Syfrets we do have a problem with over-regulation but importers, exporters and manufacturers have a much rougher time, while those I feel really sorry for are the small businesses who have to cope with a whole plethora of forms and red tape."

Brian Robinson has added the title deputy chairman of Syfrets Trust to MD and chief executive. At a youthful 58, he is into running and has competed in five JSE marathons — the latest in 1986. In addition to holding a "Green No." as proof of his participation in the marathons; he has won the veterans and Stock Exchange section. He was interviewed by LAWRENCE TOTHILL.

Having got that off his chest, Robinson then expressed his delight that at last the State President has come out in support of bringing the country's economy to the fore and not plugging the defence and security issue again.

He sees this as a fundamental shift in Government attitude and welcomes the promises of deregulation and privatization

But Robinson is not starry-eyed about privatization — he's very much a pragmatist and only sees a future for the whole programme if it's done properly.

"There is no future in it if the Government is going to keep control. If that's the case then private enterprise will show very little interest and it will not be the success which privatization has been in the UK.

"If the State keeps control then privatization is a misnomer — the whole exercise would be a matter of getting investors to put more money into Government coffers.

"Of course, we know little more than the early comments by the State President and it is difficult to judge right now."

Apart from being a CA (SA) and FCIS, Robinson has been a stockbroker and the stock exchange is still a love in his life. What does he recommend right now? Has he a tip?

Those are the questions he

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No free enterprise . . .

doesn't answer. "We have portfolio managers and there are stockbrokers whose job it is to advise."

But he is convinced that everyone should be invested in the JSE in one way or another whether through a unit trust or through a limited, selected portfolio.

"In spite of the crash, history has shown that share investments are better and more flexible than anything else. Investment must, however, only be made with unborrowed money."

Robinson feels the industrial market is now giving fair value with good results flowing through and recommends a steady investment pattern so that shares are picked up at the bottom of the market — whenever that will be.

"Rand cost averaging is all-important; the only thing that bothers me a little is the rising interest rate.

"I can't believe that prime will go to 20% as some people forecast, that could kill the market. A rise of 1% or 1,5% by the end of the year is more what I expect."

Regarding the development capital market, Robinson confesses that perhaps some of the companies granted a listing had little right to it as it merely allowed the original owners to sell shares to a gullible public in a buoyant market.

"I'm not tarring them all with the same brush — there are, in fact, some very good shares in the DCM and our bright young men here in Syfrets are constantly watching and searching this sector to find the bargains and the companies which will become meaningful in the years ahead."

A self-confessed "gold enthusiast" ("sooner or later the debt scenario Africa/Latin America/Eastern Europe will have to be sorted out"), Robinson believes the gold market is very fragile and not to be rushed into lightly since gold shares are well ahead of the bullion price.

He doesn't see the US dollar down by more than 10% and he doesn't see the gold price up by more than about 10% to around $500 in the short term.

"I do see the rand going down and would not be surprised to see it at the the $0,40/$0,42 level in a year or two. It must go down because our inflation rate is way above the level of nearly every one of our major trading partners.

"We monitor all these financial and economic statistics internally and we also monitor the political and socio-economic trends before making decisions. We don't just go on hunches or thoughts.

"The balance of payments is worsening once more and this should push both the commercial and financial rands down — but the financial rand remains strong.

"Why the narrowing of the gap between the financial and the commercial rand? Somewhere there is more demand than is generally known."

Ovbel taking its place up on the Big Board

232

Cape Times 20/2/88

WHEN Capetonians hear the name Ovenstone they usually visualize fishing, building, the Premier debacle, a cruiser called Marauder, horseracing, social pages, gracious living. All due, of course, to the entrepreneurial, the straightforward business side. Andrew Ovenstone is chief executive of Ovbel Holdings, due to debut on the Big Board next week.

CAPE-BASED Ovbel Holdings, with total assets of about R86 million through subsidiaries Bellandia, Ovcon and Ovland is to be listed on the Johannesburg Stock Exchange, probably on Thursday, in the building and construction sector.

It is not, however, likely to be a wild debut with stags rushing in to take their profits because the shares were neither placed recently nor offered to the public

Ovbel came into existence effectively in October 1986 as a result of the management buy-out of the property, homebuilding and construction interests of the former Ovenstone Group when the holding company, Premier, decided to divest itself of these interests in one of the more dramatic business bust-ups in the Cape for years

Components

While there have been small changes in the ownership of shares since then, basically those who acquired shares in 1986 are still the shareholders

The management consortium was headed by the chief executive, Andrew Ovenstone, and the directors, management, staff and their families own 44,5% of the issued capital of Ovbel with insurance companies and other financial institutions holding 16,7%, investment companies and trusts 25,3% and the public 13,5%

The components making up Ovbel having been in existence for many years and are well-known in their own right

Bellandia, formed in 1960, is engaged in low-rise construction, with the emphasis on housing, making it a major force in the home building industry in the Western Cape

Ovcon was established in 1975 and activities range nationwide in all aspects of civil engineering and larger projects It activities have included building Pretoria State Theatre, hospitals, silos and microwave towers This is 70% held the remaining shares are held by the top executives

Ovland's foundations were laid in the 1960s Its fixed property portfolio has been liquidated to a large extent recently and it now concentrates on the development of property for sale on its trading account, the management of head leases and timeshare projects, which include Mount Sheba in the Eastern Transvaal and Bantry Bay International Vacation Resort in Cape Town

Sun Trail Resorts and Ovdeco Properties, 50% held, are involved in coastal recreation and resort development, property syndication and the development of properties for third parties on a management fee basis.

The prelisting statement, to be published on Monday in the Cape Times, shows the profit record of the group's companies since 1983 since when they always made profits, although in line with economic trends these rose and fell.

Looking forwards, the company expects after-tax earnings attributable to ordinary shareholders to amount to R3,5m in the year to March 31 1988 — equal to earnings of 12,1c a share

Steady growth

A final dividend of 3,5c per ordinary share is forecast, which together with the interim (an effective 2,5c) makes a total of 6c for the year Further growth in earnings and dividends are expected in the 1989 financial year

The directors say it is their intention to declare dividends on the basis that shareholders will receive steady growth subject to profit performance, prospects and gearing levels

Gearing at the date of the latest balance sheet (September 30 1987) was 45% and it is the intention to limit interest-bearing borrowings to between 50% and 70% of group shareholders' funds

Ordinary shareholders' funds

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Cape Times 20/2/88 232

Ovbel for Big Board

amount to R29 643 000 and the net asset value as at the September 1987 balance sheet was 102c compared with 98c at the end of the previous financial year (March 1987)

There is no other company listed on the JSE against which Ovbel can be measured, although Goldstein, LTA and Murray & Roberts are somewhat similar.

The Actuaries Index for the building and construction sector shows an earnings yield of 9,7% and a dividend yield of 4,6% which suggests that Ovbel should make its debut at at least 100c where it would yield 12,1% on earnings and 6% on dividend, but that might be a bit high and an opening price around 90c seems more likely — that's assuming they are traded on the opening day

The shares are in reasonably firm hands as far as I understand.

Offer for remaining shares

Duros buys major stake in Tollgate

Cape Times 22/2/88 232

By LAWRENCE TOTHILL
Investment Editor

DUROS has acquired a 29,9% interest in Tollgate Holdings, the parent company of City Tramways which operates the Peninsula's bus service among other things, and is making an offer to acquire all the shares of Tollgate in exchange for its own shares, in a deal carrying a price tap of about R67m.

A joint announcement says that Duros has acquired 7 257 618 ordinary shares in Tollgate (29,9% of the capital) at a cost of R19 958 449, which is equal to 275c per Tollgate share.

The deal is being done ex the interim dividend due to be declared in March.

Approval

The purchase consideration will be satisfied through the issue of 1 306 371 Duros ordinary shares and R10 160 666 in cash The deal is subject to the approval of Duros shareholders.

In line with JSE rules a similar offer is being made for the rest of the ordinary shares in Tollgate 18 Duros ordinary shares and R140 cash for every 100 Tollgates held.

The vendors of the 29,9% of Tollgate, which has been bought by Duros have independently placed the shares arising from the deal at 750c, but this placing arrangement will not be extended to the minorities.

The announcement says that based on the forecast results of Duros for the year to June 1988, and the results of Tollgate for its financial year to June, 1987, had the acquisiton been effective for the entire Duros financial year to June 1988, and assuming no Tollgate shareholders accept the offer, Duros's forecast earnings of 50c would have increased to 54,8c.

If all the Tollgate shareholders accept the offer, Duros's forecast earnings would have increased by 13c to 63c.

The pro forma net asset value of Duros shares, accounting for associated companies at market value on December 31, 1987 and Tollgate at cost, would have increased by 114c from 311c to 425c if no Tollgate shareholders accept the offer, and by 311c to 622c if all Tollgate shareholders accept the offer.

The management of Tollgate will not be affected by the deal, although the board will be reconstituted to include nominees of Duros.

Offer price

Before Tollgate shares were suspended they were traded at 225c and Duros were traded, before their suspension, at 700c. The offer price of 275c is a fair premium on the pre-suspension price and allows for the forthcoming dividend.

Taking the cash element into account the offer is based on Duros shares being priced at 750c

The name Duros is usually associated with the Cape-based furniture manufacturer, but it must be remembered that the Duros company was taken over in May last year by a group of young merchant bankers and turned into a completely different animal — an aggressive animal on the takeover trail

At 275c the offer for Tollgate is made at well below its net asset value

DN 22/2/88

(232)

Privatised companies: who is to pay pension deficits?

JOHANNESBURG — State pension fund deficits could form stumbling blocks in the way of privatisation by decreasing the value of companies to be listed and making them less attractive to investors

Merchant bankers, gearing up for privatisation, say pension fund shortfalls are an important issue to be addressed if state utilities are to be sold to the public

The managing director of Standard Merchant Bank, Mr Pieter Prinsloo, said an underfunded pension fund meant there was a liability which someone would have to meet at some point in time

"Whoever buys the companies could pick up the deficit unless the government settles it," he said

In the normal course of events in the private sector, a pension fund liability would be taken into account when calculating the net asset value of a company set for listing, Mr Prinsloo said

A decision on how to handle pension funds would be complicated by whether the entire enterprise was to be privatised, or whether it was to be sold off piece by piece, another banker said

The executive director of UAL, Mr Timothy Sewell, said there were two ways of dealing with underfunded pension funds of state utilities which were privatised.

The first was to do an actuarial valuation of the shortfall — to be redeemed by the company concerned over a period of time which could be as long as 10 years

The amount paid would be reflected as a charge against its profits When getting ready for a listing, the liability would be noted in the prospectus, he said

Another method, in his view, of dealing with underfunded state pension funds, was for the government to use part of the proceeds from selling off state corporations to redeem the shortfall

While state pension funds in general are in the red, Eskom's pension fund is in good shape, showing a surplus Iscor's fund is also believed to be healthy

The result of the actuarial evaluation of the Sats pension fund has yet to be disclosed, but it is thought to be in the red to the tune of at least R5 billion

The actuarial evaluation of the Post and Telecommunications pension fund has also not yet been completed But, in line with other government pension funds, it is believed to have a substantial shortfall which would add to the present total R20 billion deficit of government pension funds. — DDC

Secret talks over R500m plant

(232) B/day 23/2/88

Alusaf will be first govt privatisation

MICK COLLINS

GOVERNMENT'S Industrial Development Corporation (IDC) is to privatise Alusaf, its giant R500m aluminium smelting facility at Richards Bay.

The surprise announcement makes Alusaf the first candidate in government's privatisation drive, ahead of other IDC holdings and parastatals like Eskom or Iscor.

It follows hard on the heels of President P W Botha's new economic package for SA in which he specifically referred to certain IDC holdings (Foskor) which would be privatised.

While this focused attention on Foskor, IDC CE P J "Koos" van Rooy told Business Day yesterday that top-level, secret talks about Alusaf were held with the private sector early in December 1987.

VAN ROOY

"We asked private parties to come and talk. These included some quoted companies. We invited bids and all we are waiting for now is to see what shape some of these offers take."

He said it had been decided some time ago that Alusaf, which has an annual turnover of R600m, was "ripe" and that control should be passed on to the private sector. No official date had been set for the privatisation.

Van Rooy would not be drawn on which private sector companies were interested in Alusaf, saying the issue was "too sensitive".

"Alusaf has been one of our bigger investments. Talks will continue over the next few months, but of all our holdings, Alusaf will be first to be privatised."

Asked if the privatisation move would automatically mean a listing on the JSE, senior IDC GM Malcolm Macdonald said the listing could take a little more time as the market was depressed.

"It could also be in some other form (merger), but this would would be our intention. The results for the company have improved substantially. Prospects appear good provided international metal prices remain at reasonable levels."

Macdonald said recent major expansion at the Richards Bay plant had doubled capacity.

"So now it's reached the stage where we feel we can transfer control of the company on to the private sector. Admittedly the stock market is depressed and we may have to wait for a suitable moment. Launching into a bear market would be suicide, so we will bide our time.

"There is a lot of interest out there, both in the industry and in the market. As soon as we feel it opportune we will go ahead. Alusaf will definitely be the

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IDC's Alusaf to be govt's first privatisation

B/day 23/2/88 (232)

From Page 1

first of our companies to be listed. Initially, we may hand over to the private sector and delay the listing but it will eventually happen."

Alusaf, which has a staff complement of 2 800, exports about 50% of its annual production of 170 000 tons of aluminium.

The IDC has controlling interest in four major companies — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapekoe. Since its formation in 1940 and up to 1983, it has received R924m in new share capital from government but is mainly self-funding.

Although established as an ordinary private company, control of its share capital, both A and B class, has always remained with government.

8/day 23/2/88 (232)

Unions reject privatisation

THREE Cosatu-affiliated unions said yesterday that workers in the public sector could not accept the proposed privatisation of state concerns.

The unions also expressed dissatisfaction with the proposed Labour Relations Amendment Bill.

The unions are: the Post and Telecommunications Workers Union (Potwa), the South African Railways and Harbours Workers Union (Sarhwu) and the National Education, Health and Allied Workers Union (Nehawu).

The statement said privatisation would lead to loss of jobs, greater profits for big business and the disruption of unions in the public sector.

The unions demanded proper bargaining structures be set up, a right to strike, parity for workers on all levels and a living wage.

The statement said the proposals were "a clear demonstration of the alliance between the state and big business against the workers".

The workers said they could not accept the reasons government had given for privatisation as "all this was done without consultation with worker organisations". — Sapa.

Hansard

Natal Midlands	17 538
Newholme	23 300
North Coast	17 097
Northern Natal	18 162
Phoenix	51 226
Red Hill	16 488
Reservoir Hills	16 103
Springfield	18 207
Stanger	18 072
Southern Natal	15 083
Tongaat	16 506
Umzinto	16 117
Verulam	20 320
PROV TOTAL	531 357

TRANSVAAL

Actonville	10 336
Central Rand	16 688
Eastern Transvaal	9 803
Laudium	12 681
Lenasia Central	8 609
Lenasia East	8 640
Lenasia West	10 104
North Western Transvaal	14 654
PROV TOTAL	91 515
REP TOTAL	644 001

Foreign media: applications to visit RSA refused

7 Mr P G SOAL asked the Minister of Home Affairs

Whether any applications by foreign journalists or other members of the foreign media to visit South Africa in 1987 were refused, if so, (a) how many, (b) what were the names of the newspapers and/or organizations involved, (c) what were the main reasons for refusing these applications and (d) in respect of what specified period is this information furnished?

The MINISTER OF HOME AFFAIRS

Yes

(a) 186

(b) and (c) It is not considered expedient to disclose information of this nature as an application for a visa is a personal matter between the applicant and the Department of Home Affairs

(d) From 1 January 1987 to 31 December 1987

Industrial accidents

29 Mr P G SOAL asked the Minister of Manpower

(1) How many workmen in each race group (a) suffered permanent disablement and (b) died as a result of injuries sustained at work in the latest specified year for which figures are available,

(2) (a) how many industrial accidents occurred in the Republic in that year, (b) what amount was paid out by the Accident Fund in respect of such accidents and (c) what was the total period for which persons injured in such accidents were absent from work in that year?

The MINISTER OF MANPOWER

The latest figures available are for 1985

(1)	(a)	Whites	1 465
		Asians	186
		Coloureds	1 300
		Blacks	17 180
	(b)	Whites	138
		Asians	28
		Coloureds	94
		Blacks	1 291

(2) (a) 241 820

(b) R90 117 742

(c) 2 989 118 man-days

Industrial accidents

34 Mr P G SOAL asked the Minister of Manpower

(1) (a) How many industrial accidents occurred in the latest specified year for which information is available and (b) what was the total cost of these accidents to (i) the State, (ii) the Accident Fund and (iii) insurance companies;

(2) (a) how many persons (i) applied for and (ii) received compensation in terms of the Workmen's Compensation Act No 30 of 1941, and (b) what was the total amount paid out in compensation in that year,

(3) what was the total period for which the persons injured in such accidents were absent from work?

Hansard

The MINISTER OF MANPOWER

The latest figures available are for the year 1985

(1) (a) 241 820

(b) (i) R 9 433 934

(ii) R90 117 742

(iii) R45 757 070

(2) (a) (i) 247 236

(ii) 241 820

(b) R155 088 888

(3) 2 989 118 man-days

Kruger National Park: animals culled

75 Mr R J LORIMER asked the Minister of Environment Affairs

Whether any animals were culled in the Kruger National Park during the period 1 April 1987 up to the latest specified date for which information is available, if so, how many head of each species?

The MINISTER OF ENVIRONMENT AFFAIRS

Yes, for the period 1 April 1987 to 31 January 1988

Elephants	189
Buffalo	1 754
Hippopotami	194

Kruger National Park: by-products depot

76 Mr R J LORIMER asked the Minister of Environment Affairs

(1) What was the total value of the products produced by the by-products depot in the Kruger National Park during the period 1 April 1987 up to the latest specified date for which information is available,

(2) what was the profit or loss shown by the depot at the end of this period?

The MINISTER OF ENVIRONMENT AFFAIRS

(1) Period 1 April 1987 to 31 January 1988 R2 295 130 00

(2) Period 1 April 1987 to 31 January 1988 R1 442 247 00 (Profit)

Applications for deregulation

77 Mr D J N MALCOMESS asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(a) How many applications for deregulation have been (i) received, (ii) investigated and (iii) granted in terms of the Temporary Removal of Restrictions on Economic Activities Act, No 87 of 1986, since 13 February 1987, (b) in how many cases has deregulation taken place and (c) in respect of what date is this information furnished?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

(a) (i) 10

(ii) 10 of which 5 have not yet been completed

(iii) None

(b) None

(c) 11 February 1988

232

National Liquor Board

79 Mr D J N MALCOMESS asked the Minister of Economic Affairs and Technology.

What was the cost of operating the National Liquor Board in the latest specified year for which figures are available?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

R852 669 during the 1986/87 financial year This amount includes the expenditure in respect of the Directorate Liquor Affairs in the Department of Trade and Industry

Note The amount of R847 480 for 1986/87 as furnished in the reply to question number 44 of 21 May 1987 represented an estimate

Citizenship certificates issued

94 Mr P G SOAL asked the Minister of Home Affairs

How many citizenship certificates (a) (i) had been issued and (ii) remained to be issued as at 31 December 1987, and (b) were issued in 1987, to citizens of each self-governing territory?

232

Hello to big business. Goodbye to white workers

Botha has made peace with business. But he's heated up the war on the right

Weekly Mail Reporter, Cape Town

BAREND DU PLESSIS, the minister of finance and mastermind behind the government's new economic strategies, was thoroughly annoyed this week when the Conservative Party leader, Dr Andries Treurnicht, totally ignored President PW Botha's speech about the new policies

Treurnicht was suffering from "the same sickness as some overseas observers", Du Plessis thundered

"They actually think that when the cricket score is not given every 15 minutes, the cricket match is over

"Reform is on the go This side of the House, under the leadership of the state president, is busy with reform on a responsible basis, and the time has come that on the level of the head of state attention should be given to economic issues

"The leader of the opposition sidesteps Friday's speech totally Totally! He did not even refer to it. Not a single reference," Du Plessis lamented

Apart from his frustrations with the rightwing, Du Plessis, whose increasing influence in the cabinet was demonstrated by Botha's speech when he opened parliament last week, publicly showed his conviction that the economic package reflects fundamental reform.

And whatever else may be said about the new policies, they are certainly a change

For people like Du Plessis, there is an urgent need to stimulate the South African economy, promote the free enterprise system and release funds for serious social problems such as housing and basic amenities.

In spite of earlier public commitments to privatisation, there was frustration that it was taking so long to get anywhere and there was opposition from within the civil service bureaucracy to any fundamental change.

It was clear that the only way out of this logjam was for Botha to use his political weight to take firm action on the matter.

There were, however, political consequences, particularly for the white middle class and state employees, about one in three economically-active whites By freezing civil servants' wages, Botha was effectively saying to those whites that their real incomes would go down It is precisely on that group of voters that the Conservative Party has been concentrating its efforts

Botha may well feel that in spite of the current stance of the Labour Party leadership a compromise over changing the constitution is still possible and a general election can be postponed to 1992 By that time, the benefits of the economic reforms will then be obvious to everyone and increasing prosperity will enable the National Party to deflect the rightwing challenge.

The moves also reflect a noticeable shift in the government's support base in the white community — away from a shrinking white working class towards wealthier groups, particularly in business

Obviously, the government will use ideological and emotional appeals, noticeably through its control of the television monopoly, about which there has been no hint of privatisation, to keep as much as possible of its support base in the white community

The election on May 6 last year showed the Nationalist support base has changed and it now has significant backing in wealthier English speaking areas, particularly in Natal and the Eastern Cape. The economic reforms could consolidate that shift.

The response of the business community and the press, particularly in the finance pages, has been predictably positive. This is hardly surprising because the changes have been what they have been calling for and they will clearly benefit from them.

In effect, the National Party has been slowly changing and is breaking away from the confines of being a predominately Afrikaner party into one representing conservative and relatively wealthy whites The increasing number of English-speaking MPs in its ranks is a

●To PAGE 16

It's goodbye to the white workers

●From PAGE 15

reflection of this

At the same time, Botha emphasised more funds would be made available for the development of the small business sector This is not only aimed at stimulating the private sector but also towards involving an increasing number of black people in entrepreneurial activity

In this way, government optimists hope that increasing funds will be devoted towards pressing social problems, particularly housing, because of its spin-off effects in the rest of the economy, and, at the same time, more black people will be directly involved in the free enterprise economy Equally importantly, they hope the reforms will make a significant contribution in reducing the rate of unemployment.

So by consolidating its current support in the white community and devoting resources towards improving living conditions in the black community, as well as stimulating economic growth, the Nationalist leadership hopes to create stability in the poorer areas and stimulate a boom which will keep the National Party in control of the House of Assembly and therefore of the government.

The gamble may not work, but, from the government's point of view, it is certainly a more attractive option than other alternatives

Privatization for all bus services

CIT Trans 25/2/88

232

ALL bus passenger services of South African Transport Services (SATS), including the Translux and Transcity services, are to be privatized, Mr Eli Louw, the Minister of Transport Affairs, announced yesterday.

Delivering the SATS budget at a joint sitting, the minister said he had given the instruction for these services to be developed as a separate business enterprise with a view to privatization.

Mr Louw said that 864 buses, involving capital investment of about R100 million, were used in the passenger service operation, which netted nearly R100 million a year in revenue.

The minister said that "according to public opinion", South African Airways was undoubtedly the most acceptable candidate for privatization.

He said the airline, as an undertaking, had established a successful record, but there were the aspects of "entanglement" with transport services, state involvement and competition in the domestic market which would have to be addressed before any action was taken.

Mr Louw said he was currently addressing the issue of establishing a measure of competition in the domestic air transport market.

He said it was not possible to attach a timetable for privatization at this stage.

232 B/day 25/2/88

Most Sats services can be run economically — inquiry

CHRIS CAIRNCROSS

WITH the exception of the rail-commuter service, every other Sats activity could be operated profitably on business principles in a deregulated transport market, the De Villiers inquiry into its affairs found.

It also found that if such circumstances existed it could be possible to bring about lower tariff increases than generally the norm under Sats.

Making public some details of the inquiry's recommendations for the first time, Transport Minister Eli Louw said the inquiry had found Sats should concentrate on those areas where it had a competitive advantage, and that profit and return on capital should serve as the norm for business decisions.

He said many of those principles were being put into practice.

As part of that new development, it was necessary to restructure Sats in terms of primary and secondary business enterprises — a process which may facilitate efforts leading to privatisation

In the light of that, it was proposed that Sats be divided into six primary business enterprises: railways (goods and long-distance passengers); airways; harbours; road transport; pipelines; and rail-commuter services.

Louw said five modes of transport could be operated economically, with the rail-commuter service to be operated by Sats on an agency basis for the state and/or regional services councils.

He said he had also approved an extension of that restructuring to establish secondary business units. As with the primary units, those would also be operated autonomously.

The most important of those were catering; travel bureau, transmed; workshops, telecommunication services, and data-processing services

Louw said the financial implications involving commuter-rail services were still being investigated with Finance Minister Barend du Plessis.

● See Page 6

Sats set to privatise all bus services — and possibly SAA

232

B/day 25/2/88

CHRIS CAIRNCROSS

IN addition to introducing a general wage freeze, SA Transport Services (Sats) would not be introducing any general increases in tariffs and fares this year, Transport Minister Eli Louw said yesterday

Tabling what amounted to a standstill Sats budget in Parliament, in which revenue for 1988/9 was pegged at R10,7bn (representing a 5% increase on the previous year's income), Louw said Sats' bus-passenger services were to be privatised and that SAA was also an "acceptable candidate for privatisation".

The Sats decision to peg tariffs and wages was welcomed as a bold initiative by the Transport Consultative Committee, the body representing major private-sector transport organisations.

The decision to privatise bus services and, possibly, SAA was also welcomed.

In declaring Sats' intentions to peg tariffs and fares, Louw confirmed it was in line with the anti-inflation package announced by President P W Botha on February 4

He said, however, contract rates still had to be either renegotiated or adjusted during the year.

As well, the general wage freeze would not affect the usual incremental adjustments and increases due to Sats employees

Outlining the restructuring of Sats into six separate, autonomous operating divisions, Louw said when that process was completed, a programme of privatising some or all of those divisions would be embarked upon.

Recalling that he had already indicated that Sats' Translux and Transcity services must be privatised, Louw said it was now also obvious to expand that concept to include all Sats' bus-passenger services

That operation included 864 buses representing a capital investment of about R100m and an annual revenue of almost R100m.

Louw said he had issued instructions for those services to be developed as a separate business enterprise with a view to privatisation.

He said, according public opinion, SAA was "undoubtedly the most acceptable candidate for privatisation".

It was an airline with an established record — but its entanglement with Sats, state involvement and competition in the domestic market would have to be addressed first before privatisation could be contemplated

● See Pages 3 and 6

7

Escom move to privatise

232

D/D 25/2/88

JOHANNESBURG — Eskom is setting up study groups to explore privatisation options, the state corporation said.

The chairman, Dr John Maree, said preliminary discussions had led to numerous agenda items which would be explored in detail during the months ahead.

"Our first priority is to develop an overall strategy and to this end opinions are being sought from various sources. Other people will be approached as specific questions need to be addressed.

"Individuals will be asked to serve as consultants in their private capacities where Eskom does not have the necessary expertise. Areas to be covered include legal aspects, options regarding the structure of a privatised Eskom and the implications that privatisation could have on Eskom's financing." — Sapa.

Private money isn't rushing to buy out the State ... yet

W/Mail (232)

25/2/88

Privatisation is not going to happen overnight. Investors expect far more concrete details before they act, and the authorities can be notoriously slow to produce these. By BRUCE ALLEN

INSTITUTIONAL investors, whose financial muscle will be vital to the government's proposed privatisation scheme, are not about to break open the coffers.

Fund managers explain that much more clarity is needed before an approach to buying into the likes of Escom and Iscor can be considered

With Deputy Minister of Finance Kent Durr having denied that the government is to retain a majority shareholding in "privatised" operations it is not clear how much investment capital will have to be raised.

But the sale to private investors of half of the proposed parastatals will mean a bill of at least R40-billion

Ideally, and in line with the principle of making profits accessible to all, this money would come from three sources· institutional and private investors and employees.

Investment on the South African stock market is dominated by an inflow of cash from pension funds, unit trusts and insurance companies. Johannesburg Stock Exchange president Tony Norton estimates that these institutions have about R5-billion available for share investment a year

The question is, how much of this will they allocate to taking up shares in privatised operations?

With many listed companies turning in spectacular profit figures, the parastatals stand to offer the investor substantially less than that available.

Most institutional fund managers are guarded in their response. Pension fund representatives are not prepared to make any bold statements on their investment strategy in operations to be privatised. Many feel it is too early for an accurate assessment of the situation More facts relating to the government's practical plan of share flotation are needed.

It is not clear whether the major public utilities will be converted to private corporations as entities or after division into suitable components

Institutions are also aware that the authorities are notoriously slow in implementing major policy changes A commission of enquiry and discussion in the cabinet could protract privatisation for a number of years. But Durr dismissed this possibility.

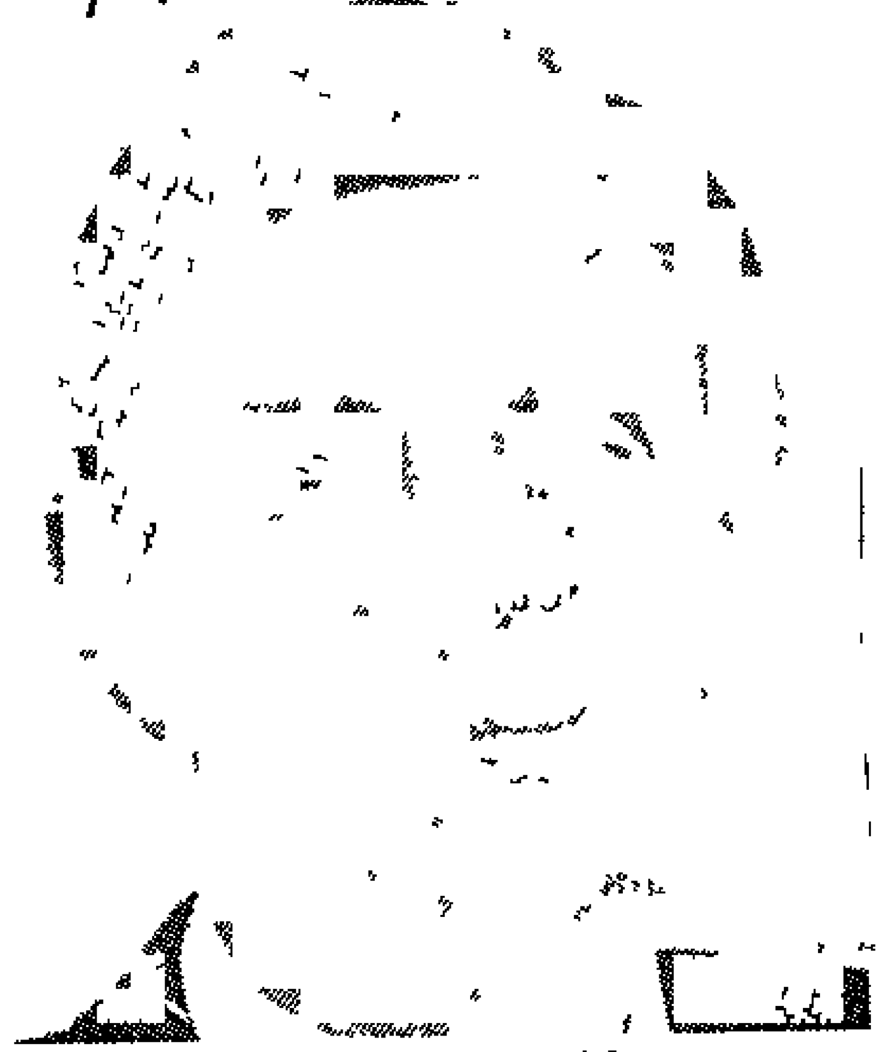
The British example shows that implementation can be swift and successful Over the past eight years Prime Minister Margaret Thatcher has privatised, on average, one state corporation every nine months.

Leon Campher, director of Syfrets Managed Assets, says the willingness of institutions to supply capital will depend on what portions of the government organisations are offered and how stock exchange listings will take place.

Sources in the insurance industry reckon that the privatisation process will be phased in over a number of years. This will allow investment managers to take up shares as funds become available

Campher points out, however, that institutional decisions to buy shares will be based on the viability of the investment, and not for the sake of privatisation The fund manager's role is to maximise returns on money invested, and no matter how noble the privatisation concept, profits remain the deciding factor.

As an example Campher cites Escom which has a debt bill of about R15-billion Much of this money has been borrowed from the same institutions who will be called upon to buy



The JSE's Tony Norton

shares As shareholder and part-owners of Escom, institutions will increase their exposure to the debt.

Eustace Davie, administrative director of the Free Market Foundation, says parastatals will have to be structured in a similar way to private companies. If debt levels are too high, these will have to be brought in line with acceptable free enterprise standards. It will be possible to achieve this by converting debt into shares. In other words, cash raised from the sale of shares will be used to repay outstanding loans

The process of introducing private business principles has already started at Iscor and Escom

Clearly, the ponderous bureaucratic methods of some parastatals are way behind the performance-based approach of profit orientated business

Not all candidates for privatisation will draw negative reaction from investors. After a period of increased productivity, lower costs and the establishment of new markets, Foskor turned in an excellent set of results in its financial year to end June 1987.

Similarly, after two years of heavy losses, Iscor has been operating profitably since 1983 While profits have not been spectacular, this group adopts conservative accounting methods and has ploughed much of its earnings into expansion projects

The position with the South African Transport Services and the Post Office is more complex With its policy of subsidising loss-making services with money earned from profitable operations, the privatisation of Sats will have to ensure that services to outlying areas, which do not support themselves, are continued.

Much of the success of privatisation will depend on how it is accepted by the man in the street But the size of his slice of the privatisation cake will, to some extent, depend on the government's share allocation strategy.

If shares are highly priced or if subscriptions require that large minimum batches of shares be bought, the small man will be left out

Davie argues that a wide spread of shareholders is essential. To prevent government monopolies becoming private monopolies, institutions must not be allowed to take up all shares on offer.

Norton says privatisation was made popular overseas by offering small investors shares at affordable prices. This resulted in a new source of money which would otherwise have been channeled into more secure investments like savings accounts If privatisation is to be implemented quickly in this country, the individual's money will be needed.

Andre Pienaar, of Pim Goldby Management Consultants, spent four months researching privatisation in the UK. Like Norton, he is confident that realistically priced shares will attract individual buyers.

Following the recent JSE crash, which would have made small investors cautious about buying shares, a marketing strategy similar to the British one may have to be adopted here to ensure sufficient enthusiasm

Pienaar believes that shares should be within reach of all potential investors and that employees of enterprises to be privatised should be given preferential treatment.

Including employees in an offer to buy shares may help to allay feelings of insecurity. It will also mean that more money will be available for investment. Escom, Iscor and Sats alone employ over 280 000 people.

The recent listing of British Gas saw 99 percent of the workforce take up their shares. However, in South Africa workers are likely to be more reluctant to accept the privatisation deal: trade unions have already expressed their scepticism.

DIAMOND CUTTERS UNION OF S.A.

Founded: 1978

Head Office: P.O. Box 8304,

Phone: (011) 37-1257

Acting General Secretary: Mis

Registered for: Coloured p

Journeymen, in the Diamond Cu

(232) B/day 26/2/88.

NEWS FOCUS

Making privatisation work

In his recently-published book "Privatisation in SA," Robin McGregor sets out his views on the way it should be done

ALAN FINE

PROMINENT author and opponent of monopoly capitalism and State involvement in the economy Robin McGregor argues it is necessary for privatisation to meet certain criteria in order to represent an advance in SA. They are that:

☐ Further concentration of control in the private sector among the large institutions must be prevented, and ownership of State assets spread as widely as possible,

☐ Competition must be maximised or, at least, the absence of competition must not be exacerbated;

☐ The privatised operation must provide the public with at least the same standard of service at no higher cost;

☐ The State must be adequately remunerated for its assets, and

☐ Present state employees should be given a fair chance to improve or at least maintain their positions.

He also proposes a technique which would simultaneously solve the major problem of the state pension fund deficit

McGregor distinguishes between the smaller divisions of the public sector, like municipal services, state forests, Foskor and sections of Iscor and Eskom, and the giants — Iscor, Eskom and Sats.

For the former, he draws on the example of the privatisation of the National Freight Corporation in the UK in 1981. About 82% of that company was sold off to employees, their families and ex-employees, while the remainder went to four banks.

Upturn

The company, says McGregor, experienced a dramatic upturn in performance levels within two years and met all the criteria he mentions So long as the assets do not fall into the hands of a cartel, efficiency — buoyed by the employees' personal stake — is bound to improve, he argues.

As regards the giant corporations, only the large private groups and institutions have the resources necessary to achieve a buy-out. In order to attract these funds but still meet the criteria, the buying company would have to be heavily weighted in favour of preference shares and debentures.

Ordinary voting shares would be allocated to employees, small investors and a limited number to the preference shareholders. The structure should give adequate protection to, but prevent control by, the preference shareholders.

Institutional shareholders, says McGregor, are on record as saying they are looking for investment opportunities, not control. This will give them an opportunity to put their money where their mouths are.

McGregor suggests the State should undertake the funding of employee share purchases And, he adds, one avenue could be through the commutation of existing pension fund deficits.

Not only would employees benefit from a profitable company, a portion of their pensions would depend on it — thus also creating an additional incentive for them

☐ McGREGOR ... sets criteria

And if employees could be persuaded to give up those benefits which have accrued through buybacks (a major cause of the State pension fund deficit) in exchange for shares, a serious difficulty could be overcome

Taking Iscor as a model, then, McGregor proposes that of its R3bn net asset value, R1bn in ordinary shares would be sold to employees and past employees, a further R300m would be offered to the public, with preference being given to small investors; and a further R500m in ordinary shares to large institutions, limiting the allocation to any single group The remainder would be raised through preference shares

Thus, McGregor argues, his criteria would be met and a tax-absorbing public sector asset will move into the tax-paying private sector

One major problem to be resolved, he says, is the question of state services which are presently subsidised and otherwise unprofitable The question of preventing large institutions gaining control through the purchase of employees' or small investors' shares is another that has to be worked through. But he believes there are solutions available

He concludes with the warning that a successful programme depends on the co-operation of public sector employees, and this can be achieved only through consultation and the establishment of common objectives and mutually agreed operational plans.

DORBYL

Merger under the microscope

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When Metkor decided in 1985 to merge its two large engineering groups, Dorbyl and Stewart & Lloyds (S & L), a major objective was to remove the strong cyclical nature inherent in each of their activities Dorbyl's heavy engineering business, mainly dependent on domestic fixed investment, was largely contra-cyclical to S & L's mainly consumer-linked, light engineering operations. Now, almost three years later, one needs to ask whether the merger has been successful

In 1985 Dorbyl merged with Stewarts & Lloyds to create SA's largest and most diversified engineering group. The full benefits of the deal have yet to be seen.

Certainly, the enlarged group's earnings history has not been impressive. Last year's 180,4c EPS is marginally short of the 180,9c that the original Dorbyl achieved in 1983 Since 1985 — when EPS dropped to 61,6c — Dorbyl has been on a recovery trail of sorts Although the operating margin has improved, at 5,7% it is far short of the 8,2% achieved in 1984.

Management has been intent on restructuring the industrial giant which is now SA's largest and most diversified engineering group, employing 23 000 people At the time of the merger, the combined staff complement was 25 300. Continuing decentralisation has been important too Both policies have helped, but any significant improvement in the group's fortunes remains welded to a broadly based revival in SA's economy and in business confidence An upturn in fixed investment is still extremely important for Dorbyl

While the recent pickup in consumer spending has been encouraging, domestic fixed investment continued to fall during the group's financial year to end-September Turnover has failed to show real growth for two consecutive years The 1987 figure of R1,7bn shows an annualised increase of only 11% over 1985

Inflation has been running far higher Although the heavy engineering business remains sluggish, the light engineering operations are seeing improving levels of activity, and this makes chairman Floors Kotzee optimistic about the future· "The outlook is favourable, although strong growth will not necessarily come through next year " That view ties in with previous trends Recovery in the heavy engineering sector usually lags upturn in light engineering by about two years

And there are other factors to consider One is the present turmoil in international currencies and gold, which could hinder SA's economic revival Another is the curtailments to Sats' and Eskom's capex programmes, which have already dented the group's growth performance This is not likely to change soon

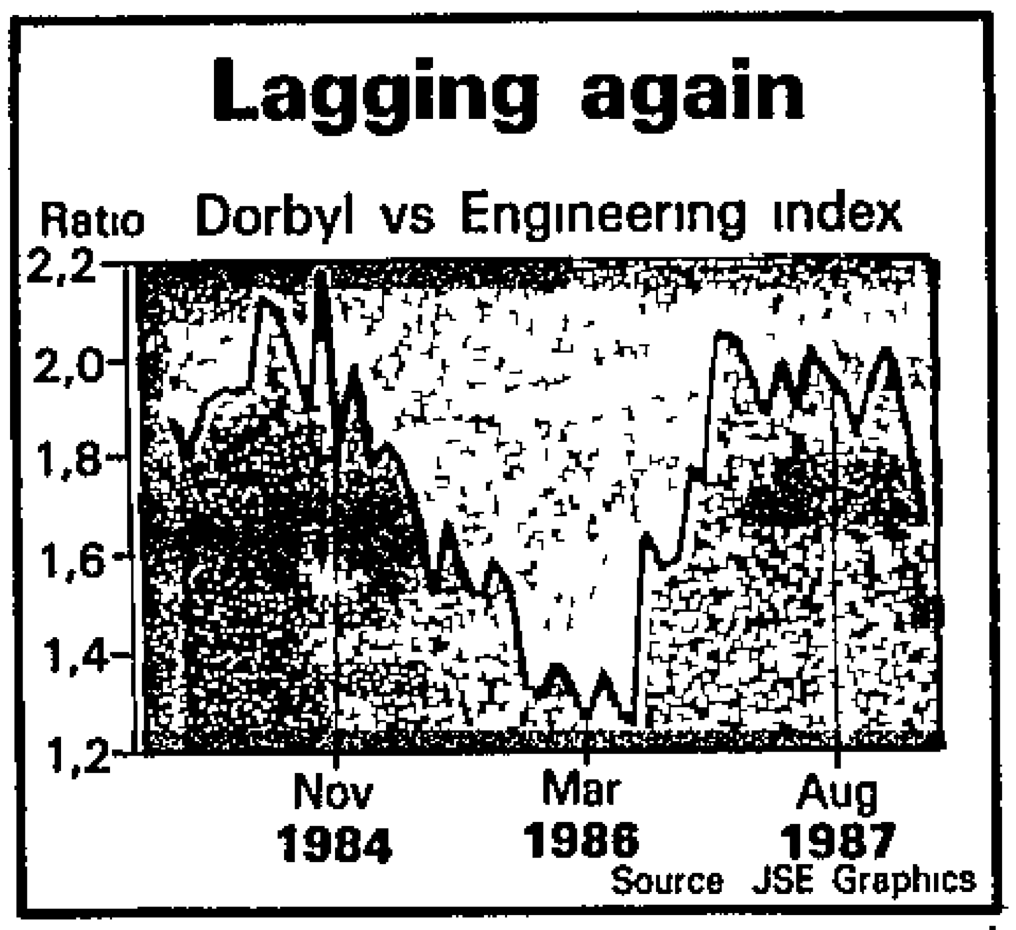
Of the nine business operations, transport products and heavy engineering fared particularly badly with both showing lower income Heavy engineering — where the 1985 acquisition of Barlows Engineering had previously been described as successfully implemented — made a loss Transport services, which absorbed Barlows' railway and engineering products in 1985, has been consolidated in Boksburg, on the East Rand with two other major railway truck manufacturing

(232) FM 26/2/88

facilities closed down.

Under-utilisation of engineering capacity depressed other operations Dorbyl Marine's industrial division is still working well below capacity, although its shipbuilding division should show material benefits when it starts constructing platform modules for the Mossel Bay gas project Manufacturing capacity has been significantly reduced in the group's structural engineering business, with the vacant space being absorbed by business transferred from the Tosa operation

Last year saw some disconcerting interruptions in production — even though management has been concentrating on improving productivity The automotive products subsidiary experienced many forge problems in the Uitenhage works and an extremely high arrears situation subsequently developed Substantial technical hurdles resulted in a delay in the commencement of deliveries of the new 8M New Generation trainset from the transport division The rash of acquisitions that Dorbyl made in 1985 has slowed to a trickle. Apart from the S & L deal and the purchase of two of Barlows' engineering businesses, Dorbyl acquired Afgate and Wolhuter Steel. Last year saw only two minor acquisitions and this year, apart from the purchase of equipment when Transvaal Malleable was closed down, the only move was to buy out foreign minorities in Bundy Tubing SA. The expansion of three years ago has, therefore, been replaced by consolidation and rationalisation Several businesses have moved from one operation to another and lossmakers with little hope of improved performance have been weeded out or sold off



Lagging again
Dorbyl vs Engineering index

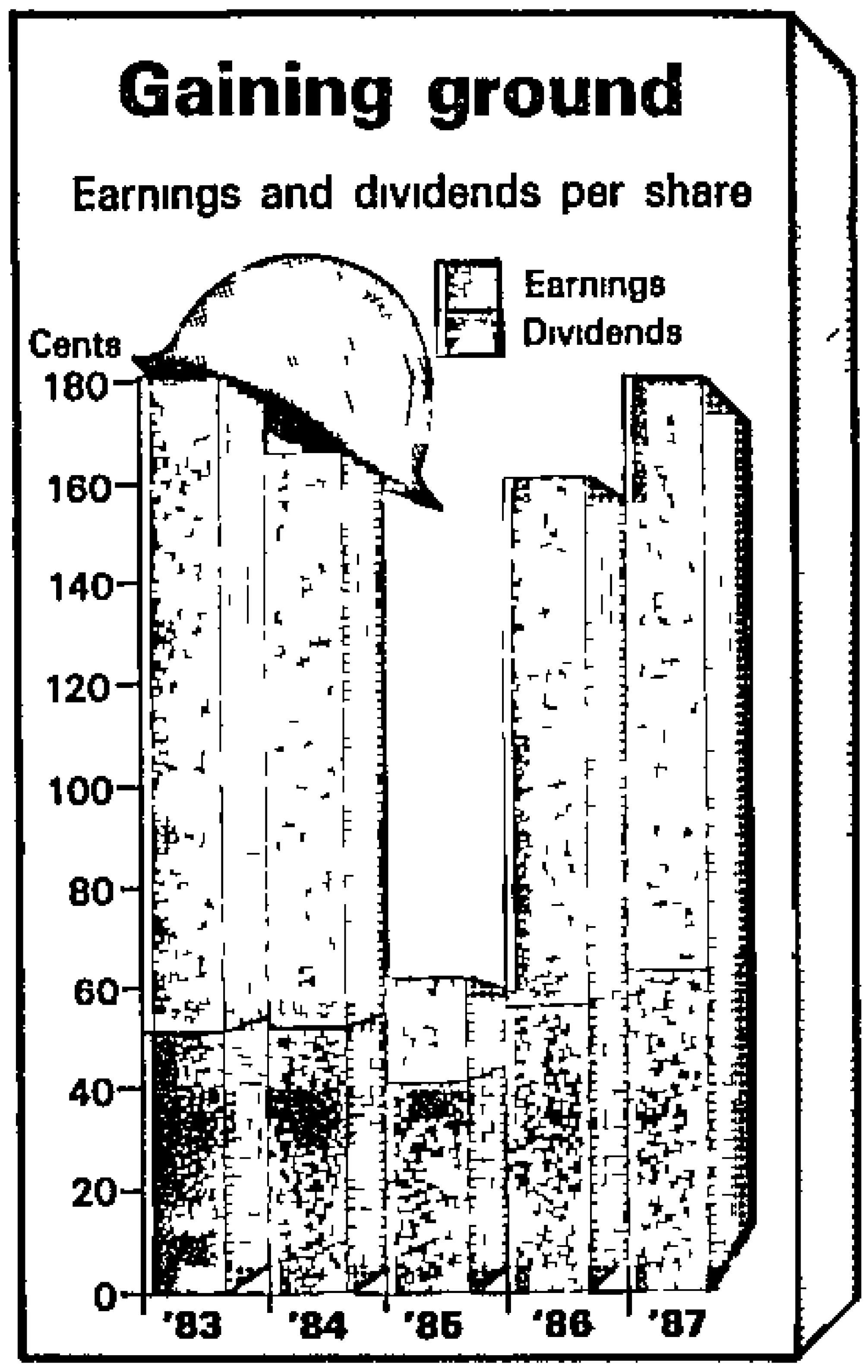
Overall, certain operations appear to be on the mend, but the combined benefit has yet to take place. Light and general engineering, and automotive products (which returned to profitability), have shown considerable improvement, according to Kotzee. But, with these two exceptions, more attention is being paid to trimming operations than waiting for a business revival Kotzee comments "We don't see our Sats and Eskom-linked businesses ever getting back to pre-1985 levels, though they must raise order levels some time Our rationalisation takes into account this perspective — we have been aiming to reduce both capacity and break-even point to improve profitability."

The truth is that Dorbyl has had an uphill task since 1985. The group inherited a lot of problems Although Dorbyl's original business was running reasonably smoothly, S & L, hard hit by the lengthy recession, was in poorer shape and was over-borrowed even before the 1984 surge in interest rates Its operating margin had fallen from 7,5% to 3,4% in three years The merger was difficult and, in retrospect, unfortunately timed as far as interest rates were concerned

Dorbyl's interest bill, which rose from R4,3m to R34,4m because of the acquisitions, halved pre-interest profits in 1985 Under normal circumstances, the more than doubling of debt equity to 0,44 — which occurred between 1984 and 1985 — would probably have been manageable. But the higher interest rates were severely damaging Since then, the balance has improved, debt equity is back down to 0,31 and interest-bearing debt has fallen to R187m (excluding R46m in redeemable prefs issued by group subsidiaries) against R208m in 1985 Net worth at year-end was 1 765c, close to the 1 777c figure of 1984 — even though issued share capital increased by 75%

One reason why Dorbyl's rate of recovery this year did not match that of 1986 is that the tax rate rose to 19,7% (12,6%) which, though still low, is a legacy of last year's decision to offload lossmakers Accumulated tax losses have fallen to R117m (R141m)

Financially, the group seems to be back to where it was before the merger, but operationally it still has some way to go Two of the group's operations — S & L trading and automotive products — show potential for promising growth this year. Baldwins steel, light and general engineering, structural engineering and Tosa might show some improvement, but growth prospects are dim for three sectors largely tied to fixed investment.



Gaining ground
Earnings and dividends per share

marine, transport products and heavy engineering

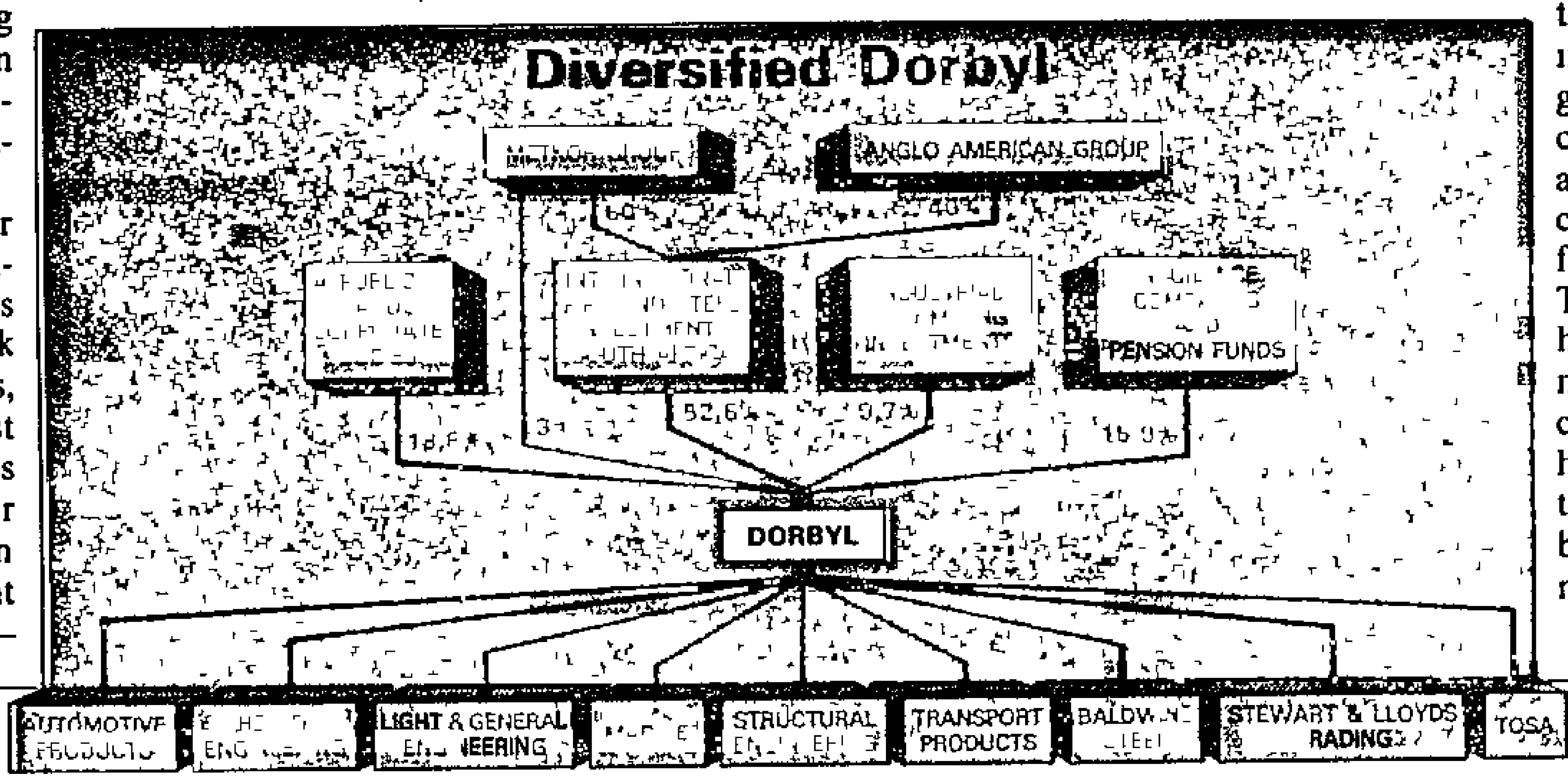
Further ahead, a key factor will be the Mossel Bay gas project The group will be building the accommodation module and has the prospect of additional Mosgas and refinery business Says Kotzee "We expect to get our fair share of the contracts " Taking into account Dorbyl's size, that could be substantial. A flood of new mines could also help the heavy engineering business, but lower gold and platinum prices may slow down some expansion programmes "We have seen a slowdown in mining capex orders over the past year," Kotzee notes.

At R9, Dorbyl's share price is not far ahead of its 1984 peak Market perception of the merger was none too favourable and the share price declined relative to the sector until mid-1986, when it started swinging sharply upwards, apparently in anticipation of the better results that year.

But last year's results failed to enhance the group's image The merger gave Dorbyl strength precisely while heavy engineering has been in the doldrums To that extent it has been successful

From here on, the group should continue to improve earnings and the rate of growth should accelerate if there is a pronounced recovery in domestic fixed investment The merger should have helped to make earnings cyclical, but shareholders may have to wait for 1989 before the real muscle emerges

Dave Edwards



Diversified Dorbyl

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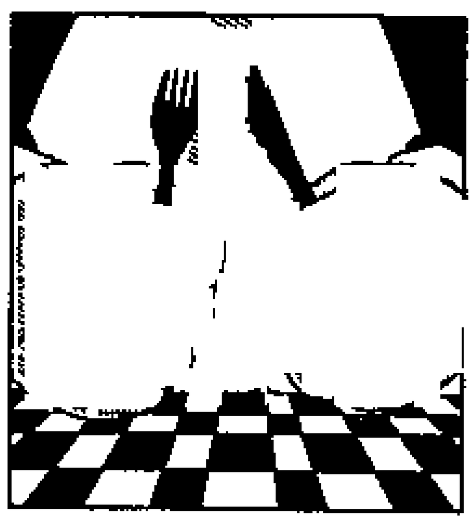
Running through the menu



Few who claim to support free markets are likely to oppose government's privatisation initiative — in principle But President P W Botha's recent announcement has forced many in both public and private sectors to consider what privatisation will involve in practice

Problems now being grappled with — financial structures, cross-subsidisation, tariffs and efficiencies — will affect consumers, investors and management for many years

A White Paper, published last year on privatisation and deregulation, set out government's thinking at the time One conclusion was that government had decided to launch a three-year programme during which more attention would be given to privatisation and deregulation, with the object of curtailing public-sector involvement in the economy The attention described consisted essentially of priority determination, analysis and investigation There was no specific commitment for major sell-offs during that period. Where the White Paper is more specific is on guidelines and criteria for privatisation. Among them.

☐ Each case of privatisation will have to be considered individually This may require that a public enterprise first be made more efficient and profitable in order to obtain best benefits from privatisation,

☐ Concentration of economic power and possible foreign control of strategic industries will be avoided,

☐ It must be integrated with total economic strategy,

☐ It must be applied on a continuous basis in respect of existing and contemplated future public-sector activities, and

☐ Funds which become available as a result of privatisation must be applied judiciously and subject to strict requirements for capital or development projects

Competition is another criterion The paper stated that adequate capacity to provide competition must exist or be able to be created in the private sector In appropriate cases, though, an activity for which there is insufficient competition could be undertaken on a partnership basis by the public and private sectors

Privatise and deregulate have become the buzzwords in government's drive for a streamlined and efficient economy. But investors — looking at the often opaque ledgers and bulging staff requirements — will be asking many questions about such matters as real profitability, cross-subsidisation, government control of utility prices and at what level the issues will be pitched.

What would be unacceptable as a reason not to privatise, would be a situation where a service or product would apparently cost more after privatisation The paper notes that services and products are often supplied by public institutions at prices below cost, with the consumer consequently subsidised by non-consumers through taxes

These last two points are typical of the problems currently exercising Eskom CE Ian McRae and his management team Eskom is certainly among the first in line for a sell-off, probably late this year After the De Villiers Commission two years ago, McRae says, Eskom was restructured with the intention that it should be run as a business

"Part of the thinking was that we would work towards privatisation down the track," he says "It was not a high priority We wanted to concentrate on getting our house in order, looking more closely at our expenditure, budgeting and asset management With the president's announcement, privatisation becomes a higher priority, but it does not change our basic course "

Partly because of the amount of work involved, Eskom plans to enlist the help of the private sector in planning its privatisation It is setting up a steering committee which will include individuals such as merchant bankers, attorneys and other specialists But even before the committee is established, there are obvious questions Among these is the question of who owns Eskom The power giant is different from most other utilities in that no government money is invested in it, it has been funded entirely from loan capital, with operating expenses and finance costs paid for by tariffs received from consumers

This could mean that a JSE flotation for Eskom would be similar to a rights issue, with all the funds raised being retained by Eskom as a substitute for future loan capital McRae agrees this is possible, but some outsiders are dubious that government, which has, after all, guaranteed Eskom's loans, would want to see it listed without receiving part of the booty

Whether equity or loan capital would be cheaper in the long run is a moot point Eskom in its 1986 financial year paid more than R2,5bn in interest and finance charges This burden could be eased by a swing to equity finance, but dividends and taxes would have to be paid The stock market is still higher than in 1985, when listed companies found it attractive to raise some R2bn by rights issues (though interest rates were higher then) And Eskom, with annual net expenditure on fixed assets running close to R4bn, is unlikely to pay anywhere near the full tax rate

But conventional assessment of efficiency of funding sources may be academic Eskom can no longer borrow freely abroad as it has access only to amounts that were already inside the "net" In 1986, R1,4bn that it wanted to raise abroad was simply unavailable, creating risk of undue demands being made on the local loan market

Dividends and taxes will mean big changes for Eskom's entire financial structure "We are going to have to recognise those two issues when looking at the price of electricity," says McRae "Initially you might find some negative impact on the price of electricity, but long-term gains "

Privatisation will mean Eskom will have to look at its services and tariffs differently In any event, capital spending is expected to fall over the next five years by some 20%, possibly more Already operating expenditure has been cut, with staff reduced by about 15% from 66 000 a few years ago and generally improved asset management McRae says stores have been cut by about R100m and there is scope for about another R200m reduction

These cuts will help potential profits, which would be sensitive to growth in the volume of power sold Eskom is the sixth largest power utility in the Western world Already it runs the world's largest coal-fired power stations, and these could be made even larger to gain greater economies of scale McRae points out that the utility is now enjoying both economies of scale and high efficiencies from its large units, although this was not the case at the time of the De

POSTS AND TELEGRAPHS

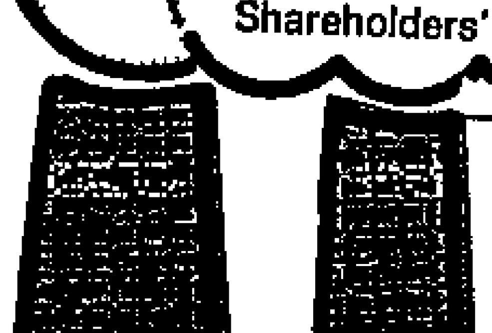
Postal services, telecommunications

	1986	1987
Total revenue (Rm)	3 096	3 798
Operating expenditure (Rm)	3 328	2 869
Capital expenditure (Rm)	1 451	1 697
Net fixed assets (Rm)	6 202	7 579
Operating surplus (Rm)	(107,6)	112
Total staff	96 726	98 266

ISCOR

Mining, iron and steel production for local and export markets

	1986	1987
Liquid steel production (000t)	7 185	7 036
Steel products sold (000t)	5 674	5 421
Turnover (Rm)	3 902	4 136
Taxed profit (Rm)	163,3	93,0
Fixed assets (Rm)	2 893	3 196
Shareholders' equity (Rm)	3 126	3 606



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Villiers report However, any dismantling of Eskom to create competition could lessen flexibility and make management cautious about moving towards larger units

The future tariff structure also represents a tough problem to be faced by Eskom and other State corporations that currently have no competition The attempt in the UK to create competition by dismantling its privatised power generator, the Central Electricity Generating Board, has not been trouble-free Eskom has stated that its prices would rise by less than the inflation rate over the next three years, but a regulated price structure could ultimately be inevitable

When Eskom publishes accounts for the 1987 year soon, they should show it has made good profits after reporting net income of R200m and an accumulated deficit of R287m in 1986 Apart from effects of cost cuts, the 1987 accounts will be drawn up according to conventional business accounting terms, instead of the present, more conservative method They may suggest Eskom has the makings of another blue-chip share

Another organisation for probable privatisation this year is the Richards Bay aluminium smelter Alusaf, now controlled by the Industrial Development Corporation (IDC) There is a significant private stake in Alusaf, whose shareholders include Alusuisse and some other companies IDC MD Koos van Rooy says that the IDC tried unsuccessfully to get larger private participation in Alusaf when it was established in about 1970

In recent years, however, Alusaf has doubled output capacity which stands at about 170 000 t of metal; total assets have risen to about R500m and turnover to about R600m, with staff at 2 800 Alusaf exports more than 50% of production and London Metal Exchange aluminium prices last week hit an eight-year high of US$2 055 Van Rooy says talks that started at the end of last year could result in transfer of the majority shareholding to one or more local groups "Alusaf is getting an adequate return on investment and is certainly saleable," says Van Rooy

He adds that the company may — but will not necessarily — be listed on the JSE This is not greatly reassuring In the *FM*'s view, any major sell-off which does not involve a JSE flotation with equitable opportunities for public investment, or at least a tender offer to major shareholders if market conditions are unfavourable, would create an un happy precedent in the present initiative How many local groups would benefit from such a deal — Gencor? Barlow Rand? Anglo American perhaps? It could too easily be perceived as handing the plums over to a few private-sector giants and thus further increasing concentration of power and profits

This problem could arise with the Mossel Bay gas project, currently owned by the Central Energy Fund An announcement on private-sector involvement is likely later this year It would not be an easy candidate for a listing soon in view of the large capital cost, long payback period and weak energy market

One or two large shareholders — with somebody holding at least 30% — will almost certainly emerge Gencor, for example, whose chairman, Derek Keys, has expressed an interest in expansion in the energy field, could be a frontrunner

Government's 30% stake in Sasol Ltd is held through the IDC, which, in theory, would have to decide on its sale It has been stipulated, though, that this could only be sold after Sasol has bought the 50% still held by the Central Energy Fund in unlisted Sasol 3 — and a decision on the Sasol 3 takeover would be taken by Sasol's board.

Privatisation of another IDC-controlled company, Phosphate Development Corporation (Foskor), apparently lies further ahead. In the end-June 1987 year, the phosphate producer, fully owned by government,

FOSKOR

Mining, beneficiation of phosphate rock

	1986	1987
Turnover (Rm)	231,4	248,5
Pre-tax income (Rm)	12,6	31,5
Attributable income (Rm)	8,0	15,3
Fixed assets (Rm)	129,5	126,0

REFLECTIONS FOR THE EXECUTIVE

The *Financial Mail*, in constantly seeking to meet the developing needs of its readers, plans to launch a new high-quality monthly business magazine in June.

It will be called *The Executive* and will permit a more reflective and analytical approach to business affairs than is possible in a busy weekly news magazine like the *FM*.

The new publication is being modelled on *Fortune* in the US and *Business* in Britain The *FM* has acquired its rights to publish articles from *Business* and *The Spectator* in SA, and this will form an important part of the service it will bring its readers in this new magazine

But equally important is the analysis of South African affairs and business endeavour that will be written for *The Executive* by the *FM*'s experienced editorial team This will be supplemented substantially by articles commissioned from other writers who have a depth of skills and specialised knowledge

The new publication will contrast management styles, analyse tax situations, examine the challenges faced by rising entrepreneurs and the pitfalls that test established concerns The "how" and "why" of the corporation — in all its ramifications and dimensions — will be the stuff of its editorial content.

Broadly speaking, business is about people, how they innovate and market *The Executive* will carry bright interviews and topical profiles of these people It will also pay attention to the broad environment in which businessmen work, and to foreign travel, cultural and other interests Book reviews that have become an important feature of the *FM* and are an outstanding aspect of *The Spectator* will have a special place in *The Executive*, as well as regular columns on other subjects, from art collection to sport.

Williams with Lana Olivier (advertising) and Shahn Irwin (art and design)

The new publication will be an important extension of the *FM*, with a cover price of R5 and circulation of 10 000. The *FM*'s able and creative Leisure Editor David Williams has been appointed Managing Editor The editorial skills he has displayed on the *FM*, especially as a television critic and book reviewer, have already resulted in his having a substantial following among *FM* readers This year he won the Pringle Award for his literary reviews

The new publication will be printed on special paper to the highest quality specifications A leading graphic designer who has a long relationship with the *FM* has contributed ideas to its novel design and layout, of which there is nothing similar in the country.

The managing director of Times Media Limited, proprietor of the *FM* and *The Executive*, Stephen Mulholland, says. "The new monthly publication rounds out our stable of business publications It will complement the weekly *FM* and *Sunday Times Business Times*, as well as the group's robust and growing financial daily, *Business Day*"

COMPANY FOCUS

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Major shake-up for Tollgate

By TOM HOOD
Business Editor

CITY Tramways, which operates bus services throughout the Peninsula, is facing a major shake-up

A dynamic team of young businessmen has bought a controlling stake in the parent company, Tollgate Holdings

After studying the way the passenger transport business is run, they are moving swiftly to appoint their own nominees to the board of directors within the next two weeks.

Even before taking over, they see scope for improving business and eliminating losses through the huge fleet of 1 500 buses lying idle except at peak commuting times

The team, headed by merchant banker Mr Ron Sherrell, includes Mr Christo Wiese, chairman of Pepgro and other companies, and Mr Johann Claasen, a chief of Volskas Industrial Bank

The Cape-based directors are Mr Mervyn Key, a lawyer, and Mr David McCay, a merchant banker and former Western Province cricketer

"Meaningful stakes"

All directors have been friends for some time and got together to form an investment banking group

The strategy is to acquire "meaningful stakes" in companies which are "able and capable of expanding rapidly"

Using the Duros shell, they have taken major stakes in Drivetec and Arwa

They also acquired Dekro, turned it into a cash shell and propose to change its name to Gazankulu Gold Holdings (Gazgold)

The group paid R19,9-million to buy a 30 percent block of Tollgate's shares

The shares, owned by the Pavlovsky family, had been on the market for some time

Other Cape companies are believed to have been after the shares but backed off when they examined the problems of running the bus company

"We would be better off to hire out buses even at cost or lower fares at weekends rather then leave them standing empty

"At least it would improve our image with the public," said Mr Kay

"We have been looking at Tollgate since November," said Mr Key today.

"We believe it has an efficient management team We feel they have been constrained by their former controlling shareholders"

Deregulation

"We see it as a very sound company from the point of view of assets, cash and profit potential"

With deregulation of road transport becoming a major factor over the next five years, exciting opportunities presented themselves for Tollgate in the Western and Eastern Cape, he said

Another business that could be rapidly expanded was the tourist operation, Springbok Atlas Safaris and Horizon Tours, which had "tremendous growth potential"

There was great scope to get export allowances for overseas tours

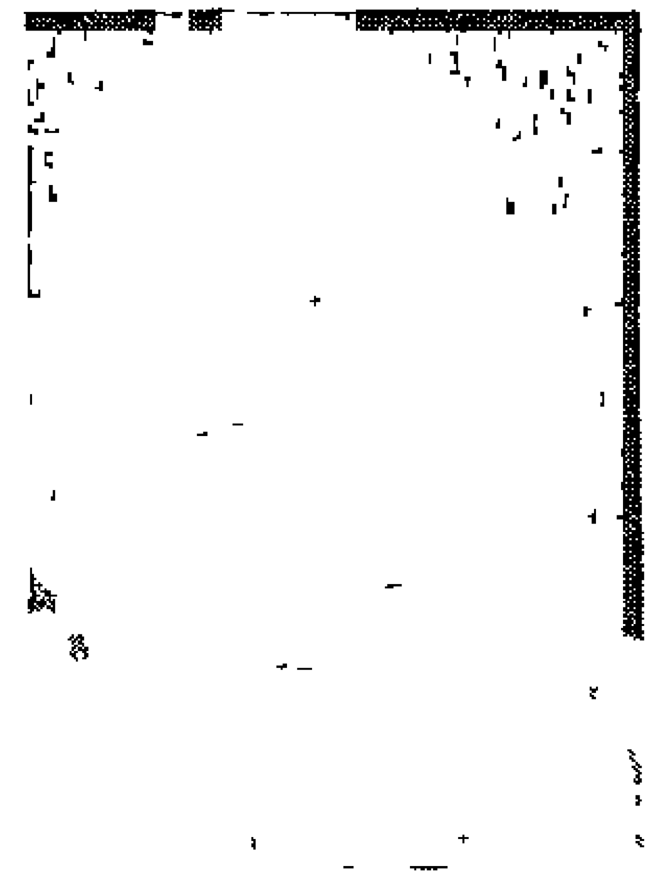
Tollgate was largely underborrowed — its borrowings of R10-million a year ago would be minimal by the end of June this year

The bus fleet fleet provided a tremendous asset base, said Mr Key

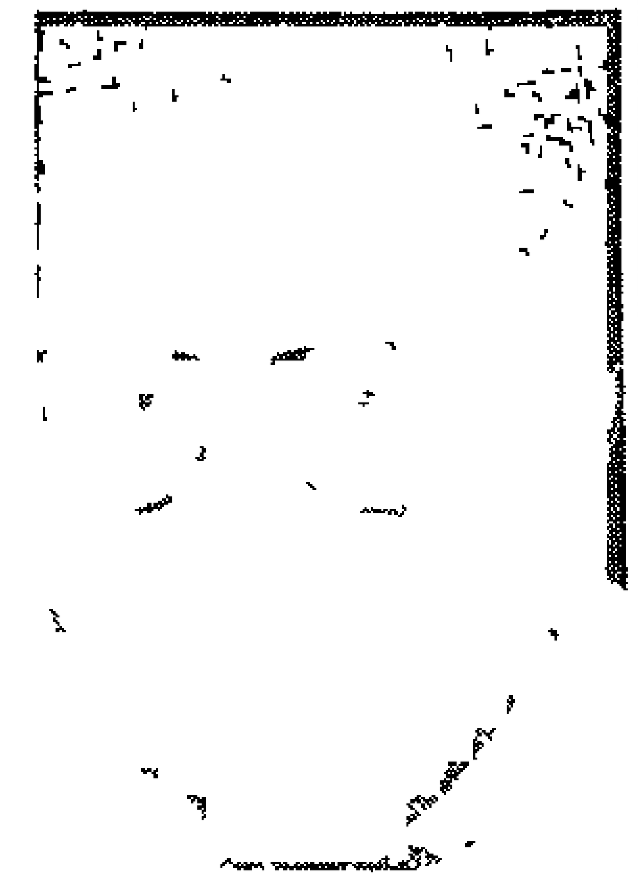
To replace an ordinary bus today would cost R234 000, with a luxury tourist bus costing between R500 000 and R750 000

Replacement of the buses would cost at least R300-million

"If we exported buses we could get R150-million — that is the kind of asset we have."



Mr Merwyn Key



Mr David McCay

Duros, a long-established Cape furniture manufacturer, ran into heavy losses and was eventually taken over by the present management

In its heyday, it made a lounge suite for the British Royal Family when they visited Cape Town

The new-look Duros is active in the merger and takeover business and 70 percent of its shres are owned by the controlling consortium

Tollgate's engineering operation, Multimech, could also be expanded by taking on more outside business

The Duros team, meanwhile, are making a bid for a full takeover by offering to buy all the other Tollgate shares by offering cash and Duros shares in exchange

They are compelled by Johannesburg Stock Exchange regulations to offer all shareholders the same price they paid for the Pavlovsky shares — the equivalent of 275c a share

The controlling stake is well ahead of the next largest shareholder, who is believed to own less than 3 percent of Tollgate's shares

NEWS

W C News 27/2/88

Tollgate shake-up may bring lower off-peak fares

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by TOM HOOD
Business Editor

CUT-PRICE bus fares outside rush hours and hiring of buses at cost at weekends are among options being considered to improve passenger transport services in the Western Cape

The board of directors of Tollgate Holdings, the parent company of City Tramways, which operates bus services throughout the Peninsula, is due for a shake-up

New directors are expected to be appointed after a dynamic team of young businessmen bought a controlling stake in Tollgate this week

1 500 buses

They say they will appoint their own nominees to the board within the next two weeks

And to come under the spotlight will be the better use of the fleet of 1 500 buses, which lie idle except at peak commuting times

The team, headed by merchant banker Mr Ron Sherrell, includes Mr Christo Wiese, chairman of Pepgro and other companies, and Mr Johann Claasen, former chief of Volkskas Industrial Bank and a major shareholder of the Arwa clothing group

The Cape directors are Mr Mervyn Key, a lawyer, and Mr David McCay, a merchant banker and former Western Province cricketer.

Deregulation

Their vehicle is Duros Holdings, a former Cape furniture company, which they also acquired.

The group paid about R20-million to acquire a 30-percent block of Tollgate's shares from the Pavlovsky family

With deregulation of road transport becoming a reality, they see exciting opportunities ahead for Tollgate

See Business Section

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Govt moves on SAA monopoly

DAVID BRAUN
Political Correspondent

The Government is considering opening the country's major air routes to competition with South African Airways as a first step towards privatising the State airline

Transport Affairs Minister Mr Eli Louw this week gave the distinct impression that the Government was leaning towards privatising the R1,3 billion airline

According to public opinion, he said, SAA was undoubtedly the most acceptable candidate for privatisation.

He said: "On the one hand, the airline, as an undertaking, has established a successful record with its own culture.

"On the other hand, there are the aspects of entanglement with SA Transport Services, State involvement and competition in the domestic market which would have to be addressed first.

"I am at present affording attention to accomplishing a measure of competition in the domestic air transport market," he said

A spokesman for Mr Louw said no further details about the possible privatisation of SAA would be made available

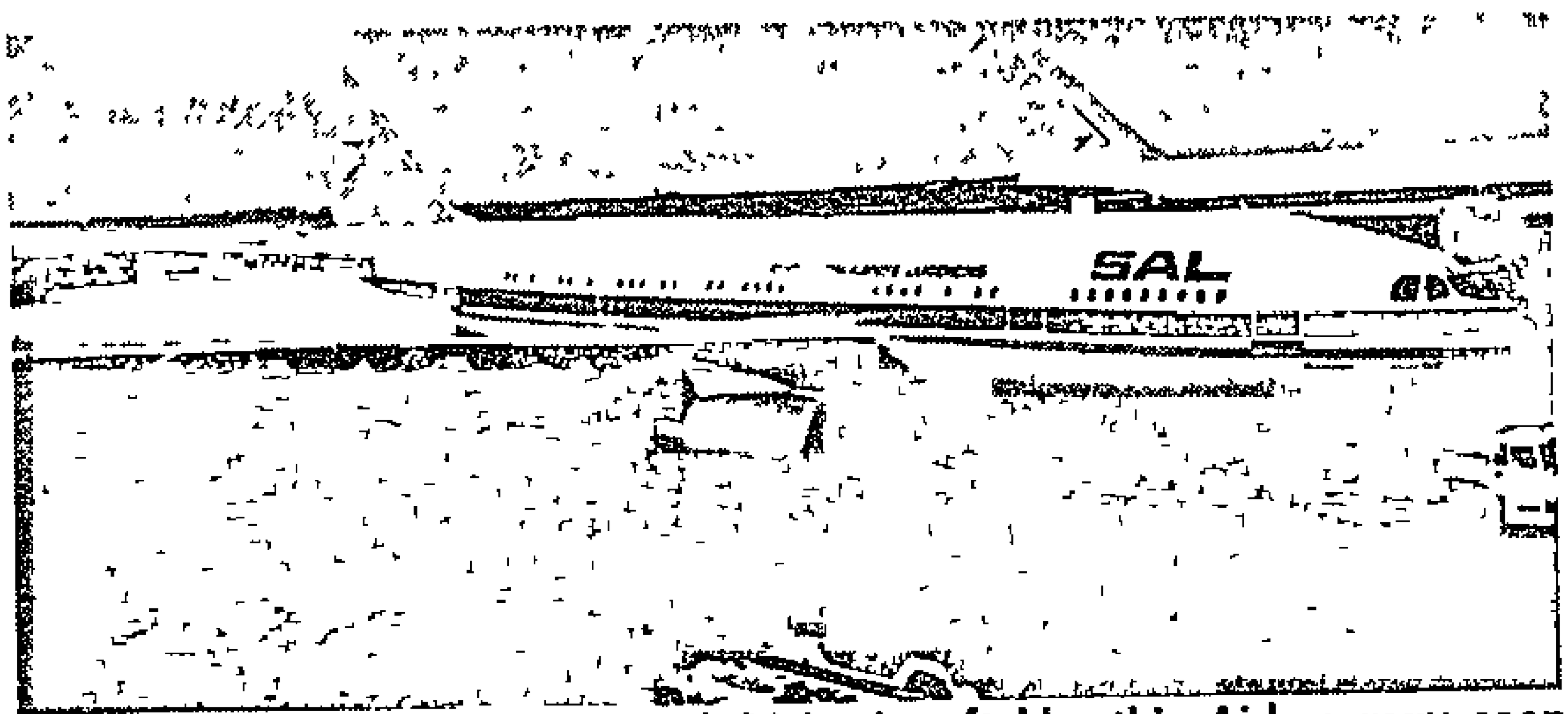
He pointed out that the Minister felt strongly there would be no point in privatising a Government monopoly so that it became a privately-owned monopoly.

An essential part of privatisation was to ensure that there was an element of competition

Although the spokesman would not speculate further, it is believed the Minister is in fact keen to open the country's major air routes to competition with SAA

● Mr Louw's spokesman said there would be no further details of the Government's plans to privatise Sats' R100 million bus passenger services for the time being

The Minister was keen to privatise this service as soon as practicably possible, he said, and details were still being worked out



CHANGES IN THE AIR? Internal SAA aircraft like this Airbus may soon be flying against competition.

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Toll roads under new fire from big guns

By Don Robertson

THREE employer organisations have again attacked the decision to privatise the major road routes between Johannesburg, Durban and Cape Town.

The Association of Chambers of Commerce and Industry of SA (Assocom), the Federated Chamber of Industry (FCI) and the Afrikaans Handelsinstituut (AHI), all members of the joint Transport Consultative Committee, say the inclusion of existing roads in any toll project should not be allowed

Pragmatic

When the privatisation of some road systems was agreed to a few months ago, the three organisations objected to the projects, insisting that at least part of the route between Johannesburg and Durban and between Johannesburg and Cape Town had been paid for by users through the levy on fuel

The AA, which initially opposed the privatisation of roads, has changed its mind, having become more "pragmatic" in its approach because it believes insufficient funds will be made available by the Government for the maintenance and construction of roads

It accepts that toll roads may be necessary

But Assocom, the FCI and the AHI query the promise by Tolcon, the group of road constructors which has won the contract to manage and upgrade the two routes, that the toll cost of a trip between Johannesburg and Durban will be R15 a car by the end of the year

They say the Tugela toll — from near Ladysmith to Frere and to be opened in the next few weeks — will be R6,50 a car The existing Mariannhill section, for which the charge is 50c a car, makes the cost R7 for a one-way trip The opening later this year of the Mooi River-Hilton section will add R15 to the cost of a car journey, making the total R22 for a single trip

Tolcon, which has as members Murray & Roberts (36%), Group Five (36%), Grinaker (18%), Keeve Steyn (5%) and Sanlam (5%), says that when the road is completed in 1996, the toll charge will be R30 a car in today's money

Resurfacing

Ron McLennan, chief executive of Tolcon, says existing roads should be used to build up assets, and "this is what we are doing"

Under Tolcon's agreement with the State, the company is required to resurface the entire toll-road system every eight years

Mr McLennan says finance for the project could be as much as R1-billion, which will be raised in several ways, including short- and long-term loans and possibly debenture issues

"We have had considerable interest from financial institutions and banks and see no problem in raising the funds," he says

But the success of the project depends on the growth in traffic on the routes which, by world standards, is well below a profitable limit

"The project is exposed to considerable risk on capital cost of construction in a country with endemic inflation and subject to a variety of economic pressures from outside"

JSE listing

Tolcon is required to seek a JSE listing within 10 years and the State will have a 25% shareholding or option to buy it at the time of listing

The first section of the R800-million toll road between Alberton and Hilton Road north of Maritzburg will be open before the July holidays The completed section will cover 303km, including a the new De Beer's pass through the Drakensburg, and 135km will be rehabilitated and upgraded

The first section of the existing road to be incorporated in the toll system is north of Maritzburg, from the Umgeni River near Cedara to Frere, north of Mooi River Work has started on the 90km project which will cost R62-million

A 53km stretch of road between Frere and Keeversfontein, below Van Reenen's pass, is nearing completion at a cost of R120-million

To cover the estimated expenditure of R1-billion, Tolcon will have to charge sufficient levies on the various tolls to cover the interest rate on loans, redemption, maintenance, operation of the pool plazas and road improvements

Funding needs

On the Cape route, a 52km section of the N1 between Koppies and Kroonstad is scheduled for completion in June at a cost of R100-million.

The three employer organisations and the AA, however, say they are concerned that alternative routes which are required in any toll road project, will not be properly maintained

In discussions with the Department of Transport, the AA has been told that the maintenance of the alternative routes will be the responsibility of provincial and local authorities, which in turn will have to rely on funds from the National Road Fund

These allocations have been insufficient in the past and it is estimated that at least R60-million would have to be spent on upgrading the road system to meet current requirements

NEWS FOCUS

IDC set to lead privatisation

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B/Day 29/2/88

Government's plans for privatisation have put the spotlight squarely on the Industrial Development Corporation, which seems ideally placed to lead the venture. MICK COLLINS looks at the possibilities

WHEN a parastatal conglomerate with industrial holdings of more than R3bn decides to stop being parental and disburse its holdings, the implications are immense

But cutting the apron strings that stretch back to 1940 is not too painful for the Industrial Development Corporation (IDC), which in the past has allowed some of its fledging industries to leave the nest

Over the past 15 years it has relinquished about R280m worth of controlling interests in various concerns, excluding Sasol and the SWA Water and Electricity Corporation

But now with the doors fully open at the new-look IDC — long thought of as a shadowy organisation with vested interests in strategic industries — one is given a glimpse of a solid body working for the good of SA industry.

Government's latest pronouncements on privatisation have put the spotlight squarely on the IDC and have launched it into the helter-skelter of corporate, high profile public affairs.

With its control of Alusaf, Foskor, Atlantis Diesel Engines (ADE) and Sapokoe — and further interests in Sasol and the Mossel Bay oil-from-gas project — the IDC is ideally placed to lead SA's privatisation venture.

'Nowhere near'

Discussing each of the corporation's holdings, IDC CE Koos van Rooy sees the privatisation of Foskor — identified by State President P W Botha as a front-runner — as being at least two years away

"It is not appropriate yet. It is nowhere near its profit potential. To sell it off at this stage would be selling it below its asset value." Van Rooy's comments make sense in the light of the disastrous conditions prevailing on the fertilizer market

"Perhaps it is now bottoming out, but even the international market is in the doldrums. I'd say about two years down the track and we will be ready to privatise Foskor."

As regards a listing, nothing has been finally decided, he says. It could even be a Sasol-type exercise "But then again, instead of holding a certain parity we could pass the entire shareholding to the private sector. We still have to make recommendations."

Announcing that the IDC's giant aluminium smelting operation at Richards Bay, Alusaf, was "ripe" for privatisation, Van Rooy admits that what form this will take is also uncertain. "We invited certain parties

□ VAN ROOY . . . Alusaf "ripe" for privatisation

to submit bids. We will now wait to see what form the offers take. There could even be a merger on the horizon."

On ADE and Sapekoe, Van Rooy is very long-term. "Neither is yet anywhere near ready. ADE has been through some traumatic times with the slump in the truck manufacturing industry, while with Sapokoe it will be some time before many of the tea estates attain full production and start to yield an acceptable return on investment."

Formed in 1940, the IDC was established as an ordinary private company and is subject to taxation like any other private sector company in SA

The share capital was divided into two classes, both of which have been held by the State since the formation of the IDC The Act provides that the A-shares will always be held by the State and will have a veto right to ensure State control. However, provision was made for the B-shares to be sold to the public when this was considered practicable.

Although the IDC has been successful and has built up an impressive profit history, the B-shares have not been sold to the public "because of the negative impact this could have had on its development role With private sector shareholders, a conflict would inevitably develop between profit optimisation and the development function".

This has, until now, never been considered advisable in an economy where the need for on-going industrial development remained strong. But Van Rooy foresaw changes as long as two years ago. "Our decisions, after months of soul-searching, have been driven by economic realities. These have been borne out by the State President's recent announcements."

The corporation came into being through promulgation of the Industrial Development Act No 22 of 1940 with the purpose of promoting industrial development in SA on sound business principles.

The Industrial and Agricultural Requirements Commission, under the chairmanship of the late Dr H J van Eck, was established in 1939 to identify and eliminate bottlenecks in the supply of industrial and agricultural goods in the economy at the time when SA was being cut off from its normal sources of supply because of the Second World War.

The Van Eck Report pointed out the high proportion of imports at a time of severe unemployment and the long-term need to establish industries to replace the eventual phasing-out of the gold mines. The report identified the lack of medium to long-term investment capital for local industries and came to the conclusion that it was of the "utmost urgency" that the establishment of local industry should be encouraged.

Together with Iscor chairman Dr Van der Bijl, Van Eck approached the Cabinet with a proposal and this resulted in the formation of the IDC, which would provide risk capital for the establishment, expansion and modernisation of industrial undertakings

The IDC started with a handful of employees and an initial capital of R10m. Up until 1983 the IDC has received a total of R924m in new capital from the State, but it has been self-funding since and has paid dividends to government of R519m. To date it has also paid nearly R300m in tax on profits.

The corporation is controlled by a board of directors comprising nine members — five appointed by the State President as the A shareholders and four by the Cabinet as the B shareholders. Directors may not be politicians and are chosen from members of private sector business.

The board operates independently of the State Although the IDC employs relatively few people — 360 — it controls assets of R3bn.

Its primary role is to supply finances for projects initiated by others, but it also undertakes industrial projects at government's request — as witnessed by its involvement in Mossgas, Foskor, ADE and Sapekoe.

Of the 1,3-million people employed in the manufacturing industry, the IDC has been associated with projects responsible for the creation of an estimated 250 000 jobs, or 20% of the total. When privatisation finally arrives it will put the private sector on probation and test its mettle to match the previous performance put up by the IDC.

Suter to sell out

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Star 1/3/88

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The Star Bureau

LONDON — The UK industrial conglomerate, Suter, is to sell three South African operations which it acquired last year through Mitchell Cotts, the engineering and trading company.

The disposal of the businesses in pumps, transport equipment and motor dealing, is for £5 million of which £4,4 million will be used to reduce local borrowings in South Africa. The book value of the companies is more than £1,3 million below their sale price.

Suter had been planning the sales for some time as part of its tidying up of Mitchell.

Sowetan 1/3/88

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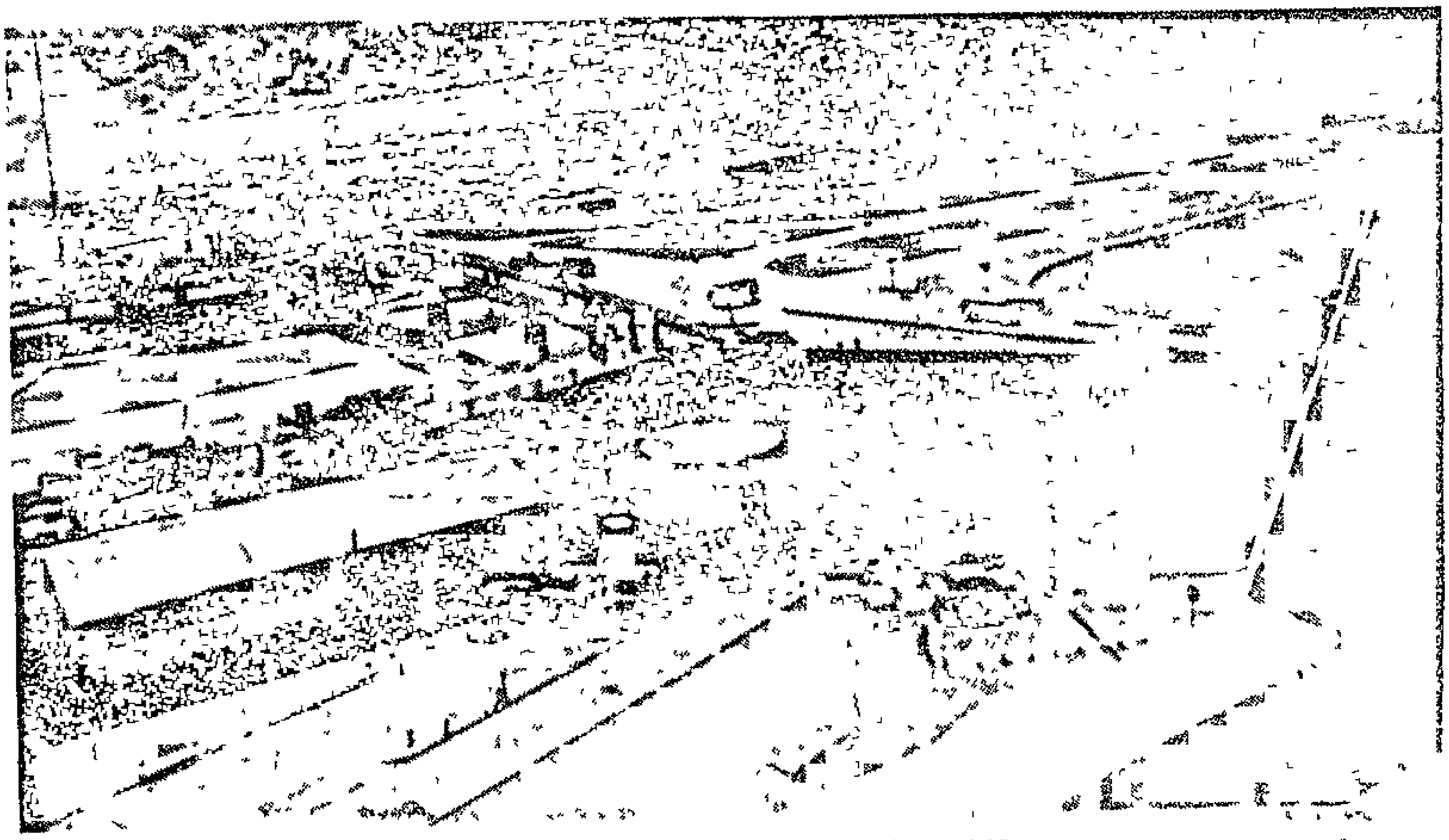
PLAN TO SELL GOVT HOSPITALS

By JOSHUA RABOROKO

THE Government is to investigate the possibility of privatising health services by selling hospitals, including Soweto's Baragwanath Hospital

The Transvaal Provincial Administration's MEC in charge of hospital services, Mr Daan Kirstein, yesterday said although the privatisation of health services was in the pipeline, it would be impossible to privatise hospitals such as Baragwanath



BARAGWANATH Hospital . . . to be sold?

Panic

He said some public hospitals could be sold, but prospective buyers were unlikely to be able to afford to run them.

He said, for instance, it cost the Government R100-million a year to run Baragwanath, yet the hospital made only R5-million a year

Dr Kirstein would not say which hospitals might be sold. He feared patients and staff might panic.

Plans to privatise the hospital services were announced last month by the Minister of National Health and Population Development, Mr Willie van Niekerk

However, plans to sell these facilities seemed to be failing as nobody had yet approached the Government, probably because of the high costs involved, Government sources said

Afford

Mr Kirstein said the Government had started an investigation recommended by Mr Wim de Villiers, the man behind the Government's plans to privatise parastals, such as the South African Transport Services and Escom

He said nobody could afford to buy the State's hospitals which were heavily subsidised by the Government

KwaZulu project will get priority

232 B/day

CAPE TOWN — Funds raised from the privatisation of state assets would be used to improve the quality of life of urban blacks in Natal and KwaZulu, Education and Development Aid Minister Gerrit Viljoen said yesterday.

The project — the result of recommendations by the KwaZulu-Natal Planning Council — will involve expenditure of R1,12bn over a period of five years to improve existing facilities and develop new ones in the Durban, Pinetown and Maritzburg metropolitan areas.

Viljoen said Finance Minister Barend du Plessis had agreed to give priority status to the project, which will provide about 57 600 additional housing sites in KwaZulu and 25 800 sites on SA Development Trust land.

Viljoen said the projects would include economic housing schemes for those who could afford them.

The expenditure of R1,12bn includes R486m for the upgrading of existing infrastructural and community facilities and R638m for the development of new areas. — Sapa

1/3/88

Strong growth in S Atlant earnings

Star 2/3/88 (232)

By Ann Crotty

Increased turnover, improved margins and lower interest payments contributed to South Atlantic, the Anglovaal group's industrial investment company, boosting earnings by 78 percent to 155c a share for the six months to end-December.

During the year turnover from the company — the main investments of which are in food producers — was up by only 8 percent from R499 million to R539 million. A sharp improvement in margins, from 6,3 percent to 8,4 percent, saw operating profit up 44 percent to R45 million. A 49 percent increase in income from investments and a 37 percent reduction in interest payments boosted the improvement at the taxed profit level to 71 percent, equivalent to R26 million.

An increased contribution from associated companies and a proportionally lower share of profit attributable to outside shareholders took the increase in attributable earnings up to R19,5 million which was 78 percent ahead of the previous interim's R10,9 million.

At the half-way stage the balance sheet shows a R10,4 million increase in long-term borrowings to R45,9 million. At R156 million, there has been little change in level of current liabilities. But their composition has changed with a R20,5 million increase in "other" liabilities and a R20 million reduction in interest-bearing liabilities

Net asset value is up 21 percent to R14,39 a share compared with a current market price of R23.

Analysing the earnings performance, the directors note that Irvin & Johnson continued its profit growth record with margins restored to historically acceptable levels. "Increased operating profit and contributions from associated companies resulted in higher earnings for Globe Engineering Works TW Beckett achieved a slight increase in profitability and maintained or strengthened its share of served markets"

South Atlantic sold its wholly-owned subsidiary, Cerebos Foods, to Avbak which is also in the Anglovaal stable, for R9 million cash. The directors note that in its present form Cerebos was not realising a reasonable return while in Avbak it will be placed where its potential should be fully realised.

Looking to the full year performance it seems that while earnings are forecast to be ahead of financial 1987 the rate of growth in the second half is not expected to match that of the first half.

'Performance exceeds expectations'

Liberty Life group's inflow tops R1-bn

Cape Times 2/3/88

232

By LAWRENCE TOTHILL
Investment Editor

THE Liberty Life group's new business inflow, including investment into Guardbank Management Corporation's range of unit trusts, rose by 54% in 1987, topping the R1-bn mark for the first time

This announcement follows only a few days after the slightly angry-sounding chairman Donald Gordon said he was abandoning the "low profile" approach and telling all regarding the Liberty group's overseas investments

New business

In a statement released yesterday the group says its total new insurance business written last year rose by 46% to R805m.

The GuardBank Mutual Funds, boosed by the launch of two new funds in the year, enjoyed a 98% improvement in new cash investment inflow, representing new business of 217m

The new business total for life insurance incorporates The Prudential figures for the first time, following last year's acquisition of the company by Liberty Life

The group also achieved success in attracting new individual recurring premiums, posting a 54% increase to R144m, the statement says

Liberty Life notched up a 56% increase in single premium business to R627m with a 264% improvement in individual single premium business to R211m and an 82% increase in annuity business to R152m

Gordon commented "The performance of the enlarged group in the first year after The Prudential merger exceeded our most optimistic expectations and we expect further rapid expansion in 1988"

Latest results

These latest results entrench Liberty as the third largest life assurer in the country — Old Mutual and Sanlam are well ahead on premium income levels

With, however, the disclosures of the other day that half of Liberty's assets are "offshore" the company takes on a new role As with Rembrandt, it could be viewed as being a hedge stock against the devaluations of the rand which are almost certain unless there is a dramatic rise in the gold price or an equally dramatic fall in the inflation rate

Hansard

dards was handed over to the Cotton Board with effect from 1 November 1987

(bb) The grading of butter and cheese was discontinued with effect from 1 January 1987 and is at present being undertaken by the industry

(ii) (aa) R1 093 000

(bb) 38

(b) Various activities are at present being investigated with a view to privatization The findings will determine if activities can be privatized during 1988

(i) Falls away

(ii) Falls away

Religious objectors: alternative service

353 Prof N J J OLIVIER asked the Minister of Manpower

(1) Whether any consideration is being given to allowing religious objectors to perform alternatives service in religious and community organizations if not why not if so (a) what specified changes are contemplated and (b) when will they be introduced

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

The MINISTER OF MANPOWER

(1) Yes

(a) Consideration is being given at present to the possibility of extending the categories of employers which are referred to in section 72E(4) of the Defence Act 1957

(b) and (2) after the negotiations which have to take place in this regard have been completed I shall in due course in consultation with my colleague the Minister of Defence make a statement on this matter

Department of Justice salary parity

358 Mr D J DALLING asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(1) In what categories has full parity been achieved in the salaries paid to officers of different race groups in the Department of Justice as at the latest specified date for which information is available,

(2) what is the total number of non-White officers in the said Department who enjoy full parity in salary,

(3) in what categories has full parity not been achieved in the salaries paid to officers of different race groups in that Department,

(4) what is the total number of non-White officers in that Department who do not enjoy full parity in salary,

(5) what progress has been made with the plan to eliminate disparity in salaries?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

Information as on 1 March 1988

(1) All categories

(2) 10 028

(3), (4) and (5) Fall away

Public Service: vacant posts

359 Mr R M BURROWS asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(a) How many posts were there in the Public Service as at the latest specified date for which figures are available (b) how many such posts were vacant as at that date and (c) what percentage of persons employed in the Public Service are not White?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

Information as on 30 September 1987

(a) 274 592

(b) 25 742

(c) 59%

State airports privatization

384 Mr D J N MALCOMESS asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

232

Hansard

Whether the Commission for Administration has completed its investigation into the possible privatization of State airports, if not, (a) why not and (b) when is it anticipated that it will be completed, if so, (i) when was it completed, (ii) what were the findings and (iii) what action is to be taken as a result of these findings?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

No investigation into the privatization of State airports was or is being undertaken by the Commission for Administration

(a) Falls away

(b) Falls away

(i) (ii) and (iii) Fall away

Immigrants/emigrants

460 Mr P G SOAL asked the Minister of Home Affairs

How many (a) Whites, (b) Coloureds (c) Blacks and (d) Indians (i) immigrated to and (ii) emigrated from the Republic in 1987?

The MINISTER OF HOME AFFAIRS

	(a)	(b)	(c)	(d)
(i)	7 459	146	77	75
(ii)	10 033	651	163	318

Unemployed persons

497 Mr P G SOAL asked the Minister of Home Affairs

(a) How many Black persons were unemployed as at the date of the latest current population survey and (b) what is the date of this survey?

The MINISTER OF HOME AFFAIRS

(a) 922 000

(b) November 1987

Own Affairs

High/primary schools: computers

30 Mr R M BURROWS asked the Minister of Education and Culture

Whether with reference to his reply to Question No 5 on 8 September 1987 a decision has as yet been reached on the supply of computers to and maintenance of computers in all high and primary schools falling under his control if not why not, if so (a) what decision has been reached and (b) what time-table regarding supply has been set?

The MINISTER OF EDUCATION AND CULTURE

(a) and (b) The Directorate of Education Technology is at present finalizing a system for lending educational computer software to schools This service will be in operation by June 1988

The provision of education computer hardware is being handled by the provincial education departments within the limits of the funds that are available A working committee for computers in education is coordinating efforts in this regard

Medical schools applications for admission

33 Dr M S BARNARD asked the Minister of Education and Culture

How many applications by students in each race group for admission to the first-year course were (a) received and (b) accepted in 1987 at each medical school falling under his Department?

The MINISTER OF EDUCATION AND CULTURE

(a) Applications received

University	White	Coloured	Indian	Black	Other	Total
Orange Free State	524	11	—	4	—	539
Witwatersrand	727	59	357	236	—	1 459
Pretoria	779	—	—	—	—	779
Stellenbosch	711	165	17	1	—	894
Cape Town	634	125	356	291	—	406
Natal	—	49	601	229	—	979

would be an expensive undertaking in terms of manpower and costs, which cannot be considered justified

(iii) Shooting incident	22
Assault	40
Theft	3
Malicious damage to property	4
Indecent assault	1
Unlawful arrest	20
Attachment of property	7

(b) No

(3) Yes as on 31 December 1987

(a) 18

(b) 1—Case withdrawn
16—Claims prescribed
1—Settled

NOTE These figures will not be supplied in future as they may be abused for propaganda ~~purposes~~.

Automatic South African citizenship

260 Mr S S VAN DER MERWE asked the Minister of Home Affairs

(1) How many (a) males and (b) females have been granted automatic South African citizenship in terms of section 11A of the South African Citizenship Act No 44 of 1949 since the enactment of this section

(2) whether any persons who qualified for South African citizenship in terms of this legislation have made declarations stating that they did not wish to become citizens if so how many (a) males and (b) females have made these declarations since the enactment of this section

(3) whether any action has been taken in respect of the permanent residence status of persons who have made these declarations if so (a) what action (b) in how many cases and (c) why?

The MINISTER OF HOME AFFAIRS

(1) (a) and (b) 71 206 persons have automatically acquired South African citizenship Separate statistics for males and females are not kept

(2) (a) and (b) Yes 1 440 persons have made declarations not to become South African citizens Separate statistics for males and females are not kept

(3) Yes

(a) The persons concerned were advised that they are deemed to be aliens who, for the purposes of the Aliens Act, 1937 (Act 1 of 1937), are not in possession of permits for permanent or temporary residence They were requested to apply for temporary permits to legalise their residence in the Republic of South Africa

(b) 1 440

(c) To enable them to legalise their stay in the Republic of South Africa

~~Deportations/repatriations~~

265 Mr S S VAN DER MERWE asked the Minister of Home Affairs

(a) How many persons in each population group were deported and/or repatriated from the Republic in 1987 in terms of the Admission of Persons to the Republic Regulation Act, No 59 of 1972 and (b) (i) in terms of what provisions of the said Act and (ii) to which states were they so (aa) deported and (bb) repatriated?

The MINISTER OF HOME AFFAIRS

(a) Deportations

Whites—15
Blacks—140

Repatriations

37 423 Statistics are not being kept according to population groups

(b) (i) —154 were deported in terms of section 43 and one in terms of section 45

—37 423 were repatriated in terms of section 16

(ii) (aa) Whites

United Kingdom	— 9
Portugal	— [illegible]
Germany	— [illegible]
Zimbabwe	— [illegible]

Blacks

Lesotho	— 23
Transkei	— 73
Mozambique	— 10
Zimbabwe	— 5
Swaziland	— 3
Ciskei	— 7
Botswana	— 2
Bophuthatswana	— 5
Venda	— 2

(bb)

Zimbabwe	— 3 124
Mozambique	— 26 870
Botswana	— 2 669
Swaziland	— 1 349
Malawi	— 99
Zambia	— 1
Tanzania	— 1
Zaïre	— 1
Gambia	— 1
Lesotho	— 3 308

Citizens of independent states: dual citizenship

267 Mr S S VAN DER MERWE asked the Minister of Home Affairs

Whether the South African Government has received any requests from the governments of independent Black states to grant dual citizenship to citizens of such states who are permanently resident in the Republic if so (a) from which such governments (b) when and (c) what was the response to each request?

The MINISTER OF HOME AFFAIRS

No

~~(a), (b) and (c) Fall away~~

Visas/permits of non-South African citizens withdrawn/cancelled

268 Mr S S VAN DER MERWE asked the Minister of Home Affairs

Whether any visas or permits issued to non-South African citizens to visit the Republic for holiday business or other purposes were withdrawn or cancelled in 1986 and 1987 if so (a) in respect of how many persons in each such year (b) for what purpose has a visa or permit been issued to each of these persons to visit the Republic (c) (i) on what date and (ii) why was each of these visas or permits withdrawn or cancelled and (d) who took the decision in each case?

The MINISTER OF HOME AFFAIRS

Yes

(a) 1986—1 person
1987—4 persons

(b) Three visas have been issued for holiday purposes and two permits for employment

(c) (i) One visa was withdrawn on 6 March 1987 and two on 10 February 1987 The two temporary residence permits were withdrawn on 6 May 1987

(ii) The visas were withdrawn due to false information furnished in respect of occupations and purpose of visits The reason for the withdrawal of the temporary residence permits is set out in the accompanying copy of a media release of 6 May 1987 by the Director-General Home Affairs

(d) The Minister of Home Affairs

Media release by Mr Gerrie van Zyl Director General of Home Affairs

The Minister of Home Affairs has today withdrawn the work permits of Mr Richard Carleton and Miss Jennifer Ainge of the Australian Broadcasting Corporation and they have been requested to leave South Africa before 24h00 on 6 May 1987

This step was taken on account of reports containing gross untruths about South Africa which they wanted to send to Australia

Privatization

307 Mr J J WALSH asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

Whether any activities previously or currently undertaken by the State were privatized in 1987 or are planned to be privatized in 1988 if not, why not if so in respect of those activities (a) already privatized and (b) planned to be privatized (i) what undertakings are involved and (ii) what is the estimated saving in (aa) State expenditure and (bb) manpower employed by the State?

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The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

(a) Two activities were privatized during 1987

(i) (aa) The regulating of cotton standards was handed over to the Cotton Board with effect from 1 November 1987

(bb) The grading of butter and cheese was discontinued with effect from 1 January 1987 and is at present being undertaken by the industry

(ii) (aa) R1 093 000

(bb) 38

(b) Various activities are at present being investigated with a view to privatization The findings will determine if activities can be privatized during 1988

(i) Falls away

(ii) Falls away

Religious objectors. alternative service

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(1) Whether any consideration is being given to allowing religious objectors to perform alternatives service in religious and community organizations if not why not if so (a) what specified changes are contemplated and (b) when will they be introduced

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

The MINISTER OF MANPOWER

(1) Yes

(a) Consideration is being given at present to the possibility of extending the categories of employers which are referred to in section 72E(4) of the Defence Act 1957

(b) and (2) after the negotiations which have to take place in this regard have been completed I shall in due course in consultation with my colleague the Minister of Defence make a statement on this matter

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Information as on 1 March 1988

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No investigation into the privatization of State airports was or is being undertaken by the Commission for Administration

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Immigrants/emigrants

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How many (a) Whites (b) Coloureds (c) Blacks and (d) Indians (i) immigrated to and (ii) emigrated from the Republic in 1987?

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Unemployed persons

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(a) How many Black persons were unemployed as at the date of the latest current population survey and (b) what is the date of this survey?

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(b) November 1987

Own Affairs

High/primary schools computers

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Whether with reference to his reply to Question No 5 on 8 September 1987, a decision has as yet been reached on the supply of computers to and maintenance of computers in all high and primary schools falling under his control, if not why not, if so, (a) what decision has been reached and (b) what time-table regarding supply has been set?

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(a) and (b) The Directorate of Education Technology is at present finalizing a system for lending educational computer software to schools This service will be in operation by June 1988

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Medical schools' applications for admission

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The MINISTER OF EDUCATION AND CULTURE

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Pretoria	779	—	—	—	—	779
Stellenbosch	711	165	17	1	—	894
Cape Town	634	125	356	291	—	1 406
Natal	—	49	601	329	—	979

PFP tells Govt that Sats pensions are too generous

Star 3/3/88

(209) (232)

The "whole pension affair" was going to bedevil the privatisation of South African Transport Services (Sats) because the private sector would not be able to afford the sort of pension liability Sats had created with its overly generous pension fund, said **Progressive Federal Party Sats spokesman Mr John Malcomess.**

Speaking in the House of Assembly yesterday during the second reading debate on the Sats Appropriation Bill, Mr Malcomess warned Transport Minister Mr Eli Louw that the sooner the pension fund was brought into line with private sector pensions, the better

"The whole pension affair is going to bedevil the privatisation effort," said Mr Malcomess.

He said in 1987/1988 Sats staff would pay R194 million in pension contributions. However, Sats would pay out R289 million to members and R292 million in social responsibility to past members.

CURRENT REVENUE

"That means out of the current revenue in the current year, R581 million has to be found,' said Mr Malcomess.

Mr Louw was also "pulling the wool over the eyes of the public" in saying that Sats had an estimated loss of R126 million

The R138 million profit from the Helderberg insurance had been transferred into a special account and not counted into the Sats profits, said Mr Malcomess

He said foreign exchange losses of R575 million were written off during the year.

This amounted to the massive sum of R1 415 million, which Sats users had to pay in fares

Mr Malcomess suggested a small panel of financial experts investigate the "strange accounting methods" used by Sats

He also suggested the appointment of an advisory board to oversee the privatisation of Sats

The "sheer size" of a number of Sats operations severely limited potential markets.

"Sold in sections by tender or by public subscription it could be handled more effectively and faster," said Mr Malcomess.

Official Opposition nominated member Mr Clive Derby Lewis said privatisation of a profitable organisation like SAA meant "giving to the money bags' in the private sector.

He said SAA had shown a profit over the last year of about 7 percent, which was remarkable when compared to the average of 3 perent achieved by airlines in the United States. — Sapa.

PARLIA

Malcomess has doubts on Sats' privatisation

B/day 232 3/3/88

HOUSE OF ASSEMBLY — By the time Sats new GM A T Moolman retired, it was hoped that SAA and the entire road-transport section of Sats would be completely privatised, John Malcomess (PFP Port Elizabeth Central) said yesterday.

Before moving an amendment declining the second reading of the Transport Services Appropriation Bill, Malcomess said that the degree of the new general manager's success would be measured by the extent to which he reduced the size of the Sats.

He hoped that SAA would have competition on domestic routes and that the oil pipeline would at least have become a public utility company by the time Moolman retired.

Sats could and should be leading the way in privatisation, but unfortunately was not.

He doubted, and was not satisfied that, senior management and staff of Sats would "move adaquately" in the drive for privatisation, because the sheer size of certain operations within the Sats severely limited the possible market

"Sold in sections by tender or by public subscription, it could be handled more effectively and faster"

Malcomess said he did not believe that Transport Minister Eli Louw was capable of properly overseeing the move to privatisation, or that any one person could do it

The minister should appoint an advisory board, which should include private sector people, to assist him he said. — Sapa

232 B/day 3/3/88

Boom 'will follow privatisation'

IF THE decision to privatise certain State activities is implemented, growth of the data communications industry "will be really spectacular" Speaking at a celebration to mark the fifth anniversary of the formation of Lonnet, MD Tony Webster, said "As an example, it is our view that Beltel could be a full-blooded success if the Post Office agreed to input the country's telephone directories into the system as a base line This is the scenario for which Lonnet is planning and preparing market strategies "

With booming sales of PCs, which are finding their way into all sectors of commerce, industry and administration, the need to share information by networking and linking with mainframe computers is growing, he said "This is where Lonnet will fit in and grow, keeping in touch with all the latest developments In the US there's a boom in infrastructure sharing and sophisticated hardware and software is being inter-connected by local and wide-area networks These developments promise a productivity surge in SA "

Jaqhold improves on EPS forecast

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By Ann Crotty Star 4/3/88

Jaqhold, the motor spares company which came to the DCM last year has reported better-than-forecast earnings of 9,8 cents per share for the financial year to end-December and a dividend of 3,3c a share has been declared — a cent more than forecast

Turnover was R10,5-million and income before interest and extraordinary items was R0,7-million Because the group has tax losses no tax was paid

The company discloses that it has reached agreement to dispose of Jaqmar Investments (Pty) and its subsidiary Jaqmar Motor Spares and Accessories (Pty) to Pretoria Engine Components for R3,5-million cash subject to approval by shareholders

The directors note that the disposal does not affect earnings or dividends for 1987 but it does increase tangible net asset value from 34,5 cents per share to 55,0 cents per share.

Star. 4/3/88

232

Bargaining system for civil servants in offing

A new system of collective bargaining for public servants would be ready for presentation to the Cabinet by the end of June, the **Minister entrusted with Administration and Broadcasting Services, Mr Alwyn Schlebusch**, said yesterday.

Responding to a debate on a private Member's motion thanking public servants for their service, he said State employees had for years been excluded from collective bargaining systems provided for in the Labour Act, due to the special nature of their work.

The Wiehahn Commission had recommended a number of years ago that civil servants' bargaining for better service conditions be brought within the ambit of the Labour Act, but the Government had not found this acceptable.

It had instead instructed the Commission for Administration to investigate the possibility of an "own" model for public servants.

Such a model had now been developed and presented to organised civil servants' bodies for comment.

"I hope it will result in a better collective bargaining machinery for the public service," he said.

It was also not quite correct to say State officials would not be increasing their earnings at all in the coming year, because there would be incremental adjustments, and increases as a result of promotions and professional differentiation adjustments.

Privatisation

On the question of privatisation plans and fears expressed by some members of the job security of civil servants who would be affected, the Minister said "We will not charge in without being aware of what we are doing."

The guidelines the Government had set out for itself made it absolutely clear that retrenchment of officials was only to be considered as "absolutely the last option"

The Progressive FederaL Party described the debate as all "mother love and apple pie"

And the official Opposition said the motion smacked of a guilty conscience.

Mr Roger Burrows (PFP, Pinetown) said more than half the civil service earned less than R10 000 a year and while the PFP accepted the wage freeze, the civil servants at the bottom of the salary scale would be hard hit.

South Africa needed a small, well-paid and effective civil service that was representative of all citizens

Mr Chris Jacobs (CP, Losberg) said the civil service was being forced to fight the battle against inflation alone. Reports this week had revealed that the private sector would be receiving its highest increases since 1982.

The motion to thank officials of the State for their "positive role in the administration of the country and planning the future of South Africa" was proposed by Mr Albert Nothnagel (NP, Innesdal)

He must have done this because of a guilty conscience, Mr Jacobs said

"How can you say thank you to them when you've frozen their salaries while the cost of living is going up?" — Sapa and Political Staff

Broadening corporate services base

Duros buys 30% of Samatco

CAPE TIMES 4/3/88 232

Financial Staff

HARD on the heels of their Tollgate Holdings deal, the investment group Duros has announced the acquisition of 30% of the total issued share capital of portfolio managers Samatco

Duros, which has rocketed into prominence since being taken over by a number of energetic young corporate finance executives in the middle of last year, was formerly associated with the furniture trade In its new guise, it offers a full range of corporate financial services

Agreement

Duros believes that the association with Samatco, with clients' funds in excess of R100m under its control, will further broaden the Duros base in the corporate and related services field

The deal, for a cash consideration of R900 000, is with effect from March 1 A further option for Duros to acquire an additional 21% of Samatco is part of the terms of the agreement

Duros director Murray Louw will join the board of Samatco, whose current MD and founder, Geoff Reich, will continue as CE

Samatco, which formerly operated predominantly on the Reef and Natal, has recently launched a Cape operation, under the managing directorship of Eddie Barlow, former Western Province cricket captain and springbok vice-captain

Division

Samatco's services are based on a technical computer system evolved specifically for the stock market, whereby every share on the JSE is rated, graphed, and compared to one and three-year highs and lows giving percentage volatility

The system was developed by Samatco's division which updates and controls the administration of the share rating guides and volatility analyses which are sold countrywide

Samatco handles the actual administration and management of all portfolios under its control

Call for ideas of business in privatisation

HOUSE OF ASSEMBLY — It was absolutely essential that the private sector be involved "to a very large extent" in the process of privatisation, Transport Minister Eli Louw said yesterday.

Replying to Second Reading debate on the Transport Budget he said it stood to reason that no minister could deal with the process by himself.

It would therefore be necessary to bring in private sector expertise.

Asked across the floor by PFP transport spokesman John Malcomess whether this had already been done, he replied it had.

Referring to the insurance payout on the Helderberg air disaster, Louw said the aircraft would be replaced and it was "just logical" that the R138m payout be earmarked to finance the replacement. It had therefore been decided to earmark the money for the Revenue Reserve Account.

He the actuarial evaluation of the Sats pension fund would be completed towards the end of this year.

Replying to points raised by Willie Snyman (CP Potgietersrus) he said the basic cause of Sats' inability to run train services at a profit was the fact that farmers had been permitted to organise their own transport instead of being forced to use Sats. — Sapa.

B/day 4/3/88.

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Waltons poised for a take-over

Star 5/3/88

TOM HOOD

CAPE TOWN — Waltons is again on the takeover trail — this time for a long-established company with a R120 million a year turnover

The stationery group disclosed yesterday it is "involved in negotiations" and that the market price of its shares and those of the holding company Walhold may be affected if the negotiations succeed.

Frank Robarts, chief executive, said he could not disclose the name of the company while negotiations were continuing, but its products were linked to Waltons' own

If the deal went ahead, it would be a major acquisition and financed through the company's own resources

Trading in the current year has been going "exceptionally well," he added. "It will be our tenth year on the stock exchange and a record year with all our associated companies out-performing budgets"

The Cape company has been active in takeovers — usually financed by its own cash resources — in the last few years and estimates it now has more than 50 percent of the stationery market Its capital base and earnings have soared more than fivefold in the past six years.

A major coup seven months ago was the acquisition of a a strategic stake in Lithosaver, a hi-tech printing company to safeguard supplies for the high-growth field of computer stationery

Duros gets major stake in Samatco

Star 3/3/88

(232)

(30)

CAPE TOWN — Hard on the heels of their Tollgate Holdings deal, the investment group Duros has announced the acquisition of 30 percent of the total issued share capital of portfolio managers Samatco.

Duros, which has rocketed into prominent since being taken over, by a number of energetic young corporate finance executives in the middle of last year, was formerly associated with the furniture trade. In its new guise, it offers a full range of corporate financial services.

Duros believes that the association with Samatco, with clients' funds in excess of R100 million under its control, will further broaden the Duros base in the corporate and related services field.

The deal is for R900 000 cash witha further option for Duros to acquire an additional 21 percent.

Duros director Murray Louw will join the board of Samatco, whose current MD and founder, Geoff Reich, will continue as CE.

Samatco's which formerly operated predominantly on the Reef and Natal, has recently launched a Cape operation, under the managing directorship of Eddie Barlow, former Western Province cricket captain and Springbok vice-captain.— Sapa.

CAPE TIMES 7/3/88 232

Kohler buys Sylko from Malbak

JOHANNESBURG. — Packaging giant Kohler has bought the Sylko Company, a leading manufacturer of giftwrap and household products.

Announcing the acquisition yesterday, Kohler said in a statement that it had acquired Sylko from its parent company, Malbak, and the purchase price would be settled by way of the issue of 900 000 Kohler shares.

At the current Kohler share price of 1 300c, this values Sylko at R11,7m.

Kohler's MD, Ian Willis, said the deal opened up exciting new marketing opportunities for his company.

"Currently, Kohler does not operate in this niche of the printed paper packaging market and Sylko is an acknowledged leader in its area of giftwrap and specialized household products. With Sylko, which has an annual turnover of some R40m, we have an established base to enter this fast-growing area of the consumer business," he said.

The deal is effective from September 1987 and it is expected that Sylko will make a meaningful contribution to Kohler's earnings — Sapa

...existing machinery, while ... Earnings per share amounted to 14,9c against
n, could not be relocated. 14c forecast

CAPE TIMES 7/3/88 232

Waltons buys Ozalid from disinvesting Dutch parent

Own Correspondent

JOHANNESBURG. — Waltons has acquired the office-equipment supplier Ozalid SA from its Dutch parent, which has decided to disinvest from SA — apparently because of political pressure.

About R50m was paid for Oce Van Grinten's 87% stake and for Old Mutual's 13% holding.

Waltons' shareholders were advised in a cautionary announcement on Friday that a deal was being negotiated and chairman Frank Robarts confirmed the details yesterday.

Oce Van Grinten's disinvestment follows the government security clampdown, and suggestions have been made that that measure was the last straw for the group, which operates world-wide and which has been under pressure for some time to relinquish its SA interests.

The acquisition of Ozalid — which manufactures and distributes drawing-office equipment, labels, markers and photo-copiers and which has an annual turnover of about R120m — will be paid for in cash by Waltons.

The funds would be raised through borrowings and though this would increase gearing, Robarts said yesterday that was not a matter of concern.

He said Waltons had been pursuing a takeover of Ozalid for about a year but had been unsuccessful until recently.

The company's activities complemented those of Waltons and, through its about 20 branches, serviced the same customer base.

It also gave the group an entré into "exciting" new areas in which it was not involved.

Robarts said an added attraction of Ozalid was the fact that it manufactured up to 90% of its goods and was not wholly dependent on imports.

D/D 7/3/88 (32) (232)

Road fund plundered says Durban chamber

DURBAN — The Durban Chamber of Commerce has slammed the privatisation of the N3 and said the move highlighted the plundering of the national road fund by the State Treasury over many years.

"Motorists and carriers have paid billions into the fund by way of fuel levies and licence fees, being under the mistaken impression that these contributions have been dedicated to extending, improving and maintaining the country's road network."

In a leading article in its weekly bulletin to members, the chamber said motorists had now been told that the cupboard was almost bare.

"The mice from the treasury having steadily cleared the shelves leaving only about 20 per cent of the garnered harvest to be used for the purpose for which it was collected."

Unfortunately, it said, the amount collected by way of the national road fund levy on fuel was a closely guarded secret, but it must be an enormous amount.

The chamber believed the cash had been diverted to other "pressing" needs.

"But the principle. . is wrong and the perpetual cry that the road fund cannot meet the demands placed upon it, underscores the chamber's long held belief that moneys collected to fund the country's highways should be used only for the purpose for which it was collected."

Had all the moneys collected for road funds been used for the purpose intended, would it now be necessary to privatise highways?

Internal Security Act. females detained

*3 Mrs H SUZMAN asked the Minister of Justice

How many females (a) were detained in 1987, and (b) were being detained as at the latest specified date for which information is available, in terms of section 31 of the Internal Security Act, No 74 of 1982?

†The MINISTER OF JUSTICE

(a) 12

(b) One on 29 February 1988

Education privatization

*4 Mr A GERBER asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services †

(1) Whether consideration is being given to privatizing facets of the provision of education in the Republic, if not, why not, if so, (a) what facets and (b) when are these facets expected to be privatized,

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

†The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

(1) Privatization possibilities can only be determined after an investigation in this regard had been undertaken No decision to undertake such an investigation has been taken

(a) and (b) Fall away

(2) No

Provision of education at State expense

*5 Mr A GERBER asked the Minister of National Education †

Whether consideration is being given to providing education in the Republic at State expense up to a certain level only if so, (a) up to what level and (b) when is this change expected to come into operation?

The MINISTER OF BUDGET AND WELFARE (for the Minister of National Education)

No, the State will continue to contribute to all levels of education excluding education provided by certain private institutions

Area between Marikana/Bleskop mine. Black town

*6 Mr A GERBER asked the Minister of Constitutional Development and Planning †

Whether it is proposed to establish a Black town in the area between Marikana and the Bleskop mine, if so, (a) when and (b) for what reasons?

†The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

No

(a) and (b) fall away

Telephone subscribers proof of being overcharged

*7 Mr C J DERBY-LEWIS asked the Minister of Communications

Whether telephone subscribers complaining to his Department of having been overcharged for services rendered, are required to prove that they have been overcharged, if so, (a) why and (b) what procedure does his Department follow to verify its own charges?

†The MINISTER OF COMMUNICATIONS

No

When the number of call units which appears on a telephone account is placed under enquiry, it is verified whether the meter reading has been correctly entered on the relative account If it is found to be in order but the debit is not in accordance with the subscriber s average call rate, a technical investigation is undertaken into the functioning of the meter, the line and associated equipment Where it is justified equipment which functions independently of the client's meter is also used to verify the accuracy of the meter If doubt exists as to the correctness of the number of call units, the client is normally given the benefit of the doubt

Foreign nationals: identity documents

*8 Mr C J DERBY-LEWIS asked the Minister of Home Affairs

What precautions are taken by his Department to ensure that foreign nationals are not issued with South African identity documents?

The MINISTER OF HOME AFFAIRS

In the laws administered by my department, *inter alia*, the Aliens Act, 1937 (Act 1 of 1937) and the Identification Act, 1986 (Act 72 of 1986), the term foreign national is not used If by "foreign national" is meant "alien" as defined in the Aliens Act, 1937, I wish to refer the hon member to sections 4 and 8 of the Identification Act, 1986, which *inter alia* govern the issuing of identity documents to aliens

Section 8 of the Identification Act, 1986 requires certain personal particulars of applicants to be included in identity documents Details of personal particulars furnished by the applicants are carefully scrutinised for authenticity and verified against Departmental records in order to prevent the issuing of documents to aliens not entitled thereto

Mr C J DERBY-LEWIS Mr Speaker, arising out of the reply of the hon the Minister, can he tell us what happens in a situation in which an orphan applies for an identity document and states that his previous identity document has been misplaced? How does his department then establish the origin of the person concerned?

The MINISTER Mr Speaker every case is dealt with in the light of its particular circumstances I suggest that the hon member discuss this issue when the Home Affairs Vote is under consideration

Whites/Blacks' conditions for citizenship

*9 Mr C J DERBY-LEWIS asked the Minister of Home Affairs

(1) Whether the conditions under which citizenship in the Republic of South Africa is granted to Whites and Blacks are the same if not what are the points of difference

(2) what conditions apply equally to Whites and Blacks?

†The MINISTER OF HOME AFFAIRS

(1) and (2) South African citizenship is regulated by three different Acts namely

the South African Citizenship Act, 1949 (Act 44 of 1949),

the Restoration of South African Citizenship Act 1986 (Act 73 of 1986), and

the National States Citizenship Act 1970 (Act 26 of 1970)

— The conditions of the South African Citizenship Act, 1949, apply equally to Black and White

— The Restoration of South African Citizenship Act, 1986, and The National States Citizenship Act, 1970, apply to Blacks only

Mmamatsuwe, Bophuthatswana financing of power station

*10 Mr C W EGLIN asked the Minister of Foreign Affairs

(1) Whether any funds appropriated by Parliament have been used to help to finance a power station at Mmamatsuwe in Bophuthatswana, if so (a) what total amount (b) when was it made available for this purpose, (c) on what basis was this money so made available and (d) who took the decision in this regard

(2) whether any Government Department or statutory body has provided any guarantee for any loan by the Government of Bophuthatswana in connection with this power station if so, (a) when, (b) what is the amount of the loan guaranteed and (c) what are the terms of the guarantee?

The DEPUTY MINISTER OF FOREIGN AFFAIRS

(1) and (2) No

Power station at Mmamatsuwe, Bophuthatswana link to Eskom power grid

*11 Mr C W EGLIN asked the Minister of Economic Affairs and Technology

Whether provision has been made for a power station at Mmamatsuwe in Bophuthatswana to be linked to the Eskom power grid if so, (a) when is this linking due to take place and (b) how much electric power is this power station due to feed into the grid?

†The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

No

(a) and (b) fall away

SATS. licence to act as clearing/forwarding agent

*12 Mr D J N MALCOMESS asked the Minister of Transport Affairs

Commuter traffic: subsidy to bus operators

381 Mr D J N MALCOMESS asked the Minister of Transport Affairs

What was the extent of the subsidy granted to bus operators in respect of commuter traffic in each of the four main metropolitan areas in the 1986-87 financial year?

The MINISTER OF TRANSPORT AFFAIRS

Pretoria Witwatersrand and Vaal Triangle metropolitan area	R135 642 823,08
Durban/Pietermaritzburg metropolitan area	R64 948 763,00
Cape Town metropolitan area	R28 319 399,22
Port Elizabeth/Uitenhage metropolitan area	R10 210 608,91

Pelagic fish landed

424 Mr R R HULLEY asked the Minister of Environment Affairs

How many tonnes of (a) anchovy and pilchard and (b) non-quota pelagic fish were landed during the 1987 fishing season or during the latest specified period of 12 months for which figures are available?

The MINISTER OF ENVIRONMENT AFFAIRS

During the 1987 fishing season

(a) 595 700 tonnes anchovy,

37 200 tonnes pilchards

(b) 38 800 tonnes non-quota species

Black spots removed

447 Mr P G SOAL asked the Minister of Education and Development Aid

(1) (a) How many Black spots had been removed in each (i) magisterial district and (ii) province since 1 January 1988 as at the latest specified date for which figures are available (b) what was the (i) name and (ii) population of each such Black spot and (c) where were the inhabitants of each spot resettled,

(2) what was the total (a) amount paid out in compensation for, and (b) cost of removing each of these Black spots during the above period?

The MINISTER OF EDUCATION AND DEVELOPMENT AID

(1)(a)(i) and (ii) No Black spots were resettled since 1 January 1988 up to date but the Department of Development Aid was requested by the Black community of Cornfields, District Estcourt, to render assistance to them with their moving to the Trust farm Boshoek in the District of Estcourt Cornfields is a portion of the farm Hattingh, District Estcourt, which is an isolated schedule Black area which doesn't fall within the same category as a *de facto* Black spot, that is to say, which is neither a released area nor a schedule area 32 families were resettled since 10 February 1988

(1)(b)(i)(ii) and (c) Fall away

(2)(a) and (b) Fall away

Pilchard/anchovy catch: percentage immature juveniles

452 Mr R R HULLEY asked the Minister of Environment Affairs

What estimated percentage of the catch of (a) pilchards and (b) anchovies in 1987 were immature juveniles?

The MINISTER OF ENVIRONMENT AFFAIRS

(a) 19 per cent by mass,

62 per cent by number

(b) 34 per cent by mass,

37 per cent by number

Central Energy Fund: total amount collected

454 Mr R R HULLEY asked the Minister of Economic Affairs and Technology

What total amount was collected on behalf of the Central Energy Fund in the 1987-88 financial year?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

The 1987-88 financial year of the Central Energy Fund ends on 31 March 1988 For the 10 months ending 31 January 1988 in respect of which information is available, the following amounts were collected on behalf of the Central Energy Fund

	R—Million
Levies received	487,8
Interest received	356,1
Dividends received	25,0
Total	868,9

Crude oil: landed rand cost per barrel

455 Mr R R HULLEY asked the Minister of Economic Affairs and Technology

(1) What was the average annual landed rand cost per barrel of crude oil in 1986,

(2) what was the (a) average quarterly landed rand cost per barrel of such oil in 1987 and (b) landed rand cost per barrel of oil as at the latest specified date for which information is available?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(1) R33,41 landed cost

(2) (a)

1st quarter	R37,48 landed cost
2nd quarter	R36 26 landed cost
3rd quarter	R39,16 landed cost
4th quarter	R43,00 landed cost

(b) R35 25 landed cost during January 1988

Middelburg by-pass road: progress

500 Mr P G SOAL asked the Minister of Transport Affairs

With reference to his reply to Question No 464 on 23 February 1987, (a) what progress has been made in respect of the Middelburg by-pass road, (b) when is it anticipated that it will be completed and (c) what total amount had been spent in respect of this road as at the latest specified date for which information is available?

The MINISTER OF TRANSPORT AFFAIRS

(a) The Middelburg by-pass up to Wonderfontein is being constructed in three phases The first section of the by-pass was completed and opened to traffic during 1986 The next two sections from the Rockdale interchange to the farm Elandsfontein and from Elandsfontein to Wonderfontein are in progress and reaching 65% completion

(b) The expected completion date of the latter two sections is the end of July 1988

(c) The expenditure on the completed section and two running contracts up to 19 February 1988 amounts to R44 211 791,14

Self-governing territories: shortage of housing

505 Mr P G SOAL asked the Minister of Education and Development Aid

(1) What was the estimated shortage of housing for Blacks in each self-governing territory at the end of 1987,

(2) how many houses were provided for Blacks in each self-governing territory by the South African Development Trust in 1987,

(3) when is it expected that the shortage will be eliminated in each self-governing territory?

The MINISTER OF EDUCATION AND DEVELOPMENT AID

(1) According to the most recent figures furnished by the self-governing territories the estimated shortage is

Lebowa	12 000
KaNgwane	15 000
KwaZulu	100 000
Gazankulu	2 578
Qwaqwa	17 000
KwaNdebele	5 000
Total	151 578

(2) None The South African Government has implemented self-build schemes within all the self-governing territories and no longer builds family housing units 24 234 serviced sites were, however, made available Furthermore the functions regarding housing and development of towns have been transferred to the self-governing territories who now have decision-making powers

(3) Unknow It is not possible to indicate when the shortage of houses will be eliminated Elimination of the shortage will depend on the availablity of funds

Applications for deregulation 232

556 Mr J J WALSH asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(a) How many applications for deregulation have been (i) received, (ii) investigated and (iii) granted in terms of the Temporary Removal of Restrictions on Economic Activities Act, No 87 of 1986, (b) in how many cases has deregulation taken placed and (c) in respect of what date is this information furnished?

The MINISTER IN THE STATE PRESIDENT'S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

(a) (i) 19

(ii) 19 of which 5 are not yet completed

(iii) 1

(b) 2

(c) 29 February 1988

Overseas visits

559 Mr P G SOAL asked the Deputy Minister of Information

(1) Whether he undertook any overseas visits in 1987, if so, (a) which countries were visited and (b) what was the purpose of each visit,

(2) whether he was accompanied by any representatives of the media on these visits, if so, (a) what were the names of the journalists involved, (b) which newspapers or radio or television networks did they represent, (c) to which countries did each of these persons accompany him and (d) why,

(3) whether any costs were incurred by the Bureau for Information as a result, if so, what total amount in that year?

The DEPUTY MINISTER OF INFORMATION

(1) No

(a) and (b) Fall away

(2) (a) (b) (c) and (d) Fall away

(3) Falls away

Overseas visits

561 Mr P G SOAL asked the State President

(1) Whether he undertook any overseas visits in 1987, if so, (a) which countries were visited and (b) what was the purpose of each visit,

(2) whether he was accompanied by any representatives of the media on these visits, if so, (a) what were the names of the journalists involved, (b) which newspapers or radio or television networks did they represent, (c) to which countries did each of these persons accompany him and (d) why,

(3) whether any costs were incurred by his Office as a result, if so, what total amount in that year?

The STATE PRESIDENT

(1) None

The rest falls away

Overseas visits

568 Mr P G SOAL asked the Minister of Environment Affairs

(1) Whether he or the Deputy Minister of Environment Affairs undertook any overseas visits in 1987, if so, (a) which countries were visited and (b) what was the purpose of each visit,

(2) whether he or this Deputy Minister was accompanied by any representatives of the media on these visits, if so, (a) what were the names of the journalists involved, (b) which newspapers or radio or television networks did they represent (c) to which countries did each of these persons accompany him or this Deputy Minister and (d) why,

(3) whether any costs were incurred by his Department as a result, if so, what total amount in that year?

The MINISTER OF ENVIRONMENT AFFAIRS

(1) No

(1) (a) and (b) Fall away

(2) (a) (b), (c) and (d) Fall away

(3) Falls away

Christmas cards sent out

592 Mr P G SOAL asked the Deputy Minister of Information

(1) Whether (a) he and/or (b) the Bureau for Information sent out Christmas cards in 1987, if so, (i) what total number of cards was printed, (ii) to whom were they sent, (iii) what was the total cost of producing and

distributing these cards, and (iv) who was responsible for printing them, in each case,

(2) whether postage stamps were used to send out these Christmas cards, if not how were they distributed?

The DEPUTY MINISTER OF INFORMATION

(1) (a) Yes

(b) Yes

(i) The total number of cards printed was 9 700

(ii) The cards were sent to contacts in various fields

(iii) The total printing cost was R5 990 (envelopes included)

(iv) Pretoria-Drukkers printed all the cards

(2) No postage stamps were used to send out the cards The cards were distributed officially

Christmas cards sent out

593 Mr P G SOAL asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(1) Whether (a) he and/or (b) his Department sent out Christmas cards in 1987, if so, (i) what total number of cards was printed, (ii) to whom were they sent, (iii) what was the total cost of producing and distributing these cards, and (iv) who was responsible for printing them in each case,

(2) whether postage stamps were used to send out these Christmas cards, if not, how were they distributed?

The MINISTER IN THE STATE PRESIDENT S OFFICE ENTRUSTED WITH ADMINISTRATION AND BROADCASTING SERVICES

(1) (a) Yes

(b) Yes

(i) 2 350

(ii) Members of Parliament, heads of department and other prominent persons in the private and public sectors

(iii) R3 775,28

(iv) Secretary, Commission for Administration

(2) No, as official mail

Own Affairs

Christmas cards sent out

52 Mr P G SOAL asked the Minister of Education and Culture

(1) Whether (a) he and/or (b) his Department sent out Christmas cards in 1987, if so, (i) what total number of cards was printed, (ii) to whom were they sent, (iii) what was the total cost of producing and distributing these cards, and (iv) who was responsible for printing them, in each case,

(2) whether postage stamps were used to send out these Christmas cards, if not, how were they distributed?

The MINISTER OF EDUCATION AND CULTURE

(1) (a) and (b) yes,

	(1)(i) no of cards	(1)(iii) cost	(1)(iv) printer
Minister and Head Office	1 500	R1 833,00	the State Printer

(Of this quantity 1 000 is available for later use)

Cape	200	R32 20	the education technology section
Natal	*	*	*
OFS	100	R92,00	Bloemfontein Process Engraving (Pty) Ltd
Transvaal	100	R8,50	the reprographic section

(1) (ii) the cards were sent to people as determined by the Minister, the Superintendent General and the respective Directors of Education,

(2) OFS yes, Head Office, Cape, Natal and Transvaal no, the cards were distributed officially

* Natal did not print special cards The remainder of the 1986 stock was used

Sowetan 8/3/88

(232)

Fighting backlog

THE State was looking increasingly to the private sector to build housing for non-whites, while it limited itself to residential development infrastructure, Mr Kent Durr, the Deputy Minister of Finance, said yesterday.

Addressing the Institute of Estate Agents of South Africa in Franschhoek, near Cape Town, Mr Durr said community involvement through self-help schemes should be encouraged.

The role of the private sector was of "cardinal importance" in township development.

However, the Government was also spending increasing amounts on serviced plots where people could establish themselves — a matter receiving "urgent attention"

"We undeniably have a great housing shortage in this country . rationalisation in the building industry and its suppliers is thus of the utmost importance."

He said no barriers should be put in the way of innovative building systems, the use of new materials and even modern derivatives of traditional ways of building.

Louis goes into privatisation business

8/3/88 BDay

HELOISE HENNING

FORMER Deputy Information Minister Louis Nel has launched a management consultancy to liaise between government and private sector on issues such as privatisation and decentralisation.

He stressed he was not becoming a "lobbyist" in the American sense of the word However, his 17 years in Parliament had given him "a deep understanding of government policy and procedures as it relates to the private sector"

Nel said he had established there was no other consultancy that specialised in advice on financial rand investments, decentralisation incentives and import and export control

Nel, who returned as advocate to the bar after he resigned as MP before the election held in the House of Assembly last year, said he handled several requests by clients, especially overseas investors, wanting an interpretation of regulations and who needed liaison with various government departments

An issue like decentralisation would involve liaison with government departments as diverse as the Department of Transport and the Department of Education and Training regarding incentives

His consultancy would also give advice on the rights of importers and exporters under the control of trade

Two PO privatisation elements announced

DID 8/3/88

232

Political Correspondent

CAPE TOWN — Two important new elements of the post office's privatisation and deregulation programme were announced in parliament yesterday by the Minister of Posts and Telecommunications, Mr Stoffel Botha

He said the private sector would in future be permitted to provide and maintain the extension-line cabling and peripheral equipment terminated on private automatic branch exchanges

This would be in addition to the supply and maintenance of private automatic branch exchanges, which were transferred to the private sector some time ago

It had also been decided to deregulate the facsimile service to the extent of allowing the private sector to operate offices where they could undertake facsimile transmissions on behalf of the public

Mr Botha said the necessary amendments to the regulations would appear in the Government Gazette shortly

Mr Botha emphasised that the national interest would be paramount in going through the process of privatisation

In particular, the interests of investors in the savings bank and post office stock and bonds would be safeguarded, as well as those of local and foreign banks and financial institutions which had granted loans to the post office

He gave assurances that the status of stocks and loan issues made by the post office up to the time of privatisation would not change as a result of this process

Outlining the progress made in formulating a new operational strategy for the post office proposed by previous chairman of Gencor, Mr Wim de Villiers, Mr Botha said three phases of reform had been formulated

● The first entailed a reorganisation transforming the existing functional management into an organisation based on business units directed toward management by objectives, with appropriate information, procedural and control frameworks

A task force with the necessary assistance from the private sector and with the full co-operation of the staff was already investigating this reorganisation with a view to starting with the phasing-in of the new management, operating and financial systems during 1989/90

There was also the probability of dividing up the parastatals into separate unrelated undertakings

● The second phase consisted of the implementation of control structures. The philosophy of a board of control and management board similar to that introduced by Eskom was being investigated

● The third phase envisaged is amendments to legislation to provide for the creation of suitable profit-making and tax-paying undertakings in which the state will be a shareholder

Hansard

Illegal strikes: workers charged/convicted

463 Mr J B DE R VAN GEND asked the Minister of Justice

How many workers in each race group were (a) charged with and (b) convicted of illegal strikes and related conduct for the period 1 July 1986 to 30 June 1987?

The MINISTER OF JUSTICE

The information is not readily available in the Department. In an effort to be of assistance to the hon member, the following information was obtained from the Central Statistical Services

(a)	Whites	0
	Coloureds	1
	Asiatics	0
	Blacks	126
	Total	127
(b)	Whites	0
	Coloureds	1
	Asiatics	0
	Blacks	19
	Total	20

Public violence: persons charged

465 Mrs H SUZMAN asked the Minister of Justice

(1) (a) What total number of persons in each magisterial district was charged with public violence in 1987 and (b) how many of them were (i) under the age of 18, (ii) between the ages of 18 and 21 and (iii) over the age of 21 years,

(2) whether any of these persons were convicted on these charges, if so, (a) how many in each age category and (b) how many of those convicted were sentenced to terms of imprisonment without the option of a fine,

(3) whether any of the persons so charged had the charges against them withdrawn, if so, how many in each of these age categories?

The MINISTER OF JUSTICE

The hon member is referred to my reply to Written Question No 458 of 1988

Males/females executed

469 Mrs H SUZMAN asked the Minister of Justice

(a) How many (i) males and (ii) females of each race group were executed in the Republic in 1987 and (b) for what crime or crimes had each death sentence been imposed?

The MINISTER OF JUSTICE

(a) (i) *Males*

Black	102
Coloured	53
White	9
Total	164

(ii) No females were executed during 1987

(b) *Murder*	Black men	86
	Coloured men	51
	White men	9
Rape	Black men	2
	Coloured man	1

Robbery with aggravating circumstances

Black men	3
Coloured man	1

More than one offence

(i) Murder and robbery with aggravating circumstances
Black men 5

(ii) Murder and rape
Black men 3

(iii) Murder, housebreaking with the intent to rob and robbery with aggravating circumstances
Black men 3

Companies placed under compulsory liquidation

476 Mr H H SCHWARZ asked the Minister of Justice

How many companies were placed under compulsory liquidation in the area of each Master of the Supreme Court in 1987?

The MINISTER OF JUSTICE

Cape of Good Hope	198
Northern Cape	14
Eastern Cape	43
Orange Free State	17
Natal	123
Transvaal	946
	1 341

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Hansard

Persons declared bankrupt

477 Mr H H SCHWARZ asked the Minister of Justice

How many persons were declared bankrupt in each Division of the Supreme Court in 1987?

The MINISTER OF JUSTICE

Cape of Good Hope	538
Northern Cape	92
Eastern Cape	195
Orange Free State	446
Natal	289
Transvaal	2 533
	4 093

Human Sciences Research Council: research directives by Government

499 Mr P G SOAL asked the Minister of National Education

Whether the Government has given any research directives to the Human Sciences Research Council since 1 January 1987, if so, (a)(i) how many and (ii) what is the nature of each of these directives and (b) in respect of what date is this information furnished?

The MINISTER OF NATIONAL EDUCATION

Yes

(a) (i) 27

(ii) 1 American public opinion towards South Africa

2 Developing a procedure to evaluate clerical counter services in government departments

3 An enquiry into the attitude of Indians and Coloureds regarding a career/work in the SADF

4 Demand for and supply of manpower

5 Survey of the income and expenditure patterns of households in Ciskei and Transkei

6 The development of a selection battery for illiterates and semi-literates

7 The qualitative evaluation of management training in South Africa

8 Investigation into the development concept and the development of suitable training inputs

9 Estimation of under-enumeration during the census of 1985

10 A follow-up study among family planning workers in respect of attitudes towards occupational activities

11 Determining contraceptive continuation rates

12 Preventive health needs of men in the PWV-area

13 Perceptions of the public concerning aspects of the family-planning programme

14 The development of a crisis-intervention programme for victims of sexual crimes

15 Investigation into foster care

16 An assessment of the impact of intensive agricultural development on the inhabitants of the Makathini Flats

17 The monitoring of perceptions of socio-political change among Whites, Coloureds, Asians and Blacks in South Africa

18 The experience of members of Gay organisations in Southern Africa regarding the Acquired Immune Deficiency Syndrome (AIDS) in South Africa

19 The development of a training course in communication for senior officers (SA Defence Force)

20 Identification of the needs for negotiations skills among staff of the Department of Post and Telecommunications and the implementation of the findings in a newly designed training course

21 Optimalization of communication on nature conservation for Blacks

22 Evaluation of career education in the schools of the Department of Education and Training

23 Job opportunities for the disabled

24 The informal sector and zoning in Black areas

25 The value of training in prisons as seen by the prisoners them-

The private sector's part in making SA a winning nation

B/Day 9/3/88

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☐ STEYN . "I urge support for private sector initiatives for reform in South Africa"

American influence in SA has been destroyed by sanctions. Last night, Urban Foundation executive director JAN STEYN told a Paris audience that investment — not sanctions — was the only way Europe could help a peaceful resolution of SA's conflicts. This is an extract from his speech to the French Institute of International Relations

SOUTH AFRICA is a deeply divided society with more than one political culture Government and the black opposition movements are not able adequately to signal underlying political intentions, which more often than not are more constructive and accommodating than the rhetoric of confrontation would suggest

For these reasons the most crucial agency in reform and change is a "broker" agency, which can establish alliances and networks which can reach into black and white communities and which can influence and interpret events for decision makers on both sides

The South African business community is well-positioned to perform this role Its activity in the marketplace establishes as much credibility on all sides as is possible in our highly-stressed society Our own operations in the Urban Foundation are an example of this role

Government on the other hand — under pressure to stimulate socio economic reform but with very tight budgetary constraints — is increasingly reliant on the private sector to perform the service functions which previously were dominated by semi-socialist public bureaucratic activity

Very recently, at the opening of this year's parliamentary session, the State President announced sweeping plans for deregulation and privatisation of somewhere over R30bn worth of State assets

These announcements came in the context of increasing government emphasis, at a level of verbal commitment, on the development of small business, black business as well as actions directed at deregulation and undertakings to privatise Moreover, there has been an explosive growth in black consumer expenditure and its commensurate economic power

This illustrates the potential role of the private sector in participating in development towards the economic "enfranchisement" of black people who, until recently, struggled for development under the most invidious of circumstances

These factors, as well as the critical need for an increase in productive investment and industrial growth in SA, have recently precipitated the private sector into a role of potential influence for change and negotiation which it has not known before.

More and more, we in the Urban Foundation are confident that we can say to concerned governments and other agencies abroad that internal initiatives for change in SA can secure movement towards the kind of society we all want, and that we can justifiably ask for assistance in this task

We know that our method is the only possible way to succeed Unlike sanctions, which attempt the futile task of trying to force a determined government and its supporting constituencies to alter course, we try to convince government of the practicality and longer run logic of change

While sanctions have thus far hardened attitudes in important segments of white influence, our approach is to modify the direction and pattern of white political influence by providing evidence of and support for shifts towards more logical and workable policies

This may sound very optimistic and hopeful, overly so Events in the past few weeks have been very discouraging for many South Africans working for change

On February 24, government placed restrictions on 17 organisations connected with the United Democratic Front and the Black Consciousness movements These organisations support the ideal of an open franchise in the unitary state In addition, it promulgated regulations to curb the political activities of the black trade union movement

We in the Urban Foundation would like to express our very great concern at these actions We believe that it reveals, once again, government's reluctance to come to terms with active black leadership outside its framework of power sharing on a group basis

Seen broadly, the acts of February 24 are a setback for the chances of a resolution between the interests represented by government and the non-racial, open, democratic ideal

At another level, however, these restrictions once again underscore the need for the private sector to help to create conditions under which legitimate black organisations are protected and can contribute to the negotiation process

The situation at the moment is so constrained that vehement black protest organisations are unable to maintain viability

If private sector organisations can establish constructive alliances with black community groupings, a more stable and real political debate between government and black organisations can be established This, as I have indicated, is a goal we will be pursuing with vigour

There are two ways in which Europe, as an important external actor, can support sound, constructive efforts

One way is to come and see what agencies in SA are doing, or take steps to find out about it in detail and identify ways in which external organisations can assist or co-operate, either through funding assistance or through helping to make these efforts better known and understood overseas

A second way is more general, but no less important All our efforts will fail unless our economy is able to sustain its thus far rather limited recovery

If we slide back into a further recession soon, employment and falling real incomes will create a deepening of social problems which are already serious — like crime, vagrancy and bitter but futile confrontation in the townships

This, as it has done in the past (as evidenced by the results of the May 1987 election), will simply drive whites into an even more defensive position

A climate will be created in which even our well-planned efforts will fail Polarisation will increase and set the stage for a steady decline into a long drawn out, semi suppressed civil strife which could last for decades

There will be no winners, and it will set back the tenuous course of development in the whole of Southern and Central Africa in disastrous ways Indeed, rapid economic growth offers the best possible opportunity for black advancement and effective access to opportunity

It is against this background that I urge support for investment in SA and support for private sector initiatives for reform in my country These will increasingly become your only hope of influencing a peaceful resolution to the conflicts in SA

If we fail there is very little prospect indeed of the South African government under pressure, making concessions in an attempt to restore confidence

The private sector and its alliances with black leadership remain bridges for peace So my plea to you is support the well-grounded internal South African initiatives for change They have a proven record of success and are, in the current climate, the only effective agents you and we have

My concern is not with survival, because SA is not going to collapse, but with quality I share with many millions of concerned South Africans, black and white the notion that we can do much better than merely survive in economic terms

We are still fundamentally confident enough to be concerned with increasing overall prosperity, with a reduction in material inequality and with the need for our economy and political institutions to become vital instruments in support of dynamic redistribution and justice

Like many others in my country, my expectations are high, as is the determination to rise to the challenge of making SA, currently viewed as one of the outcasts of the world, a winning nation

Free speech takes another knock at UK polytechnic

MIKE ROBERTSON in London

RECENT EVENTS at the Wolverhampton Polytechnic will no doubt draw approval from the students who stopped Connor Cruise O'Brien from delivering a series of lectures in SA in 1986

Their justification, it will be remembered, was that as jailed or banned people could not speak on campus, anyone espousing views different to those of the restricted people should be denied a platform The tactics used to make their contribution to the further erosion of free speech, it will also be remembered, were not dissimilar to those employed by Eugene Terre'blanche and his brownshirts

In Wolverhampton, the far left has refined this somewhat twisted concept of free speech to a simple "I don't like you — I won't let you speak"

The immediate victim of their actions was Louis Mullinder, first secretary at the SA Embassy here He was spat at, attacked and forced to flee a rampaging mob No offence to Mullinder, but a more significant victim was higher education in Britain

As the distinguised commentator Bernard Levin noted in The Times, a university or polytechnic where students learned that "those with the loudest voices, and the biggest fists, and the heaviest boots, and the largest numbers, and the profoundest fear of views they do not share, are the only ones who may practice free speech is worse than useless — it is dangerous"

The attack on Mullinder was by no means the first on a South African diplomat — or, indeed, a Conservative minister — by the far left on a campus of a higher education institution

Which is why in 1986 the House of Lords amended the Education Act to include a freedom of speech clause. It reads: "Every individual and body of persons concerned in the government of any establishment to which this section applies shall take such steps as are reasonably practicable to ensure that freedom of speech within the law is secured for members, students and employees of the establishment and for visiting speakers

"The duty imposed ... includes (in particular) the duty to ensure, so far as is reasonably practicable, that the use of any premises of the establishment is not denied to any individual or body of persons on any ground connected with the beliefs or views of that individual or of any member of that body, or the policy or objectives of that body"

Kept secret

It is a worthy piece of legislation, but in the case of Wolverhampton the "reasonably practicable" steps taken to comply with the law not only proved ineffective but in themselves amounted to an erosion of free speech

Meeting organiser Kaj Pedderson was told by the director that the numbers at the meeting had to be restricted to 50, personally invited by him The venue, time and date of the meeting had to be kept secret (free speech?) Police were asked to be in the vicinity in case of trouble, while Pedderson arranged to pick up Mullinder from the station before Wolverhampton in order to avoid any disturbance in the town centre

Since the meeting was disrupted, rather than the free speech opponents being punished, the Conservative Association has been suspended from all facilities at the Students' Union

The basis for this decision is that it broke the rules by "holding a secret meeting" According to a left wing member of the students' union executive, who declined to be named, the Conservatives also violated a "no platform for racists and sexists" ruling adopted by the Students' Union Senate

"As Mullinder was a representative of the South African government, he should not have been allowed to speak, as it was in breach of the Race Relations Act which forbids meetings where racist statements made might result in a breach of the peace" Chris Heaton Harris, vice-president of the executive, disagrees "We discussed this, but decided by three to one that you could not say someone was a racist until you had heard him speak Only then could we have taken any action"

Levin as yet a lone crusader on the part of the enlightened English establishment, calls for an amendment to the law making interference with free speech in institutions of higher learning itself an offence

The Department of Education s view, however, is that it has provided the framework It is up to the polytechnic authorities to act

Neither the director nor his deputy returned calls when telephoned to ask what action was being taken The director is said to be compiling a report for the board of governors, but Pedderson believes he is being tardy in taking action because Mullinder, being a representative of the South African government, is not likely to evoke much sympathy

Conservative Association national student director Simon McVicker has asked Higher Education Minister Robert Jackson to step in

"I have spoken to him in the past, and we both agree the legislation is there but it has to be made to work The only people who can make it work are government Before Christmas he was talking of calling in the vice-chancellors Now he has got to do it and make clear government will take action"

McVicker's suggestion if the vice chancellors fail to act is for government to use financial sanctions against universities and polytechnics

Best defence

Such high handedness is unlikely, especially as university vice-chancellors have just succeeded in getting Education Secretary Kenneth Baker to back off on an attempt to control individual financial allocations to univesities

Levin's suggestion is a good one and should be taken up If not, it could be argued, the best defence of free speech is free speech.

As Heaton Harris notes "What tardy university authorities fear most of all is bad publicity Now that the actions of the extremists has reached the national Press, the university authorities are sure to act"

With luck the 8 000 students at Wolverhampton Polytechnic whose apathy has allowed the extremists (said to number about 100) to sacrifice free speech in the name of anti apartheid action will also be prompted to take steps to ensure that everyone has the right to be heard within the law

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COMMENT

People's capitalism

ALREADY privatisation is having an enlivening effect on the economy, if only in terms of focusing the mind. Tangible benefits, there can be no doubt, will follow so long as the President's economic package is faithfully carried through.

The past weeks have seen important deregulation and privatisation principles spelt out in the Sats and Post Office budgets. These do more to indicate the size of the task ahead than to actually free the economy, but the process has started. And in specific cases, such as facsimile services and the maintenance of private automatic telephone exchanges, the private sector is being offered immediate access to what are likely to be lucrative markets.

But privatisation remains largely misunderstood and, in some quarters, is even regarded with suspicion and hostility. More questions than answers loom at present, and the next step is to broaden the debate, which this newspaper will attempt to do in the weeks ahead.

One issue immediately stands head and shoulders above the rest. This is whether the end result of the privatisation drive will be the creation of people's capitalism or merely the transfer of assets from the public sector into the hands of already mighty private sector monopolies.

This is not to suggest for a moment that the institutions do not have a major role to play. But to be effective, economically, politically and socially, the fruits of privatisation must be extended right down to the little man.

The primary reasons for privatisation are to reduce the role of government in the economy, to reduce taxation, to promote efficiency, innovation and competition, and — perhaps most important in the SA context — to broaden the base of participation in the economy... in other words, to draw as wide a spread of South Africans as possible into a direct shareholding in the economy.

It is not an issue on which SA can afford compromise, for it has fundamental ramifications, right down to the very survival of the capitalist system. Already, as no businessman needs to be reminded, it is a threatened ethic in this troubled country.

And the threat is by no means only from the Marxist left. Pretoria's sprawling bureaucracy is as close to national socialism as can be. So if the economic reforms are to be successful, the mindset that the state owes everyone a living must be broken right across the board.

What privatisation in effect says is that the state owes a living only to those wholly incapable of earning their own. For the rest, all that is due is a fair chance to get on the ladder.

Immediately the cry will go up: what about the vast numbers of South Africans who are disadvantaged by apartheid? The compelling answer is that only economic liberalisation offers a chance of righting that imbalance, by releasing the vast cash resources necessary to fulfil the state's obligations in terms of education, health and welfare.

When the public goes private

BY PIETER LE ROUX

PW BOTHA'S announcement at the opening of parliament that the government intended to privatise the companies it owns, was welcomed by many in the private sector But what does this mean?

The reasons for announcing the new policy are clear enough The government's kitty is empty It cannot afford its occupation of Namibia, its forages into Angola and its attempts to buy political stability by making so-called social investments

At a time when the economy is at last showing some revival after years of stagnation, the government is reluctant to increase taxes The government has already made too many loans, so this is not an option To find the money needed the government is looking to privatising public companies or selling off the family silver, as this type of policy was called in England

Given that party loyalty, rather than efficiency and ability, has traditionally been the overriding criterion for appointments in both the civil service and many of the public corporations, a privatisation of some of these corporations holds potential benefits for South Africans at large However, there are also potentially heavy costs that may have to be carried by the person on the street.

As the experience with the privatisation of the British telephone system has shown, a private company exploits monopoly powers without regard to the consequences for society at large. Prices are pushed up to maximise profits, and given the lack of competition, there is not necessary any commensurate improvement in the services offered.

In the area of road and rail transport, privatisation and deregularisation can have very serious consequences indeed The legalisation of so-called pirate taxis is clearly a positive move, which at times dramatically improves the situation of commuters However, the intention is to cut back on government subsidies at the same time, and with privatisation it could happen that the railroads are sold off This will result in a dramatic increase in the costs of commuting to work for all those who have been moved because of apartheid laws.

The poor may well have to pay a very high price if the new policies are implemented On the other hand, it is claimed that they will benefit because of the social investment to be made once funds have been raised by selling off public corporations.

For fear of political instability the government does not wish to stop these types of investments, but now it is under attack from the right wing for supposedly using money paid by the white taxpayer to benefit blacks

It is thus politically opportune to claim that monies raised through privatisation will be used for this particular purpose, rather than to admit that the government is in general running out of money

It is in any case beyond dispute that much of what is claimed to be social investment will not really benefit the poor. For example, the support to small businesses generally benefits the petty bourgeoise, as does much of the expenditure on housing

Whatever the economic merits and demerits of the policies eventually to be implemented, it is clear that they cannot address the fundamental problems that face the South African economy. It cannot thrive before a political system has been established which accommodates the aspirations of all South Africans

Both because of the nature of the internal resistance to government and the international concern with the situation in South Africa, measures such as this grandiose privatisation plan are bound to fail In the South Africa of the '80s and '90s it will not be possible to divorce economics from politics.

Even now the benefits the government might have experienced in certain business circles as the result of its proposals have been nullified by the new restrictions placed on the democratic movement.

Economic prescriptions cannot by themselves cure the ailing South African economy. A radical surgery, which removes the undemocratic tri-cameral system and replace it with democratic structures, is needed if our economy is to regain its strenghth

• Pieter Le Roux is the professor of the Institute for Social Development at the University of the Western Cape

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Waltons silent

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JOHANNESBURG — Stationery company, Waltons, is negotiating to acquire another local company — believed to be office-equipment supplier Ozalid SA.

Waltons' managing director, Mr Frank Robarts, said yesterday that negotiations for the deal were "well-advanced" and details would probably be released later this week.

He refused to comment on a report that the company in question was Ozalid SA and that Ozalid's Dutch parent, Oce van Grinten, had decided to disinvest from South Africa, apparently because of political pressure.

The report said that the Waltons was acquiring Ozalid SA for R50-million from Oce van Grinten, which has a 87 per cent stake and Old Mutual with 13 per cent. — Sapa

BUSINESS

DD 9/3/84

EL firm taken over in R417 000 deal

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by Matthew Moonieya
business editor

EAST LONDON — A major South African electrical wholesale company has bought an outlet here in a R417 000 cash deal

Johannesburg-based Elcentre has bought Multitech, formerly Station Electrical, making it the company's 65th branch

The financial director of the company, Mr Nathan Mowszowski, said yesterday they had confidence in the growth of East London and found the possible growth prospects in Ciskei exciting

"We supply electrical contractors and government institutions and have had dealings in this area It is a matter of coming closer to the clients and making the supply of electrical goods more easily accessible to the area," he said

"Our other 64 branches are scattered throughout the country and we have a presence in Cape Town, George, Oudtshoorn as well as Port Elizabeth which comprised our Cape operations

Mr Mowszowski said operations at the East London outlet would remain the same with Mr John Reynolds and Mr J Pistorius running the branch

"There will be no staff changes and we hope to expand soon which would obviously entail increasing our staff complement which is small at present

"Basically we have bought a typical example of a small business rich in management but lacking the resources to expand at its true potential rate "

(232) B/day 10/3/88

THE CASE FOR PRIVATISATION

Privatisation would make SA a freer country

The deficit-incurring sector cannot be allowed to crowd out the surplus-earning sector any longer, writes economist RONNIE BETHLEHEM in the first article in an occasional series by various contributors on privatisation. In a future article, Bethlehem will comment on reservations raised by opponents of privatisation

THERE IS a powerful case for privatisation. It has to do with three things in SA

□ Promoting the efficiency of the economy;

□ Checking the expansion of the public sector relative to that of the private sector, and

□ Freeing resources for increased State spending in strategically critical social areas

Each of these has an importance of its own. However, they also need to be considered together because their relationships are symbiotic

It is widely acknowledged that resource management in the private sector is more efficient than in the public sector. This has to do with the fact that private sector enterprises have to justify their existence in terms of the economic surplus they generate.

If a private sector company repeatedly fails to earn profit, it would be forced into liquidation. For neither creditors nor shareholders then will co-operate in maintaining it unless they have the resources and the motive to carry its losses themselves

This is not the case with public sector enterprises. Although they may well be managed on strict business lines, in a final reckoning it is the backing of the State which is decisive. When losses are incurred, even as a result of mismangement, it is State funds which serve as a guarantee that the enterprise does not go under.

This has a profound effect on the psychology, both of those in managerial control and of employees They know government also looks to them for support as voters, and so the way is opened for taking things for granted.

It is because private sector enterprises have to be more careful about their bottom line that it is reasonable to assert that even a private sector monopoly is to be preferred to a public sector one

The fact that the private sector is a surplus-earning sector while the public sector is a deficit-incurring sector is well demonstrated by the national accounts statistics of SA from 1982 to 1986, both years inclusive

During this time, public sector losses amounted to no less than R7 131m while private sector profits totalled some R37 100m. This latter amount — and the R87 601m provision for depreciation made by corporations — accounted in the main for the financing of the total gross domestic investment of R122 428m The contribution of private savings was only R12 336m

Yet it is during this period that government expenditure rose to more than 28% of GDP, after having been only 22% in 1980.

If the expenditures of other public bodies are added to those of central government, the total of official spending to GDP would have been 38%.

These are alarming percentages, especially when it is realised that it is on private sector surpluses that the financing of future capital spending is going to have to depend

With debt repayment obligations in terms of the agreement with foreign banking creditors, SA can no longer rely, as it previously could, on capital inflows to finance its growth

And SA needs to grow, with its urban population rising by about 4%

a year In short, the deficit-incurring sector cannot be allowed to crowd out the surplus-earning sector any longer.

The point needs making as well . . that the bigger the government sector gets, the more attractive a prize it becomes for Marxist revolutionaries.

In socio-political terms, SA is a special country There is no way government is going to be able to avoid greatly increasing its spending on black housing, education and general welfare Were expenditures in those areas to be combined with spending on existing matters of public sector concern, the figure of 38% quoted above would quickly exceed 50%

That would be bad for the future of the market economy, but it would also complicate the matter of generating the increased infrastructural and welfare money needed

In favour of privatisation is the fact that it will involve a massive transfer of funds to the State for the work it is best suited to initiate. And the sums would be considerable were the approach to privatisation to be right

Some additional observations about privatisation are necessary:

□ Privatisation and macro-economic stabilisation disappointment on the part of governments in all major Western countries with interventionist policies was inevitable once the benefits of Keynesian deficit financing had exhausted themselves

Privatisation represents a return to a more healthy balance between public and private sectors

It should not be taken to imply swinging the pendulum to an opposite extreme. A better public/private sector balance is necessary restore the effectiveness of econom ic policy in both its monetary fiscal dimensions

Particularly important here getting on top of the problem of i flation

□ Privatisation and deregulation SA these have to be considered gether. Indeed, without deregul the ultimate effectiveness of priva sation could be much reduced.

□ Scope of privatisation this not be limited to the Eskoms and Iscors The railways, SAA and the SABC should be considered dıdates, too

If government feels it is necessa to maintain control either th shareholding or indirectly, should not be an obstacle Once g ernment is placed in the position of shareholder, the way will be eas for further reductions in its invol ment as time passes and it is mor relaxed politically

Why shouldn't Sats operate onl as an owner and manager of a rai way network and lease its rollin stock to private enterprise, wh then compete against one anot for the public's custom? Aside fr ensuring better service, it would ad to consumer choice and make generally more interesting

□ Privatising the *private* sector privatisation should be seen es tially as an attack on the inef ciences of bureaucracy.

But these exist not only in public sector There are in-b corporate vested interests which a protected by bureaucratic obscura tism These could be privatised, requiring of them that they justi themselves in economic terms

In my view, the State Presiden bold initiatve on privatisation sh be welcomed and given the full possible support by all who wish see the market economy survive i SA These supporters should inclu not only private sector "capitalists

If taken to its logical con privatisation would reduce the eco nomic role of the State and make S a freer and faster-growing country

It is no irony that social (amongst them black trade union ists) also have an interest in that.

□ *Dr Bethlehem is Group Eco mics Consultant at JCI. Th views expressed here, however are his own and not those of hi company.*

 (237 STAR 11/3/88)

Tallest platform

Hotline Equipment, which was recently taken over by Smith Mining Equipment, has developed the tallest locally manufactured aerial platform for the Durban municipality The 23 metre high platform features advanced geometry and safety mechanisms

Privatisation

A case-study for Eskom

By Neil Behrmann

LONDON — The privatisation of Britain's electrical industry will be a case study for the de-nationalisation of Eskom

London brokers and analysts say that UK institutions, local and foreign investors will easily swallow up Britain's record £27 billion (R102 billion) electricity industry privatisation because there will be several issues and tranches

The sales are also likely to take place in two to three years time when prospects for the UK equity market could be a lot brighter

Privatisation issues accounted for £7 billion out of £19 billion new British equity flotations in 1987, estimates brokers Phillips Drew

Out of the total issues, UK institutions bought £11 billion, foreign investors £3 billion and local private investors £5 billion

Yet ahead of the stockmarket crash it was much easier to issue new stocks Throughout most of 1987 London experienced a rampant bull market In 1986 total new equity issues, including concerns that were privatised, amounted to a much lower £12 billion

Even though the total share placement will be spread over a period of time, the electricity sale dwarfs previous privatisations such as British Gas and British Telecom And following the failure of British Petroleum's £7,5 billion issue last November some commentators are cautious

"Unless we run into an entirely new bull market, or inflation returns to zap money values, Energy Secretary Cecil Parkinson should forget about raising£27 billion from the sale of the electricity industry," said *The Times*

Mr Parkinson's plan to privatise the industry by 1990 still faces fierce opposition Lord Marshall, chairman of the Central Electricity Generating Board, sent a message to his employees, "deeply regretting" the decision.

"It is unlikely to be in the best interests of electricity consumers and ignores our record of 30 years professional service in good times and bad," said Lord Marshall

The Labour Party and unions claim that there will be power cuts and a surge in electricity prices

But the government hopes that many of the industry's 140 000 employees will buy stock in the new companies

The electricity supply industry in England and Wales comprises a Central Electricity Board which supplies some 95 percent of power requirements Twelve area boards are responsible for the distribution of electricity and an Electricity Council co-ordinates matters of industry-wide concern.

The Government plans to

- Sell the twelve exiting area boards into privately owned competitive distribution companies They will assume the responsibility to provide power to 22 million consumers, build new power stations and make contracts with power companies for supplies
- Remove control of the national grid, which carries supplies around the country from the Generating Board and hand it over to the distribution companies
- To place the generating board's power stations into two companies. One will control 70 percent of existing power capacity, including all the nuclear power stations The second will be in charge of the remaining power plants
- A regulatory system will monitor competition, standards and prices for the benefit of the consumer

Since 1979, the Conservative Government has transferred more than two fifths of state-owned industry to the private sector It has raised around £28 billion from the sale of assets So far money generated from the sales reduced the huge borrowing demands of state industries, replenished the coffers of the state and made most of the enterprises profitable British privatisation, however, has not been without foibles.

Instead of a more competitive environment, several state industries have become private sector monopolies, complain consumer associations

Yet even with inevitable snags, difficulties and criticism privatisation is by a long way, preferable to state controlled industries, say analysts here.

Since privatisation , management, productivity and profitability have revived.

Cont

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New Zealand likely to go all the way

LONDON — New Zealand's free-market socialists are trying to push the idea of government non-interference in the economy to its logical conclusion

The Minister for State-owned enterprises has written to the companies asking them, in effect, to justify their existence in the public sector. Since most of the enterprises are demonstrably less efficient than private companies, they will find this hard to do

The policy of privatisation comes as no surprise The government has already sold Petrocorp, the state-owned oil and gas producer, and its majority stake in New Zealand Steel, raising NZ$1,4 billion ($920 million)

On the block are the Development Finance Corporation, a merchant bank, and 25 percent of the national airline Since the government wants to pay off a third of its NZ$28 billion public debt in the next five years, more asset sales are certain.

That does not mean the programme will go smoothly The government had agreed to sell Petrocorp to British Gas but was forced by a political outcry to back down and sell it to a local buyer, Fletcher Challenge, New Zealand's biggest company

Bigger task

And this was one of the easier bits The state-owned enterprises (SOEs) are a bigger task still — bigger even that that taken on by privatisers in France or Britain.

New Zealand's SOEs have assets worth around $10 billion Their output accounts for 12 percent of GDP and they provide 20 percent of the country's gross investment

If they were all sold to the private sector, New Zealand's government would have a smaller degree of involvement in the economy than any in the industrialised world

Gone would be the state's interests in transport (the railways and national airline), in natural resources (forestry, coal, and electricity), in finance (banking and insurance), in communications (telecoms and postal services) and in property (farm land, housing and offices)

It is by no means certain that everything on this list will go There will be huge problems encouraging competition in monopolies like telecommunications and electricity distribution.

Buyers for the ailing railway and postal service will be hard to find But the Labour government's plans would leave direct state involvement at about the level prevailing in Victorian Britain.

The government would like to tackle the sales in the most radical way: by selling state assets to the highest bidder, regardless of nationality Its veto of the British Gas-Petrocorp deal showed that this will not always be possible, but some sales to foreigners are inevitable because the domestic stockmarket is too small to absorb NZ$10 billion-worth of assets; its capitalisation is only NZ$16,4 billion

From New Zealand's point of view, the advantages of a foreign bidder are that it brings in foreign capital and management

Attractive

From the foreigner's point of view, New Zealand's attractions include a corporate tax rate of only 28 percent and a free-trade pact with Australia (so investment in New Zealand could be used as way of gaining entry into the bigger market).

The economic benefits of selling state assets, whether to private citizens or to foreigners, are considerable

The government reckons that the net return in the last fiscal year on a total NZ$3,3 billion-worth of state investment was zero The SOEs have begun to improve markedly only since they were made into commercially-run autonomous corporations 11 months ago, as a halfway house on the road to privatisation Before that they were ordinary government departments — The Economist.

PW announces Cabinet shuffle

Dawie set to spearhead privatisation

(232)
B/day 11/3/88

CAPE TOWN — Former Trade and Industry Minister Dawie de Villiers is being brought back into the Cabinet to spearhead government's privatisation drive.

CHRIS CAIRNCROSS

De Villiers, Minister of the Budget in the House of Assembly, takes over the privatisation programme on March 31 in a Cabinet reshuffle by President P W Botha.


DE VILLIERS

Botha said last night De Villiers would become a Minister with full Cabinet status in the State President's office, entrusted with overseeing privatisation, as well as the administration of the public service.

De Villiers will also take over responsibility for the Competition Board, as well as Iscor, Eskom and Foskor — the latter three already earmarked for privatisation — and become chairman of the Cabinet committee on privatisation.

Botha said an expert in privatisation matters — with whom negotiations were underway — would be appointed as an adviser to De Villiers.

De Villiers will also replace Alwyn Schlebusch, Minister in the State President's Office entrusted with Administration and Broadcasting Services, who is to retire from the Cabinet on March 30. Schlebusch is also resigning as a nominated MP and as a member of the Advisory Council of Orders.

The other major Cabinet appointment is that of Stoffel van der Merwe, Deputy Minister of Information and of Constitutional Development and Planning, who has been made Minister of Information in the State President's Office entrusted with responsibility for the SABC and the film industry.

Explaining the special status accorded the film industry, Botha said government intended to devote more attention to the industry, concentrating on helping its development without necessarily interfering with its activities.

In other changes, Kent Durr, Deputy Minister of Finance, replaces De Villiers as Minister of the Budget in the House of Assembly.

Piet Badenhorst, Deputy Minister of Development Planning, has been appointed Minister of Health Services and Welfare in the House of Assembly.

Roelf Meyer, Deputy Minister of Law and Order, becomes Deputy Minister of Constitutional Development and Planning in place of Badenhorst.

Leon Wessels, MP for Krugersdorp and chairman of the law and order standing committee, replaces Meyer as Deputy Minister of Law and Order.

Botha also said Danie Hough, chairman of the Tourism Board, had been appointed Transvaal Administrator, replacing Willem Cruywagen, who will retire as from the end of April.

● To Page 2

Dawie to spearhead privatisation

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● From Page 1

All the appointments take effect from the end of March.

Sapa reports that Botha said Schlebusch had motivated his intention to resign by saying it would benefit his successor to be involved from the outset of the new privatisation initiative.

Schlebusch said it would be unfair of him to take the lead for only a few months when he intended to resign later in the year.

D/D 12/3/88 (232)

Hotel placed under liquidation

Daily Dispatch Reporter

QUEENSTOWN — A second hotel belonging to Mr Owen Lenz was placed under liquidation in the magistrate's court here yesterday.

A provisional order of liquidation in respect of the Central Hotel was made final following the previous liquidation of the Gardens Hotel.

The trustees will soon be inviting tenders for the sale of both concerns.

Temporary repairs will be made to the Central Hotel which will stay closed until it is sold.

The hotel was extensively damaged some weeks ago when an outer wall of the building collapsed.

Privatisation boost on way for TR Services

13/3/88 S11 (232)

TR Services stands to gain from a double jackpot

The company has two divisions — telecommunications and time control systems It was listed in August 1986 when the shares were pitched at 145c — the current price

It is 65%-owned by its UK parent Telephone Rentals plc, a large multinational group which has no intention of disinvesting TR Services managing director Peter Brennan rues this fact a little "What a pleasure it would be to do a management buy-out. I estimate it would take only 20 minutes to arrange the finance"

FEW YEARS

However, it is not up for grabs, and the reasons are obvious Mr Brennan says TR Services can boast that without exception since 1948 earnings have risen every year That trend is destined to continue

The reason I went to see TR Services this week stemmed from the Government's proposed privatisation of the Post Office Post and Telecommunications Minister Stoffel Botha said the private sector would be allowed to provide and maintain reticulation equipment on private automatic branch exchanges (PABX)

This involves all telephone handsets, extensions, plan systems, cabling and wiring from the junction box to which the Post Office brings the exchange lines to the premises

Mr Brennan estimates that it will mean 40% added value to a PABX order TR Services has been in the telecommunications business only a few years Before then only manufacturers of PABX equipment could be involved in the installation and maintenance

TR Services is a service-oriented company Mr Brennan says as many as 85% of faults in telephone systems arise from the internal cabling and not from the PABX switchboard itself

SERVICE

Whether TR Services rents or sells a PABX system it will require servicing, for which both parties enter maintenance contracts

Mr Brennan says the announcement has been expected for a long time Mention was made of it when TR Services was listed two years ago

It could become effective from April or May

"There are two important consequences for us," he says "One is that we can generate more business with relatively little effort, and the other is that it will emphasise the need for superior service in the market, which we are able to provide"

DOMINANT

But the potential growth from PABX is not the only cherry for TR Services Although this division has grown to account for more than 70% of turnover, and 35% of income in little more than two years, the time control division is the dominant player in its field

Management time control is closely allied to security access control The need for greater security not only here but everywhere in the world prompted TR Services to seek a real-time, on line computer system which would be highly sophisticated yet easy to operate and fast enough to give instant response

It scoured the world, and found what it wanted on its doorstep in SA

Not given to flowery description, Mr Brennan says the product is a blockbuster It was developed by General Control Systems, the technical leader of which is Steve Millard

TR Services rates the product so highly that it has entered a 10 year mutually exclusive supply agreement with General Control, and plans to recommend the system to its UK parent

RESPONSE

"The system provides for all information to be read from and stored in the random access memory (RAM), not from mechanical storage system such as disk drives," says Mr Brennan

"The critical factor is response time This system is the only one we have found which not only gives a quick enough response but is independent of the mains supply and will run off a 12 volt battery"

For example, a 20 storey office block with many groups of tenants may have 2 000 people passing through the front door, but each person ideally should have access only to the floor or floors where he works

Using on-line badge readers, parking access may be incorporated on the same system Restricted access, anti-passback provisions and black-listed cards must also be included All these things have to be checked when a card is used to gain access

Also involved are physical barriers such as turnstiles, booms and locks

HEAT SENSOR

"There is a move towards total building management on the same computer system For example, if a heat sensor is activated, the computer may start the sprinkler system, dial the fire brigade, sound alarms in the affected area and automatically unlock all the doors and turn stiles

"Another example is if entry is attempted using an unauthorised card Here the computer would discreetly alert the security guard"

TR Services has installed systems which can handle 8 000 people and the potential is enormous Mr Brennan puts it in perspective "The size of an order is about R250 000, whereas a PABX is worth maybe R15 000"

It aims to maintain organic growth at between 20% and 30% a year

"There is no downside' says Mr Brennan

HAPPY DAYS

In the year to December 1987 the company earned 22,6c a share, which puts it on a PE ratio of 6,4 times at the current share price of 145c, a discount to the stated net asset value of 162c

A bonus is the attractive dividend yield of 7,2% The tax rate is at its peak and the balance sheet reflects no borrowings

The prospects for TR Services look outstanding and the shares can be bought for both growth and yield

Eskom officials to hold privatisation talks in UK

Daily Dispatch Correspondent

LONDON — Top Eskom executives are due to fly into Britain early this week for meetings with the Central Electricity Generating Board for talks on privatisation

According to a report in the Sunday Telegraph, the discussions will anticipate the South African budget on Wednesday which is expected to confirm President P W. Botha's drive to put privatisation at the top of the country's agenda

Leading the delegation to London will be the chief general manager of Eskom, Mr Ian McRae

It is not known when the meetings will take place or at what level

However, the newspaper cautions that even partial flotation of Eskom could "be stymied" because of the continuing boycott of South Africa by overseas institutional buyers

"Attracting overseas buyers for a share issue of any side is certain to prove a major hurdle," it predicts.

President Botha has already said that Eskom, with assets of R28-billion and annual revenue of R7-billion should have completed a privatisation study by the autumn and the checklist already runs to 30 key items.

A partial flotation raising up to R1-billion is already being rumoured in Johannesburg financial circles, but no figure has yet been determined

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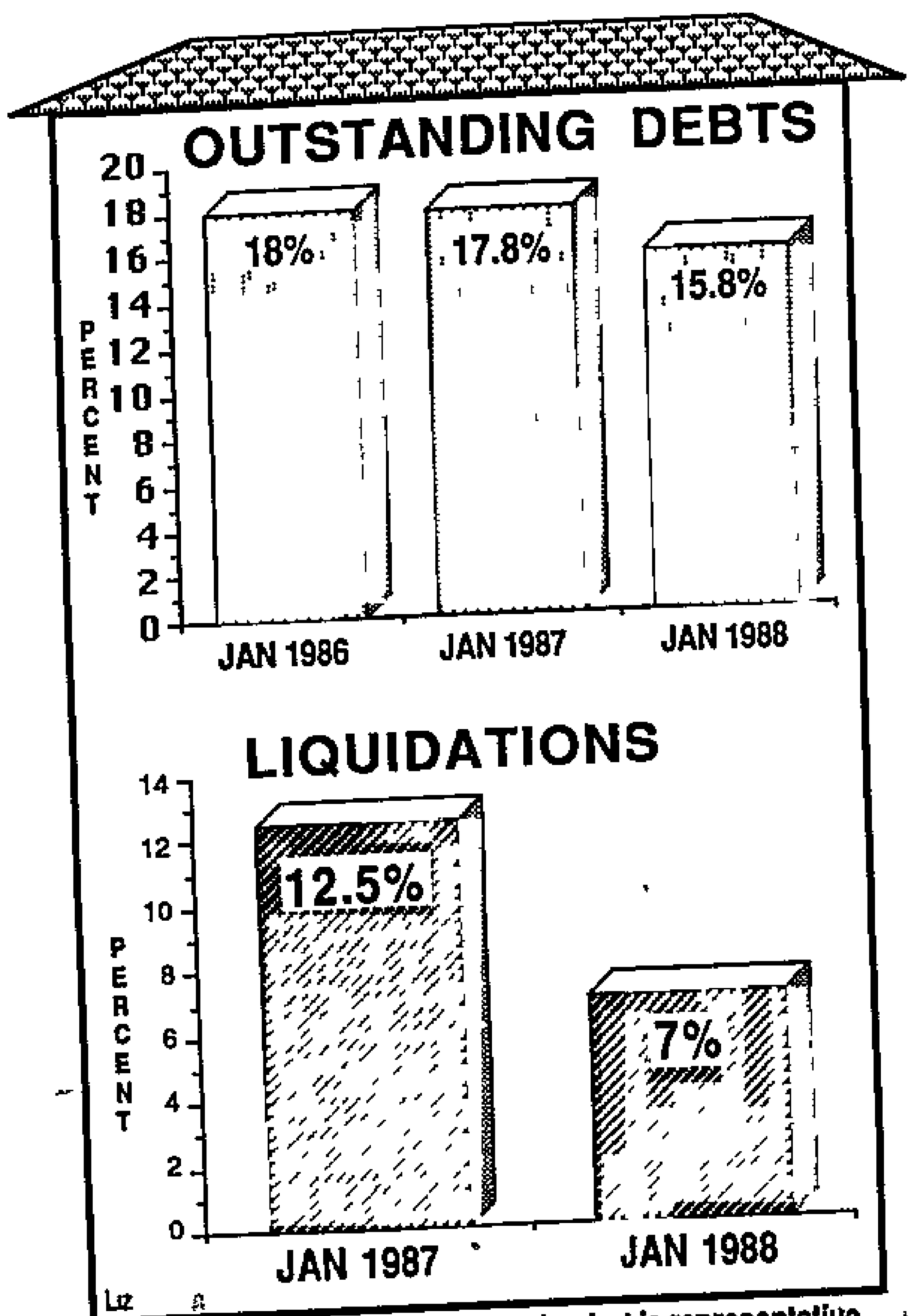
Dramatic drop in number of company crashes



The graph covers the Cape region but is representative of the country as a whole

The recovery in the building and construction industries is well under way with a dramatic drop in the number of company crashes in these sectors

In January 1987, 12,5 percent of all liquidations were in building and construction, while a year later the figure fell to 7 percent.

Another pointer to better times for the industries is in the reversal of the down trend in outstanding bills due to suppliers of materials

While figures available from Randburg credit information group, KreditInform, cover the Cape region, they are representative of the country as a whole and show that in January 1986, unpaid bills due to building suppliers hit 18 percent of the total debtors' ledger

The following year, the figure had dropped to 17,8 percent while this January it went to 15,8 percent

Mr Ivor Jones, managing director of KreditInform, says "Building and construction companies obviously now have a better cash flow on the back of an increased tempo of work

"The low pattern of interest rates has also been a major factor"

During the recession, too, there has been a shake-out of the smaller contractors who, historically, were under capitalised and so, were slow payers

KreditInform, which provides merchants and suppliers with information on debtors and problem accounts, so as to enable businesses to reduce overdue levels, has also brought the KISS of life to some struggling companies

Rescue action

Under the KreditInform Information Sharing System, suppliers meet regularly to discuss companies in financial trouble and collectively take action to steer a particular company away from liquidation

"Suppliers know that it is often in their own interests to keep a company going," says Mr Jones

Looking ahead, he has no doubt that the biggest single factor concerning building and construction is fluctuation in interest rates and that if they climb significantly, the renewed recovery, particularly in residential building, could quickly peter out

(232) STAR 15/3/88

BUSI

The costs of privatisation can run to many millions

By Neil Behrmann

LONDON — Advertising and promotional razzamataz of last year's British Petroleum issue cost more than the R55 million spent on the Tories' entire 1987 election campaign.

It illustrates that privatisation issues require advertising, marketing and promotional skills over and above the expertise of merchant bankers, stockbrokers, accountants and lawyers

Considering the sums involved it is hardly surprising that the government needs all these services

The British government has raised around R98 billion from the sale of assets If plans go ahead as expected, water, electricity, coal, steel, bus and postal services will by the early 1990s be sold for least another R105 billion

The flotations have filled the coffers of underwriters, financial advisers and the rest of the entourage

Total costs of the 17 public issues to date are estimated to exceed R2,2 billion These expenses included underwriting, financial advice, commissions, legal and accountancy fees

The banks that skimmed the cream of the flotations during the earlier years were Kleinwort Benson, NM Rothschild and Schroder Wagg Others included Morgan Grenfell, Hill Samuel, SG Warburg and Baring Brothers

But the government encountered considerable criticism from Parliament and elsewhere because it doled out large fees to select institutions

Since then it has spread business more evenly Competition is intense and commissions have shrunk

The R4,8 billion British Telecom issue encountered estimated costs of 5 percent or R240 million Two years later, however, fees on the R6,5 billion British Gas flotation were down to around three percent

Both Treasury officials and merchant bankers flatly refuse to disclose the basis of fees They are highly confidential, they say

But between 1981 and 1984 when British Telecom was placed, underwriting commissions were believed to be around 0,375 percent For the 1986 British Gas flotation they fell to 0,175 percent and were 0,111 percent and 0,05311 percent respectively for British Airways and British Airports Authority

Sub-underwriting fees, however, remain at 1,25 percent, although Trustee Savings Bank paid only 0,75 percent

Intensive competition has attracted aggressive merchant and investment banks such as County NatWest, Samuel Montagu and Hill Samuel

But the large broking accountancy and legal firms are still getting most of the business

Examples are Coopers Lybrand, Deloitte Haskins & Sells, Ernst Whitney, KPMG Peat Marwick McLintock and Price Waterhouse

Cazenove, the Royal family's broker, Hoare Govett, Warburg Securities, Greenwells, Alexanders Laing & Cruikshank and Phillips & Drew featured among brokerage houses that sold the issues Leading lawyers were Freshfields, Linklaters & Paine and Slaughter & May

A spokesman of the Treasury says the government chooses its advisers strictly on merit

"We tackle the flotation from a strict business point of view It is as if we were a private concern," he says

"They hold a beauty contest," says a merchant banker Several banks submit proposals and presentations They both then choose"

The Treasury official says the ultimate choice depends on the following criterea

- Value for money
- Interesting ideas and an innovative sales approach
- The advisers should have qualified personnel who are not encumbered by too many other commitments

The bank would have studied the situation thoroughly and put forward a written presentation of excellence Previous experience helps, but is not necessarily an important factor

The select advisers help strengthen the management team of the corporation to be denationalised and introduce private sector attitudes and methods

They prepare legislation to create a public limited company, choose the quantity and price of the share offer and then build the company's image via an advertising campaign

The government "should insist on a performance clause for its merchant-bank advisers that links their fees to how keenly they price their stock", says *The Economist*

Fees have already been shaved by getting underwriting banks to compete for the business. "They could come down further, by extending competition to the sub-underwriters, whose fees make up most of the costs"

Pricing of issues is difficult. In bull markets, the issue price is always too low But when the government sold more British Petroleum shares towards the end of last year, the flotation was a flop and underwriters incurred large losses

In any event, the government's advisers have begun to arrange tender issues for institutions that want large quantities of shares They bid what they think the share is worth and have their orders filled from the highest price downwards Smaller shareholders can apply for shares at lower offer prices — just to ensure the issue's success

"It is much more difficult for an underwriter to make large profits on privatisation," says a merchant banker "But prestige counts, the potential for ancillary business, too"

(232) B/day 16/3/88

Privatisation must have a legal framework

F R MALAN
Professor of Banking Law, Rand Afrikaans University

AN ENTIRELY free market system is not feasible, just as a planned economy without some form of private ownership is inconceivable.

Our "free market system" is not "free" but functions within a legal structure, an "economic constitution" of some kind, in which the "rules of the game" are set.

These rules concern monopolies, takeovers, amalgamations, competition, etc They are structured according to the values of society and form the very essence of the "free market" without them there would be no "free" market

The "free market" is thus a regulated market. Regulation can take many forms, including direct governmental direction and self-regulation under government supervision. Self-regulation is essentially a delegation of public functions to private control, since without it some form of state direction would be necessary.

All these forms of regulation have led to an increase in rules governing economic behaviour, creating a considerable body of regulations suppressing initiative.

Deregulation is the process by which the rules are evaluated, reconsidered, adapted, discarded or redrafted. Privatisation strives to allocate to the state its proper role; it emphasises private initiative as the dominant component of a dynamic economy.

The process of privatisation assumes that there are areas of economic activity which the state may not enter; to return to the citizens their due is just and "constitutional". To "roll back the frontiers of the state" is "legitimate".

However, public law lacks a comprehensive framework to effect privatisation In particular, the danger is that, through a lack of explicit rules, disposal of government assets will take place by administrative action without sufficient public accounting.

The techniques of privatisation vary considerably and range from an outright sale of assets to more sophisticated measures broadening private participation in the economy.

The Government White Paper lists the following ways: the sale of assets, partnerships, leasing of business rights, contracting out and the discontinuance of a service

To these may be added some lesser known techniques, such as franchising and the provision of vouchers — particularly to the poor

The absence of a comprehensive public law framework to implement decisions to privatise or deregulate emphasises that the programme must be developed in such a way that it ensures maximum public accountability with minimum administrative discretion.

It may become necessary to formulate specific regulations, perhaps similar to, or an improvement of, those under the State Tender Board Act, 1968, to ensure full public information and accounting in implementing privatisation. This is particularly necessary where privatisation is effected for [illegible]ing and contracting out and related ways.

Contracting with government may appear to be a simple matter regulated by the law of contract, but this is not so. Government contracts are often long-term relationships requiring outside scrutiny to render them accountable

There are relatively few institutional measures available in public law to ensure their on-going monitoring in the public interest.

Contract and company law are inadequate, and it may well become necessary to develop institutions, such as in France, where government contracts are subject to the control of the administrative courts, or in the US, where a complex system of review of federal decision-making exists and government contracting is used to pursue specific policy objectives — e.g., the encouragement of small businesses or effecting equal employment

Another area of uncertainty and potential conflict concerns the relationship between government and the privatised concern.

The purpose of privatisation is to separate private and public ownership and to remove the privatised corporation from public control. Government intervention in the privatised concern should not, as a matter of principle, be tolerated

This, however, is easier said than done, since a strategic enterprise may be involved calling — some may argue — for some form of government supervision.

Often government will be a shareholder, with the right to appoint one or more directors to the board. This raises the question whether the appointment of nominee directors is an effective way of supervising government assets and funds

Specific guidelines to these government directors setting out their reporting and other duties would probably be necessary.

Another question is posed: do government nominee directors represent government only, or all the shareholders as company directors generally do?

Where a public corporation is privatised, the government may consider special measures are necessary to prevent a takeover or a change of control.

One way of doing this is for the articles of association of the privatised corporation to require shareholders to disclose their interest once a certain percentage is reached, and to provide further that, should any one shareholder acquire more than this percentage, he may be compelled by the directors to dispose of the excess.

Should he fail to do so, the directors may sell his holdings on his behalf. Provisions such as these can be "entrenched" so that they cannot be varied without the consent of the holders of certain shares, the so-called "golden" shares.

Provision can also be made that a takeover cannot be effected without government consent or without the consent of certain (e.g., government nominee) shareholders.

These devices limit the free transferability of shares, allow for the compulsory selling of assets and make government intervention in a supposedly free market possible

They were criticised in the UK as an unwarranted intervention in the "free" market for corporate control — for they, in effect, force a takeover bidder to negotiate with government

In an often-cited passage, Aneurin Bevan said that "(t)here is now general agreement about the necessity for delegated legislation, the next problem is how this legislation can be reconciled with the process of democratic consultation, scrutiny and control".

Neither privatisation nor deregulation dispenses with regulation of the market, and the present government programme of privatisation and deregulation affords the opportunity to design a market reflecting these and other democratic values

D/D 17/3/88 232

Name, plans for Mater Dei hospital to be announced

Daily Dispatch Reporter

EAST LONDON — Mater Dei hospital's new name would be announced at a special function on Monday night, the public relations officer for African Oxygen Ltd (Afrox), Miss R. Langebrink, said yesterday.

The hospital was sold to Afrox earlier this year.

The Dominican order, who sold the Mater Dei to Afrox, requested that the name be changed since the Catholic Church would no longer be involved.

Afrox held a competition, through the Daily Dispatch, to find a suitable name for the hospital.

The new name would be announced by the Afrox's general manager (hospital division), Mr R G Williamson, who would also outline future expansion plans.

The approval of the Prioress General of the Dominican Order in Johannesburg, Sister Francis, was obtained for the new name.

A cheque for R500, to be passed on to a charity of the winner's choice, would be presented to the winner by Mr Williamson, who is also the chairman of the national association of private hospitals.

Afrox presently owns 12 private hospitals and has an interest in 2 others.

Among the 160 guests at Monday night's function would be representatives of the Dominican Order, Miss Langebrink said.

Finansbank GM to guide govt programme

B/day 18/3/88 GERALD PROSALENDIS 232

GOVERNMENT yesterday named the private-sector specialist who will assist government's privatisation programme.

The Minister in the President's Office in charge of Administration Alwyn Schlebusch said a general manager and alternate director of Finansbank Pieter van Huyssteen had been seconded to the state for three years, to help Dawie de Villiers as the Minister in charge of Privatisation.

He said Van Huyssteen specialised in international capital market activities, privatisation and public-sector enterprise development He spent eight years with the international merchant bank, Hill Samuel.

Schlebusch retires on March 30 and part of his portfolio will be taken over by De Villiers on March 31.

Finansbank MD Hennie van der Merwe said yesterday the solution to many of the problems affecting the economy lay along the path of well-thought out, properly planned and carefully monitored privatisations

The bank started four years ago to develop a strong team of experts thoroughly versed in the principles underlying the suitable procedures for a successful privatisation process in SA.

DIO 18/3/88

Malbak firm in takeover

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JOHANNESBURG — Fluid Holdings, a Malbak group subsidiary, has acquired Mono Pumps Africa (Pty) from from British group, Gallaher Limited, for R13,75-million in cash

An announcement by Fluid Holdings says the deal will be effective from March 26

This follows an earlier announcement today by Sulzer Bros, a competitor of Fluid, that it had been forced to cancel a marketing agreement with Mono Pumps on account of the unexpected sales of Mono to another company

Sulzer said the deal had been arranged with the UK parent without the knowledge of the Mono Pumps management

Fluid Holdings chairman, Mr George Coucourakis, said yesterday that Gallaher was disposing of its non-consumer goods interests worldwide

He said Gallaher believed that its engineering companies' activities were "very different from the remainder of the Gallaher group and would better fulfil their potential under more appropriate ownership"

"We are delighted with this opportunity because Mono's products complement our range and the company has an excellent track record and a strong management team," Mr Coucourakis said

Mono, with an annual turnover of around R40-million and employing 350 people, has its head office in Edenvale — Sapa

DEREGULATION

Trust areas freed

In a bold move, Education and Development Aid Minister Gerrit Viljoen has deregulated tribal trust areas to the benefit of more than 1m blacks

The two main, related, characteristics of proclamation R29 of 1988 are that blacks in trust areas will be able to obtain full property rights and business enterprises will be heavily deregulated.

The regulations affect the towns of Inanda, Ohlanga, KwaDabeka, Imbali, Ashdown, Nondweni, part of Edendale (all Natal), Soshanguve, Lethlabile, Gamapodile and Rebone (Transvaal); and Tshiame (OFS). The main area affected is the fertile Makhatini Flats in northern Natal

The regulations replace Proclamation R239 of 1962, the instrument for the development of towns in self-governing territories and on land adjoining SA Development Trust land. Other areas affected include land purchased with the (then) purpose of inclusion in TBVC or the six self-governing states.

The regulations — covering land tenure, alienation of trust land in towns, registration of deeds in towns, land use in towns and regulations for local authorities — do not apply automatically in self-governing territories, but "will, on adoption by the governments concerned, come into effect" there.

The measures have been widely welcomed Development Bank of Southern Africa CE Simon Brand says: "The steps are significant and make conditions more conducive for development "

Apart from the historic change in land law, Brand sees the future for local authorities as vital. "Until now everything ran in terms of Pretoria's regulations. Change will allow local authorities to be fully established and, more important, take up loans in their own right."

On the business and industry side, deregulation can be described as a relaxing of outmoded, illogical and unfair trade restrictions. Significantly, there is an updating of the South African model of declaring "islands" of informal activity (see **P54**) This flexible approach, though with ministerial discretion, allows easier adaption to day-to-day changes in commercial realities

The new rules, the *FM* understands, will also end to some degree many private sector monopolistic and similar practices that grew strong under the old laws With more democratic local authorities, many of the tariffs asked for in certain areas that made enterprise uneconomic, will go.

This is not to say that deregulated trust areas will be autonomous. Technically, they will still fall under Viljoen's department, which will continue to plan development there. The object, an official tells the *FM*, is to plan within a regional context "and not to develop islands."

Viljoen's ministry has been looking into trust land deregulation "for some time." A long list of anomalies was brought to the authorities' attention.

Further chunks of tribal trust land may still be absorbed into TBVC and the six self-governing states ■

(232) FM 18/3/88 (88)

VILJOEN'S CHARTER: A CLOSER LOOK

The deregulation of trust areas sees a bundle of old regulations going out and new, fewer ones coming in. The changes are far-reaching, innovative and imaginative.

The rules, in a 48-page *Government Gazette* 11166 dated March 9, provide:
☐ Cheaper forms of land tenure by deeds of grant and leasehold rights;
☐ That the holder may apply for a deed of grant/leasehold to be converted into a right of ownership;
☐ For registration in the Deeds Registries Act;
☐ That the holder of a deed or grant may occupy land, build on it, encumber his rights with a bond or transfer them, rent his property, subdivide it, or place a servitude on it,
☐ That institutions granting loans to purchasers may protect their rights by registering a bond against the property;
☐ That any premises used predominantly for residential purposes may also be used for any social or religious activities, or any undertaking, occupation or trade, including retail trade and provision of services — unless a "significant" number of surrounding residents object,
☐ That registration of a bond is no longer a drawn-out procedure;
☐ For retaining existing town councils, and allowing the minister to "establish a variety of forms of local government according to regional needs;" and
☐ For relaxing building regulations "to make it easier for a prospective home owner to build a house, or have one built."

Proclamation R29 repealed R264 of 1968, which provided in part that
☐ One person might not conduct more than one general dealer's business within a radius of 32 km in trust areas,
☐ No trader outside trust areas might conduct a business inside a trust area, and
☐ Traders in trust areas had to have financial statements ready for inspection by "an authorised person" at any time

The new regulations provide that an owner of land in certain areas can apply for it to be declared an "informal area"

Once approval is obtained, the owner himself may award deeds of grant and leasehold rights in respect of pieces of it He must have his land surveyed within four years The minister may also declare informal areas and award land rights.

Fishing interests dumped, losses reversed

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BSG turns Ovenstone: Profit R1,4m, 5c div

Cape Times 18/3/88

By AUDREY D'ANGELO
Financial Editor

THE Stikland-based Basil Starke Group (BSG) — which acquired the loss-making Ovenstone group in a reverse take-over last year and disposed of the fishing interests — has succeeded in turning it around very decisively in the nine months to December.

Attributable profit by the renamed Basil Starke Investments (BSI), formerly Ovenstone Investments (Oil), is R1,4m and earnings at share level 24c. Turnover was R77,2m and net profit after an abnormal item of R168 000 was R2,7m

An ordinary dividend of 5c a share has been declared, together with an 8,5% preference dividend of 4,25c and an 11% preference dividend of 5,5c a share for the six months to February

Comparative figures are meaningless because of the change of ownership and restructuring, as a result of which the business has changed from a fishing group with general engineering interests to a construction group with general engineering interests.

MD Colin Glen said last night the turnaround was due to "the disposal of the loss-making highly-geared fishing companies and the acquisition of the profitable Basil Starke Construction and engineering interests"

Review period

● The Basil Starke Group, formerly the Ovenstone Group, ended the nine months to December with an attributable profit of R2,2m and net profit of R2,7m on a turnover of R77,1m

Earnings at share level were 25,1c and a final dividend of 3c has been declared

Chairman Basil Starke and director Colin Glen say Premier Wire, which lost approximately R5m in the 12 months to March, lost only R0,4m in the review period It is now part of the Basil Starke Autotube division

"We are pleased with this performance as this operation was a cause of grave concern at the time of the Basil Starke shareholders gaining control of the Ovenstone companies," they say, forecasting that Premier Wire will make a profit in the current year

They say the structural organization of the group has been almost completed "The management systems required to monitor operations are in place and the group looks forward to continued satisfactory results"

Glen said last night that the directors were "very happy" with the results The group will continue to expand and may make a high-tech acquisition "but it will probably expand more by internal growth than by acquisition"

He said a move into property development last year "should show results" in the current year

The group is building a residential township in Somerset West which, Glen said, was "practically sold out", and an office park in Bellville

(232) B/day

22/3/88

INTERNATIO

Recruiting service is privatised

Own Correspondent

LONDON — The UK government has announced it is to seek private sector tenders for its recruitment service for professional staff.

There have been a number of small privatisations of more peripheral government activities, but the Department of Employment said that privatisation of the Professional Executive Recruitment (PER) service would be the first such move for a core civil service function.

PER is part of the recently-reorganised Employment Service, which ministers have identified as a prime candidate to become one of the semi-independent agencies proposed in a report by Sir Robin Ibbs, head of the Whitehall efficiency unit.

PER, which deals with vacancies for professional, managerial and scientific staff, mainly at the lower end of the executive market, was set up in 1974 and started charging fees in 1983, making a profit in 1986-87 of £37 000 on a turnover of £9m.

In the same period, the service — which employs about 340 people in 35 offices — filled 12 000 jobs out of 20 000 vacancies notified About 150 000 job-seekers enrolled with it in that time. The government's privatisation move was signalled in December — Financial Times.

DP 22/3/88. (232)

Altron buys Roxfin

JOHANNESBURG — Allied Electronics Corporation (Altron) has acquired the specialised finance company, Roxfin, from First National Industrial Bank (FNIB).

A bank spokesman decline to disclose the value of the transaction but said it was a multimillion rand cash deal.

The transaction was effective from October 1 last year, but the company continued to be managed by FNIB's joint finance companies division until the end of February to give Altron an opportunity to set up computer systems and employ staff to manage Roxfin's debtor book.

Roxfin was set up in 1981 to finance the sale of the products of Rank Xerox, whose South African operation was bought out by Altron last year. It was therefore logical that Roxfin should follow Rand Xerox — renamed Xera-Tech — into the Altron stable, the FNIB statement said.

Roxfin, whose assets have increased to more than R60m in six years, will be owned and controlled by Altron's corporate finance company, Technologies Acceptance (Pty).

"FNIB remains intimately involved in the company and will continue to provide facilities for the ongoing business of Roxfin," the statement said. — Sapa

Cape Times 22/3/88

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Clicks and Score to merge?

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN-based Clicks Stores and the rapidly expanding Score group seem almost certain to merge Negotiations are at an advanced stage and an announcement is expected this week.

Their share prices have already started to rise following an announcement by Rand Merchant Bank yesterday that negotiations were in progress The price of Score shares was up 20c by midday yesterday Clicks was up 5c and Clikdin by 10c

Neither side would comment on the negotiations at this stage but Clicks executive chairman, Jack Goldin, asked if he intended to retire, said "I shall still be around for some time yet"

Both Clicks and the Score group are expanding and both turned in impressive results throughout the recession

Clicks, which recently reported a 27,3% rise in attributable profit to R6,1m for the six months to December, has 68 stores and plans to open another seven between July and December this year

The group includes 16 Discom stores, which are specifically targeted at the black consumer market

Score, which ended its financial year on February 28, has not yet announced its results but turnover is expected to pass the R1-bn mark

It owns 36 Score retail stores, 22 Grand supermarkets and 17 Trador cash and carry wholesale stores

Its interim results showed a 61% rise in earnings to 37,4c a share

The Score group first entered the Western Cape market nearly three years ago when it opened a Trador outlet in the city. Soon afterwards it bought the ailing Grand Bazaars chain and turned it round

It is known for its dynamic management, headed by MD Carlos dos Santos, a former senior executive of Metro Cash and Carry

Jack Goldin was the founder of Pick 'n Pay He sold the fledgling chain to Raymond Ackerman, intending to retire

But, celebrating his retirement with a sea cruise, he grew bored and thought of starting a chain selling toiletries and gifts Excited by his idea, he left the cruise early and returned to Cape Town to start Clicks

Tollgate board restructured

Cape Times 22/3/88 232

By LAWRENCE TOTHILL

FOLLOWING the acquisiton of a controlling shareholding in Tollgate Holdings by Duros, most of the non-executive directors of Tollgate are being replaced, but all the executive directors stay on to run the company as before.

The directors who remain on the board are MD Johan Barnard, financial director Neil Blackshaw, CE of the Multimech subsidiary John Boughey, MD City Tramways Nic Cronje, Julian Carney and Adriaan Eksteen.

The non-executives leaving the board are Dawie Marais, Eric Grubb, Gerald Browne, Leon Flax and Charles Stride.

The newcomers are Johann Claasen, Ron Sherrill, Mervyn Key, David McLaw, Murray Louw and G L MacIntosh.

Commenting on the changes, MD Barnard says it is natural that a new controlling shareholder appoints nominees, "but it is business as usual and all those who run the company continue to do so".

Privatisation: answering the reservations

RONNIE BETHLEHEM

ALTHOUGH the case for privatisation is strong, reservations about it have been raised These need to be answered by its advocates if the case for privatisation is to become convincing The following are perhaps the more important of the reservations articulated.

☐ **Privatisation will divert scarce public funds needed for infrastructural development into government consumption and wasteful welfare projects**

The danger clearly exists that privatisation will reduce the pressure on ministers willing to compromise on the principles of strict financial management for political reasons But that is not an argument against privatisation per se

Other ways would exist (e g , monetisation of existing official debt) to get around restraint if this was government's intention In the meantime, the State President has shown his awareness of the problem with his commitment to preventing such a consequence

However, it would be wrong to believe that spending on black housing and education is wasteful On the contrary, it would promote not only the emergence of an economically stabilising black middle class but black productivity and, hence, also black tax-paying capacity

☐ **Privatisation will involve the sale of public assets to major private sector corporations, providing them with windfall profits at the expense of the general population, including the small investor. It is, therefore, a device to make the rich richer.**

This is far too cynical an evaluation Again, dangers need to be acknowledged, but if the approach to privatisation is right, the consequences will not be to the relative disadvantage of the private individual

On the contrary, and despite the movement of shares into institutional hands, the population of private investors could be increased significantly, and that would be good In Britain, it now exceeds the numbers of unionised workers as a result of Thatcher policies The effect in SA could be similar

☐ **Privatisation will merely convert public monopolies into private sector monopolies. It is no assurance in increasing competition in the economy.**

Even were the monopolistic nature of the firms concerned to remain unchanged, the case for privatisation would stand Private sector monopolies are compelled to manage resources more efficiently than public sector monopolies And scope exists for the opening up of so-called natural monopolies to competition

Power stations, for example, can be made to compete with one another for the supply of power into the national electricity grid

The SABC can be exposed more effectively to the services of private broadcasters without any risk, if that's government's concern, of its political opponents being given some previously denied advantage In that way the SABC can be made more sensitive to the public's preferences.

☐ **Privatisation will aggravate inflation through an increasing of the costs of products and services previously provided by the State This will be so because public corporations and State Departments frequently provide their products and services below cost. Under private ownership, many welfare-type services will disappear altogether.**

Again, dangers need to acknowledged, but it is quite wrong to believe that official subsidisation of goods and services keeps inflation down. Ironically, but for reasons economists can explain simply, it is subsidisation and the money creation it generates which is a cause of inflation

If there is a threat to some important welfare-type services, government will still be in a position to maintain these if it chooses

☐ **Privatisation is being rushed into too quickly without sufficient consideration of its medium- to long-term consequences Particularly important here are matters of national security**

There is no evidence whatsoever that haste on government's part is a problem On the contrary, it has been sitting on the privatisation issue for years

The White Paper of last year was only published after protracted consideration of the matter, but the Paper itself seemed t[illegible]ast in the role of a holding operation Although its wording was tactically positive, it was cautious rather than enthusiastic

Now the State President, in an important personal initiative, has rescued privatisation from bureaucratic obstruction The question of national security is a red herring

SA has not been weakened by the part-privatisation of Sasol It would be unlikely to be weakened by the part-privatisation of Eskom, Sats, SAA or even the SABC.

☐ **Privatisation will be disruptive of domestic capital markets. This will be especially so because non-resident investors will not wish to convert existing loan stock into equity**

Again, the thinking behind the reservation is spurious, giving rise to misplaced fears Government is unlikely to be so foolish as to dump shares on a reluctant or exhausted market It will be advised by merchant bankers and others as to timing and technicalities

After October 1987, special attention will have to be given to what the market will bear But even in present circumstances, it could bear a great deal

Take Eskom as an example Given the inflationary prospects in SA, it is no exaggeration to say that pension funds and insurance companies are holding more fixed income stock than they would like Without the compulsion of approved requirements, their equity holdings would be far greater

And Eskom equity would be an attractive holding for any institutional portfolio It is a good growth business, with as good an inflation hedge as any The institutions, therefore, would probably welcome a conversion of Eskom debt into equity, provided that that was accompanied by a reduction in approved investment requirements

So Eskom debt should not be trading at a discount to RSA debt — just the reverse Such a conversion would be a first stage, getting the Eskom capital structure right and generally setting the scene

It would *not* raise any new funds for government and so would *not* act as a drain on institutional liquidity Selling off new equity could be left to later, when market conditions were right

As far as non-resident investors are concerned, any offer of conversion would have to contain a choice Those investors wishing to remain in debt securities could be allowed to do so The non-resident element, however, is small and, therefore, not a problem

☐ **Privatisation will weaken government's ability to manage the economy through business cycle fluctuations and reduce the effectiveness of macro-economic stabilisation policy**

On the contrary, the very opposite is likely to be true The over-extension of the public sector relative to the private sector has reduced the effectiveness of monetary policy by increasing the deficit before borrowing grotesquely

Monetary policy cannot be effective unless fiscal policy is consistent and supportive It is only in circumstances of severe deflation that the State sector justifies significant expansion relative to the private sector, and the way will not be closed to that should it become necessary

☐ *Dr Bethlehem is Group Economics Consultant at JCI. The views expressed here, however, are his own, not those of his company*

Clicks and Score in merger talks

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CAPE TOWN — A new retail giant with 160 stores and more than R800 million turnover is expected to be formed by a merger of Clicks Stores and Score Food Holdings, which also controls Grand Supermarkets.

Rumours were circulating last week about a deal involving Pick 'n Pay and the Cape-based Clicks chain, but the Score group has emerged as the likely suitor.

Rand Merchant Bank disclosed that "negotiations are in progress which, if successfully concluded, may have an effect on share prices."

Shareholders of Clicks Stores, its holding company Clikdin, and of Score Food Holdings and Hi-Score Holdings were warned to exercise caution in their share dealings.

Jack Goldin, chairman and founder of Clicks, said if, as expected, a deal went through, it would be of great benefit to both groups of shareholders. Asked if he intended to retire he said he would still "be around for some time."

A spokesman for the Score group said another announcement would probably be made within the next few days.

The Clicks chain includes 68 Clicks stores, and 16 Discom stores.

The Score group owns 36 Score retail stores, 22 Grand Supermarkets and 17 Trador cash-and-carry wholesale stores.

Both Clicks and the Score group are expanding and both turned in impressive results throughout the recession.

Clicks, which recently reported a 27,3% rise in attributable profit to R6,1m for the six months to December, has 68 stores and plans to open another seven between July and December this year.

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Score, which ended its financial year on February 28, has not yet announced its results but turnover is expected to pass the R1 billion mark.

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Jack Goldin ... I'll still be around.

Its interim results showed a 61% rise in earnings to 37,4c a share.

The Score group first entered the Western Cape market nearly three years ago when it opened a Trador outlet in the city. Soon afterwards it bought the ailing Grand Bazaars chain and turned it round.

It is known for its dynamic management, headed by managing director Carlos dos Santos, a former senior executive of Metro Cash and Carry.

Jack Goldin was the founder of Pick'n Pay. He sold the fledgling chain to Raymond Ackerman, intending to retire.

But, celebrating his retirement with a sea cruise, he grew bored and thought of starting a chain selling toiletries and gifts. Excited by his idea, he left the cruise early and returned to Cape Town to start Clicks. — Sapa-DDC

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B/day 24/3/88

Few state workers to be retrenched in privatisation

HOUSE OF ASSEMBLY — Retrenchment of public-sector staff would be kept to an absolute minimum during privatisation, said the Commission for Administration's 1987 report, tabled yesterday.

A strategy had been devised. Where retrenchment was unavoidable, appropriate benefits would be given and all those affected would be treated fairly

The commission also said the number of central government employees increased by 68 227 (10,5%) between September 1986 and September 1987.

It said the personnel increase could not be ascribed to "excessive employment", but rather to the assimilation of large numbers of staff from other government sectors.

For instance, 6 185 members of the Railways Police were transferred to the SAP. And 15 267 employees of the former development boards were transferred to central government departments.

About 24 000 employees of development boards, dissolved in 1986, were transferred, many to the provincial administrations as well.

The report said full parity was achieved in salaries and other benefits in about 280 of the 520-odd occupational groups in the public service at the beginning of 1987

All disparities would be eliminated by March, it said.

In the privatisation programme, the commission issued 49 instructions for investigations Fifty-one feasibility studies, to determine whether certain activities could be privatised in principle, were at different stages of completion.

In seven cases, the commission proposed that activities be privatised

In its revision of the housing loan subsidy scheme for public servants, the commission said extensive problems were being experienced.

However, it remained convinced that housing assistance was justified, not least because it was widely practised in the private sector.

The establishment of the Public Service Bursary Scheme had increased efficiency because of increased training The commission also completed an investigation into the better use of women, particularly in higher posts. — Sapa.

Own affairs 'artificial'

DD 24/3/88

2nd offer for Wit Nigel minorities

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JOHANNESBURG — Wit Nigel minorities are likely to be made an offer following last year's private offer by Mr Joe Berardo's Mining and Finance Corporation (JMF) to rebel shareholders

The private deal, negotiated in August last year, gave JMF effective control of the gold mine

A source close to the Johannesburg Stock Exchange (JSE) said yesterday the listings committee had rejected the JMF argument that last year's deal was merely a change of "control within control"

It is now believed that the committee would soon recommend to the JSE general committee that an offer be made to minorites excluded from the original deal

There appears, however, to be a difference of opinion about the price at which the offer should be pitched

The October market crash has complicated matters Consequently, the JSE is in a difficult position, not being able to please minority shareholders in both companies

The president of the JSE, Mr Tony Norton, says the general committee was expecting further evidence to be brought before it.

Meanwhile, it is believed that Wit Nigel minorities have called on the JSE to examine the possibility that cash formed part of last year's deal

They argue that the JSE regulation 3 5 1 on take-overs and mergers makes provision for the lowest cash offer of the deal to be made to minorities in general — DDC

Score, Clicks merge to form retail giant

26/3/88 Star 232

In a deal valued at around R57 million, Hi-Score, the Score holding company, is to take control of Clikdin, the holding company for the Clicks and Diskom retail chains. The merger will put Hi-Score in a strong position to compete with the big players in the retail industry such as Pick 'n Pay, Checkers and OK Bazaars

Clikdin chairman, Mr Jack Goldin who holds 51 percent of Clikdin, has agreed to sell 63 percent of that stake (equivalent to 7,9 million shares) to Hi-Score at a value of R4,75 per share Consideration will be effected by a cash payment equal to 75 percent of the total value and the allotment and issue of Hi-Score shares at R8,40 per share for the balance A similar offer will be made to Clikdin minorities

ANN CROTTY

Mr Goldin, who will continue to act as the chairman of Clicks and will be a consultant to the enlarged group, has undertaken to sell additional shares to Hi-Score if minority acceptance is not sufficient to ensure that Hi-Score holds at least 51 percent of Clikdin

A restructuring of the enlarged group is planned, which will see Hi-Score as the ultimate holding company with 51 to 63 percent of Clikdin The latter, in turn, will hold 50 percent of Clicks and 60 percent of Score All of the JSE listings will be maintained

According to an official announcement, the transaction is expected to have a minimal effect on the earnings and net asset value of Hi-Score, but the synergistic benefits are expected to be considerable and will be reflected in Hi-Score's 1989 financial results The management and philosophy of both groups, which have proved to be excellent, will be maintained

Market analysts were initially hard-pushed to identify any scope for synergy in the deal, but Mr Carlos dos Santos, MD of Hi-Score, had no trouble in listing the potential benefits, chief of which should be a wider spread in terms of both products and markets

At Hi-Score, the emphasis in terms of product mix, is on food and allied goods In terms of target market, the emphasis is on the lower end In terms of geographic distribution, Hi-Score's outlets are concentrated in the Transvaal/Natal region

At Clicks, the emphasis is on retail toiletries, cosmetics, appliances and fancy goods In addition, Clicks has 16 Diskom stores, which carry the same types of products, but target the black market Most of the Clicks stores are situated in the Cape region

There will be little, if any, duplication of activities, but Mr dos Santos is emphatic that there will be "a fair amount of scope for synergy in terms of financial discipline" In addition, although the two parties target different segments of the market "we deal with the same manufacturers and so will benefit from increased buying power" Mr dos Santos seemed particularly optimistic about the scope for expansion of the Diskom chain within shopping centres where Score is already established

Agreement signed in Pretoria

S232

B/day 28/3/88

Privatisation of N1, N3 is now official

MICK COLLINS

THE privatisation of most of the N3 and part of the N1 was officially brought into force on Friday after the signing of an agreement in Pretoria.

The agreement, which was strongly opposed by certain sections of organised commerce and industry, was signed on behalf of government by the Director-General of Transport Ronnie Meyer and Tolcon CE Ron McLennan.

Tolcon (Toll Road Concessionaires) is the consortium formed to construct, maintain and toll the sections of freeway involved. The consortium shareholders are Group Five Investments, Murray & Roberts, Grinaker, Sanlam, and Keeve Steyn Inc.

In terms of the agreement, Tolcon will construct freeways up to the highest standards of safety where freeways do not yet exist, or rehabilitate existing freeways up to the required standard, and levy tolls on them for the next 25 years.

At the end of this period, the roads will revert free of charge to the Department of Transport, which may sell them back to private enterprise for a sum related to their market value, for a further 25 years.

In such case, Tolcon will have first option to repurchase the roads.

The sections involved are the N3 between Alberton and the Midmar Dam, near Maritzburg, and the N1 between Grasmere, 30km south of Johannesburg, and Kroonstad.

Tolcon will be obliged to resurface its roads every eight years, and upgrade them, adding additional lanes where traffic growth requires it. Radio telephones will be provided every few kilometres for motorists in distress. The agreement follows three years of negotiation between Tolcon and the department.

A condition is that Tolcon seeks a listing on the Stock Exchange once the roads are being profitably tolled. Government will be able to take up to a 25% shareholding in the company.

Outlining the advantages of privatisation for government, Meyer said it would reduce the state's involvement in net fixed investment, it would broaden the tax base, and ultimately should result in reduction in income tax levels.

P/D 28/3/88

Eskom rejected by UK investors

LONDON — Top British merchant banks and stock brokers have given the cold shoulder to Eskom

Eskom officials are currently here seeking advice on privatisation They are also expected to visit Europe and the Far East

According to a report in the Sunday Telegraph yesterday, among those who have rejected Eskom as a client is Morgan Grenfell, which is understood to have declined even a meeting to discuss the issue in detail.

The company which is handling the United Kingdom electricity privatisation scheme on behalf of the government, Kleinwort Benson, has given the South African corporation the thumbs down

Top City stockbroker, Mr James Capel, which has a highly-regarded South African mining research team, has also turned Eskom down and others institutions are also believed to have been approached

Eskom, which has assets of about R27-billion and a 1987 income of R3.7 billion (figures quoted by the Sunday Telegraph), not only supplied 95 per cent of the Republic's electricity but is also a key supplier to neigbouring states such as Lesotho, Swaziland and Botswana

It has been given a six-month deadline by the State President, Mr P. W Botha to present a report on privatisation, which would be the biggest yet undertaken by South Africa and set the standard for future sell-offs.

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International support for a privatisation of this magnitude was vital as the size of Eskom's cash requirements "would prove a severe test for the Johannesburg market on its own"

"Eskom officials had been hoping that the strong recovery of the financial rand over the last year signalled a return of overseas confidence in South African investment

"But it is clear that despite the major improvements the company has made and its record in upgrading pay for black workers, many fear that the political repercussions of involvement in the Eskom issue would more than offset any financial advantages" — DDC

D/D 27/7/88

Score nets Clicks in R50m deal

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JOHANNESBURG — Score, the retail grocery chain, has joined the big boys of the retail market with the announcement of its acquisition of the controlling interest in Clicks for nearly R50m

The deal, which establishes a group with a turnover of more than R1,3bn and projected pre-tax profits of R60m, puts the nine-year old Score firmly into battle with Pick 'n Pay, OK Bazaars and Checkers

Score's holding company, Hi-Score, will acquire from Clicks executive chairman Jack Goldin 7 948 080 Clikdin shares, or 63 per cent of Clicks shareholding in Clickdin — Clicks' holding company

Hi-Score will also make an offer to purchase 63 per cent of the shareholdings of other Clikdin shareholders Depending on the response to this offer, Goldin will sell a further proportion of his shares to ensure Hi-Score has at least a 51 per cent stake

Clikdin shareholders are to be paid R4,75 a share, in the form of a cash payment equal to 75 per cent of the total amount due, and the balance by the issue of Hi-Score shares at R8,40 each

Clikdin shares have been trading at 410c

A joint announcement stressed the deal would have a minimal effect on earnings and net asset value for Hi-Score But, it said, "the synergistic benefits of the transaction are expected to be considerable and will be reflected in Hi-Score's 1989 financial results"

Score currently operates 128 outlets through various subsidiaries, while Clicks has 93 outlets

Score managing director Mr Carlos dos Santos said in a statement "It has always been our aim to create a far broader customer base, as well as extending our product range, which at present concentrates mainly on groceries

"Clicks is the ideal company for us to realise this aim The expanded group will enable us to exploit the potential growth, not only in the grocery market, but in the toiletries and general merchandise fields as well"

Plans to expand services

Tollgate buys UPTI in R62,9m deal

Cape Times 29/3/88

732

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN-based Tollgate Holdings has acquired control of United Passenger Transport Investments (UPTI) — which operates commuter and long-distance bus and coach services over widespread areas — in a R62,9m deal

The price is approximately the asset value of UPTI, which has seven bus companies (1 400 buses) operating mainly in the Transvaal, Natal and Bophutatswana. It has 4 500 employees, all of whom will keep their jobs

The deal, effective from April 1, is still subject to regulatory approval and includes provision to safeguard the conditions of employment of UPTI staff

Principal operator

Tollgate — now in the Duros stable — is buying UPTI from United Transport International (UTI) a subsidiary of international services company BET, which has a 60% stake and from Sankorp which has the remaining 40%

The purchase consideration will be settled by a cash payment of R50 558 808 and the balance of R12 375 000 by the issue by Tollgate of 14% unsecured convertible redeemable debentures of 275c each.

Tollgate Holdings has been the principal bus operator in the Cape since 1876

Tollgate MD Johann Barnard said last night that the enlarged company would still have its headquarters in Cape Town

He said "rationalization" of the Greyhound Inter-city operation owned by Tollgate and its Springbok Atlas Safaris with coach services owned by UPTI did not mean a reduction in jobs

"On the contrary — we expect these services to be expanded We shall now be in a better position to cater for the tourist industry by offering a choice between leisurely scenic tours and quick inter-city travel "

A statement issued by Tollgate said that its operations and those of UPTI were not in competition because they functioned in different market segments and localities

"This acquisition significantly broadens Tollgate's involvement in the passenger transport industry "

Tollgate said the acquisition decreased the net asset value of Tollgate ordinary shares from 317c to 283c because "Tollgate revalued its bus fleet in 1983

"Were UPTI's fleet to be revalued on the same basis, the reduction in asset value would not occur

"However the acquisition increases Tollgate's earnings per ordinary share from 31,9c to 40,8c, representing an increase of approximately 27% "

A planned restructuring programme of the enlarged group was expected to have a favourable effect on future earnings

Acquisition

The acquisition included new unused buses, coaches and chassis at a replacement value of R15m

The statement said Tollgate nominees would be appointed to the boards of UPTI and its subsidiary operating companies in due course

Paul Rudder, a BET director and chairman of UTI, said local ownership would be "the best way forward for passenger transport following the changes in the industry

"The price recognizes the commercial worth of the business and releases funds for further expansion of UTI's world-wide freight operations, as part of our policy of focusing on BET's core support services," he said

Govt cautions business not to expect 'miracles'

By Michael Chester

The Deputy Minister of Economic Affairs and Technology, Dr Theo Alant, cautioned business leaders last night not to expect instant miracles from the privatisation programme launched by the Government.

Nor should there be unrealistic expectations about the speed of the removal of regulations that controlled business operations in the private sector, he told the Steel and Engineering Federation of South Africa (Seifsa) at its annual banquet in Johannesburg.

Even so, he said, the State's direct stake in the economy, and its prescriptive role, had become excessive and needed to be cut to an absolute minimum.

But while quick results were possible from Government pledges to reduce its involvement in the economy in certain respects, changes in other aspects could take years to achieve.

The complexity of regulations made it difficult to do away with large sections at once. Careful consideration was needed before alternatives were selected.

2.3.2 Star 30/3/88

D/D 30/3/88

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Tollgate pays R62,9m for bus group

JOHANNESBURG — In a R62,9m deal, Tollgate Holdings has acquired total control of United Passenger Transport Investments (UPTI) from United Transport Holdings and Sanlam Investment Corporation.

The takeover which takes effect from April 1 significantly broaden's Tollgate's existing involvement in the passenger transport industry.

Tollgate is to pay R50,5m in cash for UPTI and will settle the balance of R12,3m by the issue of 14% unsecured convertible redeemable debentures of 275c each.

UPTI is 60% owned by United Transport International (UTI) through UTH and 40% by Sankorp.

UTI is a subsidiary of BET, an international services company, and contributed less than one per cent of BET's earnings.

BET director and UTI chairman, Mr Paul Rudder says local ownership is "the best way forward for passenger transport following the changes in the industry.

"The price recognises the commercial worth of the business and releases funds for further expansion of UTI's world-wide freight operations as part of our policy of focussing on BET's core support services."

UPTI through its seven bus companies operates 1 400 buses and employs 4 500 people in providing bus services principally in the Transvaal, Natal and Bophutatswana and also operates the Greyhound luxury inter-city coach service.

The transaction does not affect the interests which UTI and Sankorp hold in JSE-listed Unitrans and is subject to official approval being obtained.

DD 30/3/88

R3,17m for Giddys

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JOHANNESBURG — The acquisition of Port Elizabeth-based furniture retailing group Giddys by the R650 million a year group Rusfurn was for R3,17 million cash, Rusfurn announced in a statement

The nine-store Giddys chain would give Rusfurn an important base from which to expand its operations in the Eastern and Western Cape, it said.

"It will also provide an entre into an important new market niche — that between the conventional furniture retailer and the discounter."

Management of Giddys would fall under Rusfurn's wholly-owned subsidiary Dions, with Dions' deputy managing director Jannie Els succeeding Alan Giddy as chairman Athol Beeforth, of Giddys, has been appointed managing director and the Giddys identity will be retained, the statement said

The acquisition will have little impact on Rusfurn's earnings in the current financial year ending June — Sapa

Since restructuring and transformation . . .

Unidev show 388% earnings growth

CT Trib 30/3/88 (232)

By AUDREY D'ANGELO
Financial Editor

CAPE TOWN-based banking and financial services group Unidev has lifted earnings for the year to December 31 by 388% to 12,2c a share, compared with 2,5c in the previous 18 months on an annualized basis

In its first financial year since its restructuring and transformation from a property company, it has achieved attributable profits of R9,5m — 98% ahead of the forecast in its transmuted listing statement

Forecast

A dividend of 4,5c a share has been declared This is 80% ahead of the forecast 2,5c and is the first dividend paid since 1983

Operating profit has risen to R10,3m compared with R961 000 in the previous 18 months, when the property company was hard-hit by the recession

The directors emphasize that net asset value per share has risen by 75% to 61,8c

Chairman Geoff Grylls said this was "significant with regard to the sector of the market we are in

"People have the impression that companies operating in the financial services sector of the Joannesburg Stock Exchange (JSE) have a low net asset value Unidev, however, has substantial assets to back the group's activities"

Total capital employed is R74m and net assets amount to R53m Total interest-bearing debt is R18,8m and Grylls describes the debt equity ratio of 35,5% as "healthy"

Properties acquired from Retco in January 1987 on which it was expected to make R1,1m profit after tax made, instead, a loss of R512 000

But the group received a tax credit of R43 000 compared with a bill of R432 000 in the previous 18 months

Forecasting a further meaningful growth in earnings in the current year, Grylls said the full benefit of acquisitions made in 1987 had not yet been felt

As anticipated, the financial services division comprising Quantum Finance and Quaestor IV produced about 40% of the income attributable to Unidev in the past year

Disinvestment

But Grylls said disinvestment had provided the group with opportunities to acquire companies with above average growth prospects and more were under consideration

The group had "found that the injection of capital and the utilization of our financial and administrative abilities have a significant effect on accelerating the growth of companies we have invested in

"This provides the base for companies to grow and, as they mature, they are able to continue their growth pattern through the acquisition of complementary businesses"

Own Correspondent

JOHANNESBURG — Government is to abolish its C and D export incentives in favour of an export market development assistance (EMDA) scheme, Deputy Economic Affairs Minister Theo Alant said here last night

The C and D incentives make provision for reimbursement of market-

Cape Times 30/3/88

Malbak earnings surge by 95%

From CHERILYN IRETON

JOHANNESBURG. — Malbak's interim results — with earnings a share up 80% — reveal some of the strength and dynamism of the enlarged group.

In the six months to end February earnings surged to 39c from 21,7c a share, or by 95% to 36,2c from 18,6c on a fully converted basis.

Shareholders will receive more than a quarter of the earnings in the form of an interim dividend of 10c a share. This compares with 7c paid at the same stage in 1987 and gives a cover of 3,9 times (3,1).

Aided by strong performances from its packaging and paper, electronics, motor and farm machinery divisions, sales increased 183% to R2-bn (R713m) while pre-tax profits rose to R145,1m (R38,8m).

The tax rate was 31,7% compared with 45,2% at the comparable stage, leaving attributable profit at R67,2m (R17m).

Thomas says the results indicate what Malbak can do with assets — "make them work for shareholders".

Eskom privatisation could take four to five years

Star 3/3/88 232

By Ann Crotty

It is likely that the privatisation of Eskom, which should be something of a test case for other public utilities, will take four or five years to complete.

Announcing Eskom's results for financial 1987, chairman Mr John Maree said yesterday that an investigation of all the issues involved in privatisation should be completed towards year-end and a presentation then made to the Cabinet. Eskom chief executive Mr Ian McRae pointed out that completion of the UK electricity privatisation scheme was expected to take up to five years from the date of commencement, adding that "Eskom may be quicker".

If Eskom can maintain its recent strong performance throughout the intervening period, it should have little trouble in attracting support from the private sector. As Dr Maree said, the latest results showed that the corporation was now providing 15 percent more electricity than three years ago "and we are doing this with 14 percent fewer people".

For the 12 months to December, Eskom reported a 20,5 percent increase in revenue to R7 billion. There were charges against this of R6,3 billion, leaving the corporation with net income of R702 million, compared with R780 million in financial 1986. Management said that, to a large extent, the 25 percent increase in the level of charges reflected the costs cf the increased maintenance programmes. This had resulted in higher operating costs, which were up 22,2 percent to R4,2 billion. In addition, as more plant was placed in commercial operation in 1987 than in 1986, the interest charge against revenue rose 31,2 percent to R2,1 billion.

Dr Maree said that of the total costs of R6,3 billion, approximately one-third related to finance charges, one-third to the cost of coal and the remainder to "other operating costs".

Given the extent of its exposure to finance charges, liability management techniques are crucial to the group's performance In an attempt to reduce the effects of generally higher borrowing costs, management last year extended the period of its loans This was achieved at a time when the market as a whole had tended toward shorter terms.

The balance sheet at year-end showed loans and other debt of R20,8 billion, of which R7,5 billion represented foreign debt. In financial 1987, some R3,5 billion in loans and facilities was raised, compared with R2,4 billion in 1986. In the later period, some R1,4 billion of the loans were foreign, against a low R375 million in 1986 after the debt standstill.

Dr Maree said that much of last year's R1,4 billion came from the Public Investment Commission and therefore did not represent new funds entering South Africa. However, he said that Eskom had no difficulty in attracting project-related finance from overseas sources.

(232) B/day 31/3/88

Privatisation: the mechanics are complex

... South Africans will ... the decision to shift the ... between the public and ... sectors. It will open up ... rewarding investment op... for investors long starved of the opportunity to invest in some of the country's resources and at the same time broaden the base of taxpayers, thereby ensuring a better and more equal spread of the tax burden.

Privatisation creates opportunities for employees who can become workers-turned-owners, new freedoms and challenges for the managers of previously State-controlled corporations and exciting possibilities for consumers.

In short, it will bring to these corporations the efficiencies and benefits which being exposed to the forces of the free market system brings to private sector enterprises.

Enough has been written and said about privatisation to establish the philosophy The time has now come to get on with the programme How and where do we go from here?

The appointment of Dr Dawie de Villiers as Minister for Privatisation, with the mandate and the necessary authority, is confirmation of government's serious commitment to privatisation and is an important first step.

Our investigation into privatisation overseas has highlighted a number of points. The first is that the mechanics are complex and each situation needs to be reviewed individually. What works for one basic, nationally-controlled industry may not necessarily apply in another case.

In our view there are four main (but not necessarily exhaustive) alternatives to consider.

The first is a trade sale, where a State-owned corporation, or a portion of it, is sold to a single firm or consortium The second is where ownership of the corporation is placed with a carefully-selected group of investors

Another, and probably the most popular, option is a public flotation on the Stock Exchange, while the fourth alternative is a management or employee buyout.

In the South African context, we anticipate that the third option is the one likely to be followed in many instances.

Experience overseas is that governments rarely have the necessary skills to make the critical assessments required and traditionally call in the experts the private sector is, after all, the buyer.

We welcome government's decision to appoint private sector experts to assist the Minister in the evaluation of the many privatisation projects that are likely to be put before him (and government) in the next few years.

In preparing for privatisation we have come to the conclusion that four disciplines will be involved in the structuring process, and we have built our team accordingly

We expect that these same disciplines will be mirrored on government's side to ensure competent agreement between the State and the private sector on vital issues

The four disciplines are

☐ A philosophical overview, embracing a thorough understanding of the principles underlying each privatisation,

☐ The financial input, encompassing evaluation, financial structuring, funding available in the market, etc,

☐ The legal contribution, to determine legal and corporate structures, amendments to existing legislation, compliance with JSE requirements, and

☐ The human resource/personnel to structure all human resources in a corporation prior to privatisation, in preparing all personnel for privatisation and in attending to the vital aftercare to ensure a smooth transition

The Privatisation Debate

Finansbank's experience in privatisation has led to the secondment of one of its general managers, Pieter van Huyssteen, to assist Dawie de Villiers, who takes over today as Minister of Privatisation. Here Finansbank MD HENNIE van der MERWE cuts through the theorising about privatisation and examines the mechanics

☐ HENNIE VAN DER MERWE

It is also important to note in the South African context that it is mainly the merchant banks that can at present provide all four disciplines under one roof and one central control.

Looking to the experience we have gained overseas and locally, we have drawn up some guidelines on a typical successful privatisation

Government should invite the private sector to indicate which assets it might be interested in taking over and how the private sector would go about acquiring these assets

The Minister needs to have a firm indication as to the extent and the nature of the privatisation issue before he can evaluate the options.

After all, the private sector may see its way clear to acquiring certain assets which government thought unlikely candidates for privatisation

We should not be daunted by the complex problems that will have to be solved. To throw up one's hands in horror at the thought of the difficulties that will have to be overcome may result in SA remaining stuck in its present rather unsatisfactory economic position.

Each problem will have to be faced and an acceptable solution worked out

The next point is that it is important to continue "privatising" the process of privatisation.

Government has wisely elected not to set up an unwieldy department of public servants and is rather following the route of co-opting experts from the private sector for the duration of the privatisation process

Their experience (and hard-nosed commercial sense) in assessing a range of options in the broadest sense will encourage a healthy competitiveness in the process

The major thrust of the privatisation process will probably extend over the next three to seven years It is our belief that after 1991 most of the major viable corporations will be privatised

My final observation is that the endeavours of the Minister and his team deserve the country's support Experience in both the UK and elsewhere has shown that everyone gains by privatising

DAILY DISPATC

D/D 31/3/88

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Export incentives: some to be ditched

JOHANNESBURG — The government would abolish its C and D export incentives in favour of an export market development assistance plan, the Deputy Minister of Economic Affairs and Technology, Dr Theo Alant, announced

The C and D incentives make provision for re-imbursement of marketing costs incurred by exporters, including warehousing in customer countries

Dr Alant said the changeover to the export market development assistance scheme, about which details would be disclosed later, would come into effect on March 1 next year

He said the A and B export incentives, relating to input and output costs incurred by exporters, would also be abolished in due course and be replaced by a variety of new measures, including schemes applicable to specific industry sectors Such schemes would include input cost assistance, productivity increase assistance, small business development assistance and special industry development schemes

The changes are to be made on the recommendation of the Board of Trade and Industry which had undertaken a thorough investigation This had come about because, in spite of the generous incentives offered to exporters, there had been basically no change in the proportion of manufactured exports to raw materials exports in the past 15 years

He said before the introduction of the new measures, all new exporters would have to be

Dr Alant

registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds

Dr Alant said the board of trade and industry's recommendations were aimed at achieving a policy and strategy for the structural adjustment of South African industry, including measures to promote exports with the overriding aim of improving the South African manufacturing industry's competitiveness internationally

He said that prior to the introduction of the new measures all new exporters would have to be registered and existing exporters re-registered on the basis of a set of criteria aimed at a more effective utilisation of funds

Dr Alant said the metal and related industries were among those which the board considered could make the biggest contribution to exports of manufactured goods in the future

It was to be hoped that the industry would play its part in helping to ensure that the proportion of manufactured goods in the total export parcel was dramatically increased, he said

On the subject of deregulation Dr Alant rejected suggestions that a joint private sector and government body be set up to monitor progress on deregulation and see that target dates are met

He said "It is occasionally said that regulating bodies themselves, such as government departments, cannot be trusted to contribute much to deregulation since such bodies are likely to want to protect their own interests

"Deregulation should consequently not so it is argued be left to the regulating bodies concerned "

However deregulation, like regulation in the first instance, was a government function

"It is the government's duty to maintain an objective position as regards the conflicting interests of many interest groups This also strengthens the credibility of our policies The appointment of yet another committee is therefore not justified But the advice and criticism of the private sector is indeed most welcome," he said —Sapa

D/D 31/3/88

Bank's profits take dip

FRANKFURT — Deutsche Bank AG, West Germany's biggest bank, posted a fall in profits in 1987 for the first time in 10 years, mainly because of last October's stockmarket crash

Group net profit at Deutsche, which has large stakes in many of the country's industrial concerns, fell by more than one-third in 1987 to $400 million

The bank s chief executive, Mr Wilhelm Christians, said earnings had been rising for the last 10 years

"This phase came to an end in 1987 with a strong reversal," he said —Sapa Rns

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R500-m pullout by international firms

The Argus Correspondent

JOHANNESBURG. — Two huge multinational firms have announced the sale of their South African interests for a total of over R500-million.

The US mining group Newmont has agreed to sell its stake in five South African companies for a total of R363-million.

The transactions will be completed by the end of April and involve the mining operations Palabora Mining, Okiep Copper, Tsumeb and Gamsberg Zinc and the Anglo-American controlled Highveld Steel and Vanadium

Benficiary

Anglo American is said to be the beneficiary as it has a substantial financial interest in Newmont through London-based Consolidated Goldfields.

In comment on the disinvestment move Newmont said the group had tried for years to dispose of its Southern African interests.

In the second major announcement yesterday the British packaging group Metal Box said it had sold its 25 percent stake in its local operation to Barlow Rand subsidiary Nampak. Financial details of the deal would be announced later, a Barlow Rand spokesman said

The acquisition of Metal Box (SA) will give Nampak a huge share of the local packaging market. Metal Box (SA) will continue as a licensee of Metal Box technology and will be able to use the Metal Box name for two years.

Barlow Rand will also take up Metal Box's 25 percent interest in steel, metal and tube group Robor Industrial Holdings for R34,4-million, in which it already has a 60 percent stake

The disinvestment moves were taken ahead of expected new sanctions legislation, especially in the US, where a congressional committee has been hearing submissions on a range of Bills calling for intensified sanctions.

Cape Times 1/4/88 — Reuter (232)

Nampak details Metalbox takeover

JOHANNESBURG. — Nampak is making proposals which, if accepted, will result in Metal Box SA (MBSA) becoming a wholly-owned subsidiary, the company disclosed yesterday.

Nampak currently holds 54% of MBSA.

The disclosure follows the news that Metal Box PLC of Britain is to sell its 25% stake in Metal Box SA.

Initial news reports said Nampak would pay R114m for the 25% stake in MBSA.

However, yesterdaythis afternoon Metal Box CE Peter Campbell, said the deal was not concluded at 669c per MBSA share, as stated in some press reports, but at 860c a share.

"Also, if one takes the Nampak offer of 35 Nampak shares for 100 MBSA shares at the current market price of Nampak shares, the price is more like 875c an MBSA share, which puts the value of the sale at some R150m," he said.

According to David Brown, chairman of Nampak, the bid for the additional stake in MBSA which would give Nampak control came from Nampak.

"The proposals were initiated by us and it would be incorrect to interpret what has happened as a divestment move by Metal Box PLC.

"It is a deal which will be to the benefit of all parties."

Wednesday'sYesterday's Nampak statement says the deal is designed "to create a unified packaging company able to maximize the synergy between Metal Box SA and Nampak."

It will offer MBSA shareholders increases in earnings, dividends and current market value and a modest decrease in the net asset value of their investment.

The proposals revealed by Nampak on Wednesdayyesterday afternoon offer MBSA ordinary shareholders an alternative cash payment for every 100 shares they hold.

Instead of accepting 35 Nampak shares for each 100 MBSAs, they may take R860 in cash, or some MBSA shares and, pro rata, some cash.

Nampak shares priced at 2 500c give a value of R875 to the offer against the price of R750 for 100 MBSA shares at the same date.

"MBSA shareholders will qualify for the MBSA interim dividend to be declared in May.

"Metal Box PLC has indicated that it intends to support the proposals and will elect to take cash for its 25% holding in MBSA."

If the proposals are accepted, holders of MBSA's 5% redeemable cumulative preference stock will receive R1,25 in cash for every stock unit held and will be entitled to their annual 5% dividend from April 1, 1988 to the date at which they qualify for the cash consideration. — Sapa

Cape Times 1/4/88

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GFSA pays over R300m for Newmont's SA interests

JOHANNESBURG. — The mystery buyer of most of the SA interests being sold by Newmont Mining of the US is Gold Fields of SA (GFSA)

GFSA thus acquires control of the O'Okiep and Tsumeb copper mining interests, and a strategic stake in Gamsberg Zinc, greatly expanding its important base metal operations

The identity of the buyer was indicated to Sapa yesterday by three leading stockbrokers analysts

The information was then supported by sources within GFSA, and later confirmed by GFSA deputy chairman Dru Gnodde.

Price paid

Gnodde said the price being paid by GFSA for Newmont's interests in O'Okiep Copper Corporation, Tsumeb Corporation and Gamsberg Zinc Corporation could not be disclosed at this stage.

However, he agreed with the proposition that, together with the Newmont stake being sold in Palabora Holdings, the consideration could be taken as worth "well in excess of R300m".

This squares with the R363m aggregate price which Newmont Mining disclosed in New York on Wednesday night that it would be receiving as a result of its sale of all direct and indirect holdings in five SA companies, the Palabora group, O'Okiep, Tsumeb, Gamsberg Zinc and Highveld Steel & Vanadium.

If Newmont Mining still held just less than 10% of Highveld Steel at the time of its disinvestment agreement, this would have realized about R34m, taking the Highveld share price of 472c at which a major "bookover" deal was done on Wednesday — 18c below the ruling price then of 490c.

Highveld Steel's market capitalization for these purposes is taken as approximately R390m at Wednesday's ruling price on the JSE.

This implies that Newmont is receiving some R330m for the interests it is selling other than Hiveld.

The Newmont sell-off is not seen primarily as a major disinvestment in response to anti-SA political pressure

It has been common cause for some time, both internationally and in SA, that Newmont is labouring under a massive debt burden and has therefore been obliged to dispose of assets in many parts of the world besides SA to help raise funds to improve its liquidity and reduce its crippling interest payments.

As all Newmont's SA holdings were minority interests, and in the context of the persistent weakness of the rand, and the implications for future Newmont income from SA in dollar terms, the sell-off makes sound commercial sense from the American group's point of view

It is also indicative that, according to the latest GFSA annual report, Tsumeb's after-tax profit declined from R40m to R10m in its latest financial year, while O'Okiep's was also marginally down, from R11m to R10m.

Stakes

Newmont held 40% of O'Okiep and 30% of Tsumeb, and GFSA is buying 100% of both these stakes, according to Gnodde

In turn, O'Okiep held 27,5% of Gamsberg Zinc, Newmont held 27,5% and Anglo American Corporation group held a controlling 45%

Contrary to initial reports, Newmont is not disinvesting from Palabora Mining as such, as it has no direct stake in this operation.

It is selling its stake in Rio Tinto Holdings, held jointly with the giant US mining group, Rio Tinto.

Rio Tinto Holdings is invested in Palabora Holdings which, in turn, controls the Palabora mining operations.

DID 1/4/88

Barlow gets Metal Box for R148m

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JOHANNESBURG —UK-based Metal Box PLC has disinvested from South Africa for R148,4m.

Barlow Rand is the ultimate beneficiary.

Metal Box's 25 per cent stake in Metal Box SA has been sold to packaging giant, Nampak, owned by Barlow Rand, for R114m. And its 25 per cent stake in Robor Industrial Holdings has been sold for R34,4m to Barlow Rand, which already has a 60 per cent stake in the JSE-listed investment holding company.

The final amount paid to Metal Box is subject to exchange-control regulations.

A Metal Box spokesman, Mr Sean Travis Healy, said in London the sale of its interests was based on commercial considerations and was not a politically motivated disinvestment.

Speculation that Metal Box would exercise the option it had to dispose of its stake to Nampak has been rife.

Its decision to do so now apparently results from approval for the deal being obtained from the sole dissenting member of its board.

The long-term strengthening of the financial rand could also have been one of the persuading factors.

The Metal Box deal was concluded at 669c which represents a premium of 39,4 per cent on the net-asset value of 480c which prevailed as at September 30, 1987, and a discount of 10,8 per cent on the closing price of the share (750c) before trading was suspended in the Metal Box and Nampak shares.

The suspension will be lifted when details of the deal are formally announced on or before next Thursday.

The shares in Robor were bought at 430c — much higher than the closing price of 375c but below net-asset value which, in September last year, was 484c.

The takeover of Metal Box SA, which in 1987 had a turnover of nearly R1bn, is a coup for Nampak which already owns 54 per cent and now has a 79 per cent stake. It is believed to have made an offer to the other minorities.

Metal Box SA will continue as a licensee with the right to use the name for a two-year period. — Sapa.

MBSA 'a perfect fit for Nampak'

Star 4/4/88

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SVEN LUNSCHE

Nampak's acquisition of a further 25 percent of Metal Box SA (MBSA), will cost the Barlow Rand packaging subsidiary over R270 million, if all minority shareholders take up the offer. The deal will increase Nampak's shareholding in MBSA to 85 percent

The sale, which was reported on Thursday, comes in the wake of the announcement that British group Metal Box Plc would sell its remaining 25 percent interest in the local subsidiary MBSA will continue as a licensee of Metal Box technology and will be able to use the Metal Box name for two years

According to a statement by Nampak the deal will be based on a share price of 860c per ordinary MBSA share or the exchange of 35 Nampak shares for 100 ordinary MBSA shares or a combination of both. Metal Box Plc will support the proposal and will take cash for its 25 percent holding in MBSA

If all the minority shareholders take up the offer the transaction would cost Nampak around R270 million, of which R150 million would go to Metal Box Plc and the remaining R120 million to minorities, but analysts argue that at current market prices many institutions are likely to take up the share exchange.

Commenting on the deal Nampak chairman David Brown said that the impact on earnings would be negligible for the current financial year to end-September

"But with the resulting rationalisation, earnings should grow over the next five years. MBSA is the perfect fit for our group and it will continue to benefit technologically from the ongoing agreement with Metal Box Plc," Mr Brown said

He added that limited rationalisation would take place in the management area, "but nobody on the shop floor will loose a job".

A leading analyst said that the deal would not impact dramatically on the market place "It won't influence Nampak's earnings that substantially as both groups have already been rationalised within the Barlow Rand group," he commented

Barlow Rand also took up Metal Box's 25 percent interest in steel, metal and tube group Robor Industrial Holdings for R34,4 million, in which it already has a 60 percent stake.

Also on Thursday it was reported from New York that US mining group Newmont had agreed to sell its stake in five South African companies for a total of R363 million

The transactions would be completed by the end of April and involved the mining operations of Palabora Mining, Okiep Copper, Tsumeb and Gamsberg Zinc and Anglo-American controlled Highveld Steel & Vanadium.

Anglo-American is said to be the ultimate beneficiary of the sale of Newmont's 10 percent holding in Highveld, as it has a substantial financial interest in Newmont through London-based Consolidated Goldfields

But an Anglo American spokesman said it was official group policy not to comment on market movements "We are still considering the situation," he said.

Nampak's David Brown — "Nobody on the shop floor will lose a job".

How to profit from privatisation

3/4/88 2321 S/Times

by Robert Greig

Public affairs manager for an accounting firm

NINE years after the Government first made privatisation noises, its plans have been announced, gladdening the hearts of many

Who will profit from privatisation and how?

The general answer is everyone, some directly and soon, others indirectly and in time. But that depends on how the process is managed, what forms of privatisation are adopted, and where and how they are managed

Privatisation is not a genie let out of a bottle to automatically bestow wealth upon the rich or impoverish the poor or reduce jobs or increase job-satisfaction or result in more trains running on time

It's a tool and, like any tool, how it is used and who uses it determines the quality of results

The Government seems determined that privatisation should benefit under-developed areas of southern Africa and their people

Controls

In other words, privatisation should distribute national wealth. Its form will be appropriate to a mixed Third and First World economy

A key objection to privatisation is that it may transfer State wealth and power to the already wealthy and powerful. But this is by no means inevitable

For example, a share issue following from the privatisation of a State corporation can be structured to limit holdings by individual groups and to ensure a spread of shares among consumers and employees

Likewise, a monopolistic utility operated by private enterprise can be regulated to control the cost of services to consumers or the profits of the owners

Broadly, privatisation can be a transfer of wealth, power or managerial responsibility, or combinations of these. It generally should lead to increased cost-efficiency or quality-consciousness

In a privatised corporation, for example, one might find that remuneration of employees is based on productivity or merit, rather than fixed scales on which employees advance irrespective of other criteria

Some employees consider this a threat to their jobs. Others in the United Kingdom, for example, have found being judged by managers on what they do, not on what position they fill, liberating

Privatisation can, but doesn't necessarily, reduce employment. It may lead to working differently or more efficiently; again, this depends on the kind of privatisation and how it is managed

South Africa is between the Scylla of low productivity and the Charybdis of high unemployment, the form privatisation takes here will be moulded by both. And privatisation can take many different forms

Privatisation, too, may profit users of some public services. The justification is that where competition exists this will put a brake on price increases

Where competition doesn't exist, regulation can ensure that the pursuit of efficiency or profits is not at the expense of service or the scope or quality of service

Independent regulating agencies are more likely to be consumer-sensitive than State bodies responsible to political authorities.

A further indirect benefit of privatisation should be that, by freeing assets, the Government raises cash and broadens the tax base and can therefore reduce some taxes

(One estimate is that the State could realise assets of R60-billion by means of privatisation)

The process of privatisation, which is by no means short, could gladden the hearts of specific private sector interests without whom it cannot take place successfully. Stockbrokers, merchant bankers, computer personnel management consultants, consulting engineers, and accountants ..

But the brimming honeypot view needs qualification. Because of their size, major State corporations, like any large corporation, have the power to control fees

Jobs

Later, privatised corporations will be an enduring source of income for commercial and service organisations — not just those in the financial services sector

Consultants will advise on the structure of the business, employment practices, computer systems and management procedures. So they and the computer industry will benefit

Merchant bankers will advise on the financial structure of the corporation and its financing. They will sell money and expertise

Personnel consultants will have to look at the kind of people that are employed and should be employed and how to improve their productivity

Because the former public corporation will be entering a new legal environment and may in fact be creating one, legal advice will be needed.

The new corporation will want to make it clear to the world that it is new. For this it will need design consultants, advertising people and public relations consultants

Partners

British Airways spent almost R60-million on changing its corporate colours. Such expenditure benefits design artists, writers, suppliers and printers

Not all privatisation leads to public offers and large listings. In some cases, privatisation means selling off divisions to the private sector or instituting private sector-style management in an organisation that remains State-owned

As has already happened in South Africa, this may entail the contracting out of services — for example, toll roads and road maintenance — to the private sector, with reponsibility for national policy remaining in State hands

Privatisation is nationally important and too sensitive to be left to private sector interests alone — or to proceed without their support and input

Foreign experience suggests that privatisation is best when it represents a partnership between the custodians of the national wealth (the State) and the providers of it (the public). And as in all partnerships, success will depend on negotiation

DD 5/4/88

Eskom privatisation to be quicker than UK counterpart says chief executive

Daily Dispatch Correspondent

JOHANNESBURG — The privatisation of South Africa's R28 billion electricity giant, Eskom, is set to proceed faster than that of its British counterpart, the chief executive of Eskom, Mr Ian McRae, said

Mr McRae returned to South Africa last week after leading an Eskom "privatisation" delegation to Britain

He said Eskom had already taken privatisation action, including structural changes, personnel rationalisation and the adaptation of financing procedures

"We hope to have our thoughts clarified for presentation to the State President, Mr P W Botha, soon but it won't be this year.

"The British White Paper on the privatisation of its electricity board indicated that the project would take between four to five years

"They have already been at it for a year We have barely gotten off the ground but I think we can do it faster," he said

In the past 10 to 16 years state-owned concerns in Britain — about half the total number — have been privatised

The move has poured about R75 bn into state coffers.

In almost all cases, privatisation in Britain has led to greater efficiency and bigger profits

More competition meant better quality commodities and services

Government sources said that, although privatisation has been an official policy in South Africa for three years, implementation had not been rapid.

"There is good reason for this Privatisation must be smooth, responsible and in the public interest This requires detailed investigation and study," one source said

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"With economic power in the private sector already concentrated in the hands of a few major corporations, there is also a need to ensure that privatisation does not result in the transfer of a monopoly from the state to the private sector.

"This is particularly important in respect of utilities such as Eskom," one highly placed source said

He added that, despite the success of privatisation in Britain, there has been much consumer dissatisfaction with rising costs and deteriorating service from utility companies such as British Gas

"Apart from the partial privatisation of Sasol — the most important privatisation action to date — a government White Paper listed 35 examples of functions and activities that had already been partially or fully privatised by various government departments

"Privatisation action since then has included the decision for toll roads to be constructed by the private sector," he said

Mr McRae said that among the numerous issues to be investigated and identified was that of whether or not Eskom should be privatised as one or in several smaller undertakings

"We are also looking at the structure of the organisation, the question of control systems and if competition can be introduced," he said

232 B/day 7/4/88

Privatisation target must be 'corporatised'

HELOISE HENNING

STATE corporations and departments targeted for privatisation should first undergo "corporatisation", says Pim Goldby partner Anton McLean.

This means the targeted groups must be restructured so they can match standards set by private companies.

Corporatisation usually starts with management Government corporations and departments, which have never experienced competition, need restructuring so they become "market-driven", says McLean

Government organisations seldom work out their appropriate place in the market Nor do they need to identify what their targets should be

The first strategy in corporatisation is to look at the areas of an organisation that are cost effective, and to examine whether they are profitable or not Then to look at the areas that are not profitable and to examine whether they can be turned around or done away with.

SAA, for instance, has had to make market decisions because of its participation in the competitive overseas market. The railways, on the other hand, have never experienced competition Certain policy decisions recently had made them look at cost efficiency

"Responsibility must be inculcated in a management structure that has never lost an executive when things go awry," says McLean

A corporation which has been particularly close to the market, and needs little or no "corporatising", is Foskor, he says For this reason it should be one of the earliest corporations ready for privatisation

Old Mutual trusts out-perform market

HELENA PATTEN

OLD Mutual is top in a new unit trusts survey conducted by Pretoria University, which shows Old Mutual Investors' Fund has consistently outperformed the market over the past 10 years

A statement from Old Mutual says the survey, conducted by Pretoria University School of Management finance senior lecturer Hugo Lamprechts, is the first to provide comparative figures in a consistent analysis of unit trusts over a large number of evaluation periods

The survey indicates that over the three, five, seven and 10 year periods ending December 31, 1987, Old Mutual has earned returns of respectively 30,5%, 23,3%, 2?,1% and 29,2% — the highest in each case of all the unit trusts

Reports of SA coal plan denied

MIKE ROBERTSON

LONDON — The SA coal industry's office has angrily rejected reports that SA producers are planning to buy into Britain's electricity industry when it is privatised.

The London Daily Mail reported yesterday that SA businessmen were planning to buy into the electricity industry in a bid to secure an assured market for coal exports.

The report noted SA exported just 500 000 tons of coal to the UK, as opposed to the 103-million tons produced locally

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No plan for SA to buy into UK electricity

● From Page 1

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and total imports of 10,75-million tons

"Since the privatisation plan for electricity was announced, the South Africans have been secretly drawing up a strategy to get in on the act, turning Britain into a key overseas market for its coal," the Daily Mail said.

"Because of the secrecy shrouding the entire operation, it is not known what form any SA interests will take, whether they will involve the buy-out of generating and distribution installations or simply take the form of a shareholding in some of the privatised set-ups," the report continued.

Robert Swain, director of the office of the SA Coal Industry, said the report was a complete fabrication.

He agreed the privatisation of British electricity — which will result in individual power stations being able to import coal from the cheapest source rather than being locked into contracts to buy British coal — did represent an opportunity for SA coal exporters to increase their market share.

But, the suggestion that they would try to achieve this by buying into the privatised electricity companies was completely devoid of truth.

Swain said he had written to the Daily Mail rejecting its claims and also complaining about its attempt to link the SA coal industry with the SA government

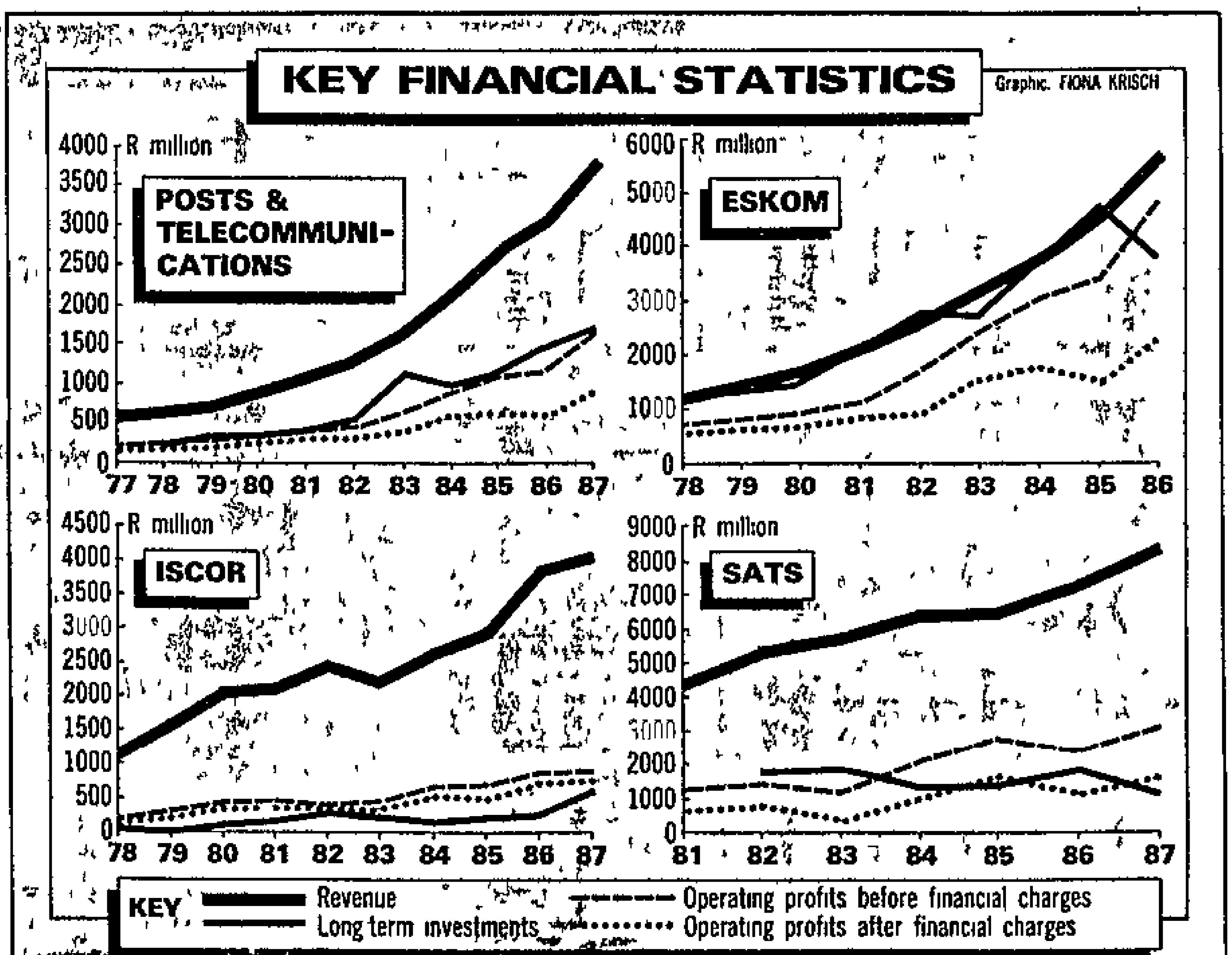
Swain said a planned visit by coal industry chiefs to Britain later this month was chiefly concerned with opposing any moves to impose sanctions on SA coal.

Swain also denied that a recent trip to SA by a group of Conservative MPs was linked to the claimed secret plan to buy into British electricity.

The MPs, he said, had gone to SA to see for themselves conditions in the mines and to see what the effect of sanctions against SA coal would be

A report issued by the MPs — Energy Select Committee chairman Sir Ian Lloyd, Neil Hamilton, Michael Brown and David Mudd — conluded that "Sanctions against the SA coal industry should not be applied by the British government and should be vigorously opposed in the European Communities, the industry should be supported in its opposition to the remaining discriminatory legislation maintained in place by the SA government, the industry's non-discriminatory employment practices should be recognised and supported."

(232) B/day 8/4/88



State giants can cut personal tax

BRIAN KANTOR/School of Economics, UCT

BRITAIN'S Nigel Lawson has amply demonstrated some of the advantages of privatisation Without any significant reductions in government spending, Britons are benefiting from substantial reductions in personal income tax rates And they are not being penalised by increases in indirect taxation

It is the flow of revenue from Prime Minister Margaret Thatcher's privatisation campaign that has enabled the British government to eliminate its additional borrowing requirements and to provide income tax relief The benefits for British taxpayers of balanced budgets and so less borrowing will materialise over time in the form of a lower interest charge on the budget.

South African taxpayers are in a position to benefit from a process of privatisation on an even greater scale A movement towards indirect taxation, accompanied by privatisation, could be used to reduce substantially personal and corporate income tax rates How substantial will be indicated below.

The potential proceeds from privatising publicly-owned business enterprises are no less or more than the difference between the market value of the assets employed by these enterprises and the market value of their liabilities.

The net market value of Eskom, Iscor, SATS and Posts and Telecommunications (PTC), the largest by far of the government-owned businesses, has been built up over many years. The rate of growth of net market value has in recent years been assisted greatly by inflation. Inflation has reduced the real, mostly long-term, debts of these enterprises

Furthermore, the enterprises have not lacked for freedom to price according to what their markets would bear in an inflationary environment. Nor have they lacked the freedom to operate more efficiently by reducing the number of people they employ

The balance sheets of these enterprises are strengthened when investments are financed, or loans repaid, through cash generated from internal sources Such funds typically appear on the books in the form of depreciation and replacement depreciation reserves In the case of Eskom, the contributions were also accounted for via loan amortisation or to capital development funds.

I have calculated cash generated by these enterprises, before and after cash interest expenses I have also set out the long-term investment and borrowing requirements, defined as the difference between internally-generated cash, after finance charges, and long-term investment I have not attempted to calculate additional working capital requirements

As may be seen, Eskom is undoubtedly the jewel in the crown Revenue — and especially operating profits before financial charges and profits after financial charges — have all increased substantially in real terms

The growth in cash flows, generated before financial charges and investment expenditure, are highly impressive In 1986, internal finance, after financial charges, contributed as much as R2,3bn to the balance sheet.

The growth in internally-generated cash by PTC is equally impressive, while Iscor and SATS, while not demonstrating anything like the same real growth, have both generated substantial sources of cash from operations. Iscor has substantially reduced its debts in this way

The Privatisation Debate

If given the opportunity, it would be up to the market to determine what a share of these cash flows would be worth Naturally, the usual criteria of financial and business risk would apply

On such criteria, Eskom and the PTC, being stable growth businesses par excellence, would no doubt score over SATS and Iscor, whose markets may be regarded as more limited

However, their consequently less ambitious investment programmes would facilitate earlier access to the cash

Taxpayers do not have to rush any sale of their implicit shareholding The taxpayers' share can be reduced gradually rather than immediately

However, dividend income could be made to flow immediately these enterprises were converted into an ordinary corporate structure Iscor has such a structure and has paid some dividends to the Treasury in recent years.

The corporations could also be made to pay taxes in the usual way, which would help relieve the burden on other taxpayers Of course, the more cash flowing out as dividends or taxes, the more these corporations would have to borrow, given no change in their investment programme

Nevertheless, long term borrowing has proved very cheap in the immediate past However, should it be regarded as too expensive for the future, the newly-structured corporations would be able to raise additional equity capital should they so prefer

Such considerations apply to the future financial and expansion plans of these corporations The benefits of past actions can be realised by taxpayers selling off part or all of their shares The proceeds of such sales are equivalent to any source of additional revenue for the Treasury

Ideally, such additional revenue will not, in turn, encourage additional government spending, but will be used rather to relieve the burden of taxpayers

There is every good reason for current taxpayers to want to cash in their wealth There is always the danger that wealth accumulated over many years can be frittered away The managers themselves and the workers, represented by perhaps powerful trade unions, could grab the crown jewels by excessively favourable conditions of employment and remuneration

Wealth might also be dissipated in favour of subsequent consumers In an inflationary environment, a price freeze would soon reduce balance sheet strength

It may be argued that wealth created so far is the result of monopoly power If so, there is still a case for redistributing accumulated monopoly profits to taxpayers There is also every case for exposing the managers of these corporations to more competition

More competition in the future may mean lower prices, relative to costs, and therefore less additional strength to the balance sheets In which case, the consumers would benefit more and the taxpayer less from expected performance.

A process of privatisation, however gradual, of opening up the corporation to the concerns of shareholders, will immediately introduce the disciplines of the market in equity capital Management performance would be constantly evaluated by the market

It appears as if the state of mind of the managers of public corporations in SA has become increasingly market-orientated Privatisation will complete that process — to the great benefit of taxpayers

The momentum for privatisation is surely irresistible on both political and economic grounds.

8/4/88

AAC buys Newmont holding in Palabora

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THE mystery buyer of Newmont Mining's stake in Palabora Mining Corporation has emerged as the Anglo American (AAC) Group.

Anglo American Corporation and De Beers have agreed to purchase Newmont Mining Corporation's effective 28,6% interest in Palabora in the ratio 2 to 1 for R250m, the AAC group said in a statement yesterday. This suggests that AAC will end up holding around 19% of Palabora, and De Beers around 9,5%.

A detailed examination by Sapa of the AAC group's disclosed interests reveals that the new deal will, in one fell swoop, increase the value of AAC group's investments in base metal and mineral mines in SA by at least 70%.

A spokesman for the group confirmed after yesterday's announcement that AAC will now have SA base metal interests worth significantly more than half a billion rand.

Last week, US-based Newmont said in New York it was selling all its SA interests for some R370m. Five SA companies were involved: Highveld Steel and Vanadium, the copper and base mineral producers Tsumeb, O'Okiep and Palabora, and Gamsberg Zinc Corporation.

'Bookover' deal

Goldfields of SA emerged as the purchaser of Newmont's stakes in Tsumeb, O'Okiep and Gamsberg, in all of which it already held shares, while AAC was cited as having spent some R38m in a "bookover" deal on the JSE to take the Highveld slice.

According to McGregor's Who Owns Whom, Consolidated Goldfields has the main stake in Palabora Mining — probably through unlisted Palabora Holdings, which has a stake of some 62%.

Palabora represents Anglo's first big foray into copper mining in SA. Before the nationalization of the copper mines in Zambia, AAC had significant copper interests in that country; these are now held through ZCI.

The AAC group declined to discuss the strategic importance of its new stake vis-a-vis the Cons Gold interest, but there may have been an important shift in the balance of power, at least on paper.

Although exact figures are not provided on the face of it, it seems that AAC has paid a premium of about 9,5% on the ruling market price for this significant stake in Palabora. Ahead of the announcement, Palabora was trading at [illegible] and AAC appears to have bought at around 3 085c a share. Palabora's market price recently has been near its low for the year (2 650c) and well below the peak of 3 700c. — Sapa and Financial Staff

Metal Box pull-out startles the unions

Despite a Cosatu call to disinvesting companies to to inform unions, Metal Box, which has a liberal reputation on labour matters, pulled out quietly. HILARY JOFFE reports

WORKERS at Metal Box are surprised and concerned that they were given no indication of the disinvestment move by UK-based Metal Box, National Union of Metalworkers' organiser Bobby Marie said this week.

The British multinational last week said it had sold its 25 percent stake in Metal Box South Africa to Nampak, a Barlow Rand subsidiary, for R114-million. Nampak previously owned 54 percent of the company.

"It came as news to us," said Marie. "And we are concerned that management did not have the courtesy to mention it to us and explain its implications."

As yet it's unclear whether there will be any implications, since the British company only had a minority holding. The technical agreement between the two companies will be continued.

But Numsa was surprised that it was not informed of the disinvestment, since Metal Box SA has adopted a progressive approach to industrial relations. It consults with shop stewards and union organisers on a range of issues, including, for example, its social responsibility projects.

The company is aware of Cosatu affiliates' policy on disinvestment, which includes a call for disinvesting companies to negotiate disinvestment issues with unions in organised plants.

Marie says the union will be approaching Metal Box management to discuss the issue.

In its R148,4-million disinvestment, British company Metal Box also sold its 25 percent stake in Robor Industrial Holdings for R34,4-million to Barlow Rand, which already owns 60 percent of Robor. Barlow Rand is thus the ultimate beneficiary of the pullout.

A Metal Box spokesman was reported from London as saying the sale of the multinational's South African assets was based on commercial rather than political considerations.

The number of British companies which have disinvested from South Africa is relatively small compared with the 140 US companies which have pulled out over the last three years. Barclays Bank and Standard Chartered Bank were among the biggest British moves.

From London, British Industry Committee on South Africa (Bicsa) spokesman Nick Mitchell said this week he believed the Metal Box disinvestment was not part of a pattern, although "one can't exclude the possibility of other companies saying the economic advantage of staying in South Africa is outweighed by the disadvantage.

"By the beginning of this year there was less pressure but events in South Africa over the past few weeks have made life more difficult."

Bicsa's members comprise 40 of the largest British companies which have South African investments, making up an estimated 70 to 75 percent of the value of total investment. The committee was set up in January 1986 with combatting the sanctions campaigns as one of its primary aims.

Altogether there are about 160 British companies with South African investments. British direct investment in South Africa was estimated at £6-billion in 1984. With the decline in the value of the rand and some disinvestments since, this figure has probably remained at about that level, Mitchell estimates.

He adds that British associated companies in South Africa were spending more than R100-million a year on social investment, according to research done last year. The money was being allocated primarily towards education, housing and job creation.

● British industry's "Marshall Aid" plan for South Africa, reported in the press last year, never really existed, says Mitchell. A proposal was circulated for collective action on social change by British companies operating in South Africa. But Bicsa members rejected this in favour of continuing and expanding individual companies' social spending programmes.

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W/Mail 8/4/88

in fifty years

rice, cotton, and soya revealed the full extent of US market power. In the case of rice, US action cut world prices from $230 to $170 a ton.

The EC has not been above pursuing agricultural policies with a disastrous developmental impact. Thanks to the CAP, the Community has become a major exporter of agricultural goods marketed with the aid of export subsidies.

Overall, CAP export subsidies are estimated to reduce the prices of temperate foodstuffs by 16 percent.

Attempts to resolve the international food crisis are focused on Gatt where the Reagan administration remains committed to complete free trade in farm produce by the year 2000.

For the majority of developing

Govt reveals details of privatisation

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Political Staff Star

The Government has disclosed further details of the major privatisation initiative which President Botha announced when he opened Parliament last Friday.

The Minister of Economic Affairs and Technology, Mr Danie Steyn, announced the moves in Parliament yesterday during the no-confidence debate.

● He said he had asked Iscor's chief Mr Marius de Waal to make privatisation proposals.

Iscor, with assets of R3 300 million, was already paying taxes and had made profits last year of R467 million — if ordinary provision was made for replacement of assets. He predicted that Iscor would be privatised quickly

● Eskom, with assets of nearly R26 billion, would soon be appointing outside consultants to suggest further privatisation and restructuring measures.

● Negotiations for selling off the shares of Foskor, the corporation producing phosphates for fertiliser, had been under way for some time.

● The Prima production unit in the Atomic Energy Corporation (AEC) — which made precision products and instruments — was already in the second phase of privatisation.

Investigations were well under way into the possible privatisation of other high-tech units in the AEC.

But the Government had decided to privatise in three phases

Firstly, individual units within the AEC would be run as separate business concerns. 232

Secondly, if the units seemed to be viable, they would be established as separate companies.

Thirdly, if the unit proved capable of functioning independently, its shares would be offered to the public.

● Referring to the Industrial Development Corporation, Mr Steyn said the Government would have to be "very selective" if its interests in industry were sold off

Yesterday, Mr Steyn also announced a new scheme to improve the international competitiveness of South African manufacturing industries

The new measures will include schemes to provide assistance for input costs, productivity improvement, the development of small industries and special programmes for industrial development. — Sapa.

Privatisation move for Cape beaches

(232)

D/P 9/4/88

Daily Dispatch Correspondent

CAPE TOWN — Some Cape beaches may soon be privatised, according to the Cape Provincial Administration's MEC for local government, Mr Pieter Schoeman.

Mr Schoeman also announced yesterday that the Provincial Administration would spend R28 million in the forthcoming financial year on developing amenities at more than 50 Cape beaches and resorts which would not be privatised.

Mr Schoeman said his committee had not yet decided which beaches might be privatised.

"The sea shore is owned by the state, but we will have to make arrangements so that beaches can be leased from the state," he said. "We hope to have a report on this ready before October."

His administration did not prescribe whether or not beaches should be open to people of all races when it provided funds for development.

"We will provide the money regardless. The government has yet to take decisions about open beaches, following a President's Council investigation," Mr Schoeman said.

One of the first private beaches is likely to be at Club Mykonos, near Langebaan. Mr George Philipaki, an adviser on the R100 million project, said the first part of it would be operational by the end of November.

A small beach, leased from SA Transport Services, would be for the use of hotel guests.

DIAGONAL STREET by DAVID CARTE

Rich fire-sale pickings

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BARLOWS and Anglo American Corporation have done best among the dominant SA commercial and industrial groups in buying up the interests of disinvesting foreigners.

For large domestic insurance companies, mining houses and their subsidiaries, disinvestment has been manna from heaven

It has given them assets outside a limited number of high-quality, tradeable shares on the JSE in which to invest their burgeoning cash flows

The Metal Box deal announced last week was Barlows' second blockbuster investment in less than a year It bought a further 25% of Robor Industrial Holdings for R34,4-million For roughly R146-million, its packaging subsidiary, Nampak, bought another 25% of Metal Box SA from Metal Box UK

COAXED

Its first coup was in coaxing Information Services Management, formerly IBM SA, into bed with Reunert's computer interests to form Technology Services International.

Overnight, this transaction made Barlows No 1 in information technology in SA

Before that, there was the purchase of J Bibby & Són from Tiger Oats at a price that looked high, but which has been justified by the subsequent decline in the rand

Barlows has paid fairly dearly for Metal Box — 11,9 times earnings and a premium of 79% on net assets and 23% on the pre-deal share price The price lends credence to the claim by Metal Box UK that the transaction was inspired by commercial, not political, considerations Had Metal Box UK been a forced seller, the price would have been considerably lower

RECOVERY

It is disappointing that Nampak is taking the minority slice of 21% as well and that Metal Box is to be delisted. Metbox was one of a few large, highly focused companies available to SA investors I would imagine that several institutional investors will part reluctantly with their shares, even on these generous terms.

Robor went fairly cheaply at 5,9 times earnings. Its prospects and rationalisation potential are clearly less exciting than those of Metal Box, although last year's dramatic recovery suggests considerable early upside.

For something like 25 years Barlows has been one of the most aggressive and successful acquisitors on the SA scene It has been contended that, in common with other conglomerates, its ability to buy companies at favourable prices has exceeded its ability to run them.

Barlows share price has languished in spite of the company's successes, falling from R28 before the October crash to the present 1 950c.

Anglo's biggest triumph in the great disinvestment fire sale was the purchase of Barclays for only 7,3 times earnings This deal consolidated Anglo's hold on Southern Life First National Bank later brought Citicorp's SA interests into the greater Anglo empire

Minorco's former associate, commodities and financial services broker Phibro Salomon, pulled out of SA in 1985 Anglo associate Minorco had the last laugh, however, selling its stake in several tranches for an estimated $1-billion The last $400-million block of shares was sold days before the great crash and a few months before Salomon Bros went into spasm, losing heavyweights such as David Stockman and Henry Kaufman.

NEXT BEST

Anglo also increased its stake in a low-geared Samcor to 76% after Ford's withdrawal

Analysts agreed that Anglo did well this week in buying Newmont's 28,6% of Palabora Mining for R250-million and look forward to a further bargain in Highveld

Bill Venter's Altron group has probably done next best in the big foreign withdrawal.

If you are a foreign electronics company and wish to disinvest and yet continue to sell to SA, it seems Mr Venter is the only man to talk to His victories so far have been Xerox, Roneo Alcatel and, through Punch Line, Computer Sciences

Liberty's big success was the acquisition of about 32% of Standard Bank of SA and being helped in the transaction by its close friends, Rembrandt and Gold Fields of SA Liberty retains good relations with Anglo and SA Breweries.

EMPIRE

SAB acquired two gems in Lion Match and its increased stake in Amalgamated Beverage Industries after the Coca-Cola pullout

Sanlam has been a disappointing acquisitor Chairman Fred du Plessis left foreigners aghast more than three years ago when he urged them to disinvest and expressed enthusiasm abou the opportunity it would present for cash-flooded assurers and mining houses

So far the only disinvestment purchase made in the greater Sanlam empire seems to have been the 25% minority stake in Firestone. Sanlam was a disinvestor in one transaction. It sold out of the passenger side of United Transport as a result of the Dures-engineered Tollgate reconstruction

FLOW GOES ON

The biggest beneficiaries of the foreign sell-off have been management and staff, which, in numerous cases, took control at favourable prices and on the understanding that products and technology would continue to flow (see story below)

Many foreign companies, such as Shell, BP, Philips, Unilever, Colgate Palmolive, Cadbury Schweppes, Cons Gold, British Oxygen, NEI Africa, BTR and Commercial Union, have hung tough on SA, refusing to pack their bags

Now that the financial rand is stronger and companies such as Barlows are showing preparedness to pay premiums well above JSE prices, it might be worthwhile for investors to get aboard the few foreign-controlled listed companies which might be amenable to SA approaches

Of course, there is some downside for the buyers of shares in foreign companies — the danger of even more restrictive foreign legislation The anti-apartheid lobby is already angry about the ineffectiveness of disinvestment, so more brickbats should surprise nobody

BUSINESS

DD 19/4/88

Share raid won't affect Wilson Rowntree says MD

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EAST LONDON — The managing director of Wilson Rowntree, Mr John Rich, said yesterday the dawn raid on Rowntree Plc on the London Stock Exchange would have no effect on the operations of the wholly owned subsidiary here

He was commenting after the giant Swiss company, Jacob Suchard, acquired 14,9 per cent of Rowntree shares at £6,30 a share, up £1,50 on the opening listing.

Asked what would happen in the event of a full take over by the Swiss company, Mr Rich said: "We will have to evaluate the situation then but I do not think it will have any major effect on our operations here"

Jacobs Suchard paid just over £160 million to boost a previous stake, built up in earlier buying, of 2,77 per cent The Swiss firm said in Zurich it would like to go up to 25 per cent, but did not plan a takeover unless a rival stepped in.

The group, created in a 1982 merger of the Jacobs family coffee company with Interfood SA, makers of Suchard and Tobler chocolates, is no stranger to the takeover game

Last year it bought Cote d'Or, Belgium's biggest confectioner, and EJ Brach, the third largest confectionery business in the United States after the Mars and Hershey groups

Rowntree has been mentioned before as a possible takeover target, with Switzerland's Nestle SA seen as a possible bidder.

Based in York, northern England, it is an old-established British confectioner with products that include Kit Kat bars, Rowntree jellies and Fox's Mints

Mr Rich.. no effect

Its chewy fruit gums have been a favourite with British children for decades and were marketed under one of the most famous of British advertising slogans — "Don't forget the fruit gums, mum," said the little boy, as mother went out shopping

Rowntree's 1986 turnover was £1,29 billion, yielding pre-tax profits of £84 million. It is valued at current share prices at more than £1,3 billion.

Brokerage Warburg Securities confirmed it had acquired a total of 14,9 per cent of Rowntree for Jacobs Suchard, after the Swiss firm bid £6,30 each for 25,7 million Rowntree shares

Suchard spokesman, Mr Walter Anderau, said in Zurich his firm's eventual aim was 25 per cent of Rowntree but, under British regulations, it was able to buy only 15 per cent A five-day notification period would follow after which Suchard would be free to buy more

"We believe 25 per cent will make us important shareholders and our intention is to stick with this But if a 'white knight' emerges, we would have to reconsider the situation and might make a takeover bid," he said

Mr Anderau said there was no discussion with Rowntree before the raid and Suchard had not been in touch with it the company.

"There were some informal contacts further back with Rowntree but nothing substantial They made it very clear until now that they were not interested They are very independent minded," Mr Anderau said "It's a strategic investment. We want them to be a profitable firm which pays good dividends"

Mr Anderau said a takeover bid would have been "quite a thing" and might have caused worry on monopoly grounds.

Mr Suchard had a small British chocolate-making operation, Tobler Suchard Ltd, based in Bedfordshire, north of London It wanted to get more involved in Britain, which had the world's third highest per capita chocolate consumption — 7,9 kg a person a year, behind Switzerland with 10,9 kg and Norway with 8,1 kg

Call on govt to privatise its sawmills

232 B/day 14/3/88.

HELEN CHAPPEL

SAWMILLERS have called on government to "go the whole way" in eliminating unfair competition in the timber industry by privatising four state-owned mills

It was announced in the Competition Board's annual report tabled in Parliament on Tuesday that collusive practices adopted in terms of the Timber Marketing Agreement (TMA) would have to end by December 31, 1989.

Commenting on the decision, SA Lumber Millers' Association executive director Andries Swart said yesterday, "We welcome the move and have ourselves already begun phasing out certain price-fixing measures.

"But the state-owned sawmills — two in the Transvaal and two in the Cape — will still be competing unfairly with the private sector.

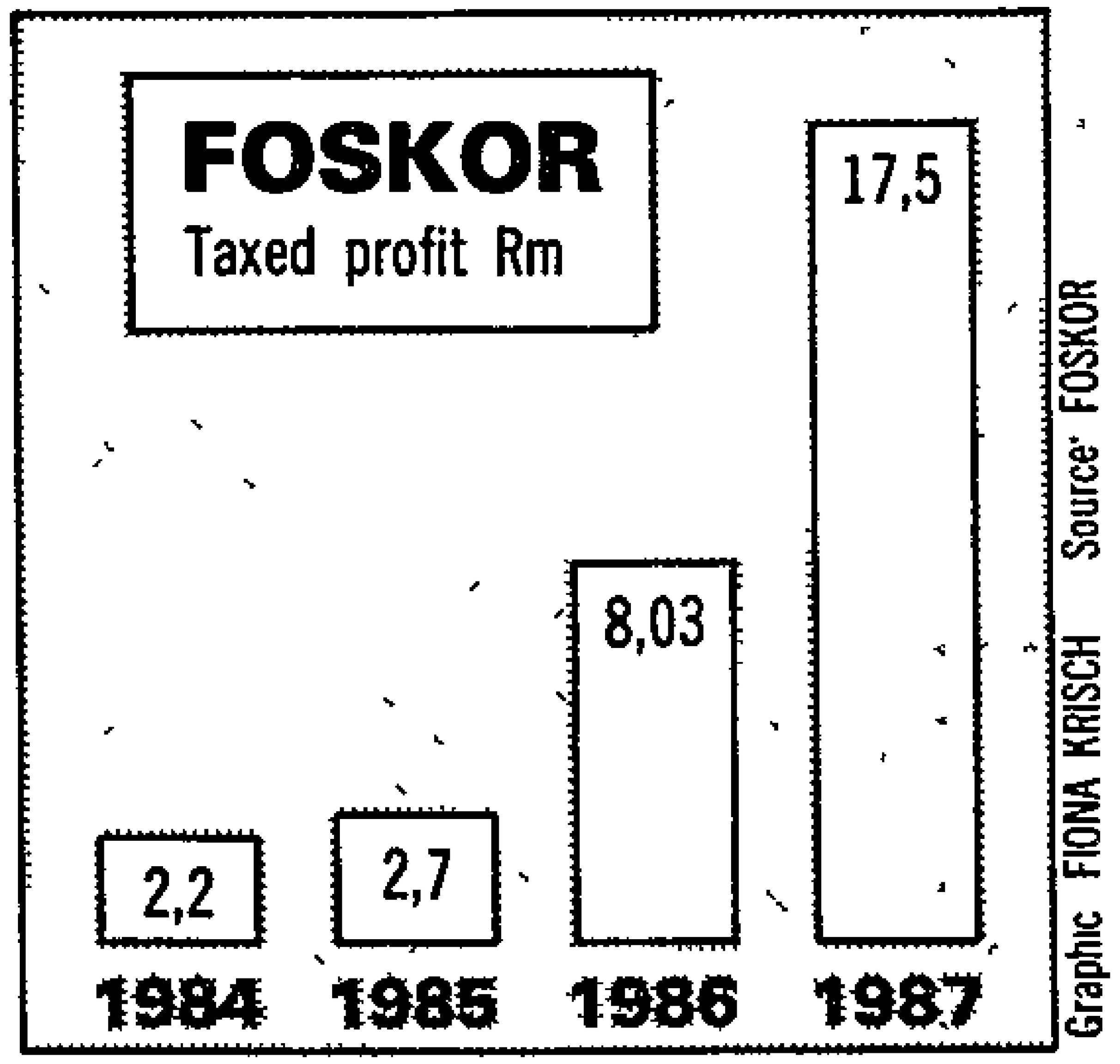
"Government must put its money where its mouth is and privatise these mills at the earliest possible stage."

Political comment in this issue by Ken Owen Newsbills by Gerald Prosalendis Headlines and sub-editing by Michael Moon All of Times Media Ltd 11 Diagonal Street, Johannesburg

232 B/day 19/4/88

Foskor fertile ground for privatisation

HELOISE HENNING



Graphic FIONA KRISCH Source: FOSKOR

FOSKOR, market-orientated with an existing corporate structure, must be the least spoken about but ripest candidate for privatisation. Industrial Development Corporation (IDC) MD Koos van Rooy has tried hard to beat out the flames of the enthusiasm about Foskor's early privatisation after State President P W Botha mentioned it in his opening of Parliament address in January

Van Rooy has argued that Foskor would be ready for privatisation only within two to three years.

Foskor MD John Stanbury says Foskor is a tax-paying public company in the mining sector which functions without any government subsidies Privatising it "would be as easy as falling off a log All we need do is sell the shares".

But he argues that conditions in the fertiliser market have been atrocious and started to pick up only in the last year The effect of the world stock market crash last October on the JSE also makes privatisation at this time "dicey"

A consultant on privatisation said that of all the government departments and government-owned corporations being considered for privatisation, Foskor is the only enterprise which is already "corporatised" — a process all the other targets need to undergo before becoming market-driven

Foskor has its own pension fund, it is not dependent on any government department for its functioning and the last time government "put money into it" was in the early Sixties, according to Stanbury

No import restrictions protect Foskor and, says Stanbury, Foskor favours a free market and would not oppose imports Foskor prides itself on not having a monopoly in the local market.

Stanbury says the seven-year world recession in the fertiliser industry has eliminated excessive players from the market. World-wide government intervention in agriculture distorts the supply-demand equation in the chemical and fertiliser industries.

After seven years of recession, supply and demand are almost back in balance, bringing about a sustained upward movement in phosphate prices

When phosphate rock reaches a good world price, which should happen within the next two years, Foskor will be an attractive investment.

But an accountant says Foskor is already an attractive investment. In the four years from 1984 to 1987 — in the midst of the world fertiliser market depression — return on turnover improved from 1,8% to 6,2% and return on net asset value improved from 2,2% to 15,1%

In 1984 Foskor achieved a turnover of R123m on R101m NAV while in 1987 it achieved turnover of R249m on NAV of R107m. Net equity earnings increased by 14% in those years to R15m from R2m

An accountant who analysed Foskor's annual accounts is satisfied the corporation does not use inflation-adjusted accounting to hide profits, but it also did not specify its rates of asset depreciation, which good disclosure should do.

Reporting, however, was affected by.

- ☐ Research and development expenditure being capitalised and not deducted from income. Had it been "expensed", profits would have been less;
- ☐ Expenditure on township development, valued at a nominal R1, is far too conservative and could be depressing profits,
- ☐ Accrued leave and bonuses are being provided for following a change in accounting policy in 1987. While this depresses profits, it is a recommended policy;
- ☐ In 1986 an abnormal depreciation amounting to R6m was recorded without explanation,
- ☐ Realised and unrealised forex losses or gains are recognised in income as and when they occur This is considered acceptable accounting policy; and
- ☐ Short and long-term gearing of R80m based on shareholders' funds of R146m is healthy

Should productive capacity be under-used, the four-year upward trend should continue or even improve, said the accountant.

But according to Stanbury the plant is at full capacity All that he is waiting for is an improved international price for phosphate.

During the recent drought-induced South African slump, Foskor exported Stanbury said a third of Foskor's production goes direct to export, a third is converted locally and a third consumed locally

The steady export demand indicates that Foskor has an international market in spite of sanctions A potentially inhibiting factor is rising freight charges

The present issued capital is 3,89-million ordinary R2 shares, plus two classes of four-million variable rate redeemable prefs of 1c each The ordinary shares are all held by IDC

If the ordinary shares were issued to the public on a 10 times price-earnings ratio, market capitalisation could be R150m on the present basis, but a capital restructuring would obviously be on the boards

No action can be expected for at least two months Dawie de Villiers was recently appointed Minister to supervise privatisation and deregulation of Foskor, Eskom and Iscor His post is so spanking new that he has not yet moved into his office in Tuynhuys, nor has his staff or even the files been transferred

Questions directed to him and his skeleton staff are dealt with politely, but parried

Merchant banks are already on the prowl. Several have already made presentations for the financial structuring of Foskor, but there have been no appointments

Bankers are quick to point out that British Prime Minister Margaret Thatcher's privatisation programme took all of three terms of office to realise — and is still far from complete

It is believed an accounting and management consultant on privatisation has been appointed to investigate Foskor, but Stanbury said he had no knowledge of this

Albeit slowly, the privatisation of Foskor appears to be on the move And if government has taken any leaves out of Thatcher's book in terms of winning constituencies through privatising certain industries, it might well consider the advantages of placing Foskor shares with farmers and their co-operatives

BUSINESS

Rowntree chairman: takeover is in nobody's interests

D\D 15/4/88

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EAST LONDON — The £160 million share raid into Rowntree Plc was not in the interests of the company, its shareholders or its employees, the chairman, Mr Kenneth Dixon, said in statement released in York yesterday

He was responding to the raid on the London Stock Exchange by the giant Swisscompany, Jacob Suchard,which acquired 14,9 per cent of Rowntree shares at £6,30 a share, up £1,50 on the opening listing

"It is not in our interests that a Swiss company with nothing like the breadth of Rowntree's brands should have a large shareholding in the group Jacobs may need Rowntree but Rowntree does not need Jacobs," Mr Dixon said

Mr Dixon said it was understood that Jacobs had indicated its wish to acquire a further 10 per cent of the shares at the same price but apparently would not make a bid for Europe's largest confectioner within the next 12 months

"The board of Rowntree regards this acquisition of a stake by Jacobs as wholly unwelcome Rowntree believes tha the price at which Jacobs has acquired its shares is wholly inadequate for obtaining a major stake in the group

"Rowntree, the largest manufacturing group in the United Kingdom, has one of the best portfolios of brand names of any confectionary company in the world, far better than Jacobs own These have taken years of investment to develop and are a resource which can be exploited in international markets

"This is a strategy Rowntree is successfully following, particularly in Continental Europe where profits in 1987 were double those in 1986

"As a result of prudent financial policies, Rowntree has the flexibility to continue the aggressive pursuit of this policy and to reap the reqards which follow when sales in regional markets rise tothe level where economies of scale can be achieved"

Suchard, one of Switzerland's most acquisitive companies, said it planned to go up to 25 per cent, but did not envisage a full bid unless a rival emerged.

But investment analysts in Switzerland and Britain said a full bid was almost certain and the only question was timing

"It's not in the nature of Suchard to stick with a minority holding It's a very dynamic company and one which likes to take control," said Michel Rousset, of Lombard Odier et Cie, a private Geneva bank.

The company, created in a 1982 merger of the Jacobs family coffee business with Interfood SA, makers of Suchard and Tobler chocolates, is no stranger to the takeover game

Last year it beat its Swiss rival Nestle SA in a takeover battle for Cote d'Or, Belgium's biggest confectioner, and bought E J Brach, the third largest confectionery business in the United States It also took over Italian chocolate maker Du Lac

Analysts said Rowntree was attractive for its strong brand names - such as Kit Kat bars, Rowntree jellies and Fox's Mints and its strength in parts of the world, particularly Britain, where Suchard was weak or wanted to expand

"Their (Suchard) market share (in Britain) is almost non-existent and Rowntree is the biggest producer of sugared confectionery and chocolate," said Julian Lakin, of Citicorp Scrimgeour Vickers, in London

Andreas Meier, of Zurich Kantonal Bank, said "I don't see any big advantage for Jacobs in having just 25 per cent I believe they must aim for at least just over 50 per cent," he said

Under London takeover panel rules, Suchard cannot buy more Rowntree shares for another week.

Some London analysts said Suchard might have to pay more than the £6,30 pounds it paid on Wednesday to get the extra 10 per cent it wanted if fund managers decided to push the price up against it.

Suchard spokesman, Mr Walter Anderau, said there was no discussion with Rowntree before the raid and Suchard had not been in touch with the company on Wednesday.

"There were some informal contacts further back with Rowntree but nothing substantial They made it very clear until now that they were not interested. They are very independent minded," he said

If it comes to a takeover battle, analysts here pointed out that Suchard does not always win Last year it was beaten off in an effort to buy Hero Conserven Lenzburg, another Swiss foods group, after a fierce contest.

●Wilson Rowntree in East London is a wholly owned subsidiary of Rowntree Plcand the managing director, Mr John Rich, has said that the share raid has no effect on its operations

Turf Holdings — the long wait

THE final liquidation date for Turf Holdings was deferred from March 29 to April 26, but there is still no comment from the company.

The application for Turf's liquidation came from the EP Building Society (EPBS) — amid confusion.

EPBS says Turf owes it more than R4-million. Turf says the agreement was that the money would be repaid out of profits.

EPBS says it took 5-million shares in Turf on a collateral security basis. Turf says it was to have been paid 45c a share by the EPBS, with which it has not yet been credited.

There were moves afoot to list Turf Industrial Holdings, renamed Super National Corporation (Sunatco), which may or may not be partly owned by Turf, through a reverse takeover of the Landchem cash-shell. Sunatco tried to raise R4-million as an unlisted security a few months ago.

There have been no results from Turf since the interim for the half-year to December 1986 when a 70,7c a share loss was reported.

There are 25,2-million shares of 50c par value. The last trade before January's suspension was at 17c — a cent above the low, but only a quarter of the 68c high of June 30 1987. This was at a time when market speculation about a major restructuring and increase in net asset value was rife. Proposals along those lines were made in July 1987, but came to nothing.

Turf chairman Nic Wiehahn has resigned. A professor, and regarded as the father of SA's industrial relations policies, his presence lent credibility to a high-risk operation.

Altron lands another big one

17/4/88 S times

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Peter Watt ... eyes on turnkey

By David Carte

IN another coup for Bill Venter's Altron group, Asea Electric SA is to merge with Brown Boveri SA to form a R280-million-a-year electrical engineering group.

Dr Venter told Business Times that his eighth transaction with a major foreign company was an important strategic move with great potential The new company would have assets of R80-million

Powertech chief executive Peter Watt said the companies were complementary in power distribution and transformation

They would be able to offer a broader spectrum of products and services. The enlarged company would be able to undertake large turnkey projects, such as reticulation for entire townships.

Brown Boveri does most its work in power stations It makes generating equipment and turbo chargers. Asea is mainly active outside power stations. There is little overlap

Transformers

Outside power stations Brown Boveri does some reticulation in areas where Asea is not so big. It also produces electrical equipment for mines

Asea is prominent in transformers, circuit breakers, test, measurement and protection equipment, switchgear, cables and metering equipment.

Powertech will have 50%-plus management control of the merged company, which will be called Brown Boveri Technologies

Murray Coutts-Trotter of Asea will be chief executive of the merged operation. Powertech and Brown Boveri will each have two directors on the board

Mr Coutts-Trotter said there would be greater emphasis on SA manufacture and product development based on Brown Boveri technology.

Dr Venter said that before the merger Asea had sales of R160-million and Brown Boveri SA R120-million

The companies were valued according to assets and profits Some Brown Boveri assets, such as the high-voltage electric motor business, are not affected at this stage.

All properties are excluded Asea's in particular are valuable and will yield R2,5-million a year in rent to Powertech

The transaction will not affect the net assets of Asea or Powertech but had it been in place in the year to February 1988, it would have enhanced the earnings of Powertech by 1c per share.

Brown Boveri's office in Johannesburg is expected to be closed at a rental saving of R1,8-million a year.

Because the merged company expects to increase its business 20%-28% in year one, there should be no net job losses, but some staff members might have to move into different areas.

The deal follows a merger between Asea of Sweden and Brown Boveri of Switzerland They combined in February to form the world's biggest power electrical group with sales of $20-billion a year

But, pointing out that Powertech had 100% of Asea SA before this deal, Dr Venter said it was unrelated and separately negotiated

"But I am pleased that in the electrical business we are connected to the biggest company in its field in the world In telecommunications Altech is similarly linked to Alcatel NV of France, the biggest telecomm company apart from AT&T."

The merger between Asea and Brown Boveri is not a disinvestment. Brown Boveri of Switzerland will retain 50% of the merged company The new company will also retain the Brown Boveri name

When Powertech acquired 100% of Asea a year ago, one of the conditions was that its name would be dropped.

Health kick goes to JSE

PHARMA Natura, a R17-million-a-year health products group, plans to be listed on the JSE at the end of this year.

The company has a factory in Wynberg, Sandton, and sells homeopathic remedies, muesli, vitamins and food supplements through nearly 3 000 pharmacies and health shops. It has a herb and health products farm at Graskop in the Eastern Transvaal.

Founder and chairman is Guy Wertheim Aymes

The company started out 20 years ago in Johannesburg's Royal Arcade with a turnover of scarcely R100 a month.

It has acquired Better Nutrition, which operates the Betterways franchise in the Cape. The latest deal provides access to the products of the $2-billion-a-year American health foods giant, General Nutrition.

Tollgate sells subsidiary in R38m deal

Cape Times 19/4/88

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Financial Editor

CAPE TOWN-based Tollgate Holdings, which recently acquired United Passenger Transport Investments Holdings (UPTI) in a R62m deal, has sold off one of its new subsidiaries, Rustenburg Bus Services (Pty), for R38,5m in cash.

Announcing the sale to Bophutatswana Transport Holdings, Tollgate directors pointed out last night that this meant the cost of acquiring UPTI had been "substantially reduced".

Their statement says: "Following the acquisition of Tollgate Holdings (Tollgate) by Duros Group (Duros), its assets have doubled from 1 400 buses to 2 800 buses and its properties from a book value of some R30m to R75m after the purchase of UPTI.

"It has now been announced by Duros that Tollgate has, with effect from April 18, disposed of one of UPTI's subsidiaries, namely Rustenburg Bus Services, and certain related assets for a cash consideration of some R38,5m

"The entire disposal comprises 300 buses and property with a book value of R3m, leaving the enlarged Tollgate with approximately 2 500 buses and property with a book value of some R72m."

Pointing out that the sale has "a major impact on Tollgate's balance sheet", the directors say they do not expect to dispose of any more of UPTI's subsidiaries or divisions.

They say the net cost of buying UPTI will be funded from internal sources, existing credit facilities and a R12,3m convertible debenture.

"The enlarged Tollgate debt will be less than R40m, which is equivalent to 44,9% of the recalculated shareholders' equity of approximately R89m."

(232) STAR 19/4/88 PROPERTY and CONST

Privatisation could benefit game parks

The drive towards privatisation could well have a dramatic effect on the country's spread of game reserves and giving a pointer in that direction is the cash-generating developments taking place at the 7 000 ha private resort at Mabula near the Waterberg range in the eastern Transvaal

A project by Rand Consolidated Property Holdings of Sandton, Mabula has been a highly successful inland timeshare project, with a virtual sell-out of luxury bushland units near a hotel operation

Now RCPH has extended its game park and brought in full ownership rights for super homes amid 2 500 ha of lush land

And the question now being asked Is there a Mabula lesson for South Africa's game parks generally?

There is little doubt that developers believe that if they are assembled professionally, the timeshare and ownership components would be a boon for the game industry.

RCPH, abiding by its policy of low density to preserve exclusivity, has earmarked 15 sites so far for homeowners on the 2 500 ha property

Standards

Owners pay R120 000 under share block for the right to build a home of their own design, although it must meet the standards laid down by the developers Already two houses are being built

Any home with more than three bedrooms carries the requirement of R15 000 for every other bedroom

Mr Tim Cuningham, RCPH marketing manager, says "The reason for this is that even though the house sites are considerable distances from one another and in bush surrounding open plain, we want to avoid any possibility of overcrowding"

Even with its timeshare project at Mabula, the company has imposed a strict limit of no more than one residence per 100 ha.

Also being created in the additional hectares is another timeshare village called Modjadji's Camp named after a rain queen.

There has been good market response to this project and its 25 homes, with 70 percent of the timeshare weeks sold out after only two months

Cape Times 21/4/88 232

P 'n P cuts qualifying time for share ownership

Own Correspondent

JOHANNESBURG. — Retail giant Pick 'n Pay is to reduce its employee qualifying factor for share ownership from 10 to five years, chairman Raymond Ackerman said yesterday.

Addressing the Estates Agents conference in Durban, he said this would bring share ownership within the reach of more than 60% of the company's workforce.

"For the past 20 years we have been offering shares to our people, not as an alternative to higher wages, but to make them feel part of the action

"Although this scheme is open to all Pick 'n Pay employees, obviously it is on merit and workers cannot become shareholders from day one

"They have to earn the right by proving themselves. When they have done this we make money available to them to buy shares, which they must pay back in due course."

Ackerman stressed that the acquisition of shares was voluntary.

"No one is forced to become a shareholder, but up to now employees across the board have been very enthusiastic."

He said his company believed in promotion on merit regardless of colour or creed

"At this moment, 45% of our managers are black coloured or Indian, and we have found that it pays off

"Our people know that our policy is promotion from within, and that anyone who takes the gap is eligible to climb the ladder. The sky is the limit for all our staff."

"These are the incentives which motivate the workforce. Cash incentives alone do not make one feel part of the action nor do they engender that team spirit which is so important to the true success of and organization."

He said given a growth rate of only 7% a year, SA's wealth could double within the next 10 years Government had already announced a deregulation programme and had, at the same time, undertaken to cut down on bureaucracy.

"This must be a joint effort Once government has made its move it is up to the private sector to grab the ball and run with it, and everyone will benefit."

232 B/day 21/4/88

Pick 'n Pay broadens employees-shares base

MICK COLLINS

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"This must be a joint effort. Once government has made its move, it is up to the private sector to grab the ball and run with it, and everyone will benefit."

FS Group considering restructure

21/4/88

By Ann Crotty

After almost eight months of speculation, the FS Group has announced it is considering a reorganisation of its interests which could, if implemented, affect its share price or the share prices of certain of its companies.

Speculation about a possible restructuring of the FS Group has been rife since it became apparent that some sort of cleaning up would be necessary after the acquisition of Waicor last September, which resulted in a cumbersome organisation structure.

The group includes AAF Investment Corporation Plc, Aurochs Investment, E W Tarry Plc, FS Industries, FS-Team Distributors, General Tyre and Rubber (SA), Hunts, National Bolts, Waicor and Wanda Investment Corporation.

Shareholders have been advised to exercise caution in dealing in FS Group and the abovementioned shares.

A crucial consideration in the reorganisation will be the need to ensure that the minority shareholders, scattered throughout the group, get a fair deal. To a lesser extent, the desire to get cash to FSI will be a consideration. The market appears convinced that, given the quality of management in the group, whatever reorganisation is effected will produce strong benefits.

The group's says a further announcement will be made in due course.

Major companies vying for Alusaf

(232) B/day 21/4/88

MICK COLLINS

MAJOR private sector conglomerates are vying for control of government's R500m aluminium concern Alusaf.

Firm offers for the giant Richards Bay facility are under consideration by Alusaf's major shareholder, the Industrial Development Corporation (IDC)

Two of the companies involved are understood to be quoted on the JSE

Confirmation that the bids for one of SA's main strategic industries had been received, was given yesterday by IDC MD Koos van Rooy

However, Van Rooy said the issue was "sensitive" and would not be drawn on which private sector companies were involved

"Yes, we have received concrete offers and are talking to various parties. It is awkward to speak about who is involved, as we are still evaluating the situation. We are also having discussions with our Swiss partners."

Asked if the Swiss would retain an interest in the business once it was sold, Van Rooy said "They will have to evaluate their own position. It is very difficult to say how they will react, which direction they will take."

Van Rooy said a formal announcement on who would take over, could be expected soon

The development follows top-level, secret talks held with private sector concerns as early as December last year, when bids were invited.

Alusaf, which has an annual turnover of R600m, has been described by Van Rooy as being ripe for privatisation

The privatisation move is in line with President P W Botha's economic package announced in February, in which he specifically referred to certain IDC holdings which would be privatised

IDC sources said the privatisation would not automatically mean an imme-

To Page 2

Major companies vie for control of Alusaf

(232) B/day 21/4/88

From Page 1

diate listing on the JSE, due to the depressed state of the market.

Recent major expansion at the Richards Bay plant has seen Alusaf's capacity doubled. The company has a staff complement of 2 800 and exports 50% of its annual production of 170 000 tons of aluminium

The IDC has a controlling interest in four major industrial concerns — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapekoe.

Westin cuts ties with SA

CAPE TIMES 21/4/88 232

From MICK COLLINS

JOHANNESBURG. — The US-based Westin Hotel group is to pull out of SA as a result of international pressure.

The move will see Westin sever ties with the five star Carlton Hotel in Johannesburg which it has managed on behalf of Amaprop subsidiary Carlton Centre Ltd for the past 15 years.

In addition to terminating its management contract, Westin will also cut all international marketing ties with the Carlton with immediate effect

Speaking on behalf of Westin yesterday, Carlton Hotel GM Patrick Kelly, said US pressure, which could impact badly on the group's world-wide interests, had forced the move.

"We have been able to resist pressure in the past but can no longer do so. We deeply regret leaving SA."

Kelly said Westin had no financial stake in the R150m hotel and that its managment fees had been determined by gross revenue and profits

JSE-listed Amaprop bought out Westin's 11% stake in the hotel operation two years ago.

Amaprop director Gerald Leissner said the hotel would be run as an independent unit and would not operate with any other major chain.

"The hotel is an important element in the complex that is the Carlton Centre. We are saddened by the termination of the agreement with Westin .. but are excited at the prospect of managing the Carlton as a unique independent hotel," Leissner said.

Kelly said the business would carry on as normal and a R6,5m renovation plan for 400 rooms would be completed as planned.

Profits had declined over the past few years with the fall off in international tourism But, he added, occupancy at the hotel was slowly improving, moving from 36% in 1986 to an expected 66% this year.

IDC considers firm offers

260 232 217 189 67

Groups vie for Alusaf control

Sowetan 21/4/88

From MICK COLLINS

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'Sensitive'

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However, Van Rooy said the issue was "sensitive" and would not be drawn on which private sector companies were involved

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"It is awkward to speak about who is involved as we are still evaluating the situation. We are also having discussions with our Swiss partners."

Asked if the Swiss would retain an interest in the business once it had been sold, Van Rooy said: "They will have to evaluate their own position. It is very difficult to say how they will react, which direction they will take."

Van Rooy said a formal announcement on who would take over could be expected soon.

The development follows top-level secret talks held with private sector concerns as early as December last year, when bids were invited.

Alusaf, which has an annual turnover of R600m, has been described by Van Rooy as being ripe for privatization.

The privatization move is in line with President P W Botha's economic package for SA announced in February, in which he specifically referred to certain IDC holdings which would be privatized.

IDC sources said the privatization would not automatically mean an immediate listing on the JSE, due to the current depressed state of the market.

Expansion

Recent major expansion at the Richards Bay plant has seen Alusaf's capacity doubled.

The company has a staff complement of 2 800 and exports 50% of its annual production of 170 000 tons of aluminium.

Industry sources said the retention of the Swiss interest in the company was vital due to its world-wide contacts and its technological know-how.

The IDC has a controlling interest in four major industrial concerns — Atlantis Diesel Engines, Alusaf, Foskor and tea producer Sapekoe.

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PRIVATISATION

The long, slow ride

Private sector developers and landlords are raising a row over the slow moves to privatise State property operations

For starters, they are calling on government to stop erecting buildings for its own use or occupation — "unless there is a strategic reason to do so"

What has sparked the controversy is the revelation that the Pretoria office market, almost entirely dependent on the government sector, could collapse if State departments press ahead with their building plans (*Property* March 11)

The State occupies almost 1m m^2 of office space in the city, some 750 000 m^2 of which is rented from the private sector However, it is in the process of constructing at least 160 000 m^2 for its own use and will take only 1 500 m^2 from the private sector this year

It is not just the office market that concerns the private sector For example, the State requires hundreds of "service" properties such as post offices, schools and hospitals, the provision of which could be privatised

Says Sapoa executive director Peter Erasmus "If one looks at capital costs and the opportunity costs of capital, the private sector can provide buildings for at least the same cost as a government department Not to be dismissed are the increased efficiencies of the private sector arising out of market competition The same applies to building, operating and maintenance costs"

At the same time, the private sector is pushing for the State to divest itself of the vast tracts of land and buildings in its ownership

In the first place, this would mean additional revenue to many local authorities This year's Budget does allocate some R70m for municipal rates on government buildings But the State pays only 80% of the rates which would be payable by private owners, on the basis that it is a provider of community services

Arguably, those services themselves could benefit from the capital which would be injected into the fiscus by selling off the buildings in which they are housed

Erasmus points out that Sapoa representatives have had a sympathetic hearing from government on these issues and that he is "confident of developments"

Already, the climate of privatisation has given rise to Sats' business development division, which aims to encourage private sector development of its underutilised land in urban areas

Laudable as this may be, it is becoming all too obvious that what the State gives with one hand, it would like to hold on to with the other

This was thrown into focus this week, at a conference hosted by Sats, during debate on probably its most ambitious project to date — the proposed redevelopment of the old Cape Town harbour and its surrounds (*Property* February 19)

The 46 ha of unused land to the west of the harbour, which is proving the most attractive to developers interested in the project, is jointly owned by Sats and the Cape Town City Council

But, although they have invited private sector development, they differ with developers on the speed with which the project should be undertaken

Arrie Burggraff, the Sats engineer who produced the report on alternative uses for Sats land around harbours (which is still under consideration by Transport Affairs Minister Eli Louw) favours a cautious approach So does Peter de Tolly, Cape Town's director of planning They wish, they say, to avoid the mistakes made in other cities where harbours have been redeveloped

However, Robin Vorster of architects and town planners Stauch Vorster and Partners maintains the private sector would "rather start the development with a 90% perfect plan than wait three to four years for the 'perfect' plan"

"The spadework has been done pretty thoroughly and the guidelines for development are now definable The next step is action If we start now, we will see an evolutionary process that will lead to bigger things

"But we must start with something big enough and bold enough to draw people and attract investors, not a small pilot project"

He says Sats and the council should include the private sector at the earliest planning stage and that if Sats wants to benefit fully from its vast property holdings, it should leave development to those with the know-how

"Incorporate real developers into the co-ordinating vehicle as soon as possible That's where the real experience is to be found — possessed by investors who've succeeded by risking their own money on their own judgment"

Vorster suggests a property trust should be formed to finance and run the Cape Town development and that Sats should be given shares in it in exchange for the land

The benefit would be that it could sell the shares for cash, or keep them and participate in profits if the trust were listed on the JSE ■

DURBAN RETAIL

Warehouse wonder

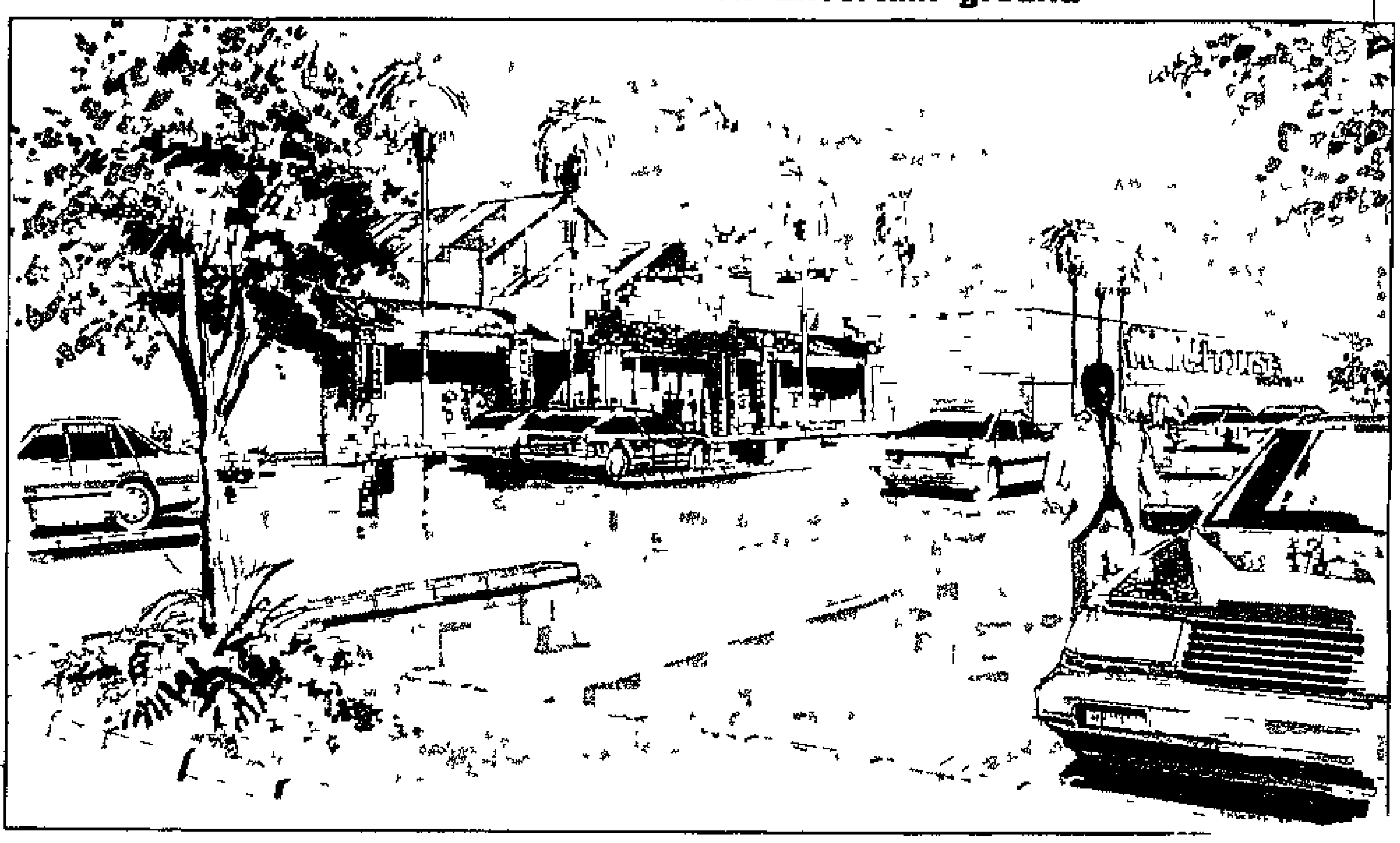
Two intriguing issues emerge from proposals announced this week for the construction of a two-phase, 35 000 m^2 retail centre in Chatsworth, Natal

The first is the procedure adopted by the (Indian) House of Delegates (HoD) in selling the site and the second is the hesitation of major financiers to back what seems on paper to be an attractive development

The upshot is that developer Coreprop has itself been obliged to find bridging finance for phase one of the project, scheduled for completion in November/December By this stage it hopes to have secured a backer for the development, which it expects will ultimately cost around R50m

However, market sources believe that before this can happen, the danger of the sale becoming a political embarrassment must be

Chatsworth centre ... on uncertain ground



FSI foresees bright future for AAF

Star 22/4/88

(232)

FS Industries (FSI) sees a bright future for AAF Investment Corporation, a London-listed company that came into FSI as part of last year's W&A acquisition.

Writing in AAF's annual report in London yesterday, FSI and AAF chairman Jeff Liebesman said: "AAF has entered a new era of international growth and development.

"FSI is committed to organic and acquisitive growth on an international scale and expects AAF will have a key role in attaining our objectives."

Last September, control of AAF passed to FSI, which in six years has grown from a Johannesburg scaffolding company into a manufacturing and distribution group operating on five continents.

Via a series of transactions on the JSE and a subsequent offer to minorities, FSI acquired 97 percent of Waicor, the holding company of W&A Investment Corporation, which controls 61 percent of AAF.

Mr Liebesman said: "The first two developments were implemented under the leadership of Manfred Simchowitz, who has now handed the chairmanship of AAF to me."

Turning to AAF's 1987 results, Mr Liebesman said: "The pace of economic development in South Africa saw AAF's profits before tax rise by 32,7 percent to £12,6 million. Income attributable to shareholders rose by 36,8 percent to £2,6 million."

AAF's principal investment continues to be its 50 percent stake in Hunts, which, in turn, controls 60 percent of General Tyre & Rubber (SA), 77 percent of EW Tarry Plc and 87 percent of Aurochs Investment (SA).

All four are listed on the Johannesburg Stock Exchange. EW Tarry is also listed on the London Stock Exchange. — Sapa.

y financial institutions ad of drawing money | 0,25 percent below the prevailing fixed deposit rate at the time of | the initial entry rate. The bonus deposit is avai

Thomsons score a coup with Sabta deal

Star 23/4/88

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CHRIS MOERDYK

In a publishing coup this week Thomson Publications acquired control of the SA Black Taxi Association's official monthly journal *Drive On*.

The acquisition will give the Thomson's stable one of the highest circulation trade publications in the country and marketing access to 45 000 Sabta members.

According to a spokesman for Thomson Publications, there were 100 000 black taxis operating in South Africa at present and an indication of the "massive spending and consumer power" of the sector was that Sabta members alone bought 800 million litres of petrol each year and spent almost R1 billion on motor spares

The spokesman added "This new agreement will allow Sabta to use the professional skills of Thomson's to communicate with their members on a range of issues

"*Drive On* will also provide all sectors of the business community with an outstanding opportunity to market their products and services to black consumers in the A and B income groups."

Black taxis in South Africa transport more than a million passengers every day.

The May issue of *Drive On* would be the first under the Thomson banner

Initial circulation would be 40 000 and plans were being developed to increase this figure.

The journal's existing editor Johnny Masilela retains his post.

Bleak f world w

Koo, it's All Gold for Tiger Oats

232 S Times 24/4/88

By Ian Smith

TIGER Oats and South Africa's biggest food canner, Langeberg Co-operative, have done a revolutionary R160-million joint-venture deal

Langeberg Foods will be listed on the JSE later

This is the first venture between a farming co-op and a major private-sector food company

Tiger, a R4-billion-a-year subsidiary of Barlow Rand, will put R80-million cash into Langeberg Foods

Brand names

Langeberg Co op, which owns the Koo, All-Gold and Silver Leaf brand names, is SA's biggest canner Gants, listed on the JSE and valued at R64-million, is No 2

Langeberg Co-op and its members are putting in assets worth R70-million plus R10 million cash for their half share in the company, which will have total assets of R160-million

Tiger will have 50% of the company, Langeberg Co-op 25%, and co-op members 25% Members will be able to deal in their shares on the JSE before 1992

Langeberg Co-op staff members will remain in charge of the company The managing director will be Langeberg chief executive Carel Stassen and the non-executive chairman will be Boet van Wyk

The transaction will solve Langeberg's need for R90-million capital and members will have the chance to invest in a public company which has "excellent profit prospects", says Jan van den Berg, who headed the Finansbank team which arranged the deal

"We believe this transaction will be a milestone for SA The industrial activities of a co-op have been transferred to a properly capitalised company

Carel Stassen we needed at least R90-million

"In a wider sense, the State will be relieved of some of its financial obligations to the co-op"

Unwieldy co-ops, often undercapitalised and hide-bound by regulation, have been blamed for many of farming s ills, which has debts of R4 billion

Langeberg has 1 350 members Turnover last year was R377-million. The new company will hold the co-op's industrial interests

A major attraction for Langeberg is Tiger's distributive muscle, matched only by Premier's Tiger may also be able to improve access to export markets

Langeberg Foods will be listed by June 1992 From the 1989 year it will declare an annual cash dividend of at least 25% of its distributable profit

Co-op members are paid an annual bonus if the co-op can afford it But because of increasingly heavy capital demands and bad seasons, few co-ops have paid reasonable bonuses in recent years

Mr van Wyk says. "Under the present structure Langeberg could not consider any dividends for the foreseeable future. The new deal solves the problem"

Announcing the deal Tiger chairman Robbie Williams and Mr van Wyk said "This is probably the most exciting development in the agricultural arena for decades"

Mr van Wyk says "Tiger's strong position in the food industry makes it the ideal business partner

"In one strategic move we satisfy two objectives and assure the canning industry s future First, we retain Langeberg as a traditional co-op, handling fruit and vegetable purchases from its members Then we supply the produce to a soundly capitalised company which will manage our industrial interests and in whose profits we will share"

Mr Stassen says the industrial interests have become increasingly capital-hungry as they have grown

Opportunity

"Less than 20% of the co-op's turnover is made up from the purchase of produce from farmers and we have effectively become an industrial concern

"But we have not been financed as an industrial concern and the co-op s finances have come under increasing pressure because of steady growth and inflation We need a capital injection of at least R90-million to restore our finances"

He says it would be unreasonable to look to members or the Land Bank for funding on this scale

"This is where Finansbank came in The proposal to privatise our industrial operations and find a private sector partner to work with us is exciting"

□ To Page 3

Tiger meal

□ From Page 1

The deal gives Tiger Oats an opportunity to use its cash resources to develop its food portfolio

"This is the type of opportunity we have been seeking," says Mr Williams "We are delighted to take part in this important venture for the development of agriculture"

Although the cash investment will have no effect on Tiger's earnings or net asset value this year, there will be long term benefits from the partnership

The transaction needs the approval of the majority of co-op members

Privatisation scenario

(232) B/day

MICK COLLINS 25/4/88

THE Post Office and the South African Transport Services (Sats) were examples of property owners who, in the event of privatisation, could disinvest to private entrepreneurs, Incity Real Estate CE Marc Wainer said at the weekend.

Painting a post-privatisation scenario, Wainer said privatised entities would generate great sums for development by selling buildings, which could be leased back.

"The impact on the economy would be phenomenal The release of these funds, together with the billions of rands available annually to the financial institutions for discretionary investment, could be used to buy government assets such as land and buildings."

He said in every city and town, government held large tracts of land earmarked for schools, post offices, police stations and government offices, but never developed.

It would be logical to sell off property for retail and commercial development, with government departments having the option of long-term lease-back agreements.

D10 • 25/4/88

Tiger Oats to invest R80m in alliance with Langeberg

CAPE TOWN — Tiger Oats is to invest R80 million in an alliance with one of South Africa's largest co-operatives, Langeberg, in a move to form a public company which will hold the industrial interests of the co-operative

Tiger, a subsidiary of Barlow, will have a 50 per cent stake in the company to be called Langeberg Foods which will have a capitalisation of R160 m and is to be listed on the Johannesburg Stock Exchange within the next four years

Langeberg Co-op and its members will put in assets worth R70 m plus R10 m cash for their half share in the company, which will continue to function as a primary co-opeative co-ordinating sales of the members' produce to the canning company

The deal, seen by the merchant bankers, Finansbank, as a milestone in the agricultural arena transfers the industrial activities of a co-operative to a public company in a move which ultimately relieves the state of financial obligations to the co-operatives' industrial interests

Langeberg which markets its products under the Koo and All Gold labels was in need of capital as it had increasingly become an industrial concern

The deal, effective from July 1, will have no material impact on Tiger's earnings or net asset value in this financial year, although longer term benefits are expected from the partnership

The chairman of Tiger Oats, Mr Robbie Williams, said the transaction was in line with group strategy to use cash resources to build or buy assests which fitted into the long term development of Tiger's portfolio of food and other businesses

The chairman of the Langeberg Co-operative, Mr Boet van Wyk, who will become chairman of the new company said Tiger Oats' strong position in food processing and distribution assured the future of the local canning industry

ARGUS 26/4/88 (732)

COMPANY FOCUS

C G Smith Foods still riding wave of prosperity

From MICHAEL MENOF

JOHANNESBURG. — For the past five years, food industry leader C G Smith has risen above the recession and weathered the long drought to produce steady and impressive results year after year.

In 1982, the company posted a bottom line of R45-million while in 1987 profits had risen to R216-million.

Shareholders' interest grew from R572,4-million in 1982 to R1,4-billion in 1987, while net assets of R858-million in 1987 now total of R2,12-billion

C G Smith Foods has vast and varied interests in the South African food industry. The company has a 53 percent interest in Tiger Oats which has Adcock-Ingram and Oceana Fishing as subsidiaries.

SUBSIDIARIES

Other important subsidiaries in the group are wholly-owned C G Smith Sugar and 69 percent of Imperial Cold Storage. All companies are listed on the JSE except for C G Smith Sugar.

During the year the group successfully reversed the declining trend in operating margins and continued to apply tight asset management

Certain of its earlier strategic decissions are now beginning to bear fruit and the company is poised to take advantage of any slight shift in consumption patterns away from basic foodstuffs and into the substitutes offered by eggs, rice and pasta, says chairman Robbie Williams

Poultry is also expected to be important in the future and the company has increased its shareholding in Country Fair Foods, a producer and marketer of added-value poultry products from 50 to 100 percent

SIX-YEAR REVIEW

Tiger also acquired the outstanding 50 percent in King Food Corporation which dominates the sorghum malt market.

The group's past six-year review in the 80s reflects a consistent growth pattern which is even more remarkable considering the recession and the effects of the drought At end-September 1987, the next asset value per share was 915c The JSE price is currently around R12

With the rest of Africa in an advanced state of starvation and degeneration, C G Smith Foods has demonstrated that South Africa has both the know-how and the potential not only to fend for inself, but also to export its produce

In 1987, turnover rose to an impressive R5,9-billion (R4,95-billion), with operating profit before interest of R331 million (R264 million) Interest expense declined to R58,6-million (R65,5-million)

The effective tax rate was virtually constant at 38,2 percent (37,3 percent), resulting in tax of R125,7-million (93,8 million). Profit after tax including associated companies' income was R216,1-million (R167,4-million).

BOTTOM LINE

Outside shareholders' portion of profit was substantial (mainly Tiger Oats) at R98,7-million (R78,8-million), leaving a bottom line of R117,4-million (R87,6-million)

Earnings per share were 124,4c (97,5c) and dividends 61c (40c) Below-the-line extraordinary items, chiefly goodwill arising on consolidation of R19,4-million (R25,5-million), were deducted.

The group's substantial interests in food, fishing and pharmaceuticals all performed well

Adcock-Ingram's results were further enhanced through a minority stake in SABAX Wholesale division E J Adcock expanded successfully into the Western Cape.

Oceana's sanctions-hit fishing markets, were effectively substituted and proceeds from its export sales of lobster products remained at satisfactory levels.

Imperial Cold Storage showed greatly improved results, reversing a four-year downward trend

C G Smith Sugar reported good profit growth helped by the significant recovery in the world sugar price and the weak rand, resulting in higher export realisations All profitability ratios improved operating profit to turnover was up from 5,3 percent to 5,6 percent; return on average ordinary shareholders' equity improved from 11,6 percent to 14 percent; return on average total assets was 13,6 percent, up from 12,3 percent

INCREASED PROFIT

Each company produced increased profit contributions during 1987 — Tiger Foods R56,3-million (R47,8-million), Adcock-Ingram (R6,8-million (R4-million), Oceana Fishing R6,1-million (R4,7-million), Smith Sugar R29,9-million (R23-million), Imperial Cold Storage R25-million (R6,2-million)

The consolidated balance sheet was equally impressive, with total shareholders' funds standing at R1,39-billion (R1,31-billion). Working capital improved to R419,8-million (R376,2-million), which included healthy cash resources of R306-million (R307-million).

Total debt declined to R605-million (R717-million) Tax losses of R97,7-million (R65,3 million) are available to reduce future tax Capex during the year totalled R155-million (R141-million).

The impressive earnings performance is set to continue Mr Williams predicts steady earnings growth Export earnings could affected in the short-term by a stronger rand, but this should be more than compensated for by increased earnings from other parts of the business, he says

The group is owned 82 percent by JSE-listed C G Smith which, in turn, in owned 60 percent by Barlow Rand With the country's increasing population the food industry must continue to expand.

Fortunately, the country is self-sufficient and has little need to import food The recent soaking rains should help matters If only the world would give South Africa some credit, it could help feed the starving masses in the rest of Africa

The wisdom of "success breeds success" certainly applies to C G Smith Foods with its increasingly healthy bottomline trend.

To what extent the lavish profits have aided inflation is of secondary imporance so long as the country remains self-sufficient and keeps the wolf of starvation from the door

BUSINESS

AGRICULTURE

232 ARGUS 26/4/88

Bargain prices for farmers in R160-m Langeberg deal

By TOM HOOD
Business Editor

FARMERS and other members of the giant Langeberg Co-operative will be able to pay a bargain price for their shares in a new company, Langeberg Foods, which is to be listed on the Johannesburg Stock Exchange.

And they be able to sell them back at double the subscription price through an undertaking that is valid for three months

Tiger Oats is paying R80-million for a 50 percent stake in the company and Langeberg Co-operative will chip in another R70-million.

25 PERCENT

But the co-op's 1 350 members, who will be asked to subscribe for R10-million of shares, will get theirs at 25 percent of the Tiger Oats price.

The number of shares involved and the price has not been decided, but Mr Jan van den Berg, a director of Finansbank, which structured the deal between the two companies, commented: "It is clear that ultimately the members will get their shares at a very low price

"Possibly the price Tiger paid is a pretty stiff price — double the subscription price

"Ultimately, the co-op will really belong to its members if it can pay off the Land Bank"

Mr Robbie Williams.

Clearly, he said, the co-op would not encourage the members to sell but if anyone wanted to sell, there would be a handsome profit.

Agricultural economists believe the development — the first of its kind in the country — could set the scene for other co-operatives in the future, especially those heavily invested in industrial interests

Other advantages, according to Mr van den Berg, is that it will create more stability in the co-op's fruit production area, which embraces a large part of the Western Cape

If a co-op declares a bonus — which fluctuates according to the harvest and sales — members are taxed on it as income At present, money has to be ploughed back which reduces bnonuses

Mr Carel Stassen

However, if the new company paid dividends, the members would pay tax at a more favourable rate

Mr van den Berg, said "We believe that this transaction will prove to be a milestone for South Africa

"In one transaction the industrial activities of a co-op are transferred to a properly capitalised public company The tremendous depth of knowledge of the industry which is present in Langeberg will be combined in the new public company with a strong and active partner, Tiger, which has its roots in the food business

Mr Carel Stassen, Langeberg's managing director, said he and the chairman, (Mr Boet van Wyk) intended to tour the country to talk to members and seek their support

The co-op's current capital is only 17 percent of other funds and it clearly needed an injection of cash All profits had to be ploughed back to expand the business and make capital investments in expensive items such as freezing plant

A key part of the deal was that all 10 000 staff would be taken on by the new company at exactly the same terms

The chairman of Langeberg, Mr van Wyk, described the deal as "probably the most exciting development in the agricultural arena for decades"

"Less than 20 percent of Langeberg's turnover comprises the purchase of fruit and vegetables from farmers which means that the co-op has effectively become an industrial concern. However Langeberg has not been financed as an industrial concern and needs a capital injection of at least R90-million."

From its 1989 financial year, Langeberg Foods would declare an annual cash dividend of at least 25 percent of its distributable profit

Tiger Oats chairman Robbie Williams said while Tiger's R80-million investment in Langeberg Foods will have no material effect on Tiger's earnings or net asset value in this financial year, he expects long-term benefits from the partnership

Strikers are back but will fight on

CM Times 26/4/88

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Own Correspondent

JOHANNESBURG. — Workers at Samcor's Pretoria plant returned to work yesterday after an eight-day strike, but their rebellion against the union-supported company share scheme is not over.

The head of the National Union of Metalworkers of SA motor section, Mr Fred Sauls, said yesterday, after a visit to the plant, that it appeared some workers wanted their share of company assets (estimated by them at R40 000 each) liquidated and paid over to them.

Others wanted the dividends from their holdings paid over to them personally rather than into a trust fund to be used for community development projects.

Mr Sauls warned that unless the issues were satisfactorily resolved they could threaten the future of Samcor.

In terms of the deal agreed between Anglo, Samcor, Ford and the union, 24% of Samcor equity is to be held by an employee trust.

Ford's continued relationship with Samcor — which includes a licensing arrangement in terms of which Samcor continues to build Ford products — hinged on the agreement.

Another key part of the deal was a $61-million (about R170m converted in financial rands) cash injection to wipe out Samcor debts and transform it into a profitable concern The money has already been paid over.

Mr Sauls said most workers did not participate in discussions while he was there and it was hence unclear how the silent majority felt Numsa leadership would have to take decisions on the situation this week.

He believed workers demanding the liquidation of their share of the assets — assuming this could be done at all — did not understand this may mean the closure of the company.

Mr Sauls said the rumblings originated in Port Elizabeth earlier this year, and then spread to Pretoria A group of Samcor employees in PE had threatened legal action if their demands were not met It was unclear against whom such action would be directed.

He said the union had received a mandate from Samcor members at mass meetings to sign the agreement last November This had been preceded by a number of meetings and seminars where details of the deal were explained.

"We thought we had a good agreement. However, if the members wish to withdraw or alter their mandate we will go along with them," he said.

Samcor chairman Mr Leslie Boyd declined to comment.

Lenco lifts profits to R8,2m

Cape Times 26/4/88

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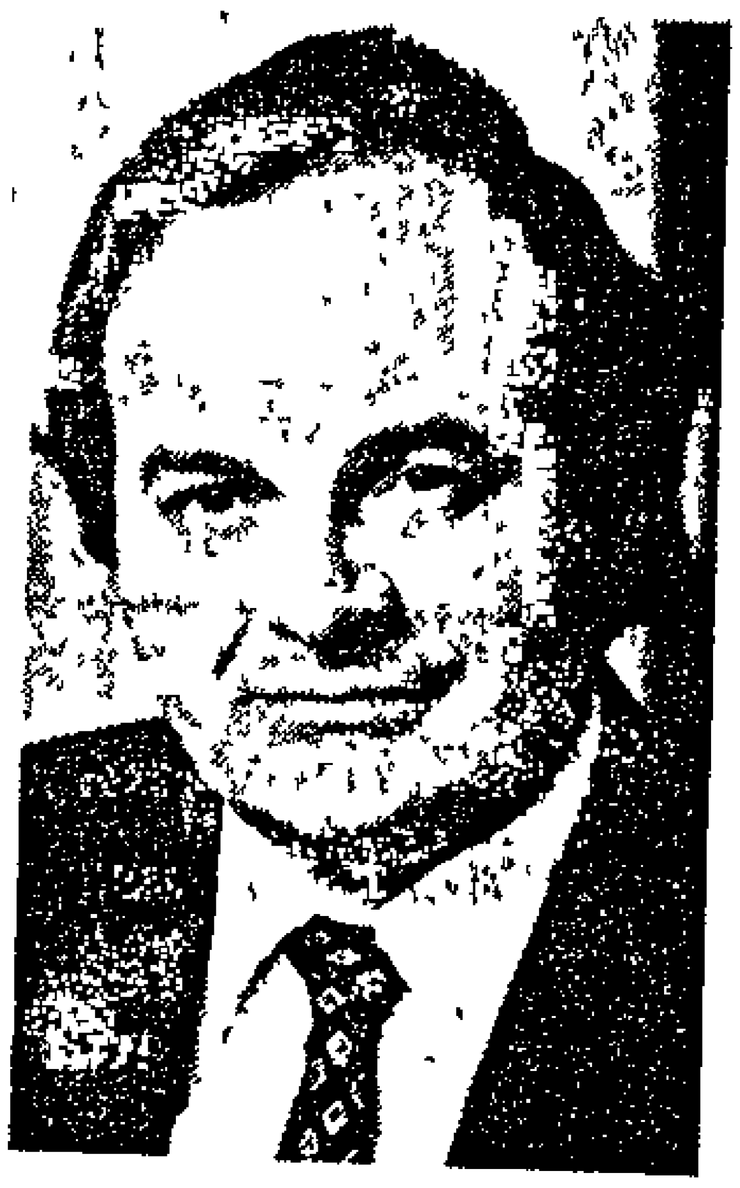
Financial Editor

INVESTMENT holding group Lenco, which acquired Budget Footwear, Rich Rags and the House of Monatic in the year to February, has lifted attributable profits to R8,2m from R600 000.



Doug de Jager

Earnings were 21,2c a share — above the forecast 18c — on the weighted average of 38,5m shares in issue and a maiden dividend of 5c, covered 4,25 times, has been declared.

Turnover was R120m and operating income R11,6m.

The directors say the dividend was not higher because "the group intends continuing its policy of growing the business through further strategic acquisitions".

Lenco, formerly Romanda Investment Holdings, was listed on the main board of the Johannesburg Stock Exchange (JSE) in July.

It consisted only of Lysta Zip and Elvinco Plastics at the beginning of its last financial year.

CE Doug de Jager said that although the acquisition and disposal of subsidiaries, and capital expenditure, meant a cash outflow of R28m in the year, a strong cash flow from operations "reduced this to R12,5m or 35,9% of shareholders' funds."

Net asset value at the end of the financial year was 85c a share

And, anticipating a hardening of interest rates, "we will critically examine our asset management and I believe that by the end of the current financial year the group will be in a substantial net cash position with only a small balance of instalment debt outstanding."

Privatisation would have enormous economic impact

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Star 26/X/88

Government departments and parastatal organisations going the route of privatisation, could generate enormous sums for development by selling off buildings which they could lease back as well as undeveloped public land

This is the view of Mr Marc Wainer, chief executive of Incity Real Estate, who says "The impact on the economy would be phenomenal. With the disappearance of parastatals, it is possible that financial institutions would no longer be required to lock great sums in gilt-edged securities.

"The release of these funds, together with the billions of rands available annually to the financial institutions for discretionary investment, could be used to buy Government and parastatal assets such as land and buildings."

Mr Wainer points out that the Government holds large tracts of land spread over dorps, towns and cities and are earmarked for post offices, schools, police stations and Government offices — but are never developed

The sale of this land, he believes, could change the whole property market dramatically

"Often", he says, "with organisational and constitutional changes, ownership has changed from Government department to Government department and it is difficult to find out who owns what

"Often, too, these sites are in prime retail and commercial locations"

After privatisation, it would be logical to sell off property assets to private enterprise for retail and commercial development, with Government departments being given options to sign favourable long-term leasebacks for accommodation

"At least, if private principles apply, privatised companies would soon ask the basic question. What is our business?

Shortages

"And, like so many private concerns, it is quite likely that they would decide that owning property was not part of their business," says Mr Wainer

"What is more, the making of that sort of decision would give the property business a tremendous fillip, not to say that local authorities who presently derive no rateable income from Government-owned property.

"As things stand, there is a shortage of good prime stock in buildings and land and that shortage is going to grow in time."

The MINISTER OF LAW AND ORDER

See reply to Question No 774 on 26 April 1988 (col 1183)

Post of private secretary: restrictions in regard to period of service

783 Mr C J DERBY-LEWIS asked the Minister of Defence

Whether the appointment of persons to the post of private secretary in the South African Defence Force is subject to any restrictions in regard to period of service, if so, what are the relevant details, if not, (a) what procedure is followed in (i) assessing such officials for promotion purposes and (ii) granting them promotion and (b) what are their prospects for promotion?

The MINISTER OF DEFENCE

See reply to Question No 774 on 26 April 1988 (col 1183)

Post of private secretary: restrictions in regard to period of service

784 Mr C J DERBY-LEWIS asked the Minister of National Health and Population Development

Whether the appointment of persons to the post of private secretary in his Department is subject to any restrictions in regard to period of service, if so, what are the relevant details, if not (a) what procedure is followed in (i) assessing such officials for promotion purposes and (ii) granting them promotion and (b) what are their prospects for promotion?

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

See reply to Question No 774 on 26 April 1988 (col 1183)

Transfer of local government functions

890 Mr M J ELLIS asked the Minister in the State President s Office entrusted with Administration and Broadcasting Services

(1) Whether, with reference to the reply of the Minister of Education and Culture to Question No 58 on 14 August 1987 the transfer of local management functions has been concluded if not (a) why not and (b) when is it anticipated that it will be completed if so,

(2) whether the identification and functioning of provincial public libraries have been finalized, if not, why not, if so, (a) which provincial public libraries have been identified as White own affairs, (b) why have they been so identified (c) when were they transferred to his Department and (d) who took the decision in this regard,

(3) who will be responsible for (a) ordering and (b) buying books for such libraries?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

(1) No

(a) The investigation is extensive and complicated

(b) As soon as the investigation has been completed and the procedural requirements of the Constitutional Act, 1983 (Act 110 of 1983) for the transfer of functions have been complied with

(2) Provincial administrations do not have provincial public libraries Provincial administration do, however, provide professional support and supply stocks of books to libraries of local authorities The Cabinet has decided that the afore-mentioned service should be continued by the provincial administrations as a general affair and that the own affairs administrations may decide whether they want to continue utilising the service and to what extent A library of a local authority may depending on its clientele group, be an own affair for that group

(a), (b) (c) and (d) Fall away

(3) Falls away

Privatization of hospitals/health facilities

897 Dr M S BARNARD asked the Minister in the State President s Office entrusted with Administration and Broadcasting Services

(1) Whether it is the intention to privatize in the current year any hospitals or other health facilities falling under the provincial administrations if so (a) how many and (b) which (i) hospitals and (ii) other health facilities

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

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The MINISTER FOR ADMINISTRATION AND PRIVATISATION

To questions No 897, 898 and 899

(1) Privatisation possibilities in respect of hospitals and other health services can only be determined after the investigation in this regard, with which Dr W J de Villiers is still busy, has been completed and his recommendations have been considered by the Committee of Ministers on Privatisation and Deregulation

(a), (b)(i) and (ii) Fall away

(2) No

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Privatization of hospitals/health facilities

898 Dr M S BARNARD asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(1) Whether it is the intention to privatize in the current year any hospitals or other health facilities falling under the Department of Health Services and Welfare of the House of Assembly, if so, (a) how many and (b) which (i) hospitals and (ii) other health facilities,

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

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

See reply to Question No 897 on 26 April 1988 (col 1188)

Privatization of hospitals/health facilities

899 Dr M S BARNARD asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(1) Whether it is the intention to privatize in the current year any hospitals or other health facilities falling under the Department of National Health and Population Development, if so (a) how many and (b) which (i) hospitals and (ii) other health facilities,

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

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

See reply to Question No 897 on 26 April 1988 (col 1188)

Employees: extra employment/own businesses

905 Mr C J DERBY-LEWIS asked the State President

(1) Whether employees in his Office are permitted to (a) take on extra employment and (b) participate in any type of business of their own, if so,

(2) whether this permission is granted subject to any conditions, if so, what conditions?

The STATE PRESIDENT

See reply to Question No 906 on 26 April 1988 (col 1190)

Employees: extra employment/own businesses

906 Mr C J DERBY-LEWIS asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

(1) Whether employees in his Department are permitted to (a) take on extra employment and (b) participate in any type of business of their own, if so,

(2) whether this permission is granted subject to any conditions, if so, what conditions?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

To question 906 as well as on behalf of the Ministers concerned to the similarly phrased questions concerning General Affairs Nos 905, 907, 908, 909, 910, 911, 912, 913, 914, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 928 and 929 and concerning own Affairs Nos 108, 109, 110 111, 112 and 113

(1) (a) and (b) Individual officers and employees as well as members of the Services Departments may, in terms of the statutory provisions applicable to them ask for permission to do additional work or to participate in any business undertaking of their own other than their work in the Public Service Departments Such applications are considered by the Minister of the department concerned or his delegate in the Department

Messina management in the dark

Star 27/4/88

(232)

By Teigue Payne

Following yesterday's cautionary announcement by Impala Platinum and Messina, reliable market sources say negotiations have taken place between controlling shareholder Sankorp and Impala without Messina management.

Messina's senior management did not know about the negotiations until shortly before the cautionary announcement, it is understood

It is thought that an announcement on the negotiations will be made shortly, possibly tommorrow.

Sankorp, the investment arm of Sanlam, controls Messina and, via Gencor, Impala. The negotiations apparently concern Messina's promising platinum prospect near Tzaneen.

In the past, senior Messina managers have indicated the company would develop the prospect independently. Although analysts and the press have speculated that Impala and Messina could link up on the project, news of the negotiations was apparently as fresh for Messina's executives as it was for the public.

A leading analyst said yesterday non-involvement of Messina management in the negotiations was extraordinary. He said Sankorp's actions appeared high-handed in relation to Messina's management and that minority shareholders might question them.

Mr David Dry, financial director of Messina, said he was not authorised to comment on the cautionary announcement.

Mr Don Ireland, managing director of Imapala, said. "I believe we have been negotiating with the right people and this should not be a source of concern for the market."

A Sankorp spokesman was not available for comment.

BUSINES

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Robinson buys into Adcolour

JOHANNESBURG —Robinson Holdings has bought an 85% interest in Durban-based Adcolour

This brings a typesetting and repro house into the group which has spent the last year seeking vertical integration as a specialised printing company.

The chairman of Robinsons, Mr Athol Campbell, said Adcolour had invested heavily in the past 18 months in the latest equipment.

Adcolour would retain its identity and its offices in Johannesburg and Cape Town and would undergo a capital reconstruction on integration into Robinsons.

It would complement the Robinson Graphics company

In common with other companies in the group, Adcolour would have a decentralised management style. There were no plans to cut staff.

Mr Campbell said Robinsons' aim was to be technical leaders in their fields of operation and Adcolour, as such a leader complemented, the group.

Robinsons has become a lean, and hungry, operation focussed on its printing operations in the past year since it was restructured.

Mr Campbell disclosed that in the past financial year, they had sold the 5% interest in Times Media to Argus at a good price last August and the Devonshire Place building.

The group maintains a 30% interest in Natal Newspapers which owns its old property, The Natal Mercury, and other publications.

Star

Rabie to be Burad holding company?

28/4/88

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Rabie Investments is to become the listed holding company of Burad Securities in terms of a proposal sent to Burad shareholders.

Directors of Burad, which has computed tax losses of R5,7 million, are advising acceptance of the proposal from Rabie, a property developer involved in projects to build and market 5 500 homes in the Transvaal, Natal and Western Cape.Many are joint ventures with Murray & Roberts.

Rabie's earnings for the year to June are forecast at R5,03 million, equivalent to 31,7c a share based on an issue of 15 891 993. No tax has been applied to the forecast because of Burad's computed tax losses.

With aggregate pretax profits of R5 million warranted for the year to June, Rabie is forecasting a dividend of not less than 12,7c a share. Rabie intends to cover dividends at least twice.

The Rabie proposal involves Burad shareholders receiving one new listed Rabie ordinary share in exchange for every 10 existing Burad ordinary shares. Sapa.

COMMENT

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Not so model

THE Ford disinvestment is not turning out to be the model withdrawal the company hoped for when it negotiated the donation of 24% of its equity to an employee trust fund. Now the workers want the money instead.

The objective was to turn Ford into Samcor without the bitterness and strife which marked the disinvestment transformation of General Motors into Delta The aims were certainly noble; the results are more likely to prompt future disinvestors to hand over everything to hard-nosed SA managements and let them deal with the workers.

GM was subjected to a lengthy strike by workers who complained they had not been consulted on the terms of the disinvestment. But Delta is now up and running under local management, while Samcor has had an eight-day strike because workers are disputing the employee trust deal accepted by their union after five months of consultation That dispute is far from over; workers at Samcor's Pretoria plant are trying to fire their union shop stewards and replace them with a new committee to renegotiate the future of the equity Ford left them.

Fine worker phrases about not wanting to be mini-capitalists and remaining committed to the upliftment of the community sit ill with demands for the trust to be liquidated and the proceeds paid out to the workers. The trust will be controlled by Samcor workers, but the dividend proceeds are intended for welfare and development projects in their communities. Numsa secretary Fred Sauls said last year that this was the only basis on which the union could accept the deal, because of worker resistance to the income being distributed to them personally.

This is now exactly what the workers are demanding. They see potential pay-outs of R40 000 per person Never mind Cosatu policy that the wealth of disinvesting companies must remain the property of the people for the benefit of all — give us the cash and let the community look after itself.

It is a saintly individual who will deny undreamed-of personal wealth for the communal good. Perhaps Ford thought they were dealing with saints, perhaps Cosatu still believes that saintly disinvestments are possible.

Other foreign managements contemplating disinvestment are likely to be less charitable. They will be less inclined to try to ensure the continuation of social programmes after their departure, either from humanitarian considerations or for domestic political approval in their own countries. They will sell their assets to those more interested in the creation of wealth than its redistribution

And, even if the Samcor employee trust survives the present onslaught, Cosatu unions are less likely to be consulted on the disinvestment they continue to propagate.

232 B/Day 28/4/88

PARLIAMENT

Plan to deregulate transport boosted by new traffic Bill

CHRIS CAIRNCROSS

DEREGULATION of the transport sector took a further leap forward yesterday with the tabling in Parliament of the omnibus Road Traffic Bill, which consolidates the four provincial road traffic ordinances into one national Act

It follows the Transport Deregulation Bill, published earlier this month, which spells out the end of the commercial permit system and forms part of a package of Bills aimed at implementing government's new national transport policy.

An important element of the latest draft legislation is that it provides for a road transport quality system, which sets safety standards and is officially viewed as a prerequisite for the abolition of the permit system.

The "quality system" sets out standards for drivers and vehicles. Included is a new "operator" concept, designed to establish who — other than the driver — is responsible for a vehicle.

In a memorandum attached to the Bill, it is stated that the quality system will be supported by a purposeful and practical law enforcement programme

In support of this programme, a computerised information system is to be established through which, among other matters, the holding of drivers' licences, involvement in collisions and traffic offences will be monitored

Schus set to pay div after deal

STAR 28/4/88

232 By Tom Hood

CAPE TOWN — Three Pretoria businessmen have obtained control of Schus' Holdings, and are revitalising the troubled Cape Town Nissan dealer.

The company, which earned 3,2c a share for the year to end-February, is expecting earnings of 15c for the year ending February, 1989 It is also expecting to pay its first dividend since 1983.

The businessmen are Leendert Dekker, former CE of Armscor, who will be chairman of Schus, Martin Jonker, a major Nissan dealer and Michael Jordaan, a lawyer and financial consultant.

They have obtained control by purchasing 45 perent of the company's shares for 110c a share, and by buying the A and B preference shares

Holders of the preference shares had agreed to waive all claims to arrear dividends or capital repayments and to allow these shares to be converted into ordinary shares. The company would also sell its Parow property.

This will increase the number of issued Schus ordinary shares from 1,8 million of 50c each to 12,3 million of no par value and reduce the stake of the existing shareholders to 15 percent But it would also raise the net asset value of the shares from a negative 55c to a positive 15c.

Mr Dekker said that Schus shares would be relisted on June 2.

Operating profit for 1987-88 rose over 150 percent to R1,3 million, and the company had a net profit of R294 817 against a loss of R635 903 in 1985-86

CPA Times 28/4/88 (232)

Rabie to take over Burad Securities

RABIE INVESTMENT HOLDINGS will become the listed holding company of Burad Securities in terms of a proposal that has been sent to Burad shareholders.

Directors of Burad which has computed tax losses of R5,7m, are recommending shareholders accept the proposal from Rabie, a property developer currently involved in projects to build and market some 5 500 homes in the Transvaal, Natal and Western Cape.

Many of these are joint ventures with Murray & Roberts as civil and construction contractors.

Rabie's earnings for the year to June are forecast at R5,03m, equivalent to 31,7c a share based on an issue of 15 891 993.

No tax has been applied to the forecast because of Burad's computed tax losses.

With aggregate pre-tax profits of R5m warranted for the year to June, Rabie is forecasting a dividend of not less than 12,7c a share for the period. This will be payable in October.

Rabie intends to cover dividends at least twice by earnings.

The Rabie proposal entails Burad shareholders receiving one new listed Rabie ordinary share in exchange for every 10 existing Burad ordinary shares.

Burad shareholders have been told that, subject to approval of the necessary resolutions at a meeting in Cape Town on May 18, the JSE has agreed to cancel the listing of Burad shares in the "financial-property" sector at close of business on May 20, and to grant a listing of Rabie shares from start of business on May 23.

Rabie's chairman John Rabie believes the company, with its proven track record in developing housing for various market segments, is well positioned for further growth on a national basis and to play a leading role in reducing the housing backlog, which is estimated at 750 000 units.

He says the company has strengthened its project management and marketing resources to capitalize on growth opportunities, particularly in the greater PWV and Durban areas.

W/Mail 29/4-4/5/88

232

JSE's bible hands out kudos to the small family business

The latest edition of Who Owns Whom, published this week, detects a trend on the JSE towards the rise of the small conglomerate, often family owned. HILARY JOFFE reports

MANY of 200 new listings last year on the Johannesburg Stock Exchange were of director-controlled companies — with the result that such companies have increased their share of the market, according to Robin McGregor, whose *Who Owns Whom* was published this week

But the top four companies still control almost 80 percent of the JSE, according to McGregor's calculations On his analysis the top one — Anglo American — controls 56 percent of the JSE based on market capitalisation Sanlam is next in line with 9,7 percent, followed by SA Mutual (8,9 percent) and Rembrandt (4,9 percent)

These figures are down slightly on last year's, a trend McGregor attributes to the effects of last October's stock market crash on the value of portfolios

Companies controlled by directors have however risen to 5,9 percent of the total market capitalisation of the JSE, from 3,7 percent in 1987

The change is small but important, says McGregor "South Africa needs companies controlled by owners who are 'close to the coalface' " He believes these are more efficient and hopes they do not get swallowed up in turn by the "big boys".

A second trend McGregor Research Services found is the rise of the small conglomerate, controlled by a family or directors They identify 26 conglomerates which have a market capitalisation of R100-million or more, but control under one percent of the JSE. The FS/Waicor, Pep Stores and Pouroulis groups top the list.

Who Owns Whom gives MRS' assessment of the ultimate controlling shareholder of each listed company The researchers do this by looking at the obvious shareholdings and tracking down the nominee companies

The percentage of the JSE controlled by the large conglomerates is calculated by taking the total market capitalisation of all the companies they are said to control, rather than by adding up their ownership stakes in these companies So, for example, the total market capitalisation of JCI — and not just the stake of it Anglo owns — comes into Anglo's 56 percent of the JSE.

McGregor's figures on control indicate the formidable economic power the "big four" can muster and the high degree of concentration characteristic of the South African economy.

But subsumed under the class of Anglo-controlled or SA Mutual-controlled companies are subsidiaries and associates with very different characters, where ultimate control may or may not mean anything in terms of how the company is run

At the macro-economic level McGregor's control dimension is significant At the micro level, a trade union negotiating with a company under ultimate Sanlam control, for example, would not necessarily find this reflected in the company's managerial style

Anglo insiders say, for example, that the corporation does not in fact choose to exercise any influence over many of the companies which, on the figures, it ultimately controls. But against this it can be argued that at key turning points or crises ultimate control may become active control

McGregor believes the control dimension is important Anglo does control the destinies of its subsidiary and associate companies, he says, shaping the big strategic decisions on capital projects, for example. In most companies the controlling shareholder is represented on the board of directors and does influence operating decisions, he says

But who controls the economy is only one, relatively minor aspect of what *Who Owns Whom*, now a mammoth 1 214 pages, is about

This eighth edition of *Who Owns Whom* includes all of the 720 companies listed on the JSE as of the end of 1987, 25 000 subsidiaries and associates of listed companies are recorded

It contains three years' worth of key financial statistics from the balance sheet and income statements of each company And it lists the 21 most important ratios which can be calculated from the annual financial statements (short explanations of these are given at the end of the book)

MRS has now also mounted its database on computer and is selling the service for R4 200 a year The computerised databank includes everything published in *Who Owns Whom* but contains additional and more up-to-date information It allows users, for example, to compare listed company statistics by secotr or activity or to analyse a company's portfolio

Some of the trends MRS has pulled out of its computer include

- Despite disinvestment the number of foreign-controlled companies on the JSE increased last year, since several newly-listed companies were ultimately foreign-controlled.
- Average assessed taxation of listed companies was 24,4 percent — more than somewhat below the statutory 50 percent company tax level.

A companion volume to *Who Owns Whom*, on unlisted companies, covers 7 500 companies Information was derived from Kreditinform and companies employing over 50 workers were entered

The subtitle of *Who Owns Whom*, "the investors' handbook", is something of a misnomer investors are certainly not the only people who mine it for information

- **McGregor's Who Owns Whom — The Investors' Handbook, R135, published by Juta, McGregor's Who Owns Whom — Unlisted Companies, R115, Juta**

CONTROLLING BODY	% JSE CONTROL					
	1983	1984	1985	1986	1987	1988
ANGLO AMERICAN GROUP	52 5	54 1	53 6	54,1	60 1	56 1
SANLAM	9,4	10,7	12,2	11,3	10,7	9,7
S.A. MUTUAL	0,6	2,7	10,6	10,9	8,0	8,9
REMBRANDT GROUP	2,1	2,8	3,8	4,4	4,3	4,9
FOREIGN CONTROLLED	5,4	5,7	5,9	6,1	4,1	4,9
CONTROLLED BY DIRECTORS	4,1	5,1	3,0	3,5	3,7	5,9
ANGLOVAAL	1,7	1,7	2,1	2,1	2,4	2,8
LIBERTY GROUP	1,1	2,1	2,0	2,3	2,0	1,6
STATE CONTROLLED	3,2	2,3	2 8	3,2	1,9	1,7
VENTRON GROUP	-	-	-	1,1	1,0	1,2
TOTAL	80,1	87 2	96 0	98,8	98 2	97,7
UNALLOCATED	19,9	12,8	4 0	1,2	1 8	2,3
TOTAL	100 0	100 0	100 0	100,0	100 0	100 0

Source: McGregor Research Services

Barlow Rand buys 45% of French Bank

Star 29/4/88 (232)

Finance Staff

Barlow Rand has announced that it intends to take up 45 percent of French Bank of Southern Africa.

The bank is controlled by Banque Indosuez, which has a 54 shareholding in the bank.

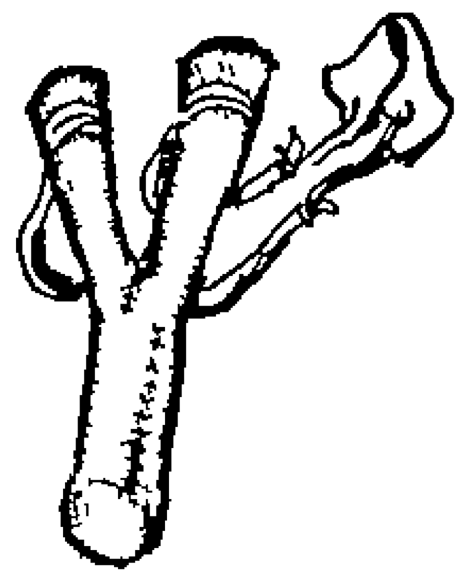
Barlows is offering 20 shares for every 100 French Bank shares and R9 in cash or a straight cash deal of R3,95 per French Bank share.

Once the deal is completed, French Bank will be delisted from the JSE.

In terms of an undertaking given to the Registrar of Banks, Barlows will reduce its holding in the bank to 30 percent by placing 15,4 percent of the shares on the market.

'CONTROLLING' BUSINESS

With a wave of the wand . . .



The kindest thing that can be said about the Harmful Business Practices Bill is that it is a misguided attempt to promote consumerism and to intimidate everyone in business

At worst, it provides, along with the Competition Act, the iron fist with which a gauleiter needs to regulate — completely — all economic activity

Its very existence suggests that a formal prices and incomes policy is imminent, supposedly to control inflation

What is certain is that it will fail to protect the consumer, to stimulate competition and to squeeze inflation out of the economy

It is a clear signal, too, that government's declared policy of deregulation cannot be taken seriously — in fact, that it has been all but abandoned This, in turn, is going to mean that both the growth of small business and prosperity in general will be severely circumscribed

Like the imposts on the press, it reduces law to the whim of a minister and his officials Its potential to produce red tape in prodigious quantities is enormous

Most countries which have tried to protect consumers by *regulation* have experienced bitter failures, particularly in the US This is largely because legislators confuse what they perceive as harmful business practices with schemes where *caveat emptor* should apply

In protecting consumers and investors, laws can reduce the chances of a man being fooled If they try to prevent him from being foolish, they invariably fail

The best example of failed consumer protection laws was the US's antitrust legislation

There businessmen have been prosecuted for selling *below* the market price ("predatory pricing"), at the market price ("collusion"), and above the market price ("gouging")

In general, however, business practices that do not constitute fraud and/or misrepresentation, are safe.

A US expert on the consequences of antitrust legislation, Hartford economist Dominick Armentano, argues that far from encouraging competition, these laws have restricted it and are inconsistent with economic efficiency, which benefits everyone in the economy

Armentano's analysis of the failure of the US's antitrust laws, which are a century old, shows that.

The new Bill to control "harmful" business activities runs contrary to the State President's commitment to deregulation earlier this year. It smacks of the dirigiste impulse found in command economies — and follows in the wake of innumerable failures to curb inflation in this manner.

- ☐ The laws misconstrue the fundamental nature of both competition and monopoly,
- ☐ Such regulations have often served to shelter high-cost, inefficient firms,
- ☐ They have the effect of explicitly intending to restrict price rivalry in the name of preserving competition,
- ☐ Attempts to restrict mergers may have the effect of lessening competition — in itself destructive of a competitive process, and
- ☐ Like any other form of government intervention, such laws tend to make the economy less efficient

Perhaps most important of all, enforcement of these laws is predicated on the mistaken assumption that regulators and the courts can have access to information concerning social benefits, social costs, and efficiency which is simply unavailable in the absence of a spontaneous market process

The major source of monopoly power (and other "harmful business practices") is Pretoria itself Yet it is Pretoria — the regulatory bureaucracy — that most of the critics of business (and advocates of "anti-harmful" business practice legislation) would expand to suit their particular vision of a good society

To quote Armentano. "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

"These manifestations cannot be justified from either a natural rights, utilitarian, or subjective perspective In short, we must seek to end government interventionist power, including antitrust, and move to create a free and open society where individuals can fulfil their own vision of the good society "

Historically, behind this, lies the comment of Adam Smith "People of the same trade seldom meet together, even for merriment or diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices It is impossible, indeed, to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies, much less render them necessary "

Simply put, there is overwhelming evidence that the way to promote the market function to the benefit of the consumer is to deregulate and promote the free flow of information on all transactions

Certainly the Bill is punitive Businessmen contravening orders made in terms of the Act to follow the Bill could be jailed for up to five years and/or fined up to R200 000 This is the most punitive attack ever on South African businessmen

The puzzle is why the far-reaching Maintenance and Promotion of Competition Act was considered inadequate to foster competition.

In terms of this Act, price rings have been allowed to continue

Few, if any, prosecutions have taken place under it Now it looks as if it has been superseded.

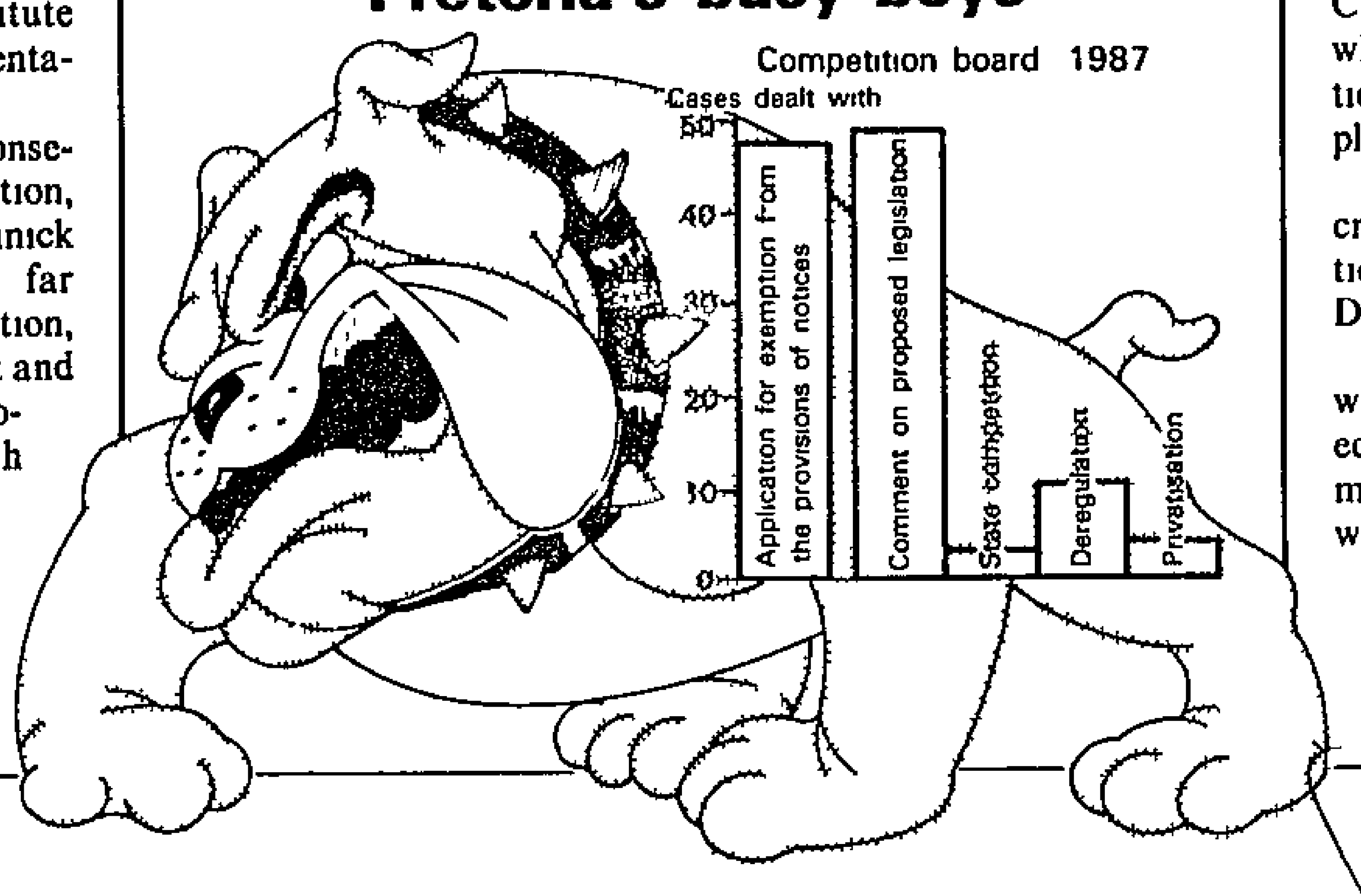
The Harmful Practices Bill will be administered by a Business Practices Committee which will fall under Minister of Economic Affairs and Technology Danie Steyn Director general here, incidentally, is Stef Naudé, ex-chief of the Competition Board (CB), which administers the Competition Act He has yet to be replaced

The CB falls under the newly created Ministry of Deregulation and Privatisation, under Dawie de Villiers

Businessmen will have to live with the anomaly of being prosecuted under the auspices of a ministry that had nothing to do with creating the enabling legislation

This, of course, draws attention to the political background to the Bill Perhaps

Pretoria's busy boys



Naudé was so frustrated with having so little success at the CB that he was able to muster a substantial case for more power in his new post

How long will Naudé need to realise that his frustrations will be as great as before? There is no case, in the world, of government intervention having constructively fostered the functioning of the market function On the contrary, the evidence today is that the more government withdraws (cuts taxes, shrinks bureaucracy, deregulates and privatises), the more healthy the functioning of the market mechanism.

The Bill will be virtually ineffective against businessmen who are not involved in criminal fraud or misrepresentation To put this statement in a different perspective, consider that the Bill is based on antiquated, discredited concepts of the evils of monopolies, oligopolies, cartels, price-fixers, and so on.

For instance, to establish a monopoly in a free market would require perfect entrepreneurial foresight, both in the short run and the long run, regarding consumer demand, technology, location, material supplies and prices — and thousands of other uncertain variables It would also require an unambiguous definition of the relevant market.

This, in turn, begs the question. what constitutes a harmful business practice? According to the draft Bill, it's "any agreement, arrangement or understanding, whether legally enforceable or not, between two or more persons, or any scheme, business practice or method of trading, including any method of marketing or distribution, or any advertising or type of advertising, or any act or omission on the part of any person, whether acting independently or in concert with any other person, or any situation arising out of the activities of any person or class or group of persons, which directly or indirectly, has or is likely to have the effect of injuring the relations between businesses and consumers, or unreasonably prejudicing relations between businesses or consumers, or deceiving any consumer "

In plain words, that appears to mean that a harmful business practice is one thing only — whatever the minister of economic affairs and technology or his appointed Business Practices Committee choose it to mean

The committee is given powers to institute investigations, demand documents and records, institute inspection and searches of companies' premises and order businessmen to appear before it in order — in an interesting choice of words — "to be interrogated "

The minister may then advise the price controller to fix maximum prices for goods and services The minister can order individuals or businesses to end agreements or advertising campaigns, and — the ultimate sanction — dissolve companies and business groups or ban "any form of association" between individuals involved in harmful business practices

Appeal against the minister's decision is to a three-man panel appointed by the State President and comprising a Supreme Court judge, an economist and someone with "wide experience of industrial, commercial or financial matters "

Business opposition to the draft Bill has been almost wholehearted While there is recognition of the need for consumer protection, the feeling is that this Bill is not the way to do it.

Assocom's William Lacey describes it as "no more nor less than price control," running contrary to previous government statements rejecting price and wage controls He adds that business must be represented on the Business Practices Committee "You can't expect academics and bureaucrats to appreciate or understand business practices "

An official Assocom statement says the draft Bill "runs counter to the whole philosophy of deregulation and commitment to market-related policies "

The Federated Chamber of Industries (FCI) agrees A spokesman says "In the light of government policy to reduce expenditure and to deregulate the economy, this Bill could be considered contradictory to this policy

"It is both over-regulatory and costly The FCI questions the necessity for such wide powers of intervention into business affairs " Quite so

The belief that this Bill will in any way contribute to a reduction in inflation is absurd It means that government has no real understanding of how inflation is created or what it, the creator, needs to do to stabilise prices

The inconsistency of this proposed legislation with government's declared policy of deregulation suggests either chicanery or ignorance ■

INFLATION

Guilt and shame

It's both popular and populist to blame businessmen for inflation — meaning price inflation. It's also wrong. The root cause of monetary inflation is the printing of money — and for that Pretoria is to blame. It's time more businessmen struck back with the facts.

Throughout history, governments have debased their currencies and blamed the resulting price inflation on greedy businessmen It's time for businessmen to start fighting back

Back in 300 AD, the Roman Empire debased its pieces of silver and gold, and Diocletianus blamed the resulting price surge on an old favourite· the avarice of monopolies

Unwilling to deal with the source of the problem — money creation — the emperor fixed maximum prices for goods and labour and prescribed the death penalty for anyone who sold his wares at higher prices. The results were predictable

A historian of the time wrote "There was much blood shed upon very slight and trifling accounts; and the people brought provisions no more to markets, since they could not get a reasonable price for them, and this increased the dearth so much, that at last after many had died by it, the law itself was laid aside "

Diocletianus is only one in a long line of leaders who have tried to use force, threats and law to restrict the market's reaction to debased currencies

After the Zambian government imposed sweeping price controls last year, essential commodities disappeared from store shelves and the black market flourished — prompting President Kenneth Kaunda to send troops into Lusaka in December to burn down market stalls and arrest hundreds of illegal traders "We are now getting tough with them, and this operation will be extended to other parts of the country," a police officer explained

If black markets are tolerated or government officials can be bribed, the damage of price controls can be limited Official statistics may show that prices aren't rising, in the real world, they are

Enforced with totalitarian vigour, however, controls will destroy an economy

And all for nought Despite what interventionists keep saying, nowhere, ever, has it been shown that businessmen in a free market cause sustained rises in the price level

There cannot be a "wage and price spiral" unless government allows it (or, more likely, sets it in motion) by printing money. Sustained inflation has always been caused by too much money chasing the goods and services businessmen produce — never by the businessmen themselves.

Why, then, all the confusion? Why the continuing calls from governments for individuals to restrain prices and wages to "fight inflation"?

The problem is that we confuse the disease with the symptom — by using the same word, *inflation*, for both.

Monetary inflation is the disease: every new rand, dollar or yen benefits the government which prints it at the expense of the economy it's injected into.

Price inflation is the symptom: when the growth in money outpaces the growth in goods and services, prices must rise or the market cannot function. Businessmen must raise wages and prices when there is a continuing flood of new money.

There is a notion that SA's inflation has somehow been different from that of other countries and other times. Not so. At the height of the German hyperinflation of the early Twenties, the government was printing 4 000 000 000 000 000 000 000 marks a day. Last year, the Reserve Bank printed about 1 044 000 000 new rands.

The only difference between hyperinflation and inflation is the number of zeros. Both cause prices to soar and the external value of the currency to collapse.

In the past 17 years, the Bank has increased the monetary base nearly eightfold, from an average of R779m in 1970 to R6bn in 1987. In the same period, the cost of a basket of consumer goods rose nearly eightfold from R18,70 to R137,70. Wages and prices don't fuel each other, they rise in response to money supply increases.

Government tries to hide the truth of inflation, because it believes it's the main beneficiary. It has two reasons for inflating: raising revenue and wielding power over the economy. Consider both.

□ Inflation is a hidden tax. The Bank injects new money into the economy by buying government debt. In effect, it prints money to pay bills, just as a counterfeiter does. Government also benefits indirectly, as inflation causes nominal wages to rise and workers to be thrown into progressively higher income tax brackets — even though they are no better off, and

□ Through inflation, government can manipulate the economy. By injecting new money into the money market, the Bank can artificially lower interest rates in the short term and lure people into borrowing. This can cause an apparent short-run burst of growth, for which government takes credit.

Government cannot promote free enterprise on one hand and a wage freeze on the other.

Brian Benfield

Neither reason for inflating is a very good one.

First, it's not clear that printing money is a particularly efficient way of raising revenue. If, over the past three years, government had simply cut spending or raised taxes a total of R3bn, rather than increase the monetary base by R3bn, inflation would have ceased to be a problem. Think of the spin-offs: no riots over nominal increases in bus fares, township rents and food prices, a stronger rand, boosted business confidence, increased foreign investment; and the image among foreign bankers and governments of being a responsible Western country.

Secondly, there is no evidence that injections of new money actually promote growth. What monetary inflation clearly does is put the economy on a roller-coaster. As borrowing at artificially low interest rates picks up, the Bank cannot continue to pump new rands into the money market, or inflation gets out of control. So it cuts back and interest rates skyrocket. Then, when confidence is zapped and nobody wants to invest any more, the Bank begins the process again. It's not even clear that we should call this a "boom-bust" scenario, because, under such destabilising conditions, a boom in SA is equivalent to the growth that South Korea or Japan achieves in a bad year.

The devastating effects of inflation are criminal, and government alone is the culprit. But a judge could not be faulted for finding businessmen guilty of complicity.

Businessmen are guilty not for the reasons given by the Right and Left (greed, monopoly, cartels, exploitation, profit). They're guilty because they don't clearly and convincingly refute government when it blames them for inflation.

In SA, harassed businessmen are now paying the price for not standing up to government on inflation.

The trouble began in February, when State President P W Botha announced his so-called anti-inflation package, in which he said increases in wages are clearly a major cause of inflation — and called on the private sector to co-operate in combating inflation by following his lead in restraining public sector wages.

He cleverly blurred the distinction between the private and public sectors. "We have to tighten our belts. We have to control government expenditure. We have to tackle inflation. We have to exercise self-discipline with our demands and prices."

Botha's whole premise was wrong. Private sector wages are a symptom of inflation, and businessmen pay whatever wages are necessary to attract the work force they want. The price of private sector labour should be of no interest to government.

Government wages are a different matter. Cutting back on public sector wages can contribute to reduced inflation — indirectly. But it has nothing to do with the fact that we're dealing with *wages*. Any cutback in government spending would have the same effect.

Government must either tax, borrow, or print money to pay its bills. Cutting spending — through public sector wage restraint, for example — will cut inflation if it causes the government to print less money.

The same holds true of the other steps Botha announced in February, such as privatisation and curbing government spending. Such steps could take the pressure off the Bank to inflate. If they don't, monetary inflation will continue.

By transferring resources to the private sector, and thus boosting the production of goods and services, these moves will, of course, help to reduce price inflation. But unless fiscal discipline leads to monetary discipline, the underlying problem remains.

By choosing to highlight the cutback in public sector *wages*, Botha has managed to muddle the inflation debate. Commentators have not interpreted it as simply a measure of fiscal discipline, which could eventually lead to a cutback in money supply growth. Rather it was seen as the first battle in the war against the mythical wage and price spiral.

Direct controls would create more problems than they would solve.

Gerhard de Kock

And this is where businessmen — especially organised business — must take some blame.

They should have firmly drawn the distinction between private and public wages. Instead, they generally welcomed Botha's irrelevant call for public-private co-operation on inflation.

In a typical comment, an official of a leading business group said he "endorses the call for self-discipline in both the public and private sector made by the State President" A *Business Day* headline in March sums up the confusion "Retailers agree to help govt cut the inflation rate"

Granted, most of the public doesn't understand inflation And businessmen might think it good public relations to sound like they're joining the fight against inflation

But be warned You can't argue that (a) inflation is a serious problem in SA, (b) wages and prices fuel inflation, and (c) the private sector must join the anti-inflation fight — and then be outraged when (d) government steps in to restrict wages and prices by law Given the premise, you can hardly fault government's logic

The problem is that businessmen have not disputed the premise that the private sector causes, or can fight, inflation

So here's what we're faced with Botha — displeased that businessmen who welcomed his anti-inflation speech have not been holding wages and prices down — appears to be threatening to force them to do so by law

"The threat by the president to control wages and prices is one of the most serious threats made to economic progress."

Raymond Ackerman

The proposed Control of Harmful Business Practices Bill would allow sweeping, arbitrary price controls which would warm a socialist's heart. Punishment would be fines and jail terms, rather than burning down market stalls, but the anti-capitalist sentiment remains

Some businessmen and public officials are questioning the wisdom of the government's strategy. Many more are needed.

Pick 'n Pay chairman Raymond Ackerman, angry at Botha's apparent criticism in parliament of his company's recent wage agreement, argues that government should get on with privatisation and leave the private sector to run the economy

"It's the private sector's responsibility to price competitively," he tells the *FM*. "If the salaries I'm paying my people are too high, I'll become uncompetitive. Government doesn't have to worry about me"

He adds "The threat by the president to control wages and prices is one of the most serious threats made to economic progress Inflation has been primarily caused by government and not by business, and I don't think business should take the blame"

Says Brian Benfield, MD of AA Life "Government cannot promote free enterprise on one hand and a wage freeze on the other These two approaches cannot be reconciled."

Courageously, Reserve Bank Governor Gerhard de Kock is publicly arguing that monetary and fiscal discipline, not government price controls, are needed — saying "direct controls would create more problems than they would solve"

He's right When money supply races ahead, prices must rise "Successful" wage and price controls can only hide the cost South African consumers will pay through black market prices or shortages of goods, Zambia-style

Companies with the best lawyers and most friends in government will circumvent controls This is no way to run a free-enterprise economy

As the inflation debate hots up and the possibility of controls draws nearer, more businessmen must step forward and speak out They must stress that they can do nothing about monetary inflation, which is the full responsibility of the Bank and government

And they must argue that they cannot cause a wage and price spiral A business prices its goods only as high as consumers will allow and pays its workers as much as is necessary to recruit and retain a competent work force

Inflation is government's folly, not businessmen's fault that's the message Pretoria needs to hear

Rembrandt gets Cartier jewels for its crown

Star 29/4/88

(232)

By Magnus Heystek, Finance Editor

The Rembrandt Group has emerged as the dominant player in the world watch market after the take-over of Swiss luxury watchmaker Piaget by the French jeweller Cartier, announced earlier this week.

Cartier said it had acquired Piaget and its subsidiary, Baume et Mercier, in a move which would give it more than 40 percent of the world watch market, which had sales of more than $2,2 billion last year

Cartier, a leading maker of prestige jewellery, clocks and watches, is 46,5 percent-owned by British tobacco group Rothmans International.

Societe Generale de Belgique, Belgium's biggest company, and US investment house Drexel Burnham Lambert are other shareholders

The Rembrandt Group is the major shareholder in Rothmans International, with a controlling stake of 33 percent.

A spokesman for Rembrandt confirmed yesterday the deal, but declined to disclose the price paid

Cartier chairman Alain Dominique Perrin said in Paris the new line-up, grouped under Geneva holding company PMB Holding International, would be the largest in the business and would mount a challenge to prestige Swiss watchmaker Rolex.

The new group would aim for 1988 turnover of $1 billion, against Cartier's sales of $680 million last year in a global market worth about $2,2 billion annually

"Cartier has about 25 percent of the world market. With its (Piaget's) acquisition, its share rises to over 40 percent and overtakes Rolex, our biggest rival," Mr Perrin said

Cartier will control 60 percent of PMB's capital, leaving the remaining 40 percent in the hands of the Piaget family

"We do not plan to absorb our acquisitions They will continue to be autonomous and separate What we will share will be technology and trade know-how," he told Reuter

The accord brings Baume et Mercier and Piaget, each small businesses employing about 600 people, into the net of multinationals which, in recent years, have been seeking out niches in the luxury market, industry sources say

The jewellery house employs 2 600 people directlu About 16 000 more work worldwide under licence producing pens, cigarette lighters, glasses and leather goods bearing the Cartier logo

The French press sees the agreement as Rothmans' first step in bringing the Swiss company into the international fold

● Mr Robin McGregor, publisher of Who Owns Whom, said yesterday that Rembrandt's share of quoted companies on the Johannesburg Stock Exchange had increased to 4,9 percent, compared with the 4,3 percent it held before last October's crash

All other significant shareholders on the JSE, with the exception of Anglo Vaal, had seen reductions

"This indicates the quality of the investments made by Rembrandt over the years," Mr McGregor said

332 B/day 29/4/88

Privatisation can work — but watch out for the pitfalls

SA's privatisation effort can benefit from experience elsewhere in the world. JANE COOKE, of accounting and consultancy firm Arthur Andersen & Co, looks at some pitfalls and how to avoid them

DESPITE arguments by exponents of privatisation that less government intervention in the economy leads to greater productivity and wealth, privatisation is no cure-all

Yet the overall success of privatisation worldwide, and the opportunity it presents to curtail state expenditure, certainly make it attractive in SA.

SA's unique economic, social and political environment require specific consideration. Nevertheless, there are certain universal pitfalls to be avoided These include.

□ A private monopoly is no better than a public monopoly Ideally, a competitive environment must be created prior to any monopolistic state entity being privatised

The UK government has been faulted for privatising both British Telecom and British Gas without taking adequate steps to introduce competition It would also appear that deregulation without some form of affirmative action does not automatically create a competitive environment.

Alternatively, SA could follow the US example and establish regulatory bodies empowered to police monopolies by offering the consumers tariff protection and service standard safeguards

Another method of curtailing monopolies is that proposed in the pending disposal of the UK electricity supply industry The existing industry is to be divided by function and the resulting business units franchised out individually

Japan used a similar method to break up its national railways, the company being split into six private regional firms, a national freight firm and a private firm owning the bullet-train network.

□ Selling assets at a considerable discount "impoverishes" the taxpayer

The most common method of privatising state entities has been by a fixed price public share offer This involves considerable discretionary judgment on pitching the issue price and has resulted in a number of pricing anomalies

British Telecom opened at an 86% premium on the issue price and Britain's Amersham was 25 times over-subscribed In Austria, the subscription period for OMV, the state oil company, was cut short after only two-and-a-half days as the issue had already been twice over-subscribed.

However, if it is government policy — as it appears to be in the UK — to encourage "people's capitalism," the issue price may be pitched deliberately low in order to minimise the risk to the shareholder (who is also a voter)

The minimum discount on issue price can be achieved by a tender offer, but this has inherent problems. Tender offers appear to be avoided by certain investor groups, particularly the all-important institutions, as pricing uncertainty is shifted to the buyer

The UK Enterprise Oil and Brit-Oil fiascos (there the offers were massively under-subscribed) occurred because the institutions did not take up the offer and tendering appeared too complicated to attract the general public.

□ There is a limited pool of investment capital available at any one time

Huge public offers such as British Telecom severely disrupted capital markets, as the offer competed with private companies for available funds In countries such as Thailand, schemes to privatise are hampered by underdeveloped capital markets

Most of Britain's privatisation flotations took place while the equity market enjoyed a sizeable bull-run. However, despite last October's stock market crash, the OMV privatisation in January this year was successful because the Austrian government, responsive to market conditions, privatised 15% instead of 25% of the company, reduced the issue price and increased the dividend.

The Privatisation Debate

□ Successful privatisation is dependent on effective marketing

British Gas, the French glass manufacturer Saint Gobain and Austria's OMV were marketed by a "hard sell" approach The impression was created that individuals were buying part of their national heritage and not merely shares.

Methods used to attract first-time investors and to encourage their long-term loyalty include instalment payment plans, bonus issues and product coupons

□ Prospective candidates for privatisation need to be commercialised

Countries such as Britain, France and Austria have initially privatised their most profitable enterprises while governments of less-developed countries typically attempt to sell off their loss-makers first.

Before these public sector entities can be privatised successfully, private sector managerial, operational and financial standards need to be introduced It is often the prospect as much of the reality of privatisation that improves public sector efficiency, turning loss-makers into profit-makers and making the entity attractive to potential investors.

□ A successful privatisation programme depends on the co-operation of public sector employees This can only be achieved through consultation and the establishment of common objectives.

The objectives of private sector companies may vary significantly from public sector entities To reconcile this potential conflict, the Japanese have sold shares in public sector entities into "safe and benign hands," while the entity remains staffed by current and former public servants

Even after full privatisation, former public servants may be seconded to the company, ensuring that friendly ties with the public sector are maintained. This is possible in Japan by virtue of the close relationship between government and big business Arguably, this may not work in a Western culture, but a compromise can be achieved.

The British government often retains one 'golden share" in the newly-privatised entity for a limited period, during which it can veto specific actions, such as foreign take-overs, rationalisation plans or mergers

Careful consideration must also be given to employment terms and conditions, fringe benefits, etc, of employees moving from the public to the private sector British Airways made a cash offer to existing employees of an amount equal to any loss incurred in transferring from a public to a private sector pension fund.

□ Powerful public sector trade unions can prove problematic

In preparing public entities for sale, the British govenrment typically allowed management to cut costs by reducing the size of the workforce It has been claimed that this led to intractable unemployment and contributed to trade union opposition to privatisation

In defence, it can be argued that empirical research shows the effect of reducing the size of government has been to stimulate the economy and create jobs.

Trade union opposition needs to be countered by negotiation. One method of reducing this opposition has been to introduce an employee share scheme. Alternatively, a management and employee buyout could be considered

In 1982, 83% of the UK government-owned National Freight Company was sold to its employees for £54m (of which £47m was paid into its under-funded pension scheme by government) Today these employees are considering taking the company public at an estimated market value of more than £220m.

A further trade union concern is the maintenance of wage and salary levels To some extent, privatisation has helped curb wage demands by removing access to government funds and creating the awareness that excessive wage increases can lead to a loss of competitiveness, possible bankruptcy and loss of jobs

Privatisation can also lead to increased wages and salaries, since it is claimed privatisation increases productivity, which leads to greater profitability and enables increased wages and salaries

W/Mail 29/4-4/5/88 (232)

JSE's bible hands out kudos to the small family business

The latest edition of Who Owns Whom, published this week, detects a trend on the JSE towards the rise of the small conglomerate, often family owned.

HILARY JOFFE reports

CONTROLLING BODY	% JSE CONTROL					
	1983	1984	1985	1986	1987	1988
ANGLO AMERICAN GROUP	52,5	54,1	53,6	54,1	60,1	56,1
SANLAM	9,4	10,7	12,2	11,3	10,7	9,7
S.A. MUTUAL	0,6	2,7	10,6	10,9	8,0	8,9
REMBRANDT GROUP	2,1	2,8	3,8	4,4	4,3	4,9
FOREIGN CONTROLLED	5,4	5,7	5,9	6,1	4,1	4,9
CONTROLLED BY DIRECTORS	4,1	5,1	3,0	3,5	3,7	5,9
ANGLOVAAL	1,7	1,7	2,1	2,1	2,4	2,8
LIBERTY GROUP	1,1	2,1	2,0	2,3	2,0	1,6
STATE CONTROLLED	3,2	2,3	2,8	3,2	1,9	1,7
VENTRON GROUP	-	-	-	1,1	1,0	1,2
TOTAL	80,1	87 2	96,0	98,8	98 2	97,7
UNALLOCATED	19,9	12,8	4,0	1,2	1,8	2,3
TOTAL	100,0	100,0	100 0	100,0	100 0	100 0

Source: McGregor Research Services

MANY of 200 new listings last year on the Johannesburg Stock Exchange were of director-controlled companies — with the result that such companies have increased their share of the market, according to Robin McGregor, whose *Who Owns Whom* was published this week

But the top four companies still control almost 80 percent of the JSE, according to McGregor's calculations On his analysis the top one — Anglo American — controls 56 percent of the JSE based on market capitalisation Sanlam is next in line with 9,7 percent, followed by SA Mutual (8,9 percent) and Rembrandt (4,9 percent)

These figures are down slightly on last year's, a trend McGregor attributes to the effects of last October's stock market crash on the value of portfolios

Companies controlled by directors have however risen to 5,9 percent of the total market capitalisation of the JSE, from 3,7 percent in 1987.

The change is small but important, says McGregor "South Africa needs companies controlled by owners who are 'close to the coalface' " He believes these are more efficient and hopes they do not get swallowed up in turn by the "big boys".

A second trend McGregor Research Services found is the rise of the small conglomerate, controlled by a family or directors They identify 26 conglomerates which have a market capitalisation of R100-million or more, but control under one percent of the JSE. The FS/Waicor, Pep Stores and Pourolis groups top the list.

Who Owns Whom gives MRS' assessment of the ultimate controlling shareholder of each listed company The researchers do this by looking at the obvious shareholdings and tracking down the nominee companies.

The percentage of the JSE controlled by the large conglomerates is calculated by taking the total market capitalisation of all the companies they are said to control, rather than by adding up their ownership stakes in these companies So, for example, the total market capitalisation of JCI — and not just the stake of it Anglo owns — comes into Anglo's 56 percent of the JSE

McGregor's figures on control indicate the formidable economic power the "big four" can muster and the high degree of concentration characteristic of the South African econo-

But subsumed under the class of Anglo-controlled or SA Mutual-controlled companies are subsidiaries and associates with very different characters, where ultimate control may or may not mean anything in terms of how the company is run.

At the macro-economic level McGregor's control dimension is significant At the micro level, a trade union negotiating with a company under ultimate Sanlam control, for example, would not necessarily find this reflected in the company's managerial style

Anglo insiders say, for example, that the corporation does not in fact choose to exercise any influence over many of the companies which, on the figures, it ultimately controls But against this it can be argued that at key turning points or crises ultimate control may become active control

McGregor believes the control dimension is important Anglo does control the destinies of its subsidiary and associate companies, he says, shaping the big strategic decisions on capital projects, for example In most companies the controlling shareholder is represented on the board of directors and does influence operating decisions, he says

But who controls the economy is only one, relatively minor aspect of what *Who Owns Whom*, now a mammoth 1 214 pages, is about

This eighth edition of *Who Owns Whom* includes all of the 720 companies listed on the JSE as of the end of 1987, 25 000 subsidiaries and associates of listed companies are recorded

It contains three years' worth of key financial statistics from the balance sheet and income statements of each company And it lists the 21 most important ratios which can be calculated from the annual financial statements (short explanations of these are given at the end of the book)

MRS has now also mounted its database on computer and is selling the service for R4 200 a year The computerised databank includes everything published in *Who Owns Whom* but contains additional and more up-to-date information. It allows users, for example, to compare listed company statistics by secotr or activity or to analyse a company's portfolio

Some of the trends MRS has pulled out of its computer include

- Despite disinvestment the number of foreign-controlled companies on the JSE increased last year, since several newly-listed companies were ultimately foreign-controlled.
- Average assessed taxation of listed companies was 24,4 percent — more than somewhat below the statutory 50 percent company tax level

A companion volume to *Who Owns Whom*, on unlisted companies, covers 7 500 companies Information was derived from Kreditinform and companies employing over 50 workers were entered

The subtitle of *Who Owns Whom*, "the investors' handbook", is something of a misnomer investors are certainly not the only people who mine it for information

- **McGregor's Who Owns Whom — The Investors' Handbook, R135, published by Juta; McGregor's Who Owns Whom — Unlisted Companies, R115, Juta** reduce its holding in the bank to 30% Financial staff and Sapa

Cape Times 29/4/88

20 more industries in Atlantis

Staff Reporter

TWENTY new industries have been established in Atlantis since February last year, according to lists of statistics tabled at yesterday's Regional Services Council meeting

Eleven other industries closed, but they had a combined workforce of only 60, whereas the 20 new firms employed a total of 804 people

A survey by Liebenberg and Stander showed that 15 462 people were employed in the formal sector, 13 264 or 18,64% more than last year

The number of workers employed in construction declined by 425

But in the industrial sector, eleven establishments reported taking on more than 40 new employees.

Boland shows growth

Financial Staff

INCREASED demand for credit helped the Cape-based Boland bank group to lift after-tax profit for the year to March by 40% to R11,6m (R8,3m) after transfers to reserves

The final dividend has been increased by 1c to 24c, making a total of 42c (40c) for the year

MD Gert Liebenberg said "Income from services showed a healthy growth, and income from financing also improved notwithstanding a narrowing in the net interest margin on financing activities

"Although bad debts were still high, there is now a definite decline in doubtful accounts."

Cape Times 29/4/88 232

Pepsi Cola US intervenes in local operation

From SIMON BARBER

WASHINGTON — Pepsi Cola International, the US soft drink giant, is concerned about the viability of the Soweto Investment Trust Co (SITCO) which owns its former SA bottling operation, and has decided to intervene

"We know SITCO is in financial difficulty and we are sending a team to talk to them and look into possible solutions," company spokesman Barry Holt said yesterday.

"We are watching the situation very closely and are committed to nurture and help the development of all our franchise bottlers, and obviously, we're not crazy about the decline in our market share (in SA)"

Disinvestment agreement

Under a disinvestment agreement finalized last December, the former US parent helped SITCO take control of Pepsi SA from Cape Beverage Holdings for a nominal sum.

Holt could not say when the Pepsi International team would be arriving in SA or what its brief would be. Under existing US law it might be permitted to inject fresh capital as long as the venture was wholly-owned by black South Africans

The threatened collapse of Pepsi SA could have serious implications for future disivestment deals in which departing companies seek to hand over control of local franchises to black entrpreneurs

It might also have a strong negative impact on US Commerce Department efforts to promote investment in black ventures.

In promotional literature, the department has specifically cited soft drink bottling as an attractive sector

No surprise in Impala deal with Messina

Star 30/11/89 (232) (230)

TEIGUE PAYNE

Details of the deal which will result in Messina, now a subsidiary of Sankorp, becoming a subsidiary of Impala Platinum appear to be in line with market expectations.

The shares of Messina and Impala were little changed after disclosure of details yesterday, Messina shedding 25c to close at R13,50 and Implats remaining unmoved at R23.

The deal encompasses an offer by Implats to acquire 55 percent of Sankorp's shareholding in Messina Sankorp will receive 50 Implats shares for every 100 Messinas, plus R175 in cash. The same offer is being extended to minorities.

Qualify

At yesterday's opening prices, the offer was worth R13,25 However, shareholders who opt to swop their Messinas for Implats will qualify for the Implats final dividend, expected to be about 125c This would make a total of R14,50

Analyst Mr Keith Bright of brokers Frankel Kruger Vinderine said the deal was fair, although not a bargain, and there seemed no major advantage between holding Impala or Messina.

Implats's intention is that Messina will focus on mining, particularly of platinum, and that Implats will continue with Messina's platinum developments

Simultaneously, Messina announced the sale of a subsidiary, Autocast, to Sankorp for R21 million in cash

Mr Bright said it appeared Messina was divesting itself of its motor-related holdings at least, if not its industrial interests generally This would make it flush with cash, which might be used to fund the development of Messina's mine

He said there were big advantages in a link-up in mining and processing operations, especially as Impala had the technical expertise required The Messina mine would probably send its concentrates to Impala for smelting and refining

A recent report on platinum by analyst Dr Kevin Kartun of brokers Simpson McKie placed the Messina mine first among existing and new producers on a profit-to-revenue ratio, although the report was written before the restructuring of Lebowa Platinum.

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Malbak makes Abercom offer

JOHANNESBURG — Malbak is offering minority shareholders in Abercom 30,5 Malbak shares for every 100 Abercoms held

This follows the Malbak acquisition in January of 56,8 percent of Abercom from its then controlling shareholders

The acquisition and the offer to Abercom minorities are conditional on Abercom shareholders approving the sale of the Davidson Fan group of companies

The offer, which opens on Friday, May 27, will be open to all Abercom shareholders (other than Sanlam and Sankorp) registered by June 17, the closing date of the offer

With Malbak's acquisition of control of Abercom, it was announced that Abercom had sold its Davidson Fan group to Howden Group Plc

Abercom shareholders will meet on May 25 to approve the sale of Davidson and sanction resolutions dealing with changes in Abercom's share capital — Sapa

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COMPANY FOCUS

Koo, it's a milestone!

By TOM HOOD
Business Editor

A PARTNERSHIP between a co-operative owned largely by farmers and a public company with R1-billion of assets could show a way to help the country's cash-strapped agricultural industry

While thousands of farmers are heavily in debt — especially in the summer rainfall areas — their co-operatives are struggling to find capital to diversify or finance various ventures

Equity has declined while part of their assets is in debtors — "and you don't know what the quality of those debtors is", says Dr Andre Louw, agricultural economist with Volkskas.

Problems

Some of the smaller co-ops had problems but the larger ones were mostly sound because they had diversified, he said.

Langeberg Co-operative — the country's largest — teamed up with Tiger Oats this week in a multi-million rand deal to form a joint public company and

- Give an instant R80-million cash injection and put the co-op's capital on a sounder base.
- Provide a steadier income for farmers by paying regular dividends instead or irregular surpluses.
- Provide its 1 350 members with a capital growth on their investment

The Bellville-based co-op, employing 10 000 people, is also the world's largest exporter of deciduous canned fruit, says managing director Mr Carel Stassen.

Langeberg handles 260 000 tons of fruit and vegetables annually, processes 350-million cans, operates 10 plants, runs 11 distribution depots. Assets amount to R305-million and annual net turnover is R377-million

Its leading trademarks are Koo, All Gold, Hugo's and Silver Leaf

Tiger's trademarks include Jungle Oats, Tastic rice, Fattis and Monis pasta, Sunshine margarine, Black Cat peanut butter, eggs and County Fair chickens.

The partnership came about when the Langeberg board went into a huddle to examine its problems, according to Mr Jan van den Berg, a director of Finansbank, which engineered the deal.

The shortage of capital came out as the key problem, he said.

"Currently less than 20 percent of turnover comprises the purchase of fruit and vegetables from farmers which means that the co-op has effectively become an industrial concern," he said.

Injection

However Langeberg had not been financed as an industrial concern and needed a huge injection of capital.

"Finances have come under increasing pressure as a result of its steady growth and the effect of inflation To restore our finances, we required a capital injection of at least R90-million."

It was unreasonable for the co-op to look to its members or the Land Bank for funding of this magnitude, he added

Finansbank came in with an "exciting and innovative" proposal to privatise the co-op's industrial operations and find a private sector partner with resources to take part in the development of these industrial interests

Big risk

Current capital is only 17 percent of total or own funds and that represents a fairly big financial risk All profits have to be ploughed back to expand the business and new investments like freezing of fruit.

The privatised company will be listed on the Johannesburg Stock Exchange before June 1992.

Shareholdings in the new company to be called Langeberg Foods Ltd — will be Tiger Oats 50 percent, the co-op 25 percent and members and employees of the co-op 25 percent

The 50 percent collectively owned by the co-op and its members is represented by the assets of the food and canning business, enhanced by a subscription for new shares at a cost of R10-million. This represents a total investment of R80-million.

Convert

Tiger, a major company in the leading industrial group, Barlows, will invest R80-million in cash for its 50 percent stake in the new company which will then have a total capital of R160-million.

The listing will let Langeberg's 1 350 members effectively convert their co-op membership into what will become highly marketable shares in a public company.

The chairmen of the two companies, Tiger's Robbie Williams and Langeberg's Boet van Wyk, said this was probably the most exciting development in the agricultural arena for decades.

Mr van Wyk, who will become the chairman of the new company, said Tiger Oats Group with its strong position in food processing and distribution was an ideal business partner.

"In one strategic move we satisfy two objectives and assure the future of the local canning industry. First, we retain Langeberg as a traditional co-op, a focused co-ordinator of fruit and vegetable purchases from its members.

"Secondly the co-op and its members will supply this produce to a soundly capitalised, public company, which will control and manage our industrial interests and in whose profits we will participate."

Over the years, the industrial interests of Langeberg became an increasingly large and capital hungry part of the co-op, said Mr Stassen

The new company would not change its present policy of preferentially obtaining its raw materials from the co-op and its members at competitive market-related prices

These prices will continue to be negotiated and agreed, on an arms-length basis.

From its 1989 financial year, Langeberg Foods will declare an annual cash dividend of at least 25 percent of its distributable profit

Co-op tradition was for members to be paid an annual bonus if the co-op has adequate resources to fund a payout.

Poor seasons

But with poor seasons and the increasingly heavy capital demands being made on co-ops, few have paid meaningful bonuses in recent years Profits were ploughed back to rebuilding reserves.

If Langeberg remained as presently structured, it could not consider any dividends for the foreseeable future, according to Mr van Wyk

While Tiger's R80-million investment would have no material effect on earnings or net asset value in this financial year, Mr Williams expects long-term benefits from the partnership

Transaction

The transaction as proposed by Finansbank requires the approval of the majority of co-op members. Should any co-op members wish to sell their shares in Langeberg Foods within three months of the implementation date, the co-op will purchase those shares at "a favourable price."

Mr Jan van den Berg, a director of Finansbank team, said "We believe this transaction will prove to be a milestone for South Africa"

OWNERSHIP & CONTROL

1988

MAY ~~[illegible]~~ — AUGUST

Eskom sells a town

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S Times

1/5/88

ESKOM's drive for privatisation took a big step forward this week when one of its largest housing estates was handed over to a local authority.

Kriel, in the Eastern Transvaal, is being managed by an advisory committee while preparations are made for the establishment of a town council.

At least one more Eskom township will go a similar route this year.

Eskom properties manager Ben Rheeder believes this is the first time a corporation-developed housing project has been proclaimed a town.

The sale of the 3 000 houses could bring in between R150-million and R200-million for Eskom. Houses are being sold to the occupants or members of the public at market-related prices.

Kriel, which now has a population of about 13 000, was started in 1970 to provide housing for employees of the nearby Matla and Kriel power stations and the coal mines supplying them.

Pepkor turns in sparkling performance

Star 21/5/88 232

Finance Staff

Changes to the structure of management and within the group as a whole have helped Pepkor to boost net profits from R7,2 million to R39,2 million for the financial year to end-February, 1988.

Operating profit was up 29 percent to R71,8 million. The number of shares in issue rising from 8,4 million to a weighted average of 10,6 million following on the rights issue in July last year, earnings per share rocketed from 85,9c to 369,9c, an increase of 331 percent.

The turnaround in the group's fortunes was mainly evident in the second half of the financial year with first half attributable profits of R12,6 million being followed by R26,6 million in the second six months.

The group has declared a final of 93c, bringing the total for the year to 130c.

The balance sheet has also been transformed. Debt including repayable outside preference share capital has plummeted from R139,2 million to a mere R14,3 million against permanent capital of R176,7 million and, in addition, the group has R100 million in cash on hand. Gearing now stands at 6,3 percent against last year's 134,8 percent.

According to chairman Christo Wiese, Pepkor raised these funds through retained profits, improved asset management, the sale of Pep stores shares to meet the JSE's spread requirements, the rights issue and the sale of House of Monatic, Budget Footwear and Rich Rags to Lenco.

Although the sale of the non-core business resulted in group turnover increasing only marginally, from R876,7 million to R939,2 million, the businesses retained by Pepkor increased sales by a hefty 29 percent.

Two principal factors contributed to the outstanding turnaround, according to Mr Wiese. "The group's new focus as an unencumbered, cash-rich investment holding company and the outstanding performance of its two main subsidiaries."

Last week, Pep Stores — 87 percent owned by Pepkor — reported a 44 percent increase in earnings, thus outperforming all reported annual results for major South African clothing retailers.

Shoprite, Pepkor's 79 percent owned food retailing outlet also published its results last week. Like sister company Pep Stores, it has also far exceeded the performance of its quoted competitors, posting an 86 percent rise in earnings to R5,1 million.

Cape Times 3/5/88

Bonanza for rebel workers

Own Correspondent

JOHANNESBURG — Rebel Samcor workers, all Numsa members, were in high spirits yesterday as they prepared ballot papers to elect a new shop stewards' committee — so much so that some were already talking of retiring if they got their share, estimated by them at between R40 000 and R60 000 each

"With so much money, I will be in a good position to retire I will leave the company and start a new life," said "Joseph", attached to the engineering section of Samcor

Workers claim the ousted committee "sold them out" by involving them in a share deal without a mandate

Numsa motor section chief Mr Fred Sauls said yesterday the shop stewards' committee at the plant had resigned "Union leadership would not interfere with the work of the newly-elected committee which could, in the face of realities, try and achieve a new deal," he said

Most workers interviewed were optimistic about getting their share They were optimistic the new committee they were preparing to elect would not let the money elude them by signing "ill-explained" documents that would result in their share being paid into a trust fund they knew little about

The workers are demanding the 24% share of the Samcor equity left for them by Ford Motor Company when it disinvested last year be liquidated and paid directly to them

PID 3/5/88

Rennies discuss Cook buy-out

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JOHANNESBURG — Negotiations are at an advanced stage whereby the Rennies Group is to acquire 100 per cent shareholding in Thomas Cook Rennies Travel (Pty) Ltd

The Rennies Group holds 71 per cent and is to acquire the 29 per cent balance held by Thomas Cook Overseas Limited

The acquisition, subject to South African Reserve Bank approval and approvals of world and national travel agents' bodies should be finalised by 1 July 1988

The Rennies Group decided to take up the balance of the shares in the light of Thomas Cook's policy to review its minority shareholdings around the world. The 29 per cent acquisition will not affect the results of the Rennies Group materially

The managing director of Thomas Cook Rennies Travel, Mr John Williamson, says the company will change it's name to Rennies Travel and will be the sole authorised representative of Thomas Cook Travel in South Africa The company will continue to handle Thomas Cook clients and products

"The change in shareholding will strengthen the company We will retain all benefits of a full association with Thomas Cook and furthermore be able to exercise a new flexibility Our principal and clients will, however, still be able to use all Thomas Cook facilities as they have in the past," Mr Williamson said — Sapa

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COMPANY FOCUS

Asseng's profits for '87 wiped out in dividends, royalties to UK parent company

From MICHAEL MENOF

JOHANNESBURG — Asseng's UK holding company, T & N PLC, has absorbed the company's 1987 profit with massive dividends and royalties paid to the parent company

Yet, in Asseng's latest annual report, UK chairman Sir Francis Toombs claims "The conservation of foreign currency, both in the new vehicle and replacement markets is of particular relevance to us because of the nature of our products and the length of period over which the basic tooling can be used"

SCOOPED

In direct contradiction, T & N scooped handsome dividends of R12,8-billion and a further R1,7-billion in technical aid fees and royalties — a total of R14,6-billion out of profits and retained earnings of R16,2-billion during the year.

Nothing was ploughed back for Asseng's expansion

Perhaps management feels comfortable that the reduced shareholders' funds are adequate for the future.

Management also needs to be reminded that the company only became profitable recently and needs every incentive to grow

South Africa is desperate for reinvestment capital which makes one wonder how deeply T & N PLC is committed to South Africa

Hefty past tax losses have also meant that the income statement escaped heavy tax charges thereby boosting the bottom line and saving cash flow

It appears management did not see it that way and has milked the cow dry

Associated Engineering is held 77,8 percent by ultimate UK holding company T & N PLC

The annual report was positive on 1987's achievements and the outlook for 1988 is confident

In order to streamline its year-end with that of its holding company, Asseng's year-end has changed to December 31.

For the 15 months ended December 1987 sales reached R93,58-million (1986 — 12 months R58,56-million)

Operating profit was 12,2 percent (1986 10,8 percent) of sales and totalled R11,38-million (1986 R6,34-million)

Net interest paid declined significantly to R668 000 (1986 R1,9-billion) Profit before tax was R11,53-million (1986 R4,97-million)

PAST LOSSES

Assisted by past losses, the tax charge was a token R480 000 (1986 R239 000) giving a bottom line of R11,05-million (1986 R4,73-million)

Earnings a share were 29c (1986 12c) Below the line a net extraordinary gain of R3,78-million (1986 R3,3-million) arising from a refund portion of pension fund surplus (R5,77-million less a R1,99-million loss on the disposal of the 50 percent interest in Silverton Engineering Holdings) increased profits to R14,83 million (1986 R8,03-million) To this was added R1,41-million retained profit from 1986 giving a total of R16,24-million

From this amount, dividends totalling a massive R16,55-million were paid turning the retained earnings negative to the tune of R304 000 This means that dividends were paid partly out of capital

Sir Francis Toombs says new vehicle sales were depressed due to the rapid escalation of new vehicle prices by some 80 percent during the last three years caused by the collapse of the rand

MAJOR

Major emphasis is now on used vehicles helping the AE Engineering Parts division which accounted for 76 percent of Asseng's 1987 turnover

The proposed basis for establishing local content for new vehicles aimed at saving foreign currency also presents expansion capacities and the introduction of new products for Asseng's core product range

Asseng has six divisions but no breakdown in sales or contributions to income was disclosed AE Engineering Parts experienced difficulties in sourcing products both locally and abroad to satisfy demands AE Cylinder Components (aluminium) was under pressure throughout the year to maximise output

INCREASE OUTPUT

The Iron division did not reach profitable levels AE Bearings automotive division had an exceptional year and has signed export contracts (not disclosed) Glacier Bearings enjoyed steady growth in sales and profit and AE Valves managed to increase output

Shareholders' funds declined to R32,3-million (1986 R34,1-million) at end December 1987 Long and medium term liabilities increased to R4,23-million (1986 R4-million) Working capital improved to R22,4-million (1986 R16-million)

Net asset value per share has declined to 84c (1986 89c) Tax losses, available to reduce future tax, and cash flow is now only R1-million (1986 R16- million) Future tax payable will have a major impact on the income statement from 1988 onwards

FUTURE EARNINGS

Sir Francis gives no indication of future earnings apart from saying that 1988's prospects remain encouraging and that current capacity is being expanded as opportunities arise

A more aggressive marketing approach should generate a number of further opportunities for import substitution and increase Asseng's existing product range

There is little doubt that sanctions, isolation and the high inflation factor — threatening to place new vehicles beyond the reach of most and meaning a longer life for used vehicles — has all helped

It is only during the last two years that Asseng has returned to profitability With this in mind, it was strange to find the entire profits earned to date wiped out in dividends

The unanswered question is what is the intentions of the UK controlling shareholders? Somehow their actions show little faith in this country despite a positive chairman's statement, which is generally written by PR companies

Longrail increases taxed income 209%

Star 3/5/88

Listed In March last year, Longrail has boosted taxed income by 208,8 percent off a turnover increase of 41,1 percent in the year to February.

A statement yesterday on results for the group, which has subsidiaries in both the regulated and deregulated sectors of the transport industry, did not disclose turnover.

The increase was calculated on the basis that interests in subsidiaries were held throughout the current and comparative accounting periods.

Taxed income rose from R1,2 million to R3,8 million and earnings a share were 42 percent up from 5,2c to 7,4c.

Earnings per share climbed 23 percent on the forecast for the year of 6c.

Following an interim dividend of 1c, the final dividend of 2c makes a total of 3c.

Acquisitions during the year resulted in the group more than doubling in size.

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CASH PAYMENT

An 80 percent stake was taken in Cape Town-based DJ Breytenbach Transport in March last year.

Payment was by way of an issue of 797 100 shares and a cash payment of R450 000.

In July last year the company acquired all of Railit for R4,6 million via an issue of 30 million shares.

Joint managing director, Marius Els, said the company was looking to sustained organic growth for the coming year and was not actively looking at further acquisitions. — Sapa.

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VENTURES

Pick 'n Pay to boost staff shares scheme

By MARTIN WELLS, Business Staff

PICK 'N PAY is to increase its staff shareholders scheme three-fold this year.

Company chairman Mr Raymond Ackerman said today shares were to be offered to floor and assistant managers. The 10-year employment qualification for shares may be be reduced to five years.

This would increase the number of shareholders from 2 500 to 12 000. Pick 'n Pay employs about 23 000 people.

- In an address to a Textile Institute meeting in Cape Town last night, Mr Ackerman called on businessmen to learn further to negotiate with unions.

Over 90 percent of work stoppages were because of relatively minor incidents and could be avoided if they were dealt with sensitively in the first instance, he said.

"Pick 'n Pay has had strikes, but we are in a better position now. We have been learning to negotiate staff grievances properly," he said.

Mr Ackerman, whose address was entitled "Industries' Responsibility to the Necessary Changes in our Society", said it was crucial for businessmen to be confident now as the economy was going to get rid of discrimination.

If the Government meant what it said — by deregulating, by decreasing taxes, by bringing the Angolan crisis to an end — then businessmen could go ahead and "take up the cudgel of progress".

BD 4/5/88

Liquidations come down

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PRETORIA — Liquidations fell by more than 13 per cent in the first quarter of this year, compared with the previous three months, the Central Statistical Service reports

The decrease was 13,8 per cent compared with the corresponding three months the previous year — Sapa

Metal Box meets market expectations

Star 5/5/88

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By Ann Crotty

Metal Box has reported a performance in line with market expectations for the six months to end-March with earnings up 27 percent to 50,8c a share from 39,9c An interim dividend of 16c a share has been declared which is 33 percent ahead of the previous year's 12c

The performance from Metal Box follows the pattern of most of the recent spate of industrial results with turnover showing a reasonable real increase but the significant gains coming through from improved operating margins and reduced interest payments

The strong growth in group sales experienced in the second half of last year continued during the review period and enabled the group to show an 18 percent increase in turnover to R573,9 million from R487,8 million

Management reports that the turnover improvment represents a nine percent increase in real terms and that this stronger performance was achieved by most divisions in spite of aggressive competition

Operating profit was up 33 percent, reflecting the increase in margins from 8,5 percent to 9,7 percent that resulted from improved productivity

A reduction in the level of borrowings produced a 42 percent drop in finance costs to R2,1 million from R3,7 million The balance sheet shows that long term liabilities are down from R22,6 million to R20,4 million and gearing is down from 10 percent to 8 percent.

The combined effect of the increased turnover, improved margins and, lower interest costs boosted pre-tax profit by 39 percent to R56,2 million from R40,4 million. But this improvement was partly reduced by a sharp increase in the tax bill from R13,1 million to R21,5 million This represents an increase in tax rate from 32,6 percent to 38 percent

Management points out the change in the basis of accounting for deferred tax from the comprehensive method to the partial method and notes that the comparative figures for the 1987 tax have been restated accordingly

If the comprehensive basis had been applied the tax would have been R26,3 million and R18,4 million in 1988 and 1987 respectively This means that although the tax bill is lower under the partial method the change has resulted in a large percentage increase in the tax bill which in turn has reduced the growth rate at the earnings level Taxed profit was up 27 percent to R34,6 million from R27,2 million.

Deferred tax

According to the balance sheet the deferred tax balance remains unchanged at R69,9 million Had the comprehensive basis been maintained the deferred tax balance at end-March 1987 would have been R81,8 million and increased to R86,6 million at end-March 1988

According to management "current trading suggests that the growth in earnings should be maintained in the second half of the year"

These latest figures may be the last that Metal Box reports as an independent listed company The majority shareholder, Nampak, recently made an offer to acquire the 25 percent holding in Metal Box SA held by British Metal Box, and is making a similar offer of 860c a share or 35 Nampak shares for 100 Metal Box shares, to the balance of the minorities

If the offer is accepted, Metal Box SA will become a wholly-owned subsidiary of Nampak and the shares will be delisted

Akals sold to Midas

84 25/5/88
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Midas has bought Natal-based Akals for R15,47 million to be paid for in cash and shares

The price comprises R13,57 million to be paid immediately, made up of R8,57 million in cash and R5 million in Midas shares. The balance of R1,9 million is to be paid against the delivery of profit warranties for the year to February 1989 — Sapa

Another broking firm to merge

Star 5/5/88 (232)

Finance Staff

An announcement concerning the merging of the interests of stockbroking firms Frankel, Kruger and Vinderine with that of Menel, Jack Hyman and Rosenberg is expected soon

After several days of rumour seeping through the market place Mr Gerald Rosenberg confirmedyesterday that his company will be absorbed by Frankel, Kruger and Vinderine. Negotiations will most probably be completed later today, he said

According to Mr Rosenberg the proposed merger made sound business sense as there were "obvious synergies between ourselves and Frankel, Kruger and Vinderine" He declined to comment on suggestions that several analysts and dealers had to be laid off in recent weeks

Mr Rosenberg also declined to comment on questions linking the merger with the sharp drop in turnover on the JSE in recent months

Turnover has dropped to dangerously low levels for many brokers, often well below what is considered the cut-off limit of R35 million a day for profits to be made

Mr Sydney Frankel, senior partner at Frankel, Kruger and Vinderine, also confirmed that negotiations were taking place but declined to elaborate any further, saying the final deal still has to be signed

Diagonal Street observers link the proposed merger to personality clashes within Menel, Jack Hyman and Rosenberg

At least one senior partner will not be joining the enlarged firm It is also not known yet whether the merged firm will contain any names of the existing firm.

Cape Times 6/5/88

Ford payout: Union quits

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Own Correspondent

SOME rebel Samcor motor plant workers are threatening court action against the leadership of their union, Numsa, and Samcor management if their 24% Ford disinvestment deal is not liquidated and paid directly to them

The workers, who said said they had raised more then R10 000 for legal action against the two parties, also said they would have to go on a one-year strike if their legal battle fails.

"We have amassed over R10 000 for a legal fight We will accept nothing except our money which we demand must be paid directly to us," said the workers

No mandate

The workers also reiterated their stand that the union signed the agreement without a proper a mandate from them which resulted in the resignation of Numsa's shop steward committee.

The workers also dissociated themselves from Samcor chairman Mr Leslie Boyd's statement yesterday that the employee trust had been established last week in terms of the agreement between Anglo American, Ford, Samcor and Numsa.

Numsa regional organizers, met by reporters at the Samcor plant, yesterday said the union had decided not to involve itself any more in the 24% share participation deal.

"We are out of it. We have accepted that the workers should handle negotiations themselves," the organizers said.

Akal name stays after Midas deal

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Star 6/5/88

Own Correspondent

DURBAN — After three generations, the Durban-based Akal family has relinquished equity control of its wholesaling and retailing business

Akal has been sold to Midas subsidiary Genuine Parts for R15,47 million to be paid for in cash and shares

However, the Akal family will retain its trading name and remain under the same management There will be no staff cutbacks

Director Patrick Akal said in an interview earlier this week that his family had decided to sell because a conflict of interests had emerged following the deal last year in which Midas bought 25 percent of the Akal equity

Mr Akal said as part of that agreement Akal was to have helped to introduce fishing and cycling operations into Midas outlets countrywide

In practice, however, Akal had found that this conflicted with some of its own business

Although Akal is strongest in the Durban area, where it also has sole right to operate Midas outlets, its fishing tackle and cycle sales are worth about R2 million a year in the Transvaal

Some of this business would have been affected by the plan to extend these lines into Midas outlets.

Overall, the Akal turnover in these items exceeds R10 million a year and it is hoped this can be stepped up to R15 million in the current financial year

Mr Akal said in a way it was sad to relinquish equity control, but that the deal made a lot of sense

The Akal family is taking an eight percent stake in Midas, whose major shareholder, with around 30 percent, is the McCarthy Group

The purchase price comprises R13,57 million to be paid immediately, made up of R8,57 million in cash and R5 million in Midas shares.

The balance of R1,9 million is to be paid against the delivery of profit warranties for the year to February 1989.

Mr Akal said the Akal staff of 230 would benefit from the deal because they would now be offered a good pension scheme.

The Akal property company Parawa, with assets of around R20 million, is not involved in the deal

Mr Akal said it would now be able to deal with Midas and other tenants on an "arm's-length basis"

Midas chief ecutive Mr G von Loeper said e Akals wholesaling operation would continue to operate as a member of the National Automobile Parts Association (Napa) and would be treated on an arm's-length basis by Midas

The Akal group has had an annual compound earnings growth of 51 percent over the past five years

Had the deal (effective from March 1) been in effect for in the Midas last full financial year, its earnings per share would have risen from 61.2c to 73.1c.

PEPSI COLA SA

Cart before horse?

The sad saga of the Soweto Investment Trust Company (Sitco) losing its grip on Pepsi Cola SA, which it recently acquired from Cape Beverages, sounds like a classic case of misplaced venture capital (VC) financing.

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6/5/84

Sitco was set up by the Greater Soweto Chamber of Commerce as a vehicle to acquire and set up businesses with the financial help of First National Bank (FNB), which donated R100 000 and also gave it a soft loan of R2,4m.

However, executive director of the Johannesburg Venture Capital Association Francois Baird maintains banks cannot be effective players in the VC market because of their obligations to the Reserve Bank

To help meet these obligations, FNB set up a finance committee to approve payments by Sitco, but this proved an ineffective curb on the directors. After the initial R500 000 injected into Pepsi, they put in an extra R800 000 without authorisation. FNB has since ended its credit line to Pepsi.

Baird says for a VC arrangement to work, a venture capitalist should bring in management experience and develop a partnership in that way

"If SA follows the American pattern, wealthy individuals will provide the initial backbone of VC and then pure VC companies will emerge.

"The American VC market has grown from $8bn to $24bn in five years. Nearly 50% of VC there is provided by pension funds. We are at the bottom of the curve and we do expect a number of failures at this stage "

FNB senior GM Jimmy McKenzie says the bank is committed to black business development and provides risk capital through its Small Business Unit.

It is possible that FNB saw Sitco as another form of small business financing But the decision to buy a company like Pepsi, with a debt of R2m and no operation on the Reef, was obviously a shot in the dark. It was at best unrealistic to expect Sitco to run an operation based in Cape Town from Soweto ■

Lithosaver taxed profits up 85%

Star 9/5/88

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By Sven Lünsche

A major acquisition helped printing group Lithosaver Systems to improve taxed earnings by 85 percent to R3,3 million for the year to end-February 1988.

But margins were slightly lower from 13 to 11 percent, as the result of the purchase of Business Forms last year and the subsequent reorganisation, but the board sees a big improvement in these margins in the current financial year, coupled with increased turnover.

The acquisition has already boosted sales by about 20 percent last year, while improving the group's productive capacity by nearly 40 percent and chairman John Pepper is confident that further earnings increases, can be expected this year.

Overall sales were up 38 percent to R26,9 million and operating profit rose 25 percent to R2,9 million. Earnings per share were up from 13,1c to 17,3c and the dividend was raised by about 130 percent to 5,5c.

Star 10/5/88 232

Joffe shock for FSI as he strikes out on his own

By Ann Crotty

FSI-watchers were taken aback by yesterday's announcement that Brian Joffe was resigning as chief executive of its 50 percent-held W&A Investment Corporation, (to develop his own trading company), and are expecting to see an easing in the share prices of both W&A and FSI

Such an expectation reflects the high regard in which Mr Joffe is held by the market.

He is viewed as an excellent manager with good entrepreneurial instincts. Many regard his involvement with W&A, which dates back to 1981, as a key factor in the enormous success the group has enjoyed in recent years.

How quickly the shares recover will depend to a great extent on how long it takes to convince the market that the FSI/W&A management team has not suffered an irreplaceable loss.

But it certainly has suffered a major loss and leaves the management team looking quite stretched

Mr Joffe was one of four key players managing the FSI giant that resulted from the acquisition of W&A last September The other three are Jeff Liebesman, Terry Rolfe and Neville Cohen.

DEPARTURE

Following the departure of Mr Joffe, the FSI corporate team will comprise Mr Liebesman as chairman and chief executive, Mr Cohen as group finance director and Mr Rolfe, to be joined by Ivan Posniak, as operations directors

Mr Joffe's move appears to have been motivated by strong entrepreneurial instincts and not, as some may speculate, because of antipathy between himself and Mr Liebesman

Mr Joffe previously held a stake in W&A, but sold it to FSI when it acquired control of W&A

Mr Joffe said yesterday "I was my own boss until 1981 when I joined W&A under Mannie Simchowitz. Now I am just returning to being my own boss"

Brian Joffe — in entrepreneurial mood.

Mr Joffe did not think he was leaving a gap in management and stressed that the W&A group had a lot of excellent people at operating level.

His current plans are to set up a company to be owned 51-percent by himself, his family and associates, and 49 percent by FSI.

This company will acquire the 87-percent stake in Aurochs that is currently held by W&A subsidiary, Hunts.

Mr Joffe said he intended to develop Aurochs as a major trading company through a combination of strategic acquisitions and organic growth

The price to be paid for Aurochs, which is currently a property-owning company, is based on its book value, which is approximately R13 million, plus a premium of around R400 000

CASH SHELL

The premium relates to the fact that Mr Joffe is, in effect, buying a cash shell because Aurochs will have the right, once it has acquired some trading assets, to sell its property portfolio to Hunts for approximately R13 million.

Mr Joffe said he had no specific acquisition targets and that he was keen to get the fundamentals right from the beginning.

He said he had R13 million in cash with which to go shopping and the scope to boost this sum significantly if he was willing to reduce his controlling 87 percent stake in Aurochs

Whatever the short-term implications for W&A and FSI share prices may be, the outlook for Aurochs is very promising.

HOUSE OF ASSEMBLY

†Indicates translated version

For oral reply

General Affairs

State President

SABC: resignation of former director-general

*1 Mr S C JACOBS asked the State President †

(1) Whether he made any requests or gave any instructions to the Minister of Information, Broadcasting Services and the Film Industry in connection with the resignation of the former director-general of the SABC, if so, (a) when, (b) what was the purport of these requests or instructions and (c) what was that Minister's response thereto

(2) whether, either directly, indirectly or through an official of his Office, he contacted any other person to whom he made requests or gave instructions in connection with the resignation of the said director-general, if so, (a) when, (b) (i) in what manner was this person contacted and (ii) who is the person and (c) (i) what requests did he make or instructions did he give and (ii) to whom,

(3) whether he indicated, during the discussion he had with the said director-general in 1987 about a news broadcast involving the Chairman of the Ministers' Council of the House of Representatives, that he wanted to have this director-general dismissed or thought that the latter must or ought to relinquish his position?

The MINISTER OF INFORMATION, BROADCASTING SERVICES AND THE FILM INDUSTRY (for the State President)

(1), (2) and (3)

I refer the hon member to my address concerning this matter in the House of Assembly on 21 April 1988

Mr D J N MALCOMESS Mr Speaker, on a point of order May I point out to you that the Hansard of the House concerned has not yet been distributed Secondly, Sir, in terms of a decision given by the Chairman of this House it was suggested to hon Ministers that they do not refer to answers given to questions put in other Houses

The MINISTER I have been referring to a speech by the hon the State President in the House of Assembly, in other words, in this House [Interjections]

Mr SPEAKER Order! I will consider the matter and give my decision later

†Mr S C JACOBS Mr Speaker, on a point of order is this the way in which the hon the Minister replies to a question? Does he do it by implying that all the questions that

†Mr SPEAKER Order! The hon member for Port Elizabeth Central has raised a point of order on which I intimated that I shall give a ruling later All further questions on this should therefore stand over until then

Ministers

Questions standing over from Tuesday, 3 May 1988

*25 Mr J B de R VAN GEND — Constitutional Development and Planning [Reply standing over]

***Nodal point* appointment of designated person**

*30 Mr R M BURROWS asked the Minister for Administration and Privatisation

(1) Whether a designated person in each State Department has been appointed as a "nodal point", if so, (a) what is the function of a person so appointed, (b) (i) when and (ii) by whom were these appointments made and (c) which persons were so appointed in each Department,

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

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

(1) No, but co-ordinators of special services, who are sometimes informally referred to as "nodal points", have been designated

(a) Manages the special services component, obtains, analyses and evaluates information which may be of importance, from a security and welfare point of view, to the department concerned, provides inputs from a security and welfare point of view to the head of department concerned and to other members of management regarding policy formulation, interpretation and execution, serves as liaison point for special services within the department concerned as well as with other institutions

(b) (i) and (ii) Such designations are done by the head of department concerned, as necessary

(c) Persons from any occupational class within the department concerned may be designated as such

(2) No

Mr R M BURROWS Mr Speaker, arising from the reply given by the hon the Minister, can he give us the exact official title of these persons?

The MINISTER Mr Speaker, I am not aware of any specific title they carry They are co-ordinators, as I have said in my reply to the hon member They are people who have been nominated as co-ordinators They are casually referred to from time to time as "nodal points"

Mr H H SCHWARZ Mr Speaker, further arising from the hon the Minister's reply, will he please tell us whether the word "nodal" has the meaning assigned to it in the *Oxford Dictionary* or in *Webster's Dictionary*, or whether it has a peculiar meaning which he himself has attached to the word? [Interjections]

New Questions

Proposed economic policy for RSA: publications involved in advertising campaign

*1 Mr C J DERBY-LEWIS asked the Minister of Information, Broadcasting Services and the Film Industry

With reference to his reply to Question No 15 on 1 March 1988, (a) which publications were involved, in the month of March 1988, in the advertising campaign in the Press aimed at presenting the Government's proposed economic policy for the Republic and (b) what was the combined circulation figure of these publications for that month?

†The MINISTER OF INFORMATION, BROADCASTING SERVICES AND THE FILM INDUSTRY

(a) Newspapers

Rapport
Sunday Times
Sunday Tribune
The Star
Beeld
Citizen
Burger
Argus
E P Herald
Volksblad
Oosterlig
Daily News
City Press
Ilanga
Sowetan
Imvo Zabantsundu

Magazines

Financial Mail
Finance Week
Finansies en Tegniek
African Business Publication

(b) Total circulation figure 2 258 991

Tugs *Willem Heckroodt*/*Dame du Plessis*

*2 Mr C J DERBY-LEWIS asked the Minister of Transport Affairs

(1) Whether, with reference to his reply to Question No 805 on 25 March 1988, a decision has as yet been taken on the request for assistance in the form of providing South African Transport Services personnel to operate and maintain the tugs *Willem Heckroodt* and *Dame du Plessis* sold to the Government of Mozambique in 1986, if so, (a) when and (b) what was the decision, if not, what are the reasons for this delay in taking a decision,

(2) whether Transport Services have made an appeal to personnel to volunteer for such duties in Mozambique, if so, how many personnel have responded to this appeal,

(3) whether Transport Services personnel will be compelled to perform such duties?

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Amcoal employees for shares

Cape Times 10/5/88

Own Correspondent 232

JOHANNESBURG — More than 80% of eligible Amcoal employees have each elected to accept five Anglo American shares in terms of the employee shareholder scheme launched last year, Amcoal chairman Mr Graham Boustred said in his annual review published yesterday

He said this represented a strong endorsement by employees of the scheme's objectives and a measure of the effectiveness with which these were communicated to employees

"The scheme will allow employees to experience wealth as a resource and will show how money invested in well-managed enterprises creates wealth for the community in addition to providing a worthwhile reward to the investor," Mr Boustred said.

Cape Times 10/5/88

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ARGUS 20/5/88 232

RETAILING

Aussie pullout costs Pick 'n Pay R5,5-m

By TOM HOOD, Business Editor

THE pullout from Australia cost Pick 'n Pay R5,5-m the annual report discloses today This amount was written off in the past financial year.

Managing director Hugh Herman says in his annual review that the Melbourne venture was not able to grow due to the anti-South African policy adopted by the government and trade unions there.

"In the circumstances, we were obliged to dispose of our interests to our Australian partner.

"Payment will be effected according to the future profitability of the store. As the amount and the date for payment cannot be determined now, our investment has been written off."

The write-off, however, is offset by R4,9-million received from selling Pick 'n Pays 20 percent stake in the company owning the Boksburg Hypermarket.

The annual report says. "With a limit to expansion in South Africa, an opportunity to employ the magic hypermarket formula was discovered."

The first store in Brisbane opened successfully in November 1984.

"Reluctantly the company has now been forced to sell its interest to the Australian partner as significant profitability cannot be achieved."

The Group's pre-tax profit jumped to R91,2-million from R75,5-million but it was able to reduce its tax liability by allowances, exempt income and over-provisions to R38,4-million (R32,5-million in 1986)

Pick 'n Pay also handed over R240-million in GST.

Powerful promotions of the company's 21st anniversary are drawing all customers and sales since February are running 34 percent ahead of a year ago, says Mr Herman

Both he and the chairman, Mr Raymond Ackerman, say they are confident this trend will continue and that profits will be in excess of 20 percent over last year's

The annual report says the group's scanning system has taken longer to implement than expected and all stores will operate a scanning system by 1991

The system not only speeds transactions at the check-out but they are cost saving to the company.

Experience overseas indicated increases of more than one per cent in profit margins, added Mr Herman.

VENTURES

'Public will pay dearly for health privatisation'

By Jo-Anne Collinge Star 10/5/98

A sombre warning that the public will pay dearly if it meekly accepts the privatisation of health care services has been sounded by Professor Dingie van Rensburg, head of the department of sociology at the University of the Free State.

"Health and care are not commodities. They are not simply an individual responsibility and a privilege reserved only for certain people It borders on the immoral to make a profit out of health care," Professor van Rensburg says in an article in his university's journal, *Acta*.

"Privatisation of health care is in the interests of many other groups, but it is in many respects not in the interests of the most important group — the patients.

"The broader community, which consists of patients, will pay heavily for uncritically accepting the privatisation of health care services — the poor with privation and those that can comfortably afford it for the profits and wastage that necessarily can take place" (232)

Professor van Rensburg says that a simplistic economic model of free enterprise has been generalised to health care, whether it suits that purpose or not.

A power elite of politicians and businessmen has set the nation on course for privatisation wherever possible — and the layman has uncritically bought the idea that it must be in everyone's best interests if health services were to become a private initiative.

In doing so, the public accepts a whole package of principles and practices — "the good, the less good and the bad".

"With the privatisation of health care, South Africans have accepted the more serious side-effects of the free enterprise system and of capitalism These include possible problems concerning inequality in health provision; financial exclusion; a second class health system; first and second class health services and first and second class patients; profit-seeking, monopoly interests and even exploitation"

Formscaff — a rising star

Star 10/5/88 232

My recent article showing De Beers achieving superior strength over the Dow Jones Industrial averages assumed further significance when it rose to a new 1988 high of 8375c last Thursday

De Beers is very often a leader but at this point the industrial market remains in the doldrums with the Index a little over 100 points above its 30-month low of 1387

BLUE CHIPS

"Blue Chips" stocks like Barlows, despite excellent results and SA Breweries (the market expects an outstanding report) are still in downward trends

It is therefore significant that Form Scaff Industries, the newest of the conglomerates should rise to a new 1988 high of 725c, against the trend of the overall market

There have been many sceptics who believed that the R212 million acquisition of Waicor would terminally affect the group's financial health In fact it has improved it.

The company now generates R1 billion in annual sales and has boosted interim per share earnings from 13,4 to 41,8c The 69c forecast for the year takes on puny proportions with a minimum of 90c far likelier

Certainly in the post-crash period sceptics appeared to be right when FSI fell from a high of 1025c to 400c in the space of 3 months. The loss suffered was, percentage-wise, larger than the average

SMART MONEY

Noticeable accumulation by the "smart money" began to take place at the 400c level when FSI traded at this level from the December 15 to mid January The rise has been steady since, with a sudden leap in price taking place in early May to above the 700c level

Is is also significant that FSI was trading round 160c at the beginning of January 1986 so that investors who took a long term view of the management of this company under Jeff Liebesman were still sitting on profits, notwithstanding the losses suffered in the wake of the crash.

The charts show that FSI is one of the few shares that are beginning to fit the technical requirements of "bull" status.

DIVIDING LINE

The top chart shows FSI's recent rise to 725c, which now places it marginally above its 40-week moving average — the dividing line between Bull and Bear areas.

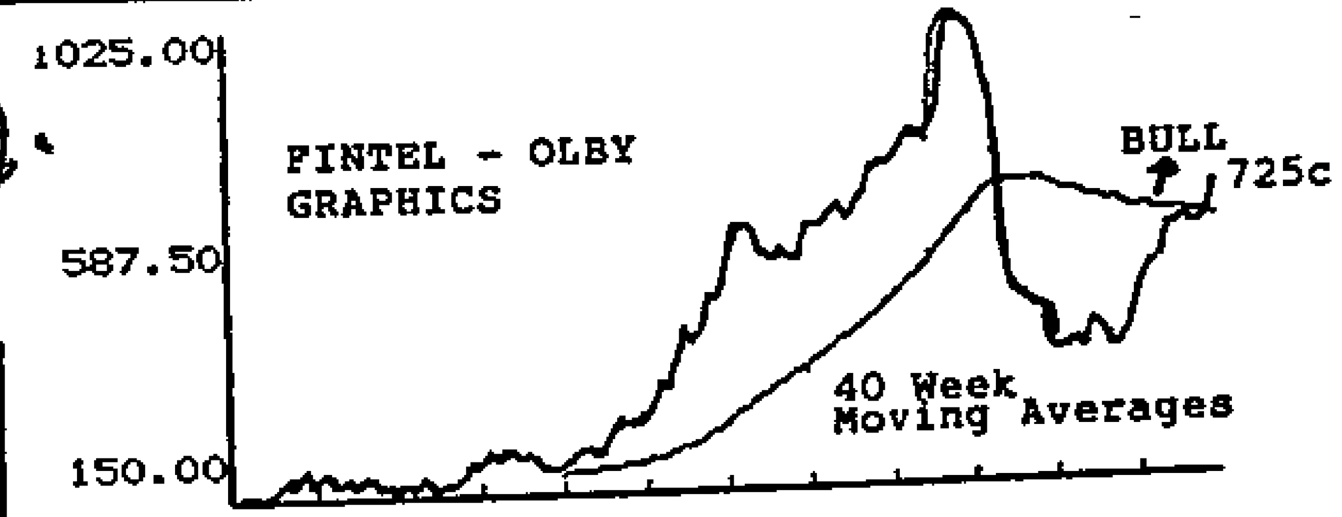
This penetration must survive for a further two weeks with trading at 800c needed to confirm its Bull mode

The lower graph compares the strength of FSI with the Industrial Index. The arrow at A demonstrates its greater percentage fall in the immediate post crash period ~~and the~~ arrow at B shows its recent surge in relative strength. The rise has taken it decisively past the neutral line and the strength graph is now challenging a previous peak which does make FSI overbought in terms of strength

Conclusion: If committed to FSI hold for the long term Wait patiently for weakness before new acquisitions are made.

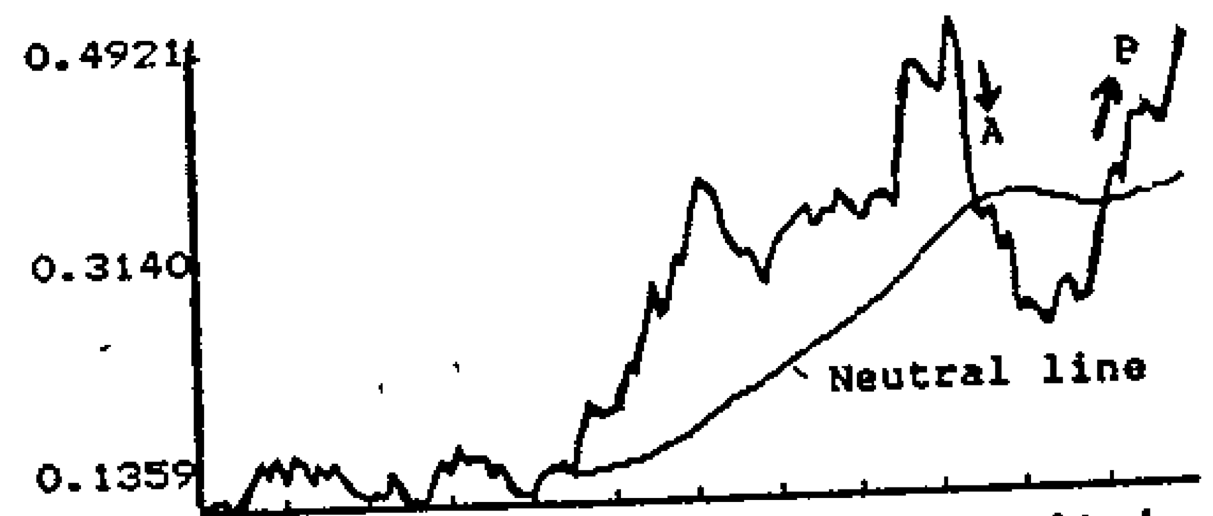
TECHNICAL VIEW

by Dr Issy Bacher



40-week moving average for FS Industries

40 week prices for F-S IND



Weekly relative strength FS Ind/Industrial index.

Adcock acquires Sterling for R52-m

STAR 11/5/88

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By Ann Crotty

Barlow's pharmaceutical subsidiary, Adcock-Ingram, has announced its second major acquisition in six months. The deal again appears to have been influenced by disinvestment pressure on US companies operating in SA.

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Control of Sterling Drug recently passed to Kodak and this is believed to have influenced the decision to move out of SA.

At the end of calendar 1987, Adcock acquired control of the local subsidiary of the American giant pharmaceutical group Merck, Sharpe & Dome.

Mr Don Bodley, chief executive of Adcock said yesterday the Durban-based Sterling would be operated as a stand-alone subsidiary.

"The business under its present management will be run at its usual capacity and there will be no loss of jobs as a result of the acquisition." Adcock will raise the funds through the issue of shares, which will easily be followed by cash-rich Tiger Oats, which holds 73 percent of Adcock.

Sterling's major products include Panado, Compral and Stearns Pine Tar and Honey.

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Sterling's major products include Panado, Compral and Stearns Pine Tar and Honey.

D ID 11/5/88

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Merger benefit says Russell

EAST LONDON — Investors would have access to the best research in the country following the merger of broking firm, Menell, Jack Hyman and Rosenberg, a director of the firm, Mr Andy Russell, said here.

The merger with Frankel Kruger would bring major benefits, he said. He denied falling stock exchange turnover had led to the takeover.

He was reacting to newspaper reports which said more mergers involving stockbrokers, and lay-offs, were expected because of declining turnover.

"Negotiations have been going on for a long time because one of our directors, Mr Gerald Rosenberg, intends retiring," he said. "We have had many offers but the deal with Frankel Kruger suited us best.

"It does not mean it will add 10 per cent to our size as reported. It will in fact add 30 per cent and our clients will lock into the best research in the country."

Mr Russell said no jobs were in jeopardy at Menell offices here or in the Durban and Cape Town offices.

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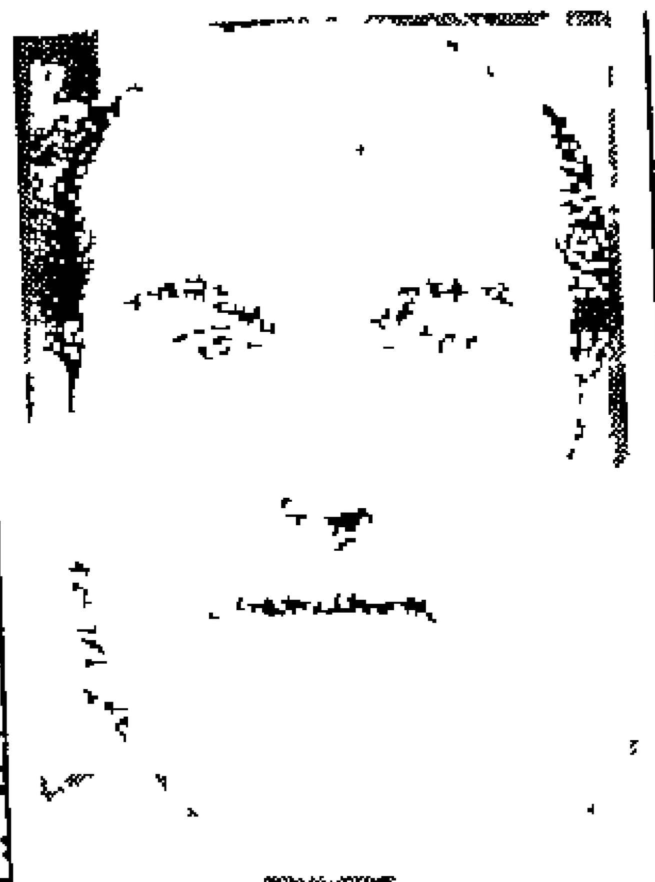

Mr Campbell

Jacked up Jacksons

DD 12/5/88 232 15

EAST LONDON — Jacksons Metals, one of the country's leaders in stainless steel distribution, has upgraded its operation here following the R18 million takeover by Van Reenen and Nicholls (VRN) (Pty) Ltd

Selborne College-educated Mr Gary Campbell has been appointed manager of the operation here as part of the company's new aggressive marketing plan in the Border, Ciskei and Transkei

While Jacksons Metals is one of the leaders in the stainless steel distribution market, VRN is the largest profiling operation in Southern Africa

Mr Campbell said the merger had resulted in the company being able to supply profile-cut, guillotine and bend every type of steel profiled in South Africa from the commercial grades through quenched and tempered, to the most sophisticated steels

Rembrandt takes first step in regrouping

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HLH makes attractive offer for Bonuskor

Magnus Heystek
Finance Editor

The first step in the rationalisation and regrouping of the massive Rembrandt Group was taken yesterday when Hunt Leuchars and Hunt (HLH) announced a very attractive offer to minority shareholders in Bonuskor

The offer is bound to be accepted and Bonuskor will most probably be delisted

Rembrandt is the ultimate controlling shareholder of both groups.

The Rembrandt Group is in the process of a major restructuring and regrouping of its widespread interests in South Africa as well as overseas More announcements are expected soon.

HLH is making an offer to acquire the entire shareholding of Bonuskor through a scheme of arrangement with shareholders. In terms of the offer HLH will issue 186 shares for every 100 Bonuskor shares held. This puts a value of R4,65 on each HLH share and a value of R8,65 on Bonuskor shares which were at R5,40 when the cautionary announcement was made last month.

Bonuskor was trading at R7 a share yesterday while HLH was at R4,55.

Bonuskor shareholders are also being given the option to swop all their HLH shares for Huntcor shares on the basis of one Huntcor share for every two HLH shares This offer is unlikely to be taken up as Huntcor is trading at a discount to HLH Theoretically Huntcor, which closed at R8 last night, should be trading at twice the ruling price of R4,55 for HLH.

Commenting on the developments, HLH's Chief Executive, Neil Morris, said. "Present shareholders of HLH and Bonuskor will benefit from the transaction Looking at it from Bonuskor's shareholders point of view, the softwood timber interests will have access to the extensive experience HLH has built up over its long involvement in the timber industry, an attractive premium for its share and a company with a considerably enlarged base of shareholders' funds with virtually no borrowings.

"For HLH's shareholders there is an immediate positive impact on earnings, productive use of the considerable cash resources at its disposal, and involvement in attractive new market segments which will help to balance the dependence on the mining timber market."

Sales to the mining industry accounts for roughly 60 percent of total turnover This dependency has in recent years made the company vulnerable, particular during last year's general mining strike, resulting in a drag on turnover and earnings growth

Along with the widespread timber interests of Bonuskor, HLH will be entering the food market. Bonuskor is the sole shareholder in Transvaalse Suikerkorporasie (TSB), a major producer of sugar in the Eastern Transvaal, as well as Consolidated Grocery Products, owning among others, the Robertson's spice trade marks.

This diversification should enhance HLH performance which has tended to be fairly undramatic in recent years

Turning to the new HLH he says "The company will certainly be very different. Total assets will be in excess of R600 million with attributable earnings above R50 million. In addition, the company, with little or no gearing, will be able to support substantial growth in its activities"

Business must take this wonderful opportunity

Star 12/5/88

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Extracts from an interview with Murray Hofmeyr, chairman of Johannesburg Consolidated Investments (JCI), by Hugh Murray, editor of Leadership magazine.

Murray: Privatisation is very much on our minds at the moment. There are indications that government is thinking about a form of partnership arrangement, but I wonder if it has thought about whether partnerships would be attractive to people in the private sector?

Hofmeyer: I certainly welcome the move towards privatisation, though we should guard against the tendency to see it as a panacea for all our problems. Privatisation will not in my opinion do very much, if indeed anything, to overcome the opposition of many black people to the private enterprise system. This issue remains of overriding importance and needs to be addressed in other ways, one of which is deregulation.

Government has not yet given us a clear idea of its intention. Barend du Plessis has stressed the need for gradualism and has also pointed out that government may remain a majority shareholder in enterprises being privatised for a period of time. This certainly has something to commend it, provided that it is genuinely a staging post and does not become a permanent situation, which in my opinion would not work at all.

How effective is business in influencing government?

The scope for business to influence government is very limited, contrary to the opinions of many in South Africa and even more abroad. In recent years, government has appeared to be listening to the business sector, but this has certainly not influenced its policies or practices.

The State President was quick to interpret the result of last year's general election as a complete rejection of the views of businessmen calling for fundamental change. An alternative interpretation would be that government succeeded in its attempts to frighten the electorate on security issues. As we have seen since, they may have been rather too successful in this endeavour.

Obviously, business must continue to try to influence government and the white electorate. At the same time, business dare not wait for government and must continue, with all means at its disposal, to address itself to its entire constituency. Business has a wonderful opportunity and a tremendous responsibility to seek common cause between management and labour and between black and white.

Hofmeyr ... "Business dare not wait for government."

Moving from the domestic scene on to South Africa's relations with her foreign trading partners, we seem to have reached an all-time low, politically and commercially. How should we redevelop our foreign links?

I would suggest that a good start would be to abandon the practice of telling them to "do their damndest" and similar aggressive and offensive stances. This type of conduct offers some satisfaction to our enemies, but none at all to our friends and I actually wonder whether it does win votes in the platteland.

I disagree fundamentally with those who argue that we will not improve our external relations unless we give in to demands, however extravagant. On the contrary, I believe that a number of our trading partners who would like to retain and extend relationship with us would be greatly encouraged if we showed some sensitivity to their points of view and gave some clear indications of resuming the process of reform.

As far as the commercial side is concerned, business can do no more for the present than attempt to cope with the problems of sanctions at an ever increasing cost.

Perhaps, as Van Zyl Slabbert believes the pain level is not yet high enough to force government into realistic negotiations?

Government apparently thinks that it can still achieve its objectives without proper negotiation. The pain level might indeed not yet be high enough, though some feel we are already beginning to show signs of a death wish.

We have, however, experienced a measure of economic pain during the past few years. What is the outlook for the immediate future?

We all support government in its objectives of bringing down inflation. Government has been honest enough to recognise that one of the main reasons for excessive inflation has been the high level of government expenditure with successive budget overruns.

I have no doubt that government will accuse the private sector of not responding adequately to government's challenge. However, they have to recognise that salaries and wages in the private sector have to be competitive in the market and many of them are in any event negotiated.

Many have doubts about government's prescription and fear that a perceived failure of the present approach will lead to increased pressure for direct management of the economy.

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Leaner Reunert doubles profits

By Teigue Payne

Reunert, now minus its computer division, has continued its turnaround, with attributable profits more than doubling in the half-year to March.

On the basis that the contribution of the computer division, now part of TSI, is excluded from historical figures, attributable profit was 133 percent higher than in the first half of the 1987 year at R12,47 million (R5,35 million).

This is equivalent to earnings per share of 40,2c (17,2c).

The interim dividend of 12c is more than three times covered.

Chairman Clive Parker says the results reflect strong performances by all operating divisions.

Mr Parker says GEC showed a dramatic improvement in the half-year and now makes a sizeable contribution to earnings.

Circuit Breaker Industries is also thriving, helped by the up turn in the housing sector.

Reutech performed above expectations, maintaining volumes and improving profits.

PATTERN

He says Reunert generally earns more in its second half and expects the same pattern this year.

Turnover for the first half rose nine percent from to R399 million (R366 million), but the previous figure included R35 million from the industrial division, which was sold

Excluding this, turnover would have been up 20 percent

The interest bill was well down on tight working-capital management.

With interest cover up to eight times (three times) and debt-equity ratio down to 0,21·1 (0,37:1), expansion is a likelihood.

Mr Parker says this is more likely to be organic than by acquisition. Reunert's research effort are beginning to bear fruit and the declining rand presents opportunities for import replacement and strengthens operating companies' ability to compete with imports.

Mr Parker says the group is now better focused than in the past. He envisages no further divestment of incompatible divisions and says expansion will be in fields compatible with existing operations.

Furnfair makes offer to Montays minorities

Cape Town brothers Ivan and Jeff Hammerschlag, prime movers behind the Furniture Fair (Furnfair) chain, are offering minorities 10c per share for their holdings in JSE-suspended Montays.

The offer is being made through Furniture Fair's unlisted holding company, Furniture Fair Group Holdings (Furngro). It follows a similar offer for the controlling interest and is conditional on the offer of compromise proposed by Furngro between Montays and its creditors being approved by creditors and shareholders and sanctioned by the Supreme Court.

A circular setting out details will be posted to shareholders on May 30 and a general meeting held on June 21.

Montays shares, which were trading at 65c, were suspended on the JSE last November, the day after the furniture chain's principle operating subsidiaries were placed under provisional liquidation. Three weeks later, an order provisionally liquidating Montays was granted.

Montays' assets and subsidiaries were acquired earlier this year by the Hammerschlags in terms of a sale-of-assets agreement ratified by the Master of the Supreme Court.

Essentially, Montays is now a shell.

The brothers have already turned Montays' former subsidiaries around Now trading as Montana, the stores chalked up sales of R2 million in the month of April alone and it is the intention of the Hammerschlags to inject them into Furniture Fair in the near future.

Ivan Hamnmerschlag, MD of Furnfair, says that plans for the Montays shell have yet to be finalised.

"If successful in our compromise offer, we would plan to locate a suitable acquisition for Montays and then apply for a re-instatement of its listing," he says

"On the other hand, it has always been our intention to list Furngro — Furniture Fair's holding company — and the Montays shell could be considered for this purpose." — Sapa.

(232) B/day 13/5/88

Government poor tenants for the private sector

NORMAN GRIFFITHS

Privatisation will involve not only government departments, but their buildings as well. Griffiths (left), a senior director of property valuers and property economists Richard Ellis, looks at the potential for property privatisation, but argues that rental disputes with private developers may make government keep buildings it would otherwise have sold

THERE HAVE been many statements from property professionals suggesting a boost for the property and general economic market should government privatise all their buildings and pass them into private and institutional holdings and release all surplus land.

This in addition to all of the other moves to privatise parastatals and government departments, which would in itself move property into the private sector

Government's total property holdings are enormous There are no official statistics as to their value and, in fact, no detailed central register of those holdings With the lack of statistics, guesstimate figures quoted at seminars tend to take on authoritative levels

A Richard Ellis selective estimate of R80bn worth of identified State and parastatal property ownership was by no means complete and should be viewed in the light of the recent Public Works Department statement of current building projects of R2,64bn, which is within the budget of that department and excludes all other departments and parastatals

To put that particular budget figure into perspective, more than 50% of the budget is for defence, police and prison installations and only 3% in respect of "building complexes, office blocks and miscellaneous services"

Thus the cry for government to sell their buildings to institutions and private landlords, while commendable within the overall privatisation euphoria, is not necessarily realistic.

While there certainly are government-occupied and owned buildings suitable to be placed in the private sector, a considerable amount of government space is already there.

In Pretoria, the city with the greatest single public servant presence, government occupies 1 2000 000m² of space, of which 62%, or 750 000m² (the equivalent of 12 Johannesburg Carlton Centre office blocks), is leased from the private sector.

Looking at the space held directly by government of approximately 450 000m², this includes the Supreme Court, the new Reserve Bank building and educational facilities.

There are certainly conventional office buildings which could pass into the private sector, but they are limited or of strategic or a high security nature

So what can be learnt from government's occupation of private sector property?

Commercial property moves through regular peak and trough cycles (in itself not purely a South African phenomenon) caused by long production leads and construction periods, with frequent conception

during times of high economic activity and the risk of completion during down cycles

Taking Pretoria as a case study, the early and mid-Eighties saw considerable high rise office development by private sector developers to a high quality finish, with the stated intention of "not letting to government"

The reasons for this at the time were

- ☐ That government did not pay commercial rentals for, or wish to occupy, high quality space,
- ☐ There was always the potential for government, as the major tenant in Pretoria, to dictate rental and lease conditions to landlords;
- ☐ Certain government departments were perceived to be potential security risks within a building, and
- ☐ Private sector tenants were unwilling to share buildings with government

This situation was compounded during the mid-Eighties by government's decision not to deal with private developers on pre-committed leases for the erection of buildings to suit government specifications, their further policy statements on the reduction and rationalisation of public servant numbers and the concern of Pretoria's CBD owners that major decentralisation might be promotec

In line with the economic develop ment cycle, considerable new offic space was completed in Pretori coinciding with the major economi down-swing, and developers wer not able to find private sector ten ants for high quality buildings

Government, having possibly cor rectly read the market as entrepre neurs, then proceeded to save th entrepreneurial developers fron owning non-income-producing prop erties by securing much of this hig quality vacant space on their term — which any shrewd tenant woul do

In negotiating leases at the time, i became practice for government t accept long-term leases, but subjec to short-term rent reviews, the mos common being a two-yearly rent review with lease clauses on renewal rental varying from predetermined arbitration terms to review to market rental

Many of these leases are now at review stage. Landlords are finding, depending on their precise lease terms, that government is acting as if it controls market rental levels and dictating to landlords (who were reluctant to develop for government in the first place) rentals which it will pay This is totally detrimental to their investments.

Government's desire to privatise is to free marketeers, an exemplary sentiment, but they must be followed by similar sentiments to allow the continuation of a healthy investment market, which controls the reinvestment of public savings

If government wishes to dictate to the private sector rentals and investment returns, then it must expect the institutional attitude of reluctance to accept government as a tenant in new developments.

If there is the attitude that government is not a suitable tenant in a free-market investment, future privatisation of government buildings will not occur.

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PHARMACEUTICALS

A sterling sale

American drug manufacturer Sterling Drug has sold its South African operation to Tiger Oats subsidiary Adcock Ingram for R52,5m.

Tiger Oats chairman Robbie Williams says the company will carry on as before and there will be no job losses. "The full range of Sterling products will continue to be available.

"The division will be renamed and the Sterling name, along with that of subsidiary Winthrop, will disappear."

Tiger was one of four South African companies to bid for the operation after Kodak bought the American parent company and made it known it wanted to be rid of its South African business.

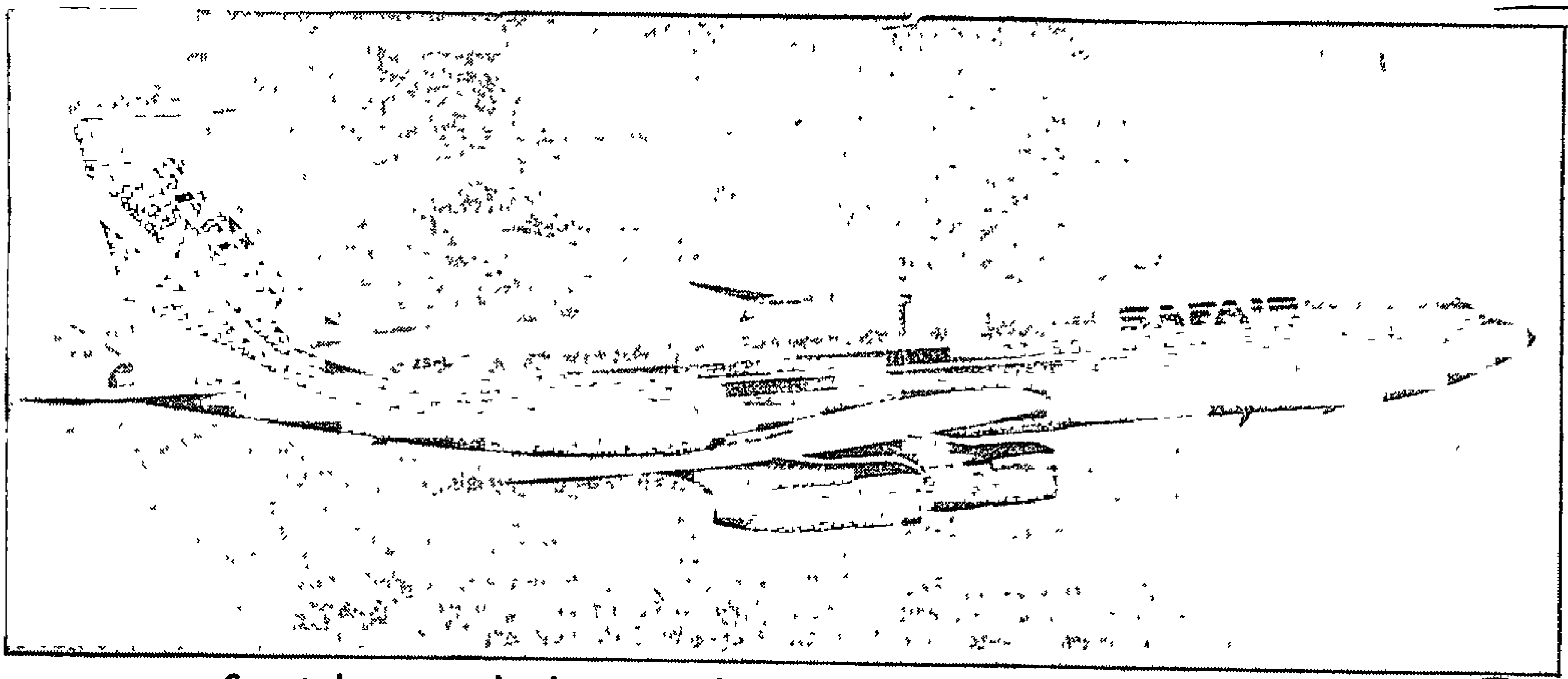
Premier's Twins Pharmaceuticals and Malbak's Protea Medical both pulled out before the final negotiations.

SA Druggists MD Tony Karis, who was bidding for the company in New York last week along with Adcock Ingram (AI), says: "We offered Sterling a fair price but were beaten to it."

By buying Sterling, AI has acquired the licences for consumer products such as Wet Ones tissues and drugs Panado and Beserol. Some products are likely to change their name, including Andrew's Liver Salts and Philip's Milk of Magnesia.

Unlike Merck, Sharpe and Dohm, which was acquired at the end of last year by Tiger Oats and kept as a separate company, Sterling will be integrated into AI, but as a separate division.

Industry sources say AI benefited from ultimate parent Barlow Rand's progressive image internationally. SA Druggists, conversely, suffered from its position in the Afrikaner Sanlam group.



Soon to be seen on local commercial routes — a Boeing 707, flagship of Safair

Star 14/5/88

Safair prepares for deregulation

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MAGNUS HEYSTEK

Safair, a wholly owned subsidiary of Safmarine, is preparing for a major thrust into the domestic commercial aviation industry.

In anticipation of the imminent deregulation and privatisation of SAA, Safair has rationalised its existing aviation interests by merging Safair Freighters and Air Cape under the single name Safair

A Convair 580 aircraft has been acquired and will be added to the existing Air Cape fleet. This is in addition to the recent purchase of a Boeing 707 to replace the existing leased Boeing 707.

Safair operates the largest privately owned fleet of Hercules aircraft in the world and is probably the second-largest carrier of freight and passengers in Southern Africa. It was founded by Safmarine in 1969.

Safmarine MD Mike Findlay said in Cape Town earlier this week that the large capital requirements needed to operate a commercial airline would limit the possible alternatives to the major passenger carrier SAA to one or two aviation companies.

"While there will most certainly be scope for smaller companies to operate on some routes, any serious competition to the SAA can only come from one or two companies. We hope to be that company," he said.

With the local aviation industry still in the dark about the nature and manner of the proposed deregulation of SAA, Safmarine has opted to go it alone, unlike some companies which feel a consortium of smaller companies has a better chance of succeeding

Mr Findlay said some of the loss-making routes of SAA could be converted into profit-making centres by using alternative aircraft, more suited to these routes

"Many routes served at present by the jets of SAA can far better and more cheaply serviced by propellor aircraft," he said

This, however, would not necessarily mean lower air fares for commercial passengers, Mr Findlay said

He considered it unlikely that the authorities would allow a price war to break out, as had happened in the US

Suspended share offer

DD 14/5/86 232

CAPE TOWN — Cape Town brothers, Ivan and Jeff Hammerschlag, prime movers behind the highly successful Furniture Fair chain, are offering minorities 10c a share for their holdings in JSE-suspended Montays Ltd.

The offer is being made through Furniture Fair's unlisted holding company, Furniture Fair Group Holdings Limited.

It follows a similar offer for the controlling interest and is conditional on the offer of compromise proposed by Furngro between Montays and its creditors being approved by creditors and shareholders and sanctioned by the Supreme Court.

Montays shares, which were trading at 65c were suspended on the JSE on November 19 last year, the day after the furniture chain's principle operating subsidiaries were placed under provisional liquidation. Three weeks later, an order provisionally liquidating Montays itself was granted.

Montays' assets and subsidiaries were acquired earlier this year by the Hammerschlags, in terms of a sale of assets agreement which was ratified by the master of the Supreme Court. Essentially, Montays is now simply a shell.

The brothers have already been successful in turning Montays' former subsidiaries around. Now trading as Montana, the stores chalked up sales of R2 million during the April. — Sapa

Women's campaign

Sowetan 16/5/88

By MOKGADI PELA

THE Imbeleko Women's Organisation is to launch a national campaign against the privatisation of health services, a Mamelodi seminar was told at the weekend.

The one day seminar also looked into the role of women in the struggle and in trade unions.

Delegates came from as far afield as Lenyenye, Kuruman, Langa in Cape Town and Ka-Ngwane.

Speaking at the seminar, the co-ordinator of Imbeleko, Miss Nomonde Jafta, said the struggle for national liberation and the struggle for women's emancipation had to run concurrently.

A speaker from the East Rand, Mr Mandla Nkosi, said by privatising health services the Government would follow the example of Ronald Reagan and Margaret Thatcher in their countries.

He said by introducing this law, black people would be forced to go to private hospitals which were expensive.

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New transport permit system

MICK COLLINS

PARTIAL privatisation of road testing facilities would come into force after promulgation of the Road Traffic Bill now before Parliament, a Transport Department official said at the weekend

And drivers of vehicles used for hire or reward would have to apply for professional driving permits in terms of the Bill

"Private heavy goods vehicles and all passenger vehicles containing 12 seats or more will have to obtain this annual roadworthy certificate," the official, Pen Mainwaring, said

To spread the testing load — estimated to become five times the number of vehicles in the transport industry currently requiring certificates of fitness — privately owned testing stations would also be recognised and registered

In addition, all private and public vehicle testing stations would be upgraded according to standards laid down by the SA Bureau of Standards

"Registration and subsequent monitoring of testing stations will ensure that standard tests are carried out by adequately qualified personnel according to prescribed procedures," Mainwaring said

He would be speaking on the new Bill at a July 4 to 8 transport convention at Pretoria University

"Once the Bill is in in force, drivers requiring a professional driving permit (PrDP) will have to present an existing valid driver's licence and a medical fitness certificate on initial application and with subsequent compulsory biennial applications for renewal"

Mainwaring added PrDPs would be issued subject to consideration of a driver's licence, health, vision and traffic offences record

He said the regulations would also call for transport vehicles to carry a plastic card identifying the operator of the vehicle

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B/Day 11/5/88

Nestlé bid for Rowntree

14/9/88 Own Correspondent (232) B Day

LONDON — Swiss foods giant Nestlé will this week reinforce the case for its £2,1bn bid for the Rowntree group by arguing that its size and financial muscle would bring growth to the York company's brands far faster than it could manage on its own.

In its offer document, likely to be published today, Nestlé will contend that its global distribution network, marketing power and R&D resources outweigh what Rowntree could achieve on its own

Nestlé now owns about 15% of Rowntree

But, the contention will be rejected by Rowntree, which declares Nestlé wants its brands to bring quality to a lacklustre confectionary portfolio.

And, later this week, Britain's Office of Fair Trading director-general Sir Gordon Borrie may deliver his recommendation to Trade and Industry Secretary Lord Young on whether to refer the Nestlé bid and the 29,9% stake in Rowntree by Suchard to the Monopolies Commission.

Suchard is believed to have sufficient backing to fund a full bid.

However, the rumours late last week and over the weekend that Cadbury Schweppes might enter the arena and be prepared to make a bid for Rowntree, appear to be wide of the mark.

CAPE TIMES 17/5/88

Bonuskor div, earnings soar

(237)

JOHANNESBURG — In its first set of results since announcing the merger with the Hunt Leuchars & Hepburn Holdings group, Bonuskor has reported earnings a share for the year to end-March up no less than 170% to 101,8c (37,5c)

The final dividend has been lifted more than 200% to 24c (7,5c) which, with the better interim of 9c (5c), gives a total of 33c (12,5c)

The results should be read in the context of the first full year in which the 56% interest in CGP Investments, holding company of Robertsons, has been brought to account.

The CGP stake was acquired on April 1 last year, the same date on which the sale of the 14,4% stake in Total SA became effective

Transvaal Sugar became wholly-owned on October 1 last year The sale of the stake in Total brought a profit of R2,5m, but this is not included in the EPS

Operating income moved off the relatively very low base of R4,98m to R64,5m, yielding net pre-tax income of R59,6m (R8,4m)

Tax took R20,3m (R409 000) to give net after-tax income of R39,4m (R7,98m)

Attributable income before the profit from the sale of the Total stake, and amortization of trade marks, totalled R31,9m (R11,8m)

In their brief comment with the results, the directors make no mention of prospects — Sapa

DLD 17/5/88

£2,1bn offer for Rowntree public

232

LONDON — Swiss food giant Nestle SA formally published a £2,1 billion offer for British candy firm Rowntree Plc yesterday amid speculation that rival Jacobs Suchard AG would make a counter offer.

Nestle managing director, Mr Helmut Maucher, said in a letter to Rowntree shareholders which accompanied the offer: "We are convinced that a merger of Rowntree and Nestle's chocolate and confectionery business is in the best long-term interests of both companies."

Rowntree, makers of the popular chocolate bar Kit-Kat and children's favourite, Smarties, has rejected the bid from Nestle, which last week boosted its Rowntree holding to 14,7%.

There was strong press and market speculation that rival Swiss group Suchard, which holds 29,9 per cent of Rowntree, might launch a counter offer.

Suchard was rebuffed last week by Rowntree when it issued an invitation to talk. Under British takeover rules, it cannot buy any more Rowntree shares unless it makes a full bid.

By midday, Rowntree shares were up 24 pence to 906 pence from their Friday close.

Mr Maucher told shareholders that Rowntree did not have the resources to compete alone in increasingly competitive world markets and needed a partner of Nestle's size.

"Nestle and Rowntree have highly complementary businesses and the value of our offer reflects the additional potential that Rowntree will have as part of the Nestle Group," he said in his letter. — Sapa.Rns

Campaign for better health care in N Transvaal

Star 18/5/84

232

A public campaign is to be waged in the rural areas of the Northern Transvaal to pressurise the authorities for more hospitals, more doctors and better equipment and supplies in existing facilities

Spearheading the campaign is the Northern Transvaal People's Congress (Nospeco), which has collected hundreds of survey questionnaires from people living in the area to gauge their views of the present health system

"We emphasise the urgency of improved health care in the rural areas which have hither to been neglected," a statement of the organisation said

"We have noted the Government call for the privatisation of health structures This is viewed as an attempt by the Government to shirk its responsibilities and to pass them on to the private sector

PRIVATISATION CRITICISED

"The principle behind privatisation is far from addressing the inequities in the health system It does not address the genuine needs and the priority of equal distribution of health resources Its motivation is profit The health care industry under privatisation would render profits for a few

"The unemployed, the aged, the disabled and the poor will be denied access"

Nospeco believes budgeting priorities need to be reconsidered and that defence spending should be reduced and reallocated to services, such as health

The organisation urges that people be educated to understand what decent health care constituted — so that they could make demands in their own best interests

It also calls for the creation of "people's health centres" where lay people can be trained in basic first aid and nursing and people will be able to obtain supplies necessary for home care of the ill

Redgwood cashes in on toys, babywear

Star 19/5/88

(232)

Finance Staff

Toy and babywear chain Redgwood, a 51 percent subsidiary of Waltons, boosted annual turnover by 81 percent to R54,7 million and net income by 83 percent to R3,74 million in the year to February

In its first year since listing on the JSE, the Durban-based group's earnings per share rose from 3,3c to 6,1c A dividend of 2,4c has been declared.

MD Bernard Akal said yesterday the merging of babywear and toys into single stores, coupled with a number of acquisitions, had contributed significantly to the rise in profits.

Mr Akal said results were especially pleasing because integration of the babywear and toy stores had only been partially completed Babywear sales, which pick up in winter, were augmenting the summer season peak in toys, he said.

Redgwood divides its turnover roughly 2 to 1 between retailing and manufacturing

Own Correspondent

Protection for British Steel

232

B/day 19/5/88

LONDON — THE government has announced moves to ensure British Steel does not become a foreign takeover target after privatisation or suffers the same problems as British Petroleum.

A 15% limit will be placed on individual shareholdings and the government will hold a "golden share" to block any unwelcome takeover bids

Industry Minister Alan Clarke gave details of the protection measures in a Commons written answer on Tuesday, at the same time releasing details of what the government feels is the best employee share package so far for a privatised company.

The announcement came as ASW, the privatised Cardiff-based steelmaker, unveiled plans to offer its 3 000 employees free shares worth £1 200 if they apply for the maximum of 600 available to them under the terms of a stock market flotation programme valuing the company at almost £100 million

Both flotations underline the extent of the turnaround in the steel industry, once regarded as a "lame duck" business British Steel is now the most profitable steel concern in Europe

The Government is hoping to sell British Steel in the autumn but the stock is expected to appeal more to institutional investors rather than the public

The decision to continue with the "golden share" powers comes after criticism of the decision by Chancellor Nigel Lawson to waive the takeover veto contained in the government's special share in Britoil and allow the BP takeover

But the share raid by the Kuwait Investment Office, giving the Gulf oil state a 22% stake in BP, is believed to have contributed to the decision to provide dual protection for British Steel in the shape of the "golden share" and a limitation on investment

Clarke said the restrictions would last for five years after privatisation

Cape Times 12/5/88

Power in too few hands — Norton

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From KAY TURVEY

JOHANNESBURG. — The dangers in the concentration of investment power was perhaps one of the most important lessons of 1987, Tony Norton told the JSE in his presidential address last night.

A dislocation has arisen in the balance between different classes of investors in major markets resulting in an excessively concentrated degree of investment power in the hands of a few large institutions.

This was evidenced in Black Monday in the USA when about six institutions were responsible for a high proportion of the selling pressure.

In order to prevent the market from being dominated from forces which can disrupt it, Norton said it was necessary to return the individual to direct investment.

Investment

This would require keeping the market simple so as not to alienate the individual by its complexities and popularizing share investment through privatization and tax treatment.

In this regard imbalances between institutional and other investors was an important topic to develop with government, Norton said.

The lessons of late 1987 were fundamentally simple, he said. To keep markets liquid, avoid undue leverage, avoid undue complexities and imbalances between players, and keep market regulations sane.

The JSE had concentrated its efforts into surveillance and regulation developing a system of co-regulation with government to the increasing envy of other world markets.

Since October last year the brave new markets have been threatened by inadequate activity and a turning away from the global market concept to that of preferring investment in home markets. The old lesson here was adequate liquidity, Norton said.

DLD 20/5/88

Finance unions merge

232

JOHANNESBURG — The two biggest trade unions in the finance sector — the 34 000-strong South African Society of Bank Officials (Sasbo) and the 16 000 -member Building Society Officials Association (Bsoa) — have agreed to merge The final decision was taken here yesterday when Sasbo's 24 branch committees voted unanimously in favour of the move Bsoa members endorsed the merger earlier this year The general secretaries of both unions have expressed their delight at the decision

"Its the consummation of three years work behind the scenes," said Sasbo's Mr Ben Smith. "With the differences between financial institutions blurring so rapidly, we both agreed that unity was the only sensible option"

Bsoa's Mr Corrie van Vuuren sees the merger as the first step in a plan to unionise all employees in the finance sector

"In the past we have been wrapped-up in parochial matters, now the door is open to all," he says

Bsoa has already moved its offices to Sasbo house in braamfontein and work on a constitution for the new body is underway — Sapa

R1,4m, Panmure Chickens, a frozen-chick- was paid R404 113.

First privatisation 'must work'

232 B/day 20/5/88.

IT was important if privatisation in SA was to succeed that it be marketed properly, Harry Schwarz (PFP Yeoville) said yesterday.

Speaking in the House of Assembly, he said during the Commission for Administration and Improvement of Conditions of Service vote that it was also important that the right candidate be selected for the first major privatisation exercise and that this be carried out correctly and with adequate safeguards.

If the first one failed the whole privatisation programme would suffer a tremendous setback.

It was argued that privatisation would result in the Hoggenheimers ending up in control of the assets of the people, and that privatisation was a capitalist Thatcherite idea — but privatisation could be ownership of assets by the people as opposed to ownership by the state.

The essence of a true democratic and free enterprise system was that assets were owned by the people and not by the state, and it was this marketing concept that had to be put across.

In Spain a major state-owned motor manufacturer had been privatised by a socialist government. In Sweden a social democratic government had embarked on a programme of privatisation. — Sapa

Pharmacists support privatisation

Star 20/5/88

(232)

Medical Reporter

It is now essential that the Government finalise and implement a health care plan for South Africa and also clarify the pharmacist's role and function, delegates at the South African Pharmaceutical Society national congress heard yesterday.

"A health care plan would ensure that the training of the community pharmacist is utilised to the full wherever possible in the safe, efficient and responsible distribution of medicines and in the provision of pharmaceutical services."

The society said pharmacists' existence was under threat if doctors continued to dispense medicine and if manufacturers kept up discriminatory pricing policies in respect of prescription medicines.

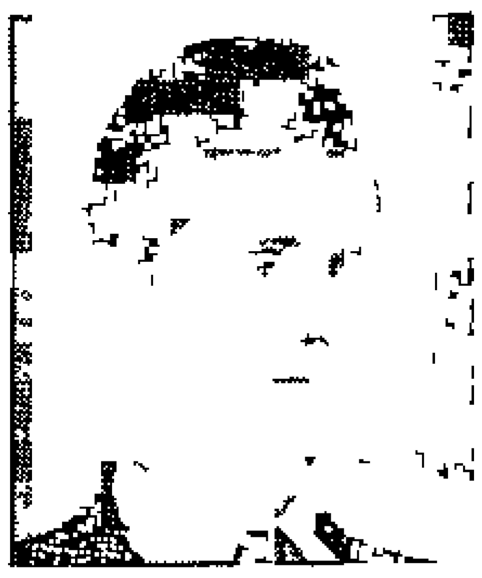
It said doctors should not dispense medicines in conflict with pharmacists.

It added that health care should be privatised wherever possible in the interest of the public, the State and the taxpayer

"The profession endorses and supports the initiative taken by the Director-General of Health to set up a forum in which all the relevant parties can partake in the formulation of a health policy," the society said.

Privatise now

232



Richard Grant, an *FM* contributing editor, is a former lecturer in the Wits Department of Business Economics.

Of all sciences, economics poses the greatest threat to those who seek power and unearned wealth When economics is widely and clearly understood, government power shrinks But when the teachings of economics are perverted and weakened, government power grows like a cancer

Unfortunately, what popularly passes for economics is a load of rubbish that persists because hired-gun economists make a living from it and the victims don't bother to think about it Most of those we call economists are mystified by the economy and their policy recommendations prove it. As a result, the voters are voting themselves poor When you are ignorant, greed backfires

Statements are made about the "need" for a certain policy but the logic (when used) is rarely taken to its conclusion Economists must be aware of all the unintended consequences of a policy. Indeed, government attempts to improve on a free market always fail Yes, *always* As elsewhere in the world, SA has experienced a series of economic policies designed to clean up the mess caused by the previous policies Of course, the mess just keeps getting worse

Ironically, the blame is placed not on government intervention but on free markets. So rather than free the economy, we bring in yet more wealth-destroying controls

A particularly sad example is our so-called "Third World sector" Townships like Soweto have economies that are closer to textbook socialism than those of most Communist countries Yet something called "socialism" is very popular in black yuppie circles But these supposedly well-educated activists are just dreamers. The real practitioners of Marxist economics live in Pretoria

Governments cannot create prosperity; they can only allow it Those who claim that government action is needed to shape and stimulate the economy show a glaring ignorance of economic market processes It is a convention to equate the Third World sector with the black sector, but a proper knowledge of economics shows that race is not the cause of poverty The true cause of the Third World sector in SA is the same factor that causes poverty throughout the rest of Africa. government intervention in the economy

The designation "Third World" can also be applied to companies To see an example of a Third World company, visit a post office For those of us who prefer to live in a just and prosperous economy, the Post Office and all other utilities should be privatised without delay Much to his credit, the State President has recognised the need and had the courage to set the process into motion

We have learned much from overseas examples and can improve on the process Privatisation should be able to proceed more quickly and with minimal disruption. The real obstacles are political, not economic

Warnings and objections have been raised by special interests and well-meaning, but uninformed, commentators. So far, none of them has any economic foundation Let's take a look at some

□ **Private monopolies will replace government monopolies.**

Not likely The freer the market, the harder it is to monopolise any industry Both economics and history suggest that monopolies can persist only with government protection This is why businessmen often support regulation of their own industry — it helps keep out competition

Deregulation is the best cure for monopoly and could be applied immediately This includes the legalisation of *uncontrolled* private competition with utilities Imagine having a telephone installed within a day of application!

Competition is not measured by the number of firms in an industry Even if a monopoly remains, the free market will ensure efficiency by the constant threat of competition There is no need for any regulatory body, such as the Competition Board, which serves only to destroy competition

□ **Privatised companies are not accountable to the public.**

The opposite is true Only private firms are truly responsive to the public A virtue of the free market is that information about consumer needs and wants is transmitted quickly, producers can respond with the goods and services In a free market, businessmen do not have any coercive "power." They profit only when they serve the public.

□ **Privatisation will lead to a loss of jobs.**

No, not in total In fact, the failure to privatise will prevent many jobs from being created The freer the economy, the lower will be the level of involuntary unemployment and the higher the standard of living

The advance of civilisation has coincided with a reduction in the amount of work required to attain a given standard of living. This suggests that a particular job must never be an end in itself Economic progress requires an acceptance of change

□ **Capital markets will be disrupted by large privatisations.**

Of course! That's why capital markets exist! Merchant bankers certainly won't complain about the underwriting fees.

By international standards, the South African capital market is strikingly underdeveloped This is not surprising, given the outrageous burden of all those nonsensical regulations Sanctions are nothing compared to what we do to ourselves Our regulatory straitjacket, combined with the Reserve Bank's manipulation of interest rates and the money supply, has destroyed more wealth than any of our foreign critics could hope for.

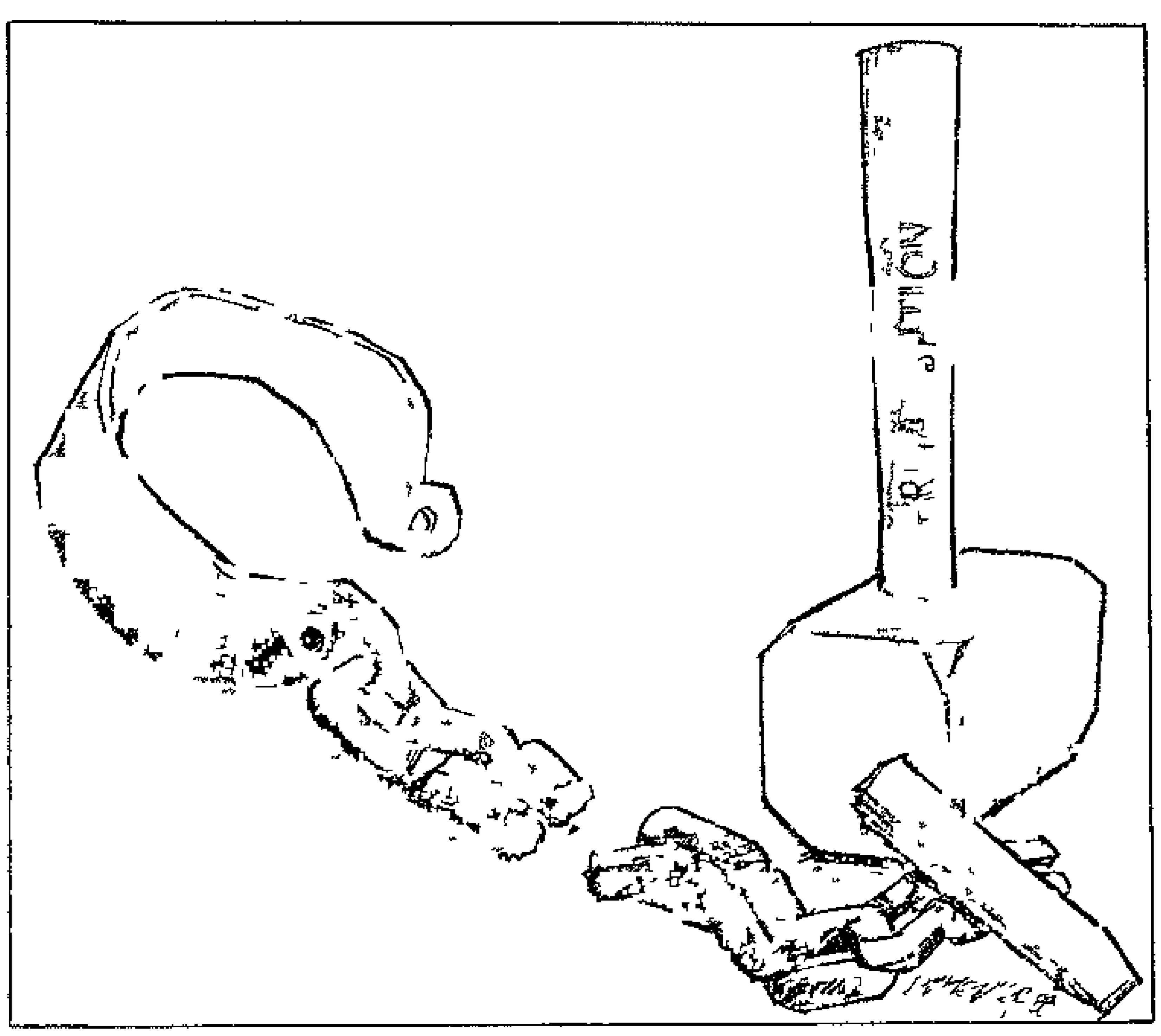
Obviously, we should deregulate the financial sector. Fast!

□ **Bureaucrats and special interests will try to kill privatisation.**

Yes They have succeeded so far. We must accept that they hold a position of strength and, literally, pay them off Given the damage they do, it will be cheaper to buy them out with incentives like early retirement deals and company shares

It is also imperative that the State President make depoliticisation of the economy a top priority

The bottom line is that utilities must be sold Negotiations cannot drag on. Government must privatise now



Privatisation — Dawie spells it out

Star 20/5/88

(232)

The Government wanted to time its privatisation actions so that successes would serve to market the rest of the programme, Administration and Privatisation Minister Dawie de Villiers said in the House of Assembly yesterday.

In the debate on his budget vote he said that the eventual goal of privatisation remained to give more people a share in the economy and in general welfare.

"We want the greatest possible participation from the public and workers of various institutions.

"We want to give back to the people the power to make decisions about their own lives. We should roll back Government and let the people made their own decisions, let them work to achieve for themselves rather than rely on the State."

Broader shareholding was one step on the road to a wider dispersal of wealth and property.

The Government wanted owning shares to become as common as owning houses or having a bank account. — Sapa.

Market privatisation properly, says Schwarz

If any degree of privatisation were to succeed it was important that it be marketed properly, Mr Harry Schwarz (PFP Yeoville) said in the House of Assembly yesterday.

He said during the commission for administration and improvement of conditions of service vote that it was also important that the right candidate be selected for the first major privatisation exercise and that this be carried out correctly and with adequate safeguards.

The essence of a true democratic and free enterprise system was that assets were owned by the people and not by the State and it was this marketing concept that had to be put across — Sapa.

DD 20/5/88

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Privatisation: govt not to pick out difficult projects

Political Staff

CAPE TOWN — Government has no intention of picking out the most difficult projects in its privatisation process, according to the Minister of Administration and Privatisation, Mr Dawie de Villiers

Giving this reassurance in parliament yesterday during his budget vote, Mr De Villiers said a great deal more investigation was needed before privatisation was taken any further

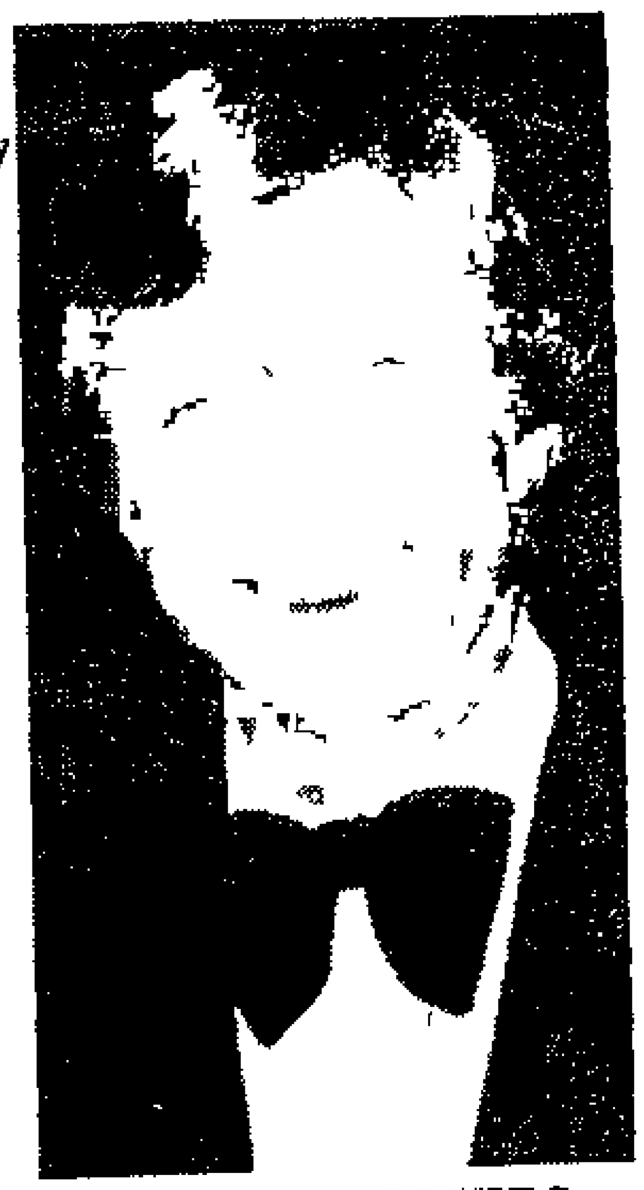
Care must be taken to look at the needs of all concerned

He said he was encouraged by the privatisation progress made in Britain, and with the British Airways case in particular, in which employees had to a considerable degree become shareholders in the organisation

The PFP spokesman for finance, Mr Harry Schwarz, warned government to be careful not to allow the privatisation issue to become a political football while if its to succeed, it must be marketed correctly

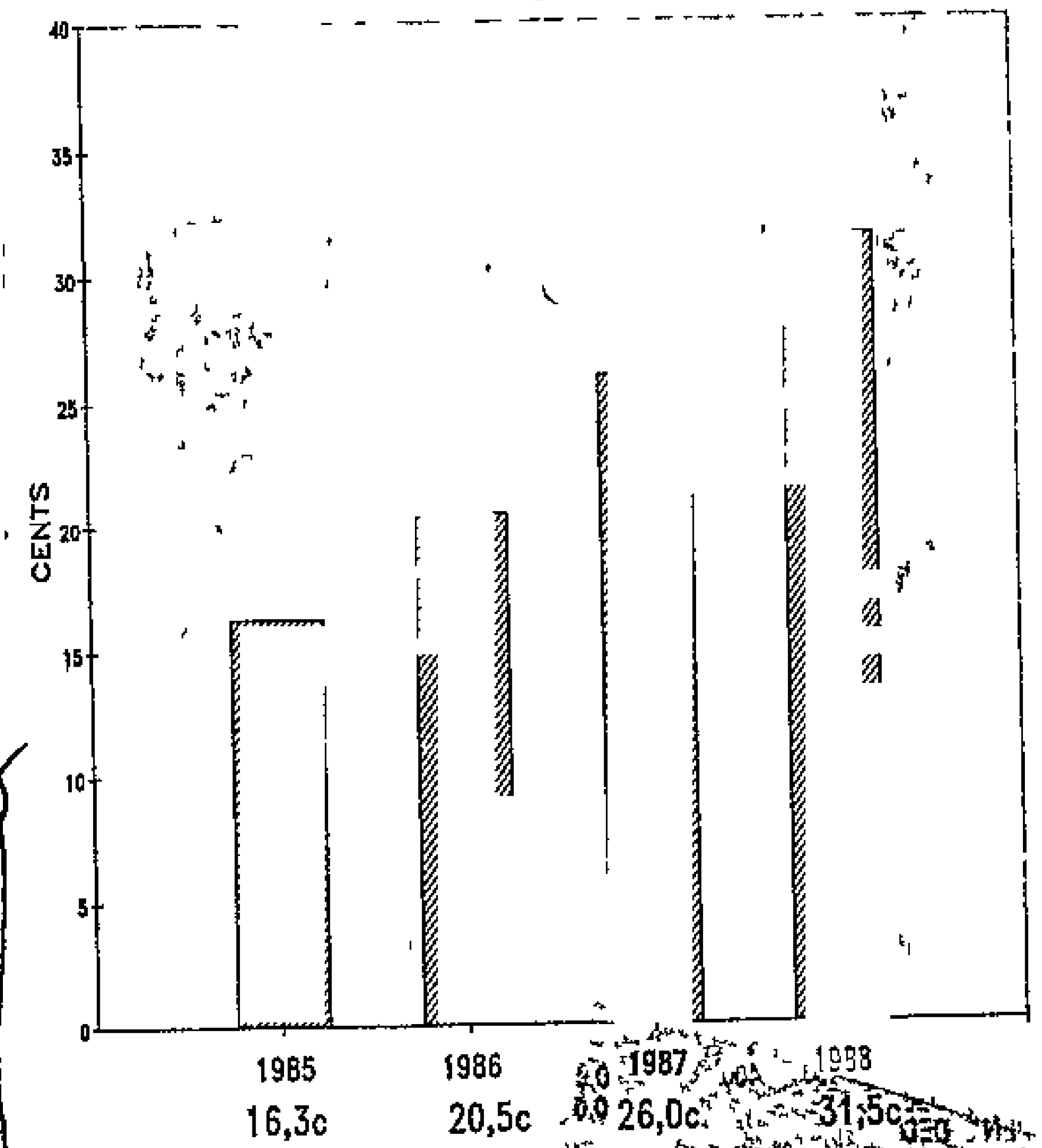
Mr Schwarz said the argument that the sale of state operations was merely a way to supplement state income could be dealt with by showing the proceeds went towards financing social and infrastructural projects

He questioned whether Eskom was the right candidate to be privatised first If the exercise failed the whole programme would face a major setback



DR DE VILLIERS

The Southern Life Association Ltd Dividends per Share



AVERAGE ANNUAL COMPOUND GROWTH OVER THE PERIOD WAS 25%

232

SA's 'problem': Wealth creation

21/5/88

Cape Times

DURBAN — The real problem facing South Africa was not state over-expenditure, but the speedy generation of wealth and income needed to meet the constitutional challenge, the Minister of Finance, Barend du Plessis, told the South African Institute of Chartered Secretaries and Administrators yesterday

He said the whole process of the government's laying claim to an ever-growing share of the Gross Domestic Product had to be reversed so that scarce resources were released for growth

This reduction in the scale of state activity was already happening and privatization was only one aspect of the excercise

Even when privatization had run its course, there was still much room for the pruning and restructuring of public expenditure This was now receiving urgent attention and the State President's Committee on National Priorities was one of the building blocks

"We are committed to a restructuring of overall expenditure that will create a better balance between consumption spending and the formation of both fixed and human capital," he said

More funds would have to be channelled towards those needs that had clearly been assuming an increasing weight in the country's political economy — Sapa

Durol Oil to close Rosslyn plant

ROY COKAYNE

232 Star 4/5

Durol oil re-refining plant at Rosslyn near Pretoria — the third biggest in the country — is to close at the end of June and most of the 73 employees retrenched.

Durol Oil general manager Ed Bartlett said the decision to close was due to a combination of factors, including high raw material costs, reduced demand and Government environmental controls on waste disposal.

But Mr Bartlett stressed they were only closing down the Durol production facility at Rosslyn and would continue to market Durol Oil using other sources.

Steps would be taken to find jobs for those people who could not be absorbed elsewhere into the Durol marketing organisation.

He pointed out that Durol was associated with Burmah Oil internationally and dealt with most of the major oil companies in South Africa and could get base oil from all of them.

However, Mr Bartlett said the whole re-refining business had slumped dramatically in the last few years.

"It is a trend internationally and there are hardly any re-refining facilities left in Europe.

"Our re-refining business is the third to close in South Africa. The other two were Exol in Virginia, which was also known as Virginia Oil, and Condor Oil near Krugersdorp, which was part of the Mobil group."

New outlets help boost Milstan earnings 164%

Star 23/5/88 (232)

In the year in which it came to the JSE lists, Milstan has lifted earnings a share by 124 percent from 6,6 cents to 14,76 cents — some 40 percent ahead of the prospectus forecast.

The company was listed in June last year and in the 12 months to end-February the increase in profit, at 164 per cent both before and after tax, far outstripped the 60 percent rise in turnover as margins spread dramatically.

After tax profit rose to R3,5 million (R1,3 million) on pre-tax profit up to R7,0 million (R2,7 million).

Turnover rose from R44,1 million to R70,6 million.

The maiden dividend is 4 cents, some 25 percent above the prospectus forecast. It represents an annualised dividend of approximately 5 cents a share.

The Group's surplus cash position of approximately R10 million and efficient working capital management ensured that no interest costs were incurred during the year.

In addition, the financial structure looks sound and with ample cash resources the group seems set fair for further growth — both organically and by acquisition.

Group NAV at end-February was 52 cents, a discount of some 50 percent on Milstan's present market price of 100 cents — well below the norm for the retail sector.

The opening of eight new outlets since the listing has lifted the total to 23. A statement on the results says "The incorporation of these outlets produced immediate benefits and it is estimated that some 3 cents of Milstan's 1988 earnings were obtained from this source.

The anticipated benefits from the merger of Stans and Miltons in March last year have had a "direct and considerable impact" on Milstan's profitability, according to the report.

The directors are extremely positive about prospects for 1989 They say this is the first full financial year in which all 23 stores plus the two service divisions will have been operating for 12 months.

"In addition, the considerable growth potential of the recently announced acquisition of photographic and electronic product retailer, Radio Mannie assures the Group of substantial growth

Although listed in the retail sector, the major portion of Milstan's achieved and projected profits are derived from high technology electronic goods.

Based on the EPS figure of 14,76 cents and present share price of 100 cents, Milstan is trading on a historic P/E ratio of 6,8, well below the sector average of 13,6.— Sapa.

Gundlefinger sold to Uniserv for R4,4-m

Star 23/6/88

(232)

Uniserv has acquired Gundlefinger and Son (Pty) in a R4,4 million cash and share deal.

THis isUniserv's second takeover this month. The R22 million purchase of associate company WTC/Burlington was announced three weeks ago.

Uniserv is paying R567 000 in cash and 2,335 million of its ordinary shares to the Gundlefinger family. If the deal had been effective last year, it would have increased Uniserv's earnings per share by 6 percent from the reported 13,8c to 14,6c for the year to end February 1988. The net asset value per share would have risen by a similar proportion, from 35c to 37c.

The acquired company's chairman Andrew Gundlefinger is to join the Uniserv board. The private company's travel and ships agency operations will continue to be run under the Gundlefinger banner. Its clearing and forwarding business, which accounts for around three quarters of Gundlefinger's operation will compliment Uniserv's existing interests in this sector.— Sapa.

D/D 24/5/88

(232

Barlow lifts earnings dividends

JOHANNESBURG — Taking full advantage of a more favourable economic climate, Barlow Rand has ended an eventful first half to the current financial year by posting a 32 per cent increase in attributable profits and raising the interim dividend by 30 per cent to 39 cents.

Coming off an already high base, the performances from the industrial and food divisions in the six months ended March 31, 1988, enabled the group to take in its stride the nine per cent decline in contribution from the mining and mineral beneficiation sector and to maintain its record of a 30 per cent earnings growth rate over the past two and a half years.

With the mining sector expected to show early recovery and most other divisions maintaining if not accelerating the pace, the outlook is for the growth rate to be sustained for at least the rest of the year.

In addition, group companies initiated a number of strategic acquisitions during the six months and these should add to the quality of future earnings as well as providing the platform for expansion and development into the next decade

These include the acquisition of an effective 28 per cent stake in Technology Systems International comprising the merged computer industry interests of ISM Trust and Reunerts Rand Mines acquisition of 61 per cent in Barplats a 33 per cent interest in Barbrook Mines. Nampak's offer for the balance of Metal Box South Africa not held by it the 25 per cent stake in R I. H not previously held and Tiger Oats offer to purchase 50 per cent of Langerberg Foods

Other acquisitions include offers for the whole of Logos Chemicals by Tiger Oats, Sterling Drug by Adcock Ingram and a 45,4 per cent stake in French Bank by Barlow Rand

The industrial sector was the major contributor to the growth rate boosing its taxed profits by a sparkling 72 per cent to R233,9-million and constituting 41 per cent of the group's total in that respect against 31 per cent a year ago

The international division experienced mixed fortunes but the lower trading profits were offset by favourable conversion of profits into rand

The report is confident on the outlook, forecasting that "trading activity is expected to continue at current levels in the second half and this, together with prospects for a stronger performance from the mining and mineral beneficiation sector, should result in sustained earnings growth for the full year"

Fast-growing Barlow Rand showing a new dynamism

Star 24/5/88

232

By Magnus Heystek
Finance Editor

A spectacular increase in earnings from the industrial interests of giant conglomorate Barlow Rand more than offset the drop in earnings from its mining interests with attributable earnings in the six months to end-March increasing by 32 percent

The market is expected to react favourably as these results are further proof of an emerging dynamism at Barlows after many years of fairly undramatic performances

The results of strategic long-term planning are now falling into place as the announcement of one big deal after the other in recent weeks testifies. And, according to senior management at Barlows, the best is still to come

According to the interim results released this morning turnover in the six-month period increased by 23 percent from R8,077 billion to R9,89 billion while the operating profit before interest increased by 30 percent to R894,3 million.

With interest charges virtually unchanged at R125,9 million (R125,1 million), operating profit soared by 37 percent to R768,4 million

While attributable earnings increased by 32 percent from R236,2 million to R312,6 million, a slight increase in shares issued diluted the rise in EPS to 31 percent from 131,6c to 172,3

	Six months ended March 31				
	1988		1987		Increase
	R million	%	R million	%	%
Mining and mineral beneficiation	150 1	26	164,3	-9	
Industry	233 9	41	135 9	31	72
Food	155 0	27	113 2	26	37
International	39,6	7	38 0	9	4
Property, finance and administration	-5,5	-1	-16,6	-4	67
	573,1	100	434,8	100	32

Contributions to group profit after taxation

The interim dividend has been increased from 30c to 39c a share

On yesterday's trading price of 2010c the shares are yielding 13,6 percent and 5 percent on historical earnings and dividends respectively.

Outlook good

And the outlook for the remainder of the year is good Says Mr Derek Cooper, deputy chairman of Barlows "With the mining sector expected to show an early recovery and most other divisions maintaining if not accelerating the pace, the outlook is for the growth rate to be sustained for at least the rest of the year

"In addition, group companies initiated a number of strategic acquisitions during the six months and these should add to the quality of future earnings as well as providing the platform for expansion and development into the next decade"

Some of the acquisitions refered to by Mr Cooper include

- Joint control of IBM distributor ISM and setting up the giant computer supplier Technology Services International
- Full control of Metal Box for R269 million
- 50 percent of Langeberg Co-op for R80 million.
- Previously US-owned Sterling Drug Company for R52,5 million
- An additional 25 percent of Robor Industrial Holdings, thereby increasing its holdings to 85 percent
- Control of Logos Pharmaceuticals, formerly known as MSD

These strategic acquistions in fast-growing sectors of the market are likely to further boost the flow of earnings from its industrial interests, now the major contributor to group profits

The sharp increase of 72 percent in earnings from its industrial interests in the first six months of the financial year, from R135,9 million in 1987 to R233,9 million, increased its contribution to total profits to 41 percent, surpassing the contribution from its mining and associated interests (See table)

Lower grades, reduced profits from its coal mines and sharp increases in costs, contributed largely to the 9 percent drop in earnings from mining and mineral beneficiation from R164,3 million in 1987 to R150,1 million

The earnings from its food interests rose by 37 percent from R113,2 million to R155,0 million, steadily maintaining its contribution to group profits at 27 percent (1987 26 percent)

Internationally

The contribution of its international interests declined from 9 percent(R38,0 million) to 7 percent (R39,6 million), largely as a result of an indifferent performance from J Bibby and Sons

The US-based packaging and security printing operation Interchecks is in the process of being sold-off to management for $40 million, a move which will hopefully eliminate the drag on earnings of Bibby

Prospects for the second half of the year are good while an increase in gold and mineral prices should further boost earnings Any downturn in the economy will not impact on earnings in this financial year, says Mr Cooper

(532) Bday 25/5/88

Privatisation blueprint

A PRIVATE sector body has come up with a report which could well serve as a blueprint for wide-scale privatisation of state-owned land.

The SA Property Owners' Association (Sapoa) memorandum deals specifically with the redevelopment of Cape Town's harbour area but contains principles which could be applied to any similar project

One of the key elements is the formation of an investment vehicle capable of being quoted on the JSE, thereby enabling participation by institutions and the investing public.

● See Property — Page 12

COMPANIES

Argus 25/5/88 232

Waltons shareholders give all-clear for Osa purchase

By MAGGIE ROWLEY, Business Staff

SHAREHOLDERS of Waltons Stationery — which has turned in sparkling results for the year ending February 29 — have given the go-ahead for the group to purchase the entire issued share capital of Osa Holdings (Pty) for R44-million.

In an interview following the shareholders meeting yesterday, MD Frank Robarts said the acquisition was expected to boost turnover by 25 percent.

It would be funded by cash reserves and loans from banks and institutions which would have to be repaid within two to three years.

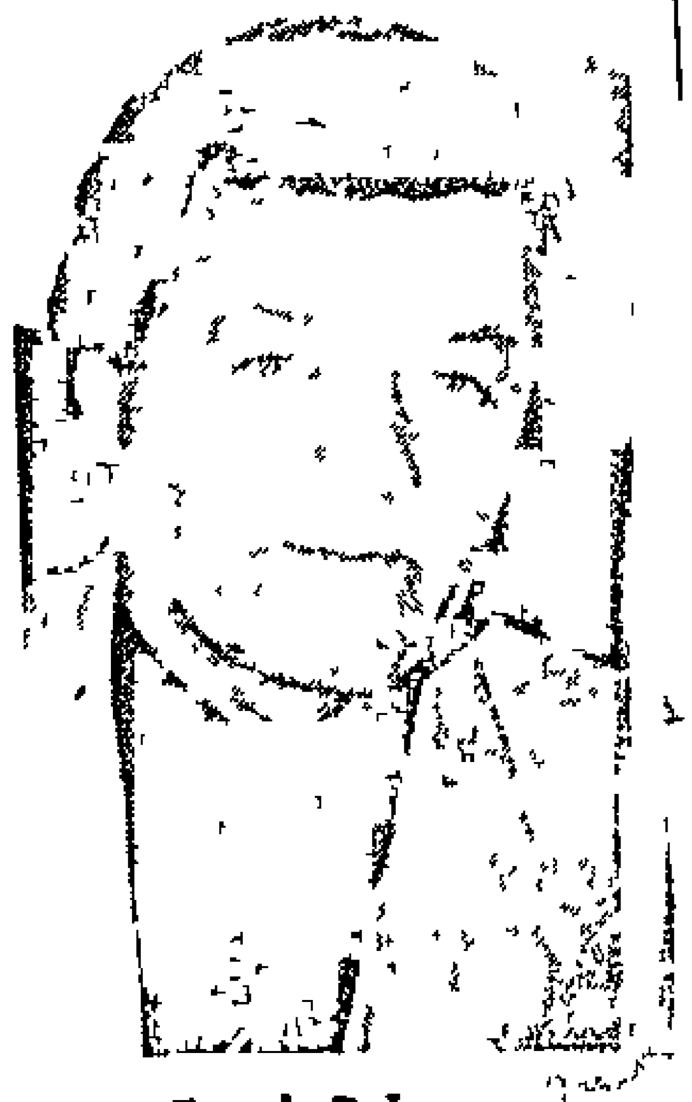
Waltons has been on the acquisition trail in recent years, and further acquisitions were in the pipeline, he said.

The company acquired Osa Holdings and its subsidiary Ozalid from its Dutch parent company, Oce Van Grinten, which has been under pressure to disinvest. The Dutch company owned 87 percent of Ozalid while Old Mutual had a 13-percent stake.

Ozalid manufactures and distributes drawing office equipment, labels, markers and photocopiers.

In its 10th year as a listed company, Waltons reported an 84,6-percent increase in after-tax profits to R24,3-million on a turnover of R329,6-million, up 54 percent on last year's R214-million.

After an extraordinary item of R2,3-million, which represented the net effect of profits on disposal of investments and goodwill written off on acquisition of subsidaries, profit attributable to shareholders amounted to R22,1-million (R12,6-million).



Frank Robarts

While new acquisitions accounted for 30 percent of turnover, they only brought in 10 percent of profits, Mr Robarts said.

Earnings a share soared 81,4 percent to 39c from 21,5c last year.

A final dividend of 9c, up 80 percent on last year's 5c, brings the total payout for the year to 13c, almost double last year's 6,9c.

Taxation at R19-million was 17 percent higher than last year's R16,7-million. However, finance costs dropped marginally to R2,2-million from R2,8-million.

Current assets stand at R148,8-million (1988: R94,2-million) while current liabilities total R82,4-million (R62,6-million).

Mr Robarts said that, while it was too early to tell how trading was going this year, the group expected earnings to show a further improvement.

Waltons Consolidated Investment Holdings, which has a sole investment of 50,2 percent in Waltons Stationery, lifted operating profit before taxation by 95 percent to R4,5-million (R2,3-million).

Sowetan 25/5/88

232/98

Imbeleko will fight Govt plan

MISS Nomonde Jafta, co-ordinator of Imbeleko.

THE Government's intention to privatise health services has led the Imbeleko Women's Organisation to launch a campaign against the move before it comes into operation.

By MOKGADI PELA

Explaining her organisation's campaign, Miss Nomonde Jafta, the co-ordinator of Imbeleko, said: "In keeping with the popular expression namely, *mme oa ngoana o tshoara lehare ka bohaleng* which loosely translated means that a mother will use her bare hands to hold the blade of a sword in order to protect her offspring, we felt we could not let this government do what it wants without being challenged."

The 29-year-old Miss Jafta, from Wattville said: "In order to understand the motive behind the proposed privatisation of health services, it is essential to realise that South Africa is both a racist and capitalist state."

Miss Jafta said: "Privatisation will only increase the misery of black people. Only the rich sections of our community will afford privatised health services, because they can afford the already expensive Medical Aid schemes.

Education

"If this move succeeds, infant mortality rates will soar, the high pregnancy rate among our youth is not going to be reduced by privatisation, but by proper health and sex education.

"From a brief look, it is clear that for the past five years, hospital fees have been rising unbelievably. Government's intention has been to slowly condition the masses to this coming privatisation," she said.

She said those who were going to be particularly hit by the move were pensioners and lower income groups. She said Imbeleko wanted health services to be accessible to all.

"One of the reasons why workers are taxed is for provision of health services, instead of our money being wasted in bantustans like Lebowa. One wonders what is going to happen to billions of rands the Government claimed to have reserved for health services once these are privatised," Miss Jafta said.

She added that Imbeleko, in conjunction with other organisations, intended conducting health clinics throughout the country.

The decision to launch a campaign against privatisation was reached at a seminar in Mamelodi, Pretoria, last week where delegates came from areas such as Lenyenye, Kuruman and KaNgwane, Miss Jafta said.

The co-ordinator of Health 2000, Dr Abu Asvat, said: "The impending privatisation of health services does not augur well for the man in the street. Access to health, which is a basic human right, will in future be available on payment of money — the more you pay, the better the service."

He said the poor would suffer and the World Health Organisation's dream of providing health to all by the year 2000 would be an unattainable proposition.

B & C may sell stake in Royale

CAPE TIMES 25/5/88 232

Own Correspondent

Cape Town's historic Mount Nelson hotel may be part of a management buy-out of Bricom, the hotel division of present owners British & Commonwealth Holdings (B & C). This was disclosed by Peter Goldie, CE of B & C, who said yesterday: "We will sell Bricom. If it doesn't go to management it will go elsewhere."

LONDON. — British and Commonwealth Holdings (B & C) is set to announce on Friday that it has disposed of its 51% stake in Royale Resorts, the vehicle used by Sun Hotels for a $100m redevelopment of its French gaming interests.

Sun Hotels has a 49% stake in Royale and in August last year Sol Kerzer relinquished his post as Kersaf MD to become Royale CE

A B & C spokesman said no announcement would be made until the publication of its annual report on Friday, but brokers close to the group are convinced the disposal has already taken place.

There are no clear indications here as to who a likely buyer could be, or of the effect this will have on Royale's redevelopment of a chain of French casinos owned by Societes des Hotels et Casinos de Deauville (SHCD).

A Royale spokesman at its headquarters near Henley on Thames said neither Kerzner nor his deputy Peter Bacon were available for comment. Both were away for the rest of the week.

Under the deal announced last August French hotel magnate Lucien Barriere transferred his hotels and casinos to SHCD in which he and Royale each held a 38% stake

Kerzner said at the time that the group with a net asset value of 1,1bn French francs and almost no gearing effectively controlled half of France's gaming market.

Under the re-organization B & C held 49% of Royale's interests in Southern Africa and Mauritius with Kersaf holding 51%.

Any disposal by B & C would be in line with the group's new strategy of concentrating on the financial services sector

B & C CE Peter Goldie announced last night that negotiations for a management buy-out of Bricom, the division which runs its hotels including the Mount Nelson in Cape Town, were proceeding

"We will sell Bricom If it doesn't go to management it will go elsewhere."

Broking sources say, however, that the Royale disposal has taken place separately from the sale of Bricom.

It is unlikely that Sun Hotels will be the buyer of the B & C stake as one of the stipulations made by the French Ministry of Finance before approving the SHCD deal was that it had to be assured that B & C was the majority shareholder in Royale and that the new SHCD would be ultimately French controlled.

Privatisation can curb inflation says expert

HELOISE HENNING

232

PRIVATISATION is a political movement, not a series of events which push back the frontiers of government, British privatisation expert Brian Pomeroy said yesterday. B/day 25/5/88

Privatisation's wider objectives have been to reduce public finance in an anti-inflation campaign, he said.

Pomeroy said perceptions, including those of employees and trade unions, had changed in Britain since the flotation of the first public corporation, British Telecom.

(232) B/Day 25/5/88

PROPERTY/Edited by Terry Meyer

Cape Town a model for SA

JANE STRACHAN

A DETAILED memorandum which could serve as a blueprint for the privatisation and development of State-held land throughout SA has been presented by the SA Property Owners' Association (Sapoa)

While the report deals specifically with recommended procedures for the redevelopment of Cape Town's historic harbour, Sapoa executive director Peter Erasmus agrees it could well be applied to other SA Transport Services (Sats) land in the privatisation pipeline

The paper — prepared at the request of Sats — recommends procedures which would enable participation in the development of this type of land by all members of the investing public The Sapoa committee believes the potential which the redevelopment holds for Cape Town is enormous and that the city's economy can sustain the proposed scheme

A crucial recommendation is the formation of an investment vehicle capable of quotation on the JSE, thereby enabling participation by institutions and private investors To this end, a property unit trust or a variable loan stock company is suggested The company's board would be appointed by the responsible Minister and would comprise mainly leaders in property development.

The establishment of a company takes care of the vital need for development to be led by private enterprise, with domination by the free market system

Sapoa also recommends establishment of a Harbour Development Authority (HDA), whose responsibilities would include the determination of a flexible concept guide-plan for financial and planning development and recognition of the need of Sats to retain an interest in the area

Sapoa endorses certain recommendations of the Burggraaf committee report on the harbour. Among these are

☐ The appropriate restoration of historical buildings,

☐ Withdrawal of rail traffic from the redevelopment area,

☐ That water-related activities be encouraged, and

☐ That the pierhead area forms the focus of any project

However, some of the Burggraaf proposals needed more careful consideration These include

☐ That the activities of the Robinson Dry Dock and syncro lifts remain in the area,

☐ A prohibition on recreation in the Victoria Dock water area, excluding the pierhead, and

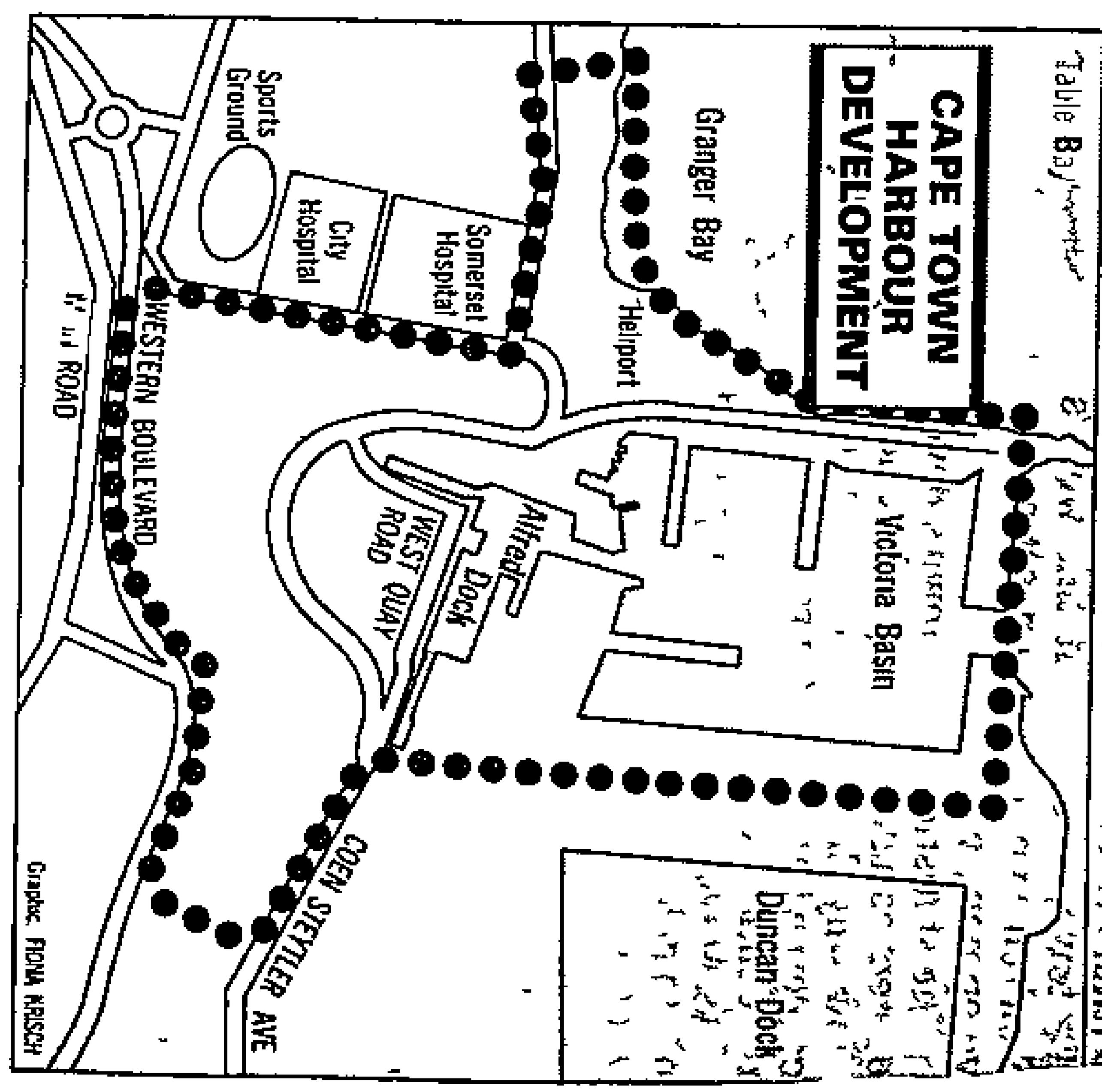
☐ The concept that existing leasees in the area operate retail outlets

The total area involved, including the Victoria Basin, is about 100ha — considered to be sufficiently large to cater for the fishing industry and a variety of tourism, recreational, residential and commercial activities

The report notes the importance of phased development and that each phase should generate the development for the next phase "In addition," it continues, "it is our view that whatever financial evaluation is undertaken, too much emphasis must not be placed on potential income from tourism The financial feasibility of any development in the dock area must view the area as an extension of the CBD"

It stresses that development must not be over-planned, commenting that the foreshore is an example of over-planning and how development should not occur One of the most attractive features of waterfront projects elsewhere in the world, particularly the US, is the apparently haphazard but functionally-dictated development

Sapoa's observation on Sats' current policy of divesting property by means of leasehold, while retaining freehold, echoes general market comment on the method that negative perceptions to leasehold will undeniably restrict the market and that it would be infinitely preferable to a company to acquire freehold title



☐ ABOVE ... the proposed revamping of Cape Town's harbour

Simchowitz scuttles Joffe's Aurochs plans

Star 25/5/84 (232)

By Magnus Heystek, Finance Editor

Mr Manny Simchowitz, former controlling shareholder of Waicor until he sold out to the FS Group last year, is believed to be responsible for scuttling Mr Brian Joffe's bid to build up Aurochs into a major trading organisation

Earlier this week it was announced that the proposed deal involving property-owning company Aurochs had been cancelled, due to what some analysts described as a "dog-in-the-manger-attitude" on the part of the minority shareholders in AAF Investment Company, a London-based company with an indirect stake in Aurochs

It has now come to light that Mr Simchowitz controls 11 percent of AAF Finance and previously was a chairman of this Waicor-controlled company.

Brian Joffe — "I see no sense in it."

London sources indicated that Mr Simchowitz has thrown a spoke in the wheel of Mr Joffe's plans

"I have no idea why he (Mr Simchowitz) would have wanted to block the deal, " Mr Joffe said last night, confirming market suspicions that Mr Simchowitz was behind the blockage "I have not communicated with him recently and do not see any sense in it"

At the weekend it was announced that minority shareholders in AAF, basing their actions on takeover regulations pertaining to the London stock exchange, indicated that they intended blocking the deal

According to LSE rules the consent of minority shareholders in AAF Finance (a subsidiary of Waicor) was a prerequisite for the deal to go through

Mr Joffe was chief executive of W&A for nearly seven years and was primarily responsible for the deal in which Mr Simchowitz received about R100 million for his controlling stake in Waicor, the ultimate holding company

"We had a good working relationship and I was very surprised to hear that he was going to block the proposed take-over of Aurochs," Mr Joffe added

"I have no idea why the deal is being blocked as it makes no sense I was paying a premium of R400 000 on the book-value of Aurochs, which was considered sufficient by the other shareholders

"Since then I've had numerous offers from other companies, some of them on the Development Capital Market, to involve themselves in a similar deal, " Mr Joffe said last night

"I might still even consider setting up a new company and getting a front-door listing," he added

Mr Joffe was adamant that he would not be returning to W&A and was committed to "doing his own thing", as he put it.

"I'm looking to start up a trading organisation which is not too labour or capital intensive Hopefully, some announcements will be made in due course"

Mews 25/5/88

Directors offer R38-million for Garlick shares

By TOM HOOD
Business Editor

TWO directors are making a R38-million takeover bid for the century-old Cape-based Garlick store business

Mr Jack Garlick, deputy-chairman and managing director, and Mr H N P Boyce, marketing manager and Western Cape regional manager, are seeking control of the chain, which boasts a turnover of R100-million.

They are offering about R36-million to buy all the ordinary shares — including those of the Garlick family — at R12 a share in cash.

They are also proposing to redeem the company's R5-million of preference shares

The offer pushed up Garlicks shares to a record R12 today on the Johannesburg Stock Exchange, from R6,75 on Monday when trading was temporarily suspended for two days

Rumours of a deal on Monday sent up the shares from R5,60 to R6,75.

The offer is a whopping 78 percent premium on the pre-suspension price and exceeds the peak of R8,50 just before the market crash last October.

The Garlick family owns more than 60 percent of the shares and about 450 individuals hold the balance

Mr Garlick said today it would be business as usual under the Garlicks banner if the deal was implemented

The offer was attractive and he expected some of the family to liquidate their holdings

New control would improve the company's performance, he said, and allow a share-issue to the staff.

"It is our intention to give key executives a slice of the action, which is currently not possible because the shares are so tightly held"

SECURITY

The new arrangement would also give security of employment to the staff.

The controlling shareholders have agreed to accept the offer and a new company, Newco, is to be formed to control the business, with Garlick Ltd and its holding company, Garlick Consolidated, being de-listed from the JSE.

The directors making the offer say they have arranged finances to pay for it and the company's ongoing capital requirements

Chairman, allow me to refer the hon member to part of the reply I have just given

†After consultation with officials of the Department of Education and Culture, Administration House of Representatives and the acknowledged teachers' association, the Divisional Commissioner prohibited the gathering

Questions standing over from Tuesday, 24 May 1988

Officer dismissed from SADF

*1 Mr J H VAN DER MERWE asked the Minister of Defence †

(1) Whether a certain officer, whose name has been furnished to the South African Defence Force for the purpose of the Minister's reply, was recently dismissed from the Defence Force, if so, (a) why and (b) when,

(2) whether this officer appeared before a court martial, if so, (a) on what charges and (b) what were the findings of the court martial?

†The DEPUTY MINISTER OF DEFENCE

(1) Yes

(a) By virtue of a sentence of cashiering imposed by a General Court Martial

(b) 26 April 1988

(2) Yes

(a) Main charges of contravening Sections 32, 20(a), 16, 27(b) and 17 of the Military Discipline Code (MDC) Alternative charges of contravening Sections 45(a), 46, 27(b), 48 of the MDC, Crimen Injuria, common law theft and common assault

(b) Guilty of contravening Sections 32, 20(a), 16, 46, 45(a), 48 of the MDC and a charge of Crimen Injuria

Financial rand transactions

*2 Mr W J D VAN WYK asked the Minister of Finance †

(1) (a) What total amount was (i) spent in the Republic and (ii) handled by a certain bank the name of which has been furnished to the Minister's Department for the purpose of his reply, by means of the financial rand during the latest specified period of five years for which figures are available and (b) what is the name of the bank concerned,

(2) whether consideration is being given to replacing the financial rand by the commercial rand, if so, (a) for what reasons and (b) when,

(3) whether he will make a statement on this matter?

†The DEPUTY MINISTER OF FINANCE

(1) (a) (i) This information is not available as the majority of transactions in Financial Rand (both purchases and sales of securities) are undertaken by non-residents on the Johannesburg Stock Exchange which transactions do not require specific Exchange Control authority issued by the South African Reserve Bank

(ii) Financial Rand transactions in excess of R300 million

(b) The African Bank Limited

(2) No (a) and (b) fall away

(3) No

Privatisation of oil supplies

*3 Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology

(1) Whether it is the intention to privatise South Africa's strategic oil supplies, if so,

(2) whether consideration has been given to effecting privatisation in this regard by transferring control for a financial consideration, if so, what are the relevant details,

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

†The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(1) No, presently it is not being planned

(2) Falls away

(3) Should the Government take such a decision, it would be announced

Helderberg: cargo

*4 Mr D J N MALCOMESS asked the Minister of Transport Affairs

(1) Whether he will furnish information on the cargo carried by the Helderberg at the time of its crashing into the sea near Mauritius on 28 November 1987, if not, why not, if so,

(2) whether the captain of this aircraft expressed concern to the South African Airways in regard to the nature of the cargo to be carried on its last flight from Taipei, if so, who was the consignee of the relevant cargo,

(3) whether any telex messages were exchanged between this captain and the Airways in regard to the nature of the cargo prior to the take-off of the Helderberg from Taipei,

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

The DEPUTY MINISTER OF TRANSPORT AFFAIRS

(1), (2), (3) and (4)

No The Commission of Inquiry surrounding the Helderberg air disaster has not as yet completed its investigation and the matter is therefore regarded as sub judice

Mr D J N MALCOMESS Mr Chairman, arising out of the hon Deputy Minister's reply, may I ask him whether he is not aware that when I put supplementary questions to the hon Minister on the previous occasion, he suggested that I place my questions on the question paper?

The DEPUTY MINISTER Mr Chairman, all I want to say to the hon member is that we have no record of any telexes between the captain of the Helderberg and the authorities beforehand If, however, the hon member has any information which we do not have, I would like to invite him to submit that evidence to the Margo Commission

Mr D J N MALCOMESS Mr Chairman, further arising out of the hon the Deputy Minister's reply, is he aware of a report which appeared in the Press stating that hazardous illegal cargo in a disguised form may have caused the fire aboard the Helderberg and in view of that, does he not think it would be better for a statement to be issued on the subject to clear up any possible doubt in the minds of the public as to whether or not hazardous illegal cargo was carried on the Helderberg?

The DEPUTY MINISTER Mr Chairman, I have nothing more to add to what I have already told the House

Cash gratuities: equality of private/public sectors

*5 Mr D J N MALCOMESS asked the Minister of Finance

Whether he intends to equate the private and public sector position as regards cash gratuities paid to retiring staff being exempt from tax, if so, when, if not, why not?

The DEPUTY MINISTER OF FINANCE

The achieving of neutrality in the tax treatment of gratuities and lump sum payments received by private and public sector employees is dealt with in paragraph 8 5 4 of the White Paper on the Report of the Margo Commission

As indicated therein the Government has accepted the Commission's recommendation that these benefits be taxed on an equal basis, but subject to the condition that the rights of existing members of pension and similar funds be adequately protected I also dealt with this matter in my statement of 27 January 1988

The means by which vested rights should be protected is to be investigated by the Commissioner for Inland Revenue who will hold discussions with interested parties Owing to the immediate heavy burden on the Commissioner and his staff in preparing legislation for submission to Parliament during the current session and the large number of other Margo recommendations that have been accepted, notably the introduction of the VAT system, and which still have to be researched and implemented, such investigation and discussions have not yet taken place The matter will, however, receive attention during the recess

Angola cost of military action

*6 Mr J H VAN DER MERWE asked the Minister of Defence †

(1) What was the total cost of the military action of the South African Defence Force in Angola during the period 1 July 1987 to 31 March 1988,

(2) whether this cost is being financed from the appropriation for the current financial year, if not, in what way will the cost be financed, if so,

SAA favours deregulation

Business Day Reporter

SAA CE Gert van der Veer says he supports deregulation of the aviation industry and has criticised Business Day for suggesting the contrary

He disputed an editorial in yesterday's Business Day saying SAA was hedging on deregulation and privatisation

An earlier report announcing SAA's R160m profits for last year, written from remarks he made at a Press luncheon, completely ignored his strong support for total deregulation and his remarks on what SAA planned for the future, said Van der Veer.

"SAA has improved services domestically on many levels during the past two years without asking the public to pay for these improvements, and your accusations are therefore felt to be highly unfair.

"If the public insists on half-full aircraft with seats on demand, departing to all destinations every hour, they will have to be prepared to pay much more," he said

SAA managed to earn its huge profits as a result of an increase in productivity

B/day 26/5/88

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SAA chief in favour of deregulation

B/day 26/5/88

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● From Page 1

by reducing staff, introducing new rebated air packages to stimulate the market and so to encourage new travellers, maintaining air fares at their present levels for more than 26 months and through better use of aircraft.

"This profit margin cannot be maintained as SAA has already absorbed about 30% inflation costs over the last two years and is affected by ever-increasing operational and maintenance costs," he said

Simchowitz has pivotal role in FS restructuring

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26/5/88 Star

il

By Magnus Heystek, Finance Editor

Mr Manny Simchowitz and the other minority shareholders in London-quoted AAF Finance find themselves in a pivotal position regarding the proposed restructuring of the FS Group, virtually dictating terms with regard to any offer to minority shareholders in at least three quoted companies in the FS fold

Mr Simchowitz was chief executive of the W&A group of companies until he sold control to the FS Group for R100 million in September last year He also was chairman of AAF but has since been appointed non-executive director on the grounds of his 11 percent shareholding remaining in the company

The minority shareholders in AAF have already scuttled the planned trading company Mr Brian Joffe and FS Industries hoped to create out of Aurochs, a locally quoted company in which AAF has an indirect interest via its 50 percent holding in Hunts

Hunts, part of the W&A group of companies, is the immediate effective holding company of Aurochs, owning 87 percent of the equity

The proposed deal wherein Mr Joffe, in partnership with FSI, was to acquire Aurochs from Hunts and create a trading organisation (after the disposal of the property assets) was called off after it was intimated by Mr Simchowitz and other minority shareholders in AAF that they would block the deal on grounds of it being a class 4 transaction in terms of the rules of the London stock exchange

In terms of this ruling a company (in this case FSI, Hunts and Aurochs) cannot be seen dealing with itself, leaving it to the minority shareholders to accept or reject any proposed deal

Speaking from Los Angeles last night Mr Simchowitz reacted to the report in The Star yesterday saying that he and other important minority shareholders were not satisfied with the offer made to Aurochs on "commercial grounds"

"Shareholders at the recent annual meeting of AAF also expressed concern about the way the company was being run," Mr Simchowitz said In this instance he was referring to Mr Joffe's resignation as chief executive of AAF in January, his re-appointment in April which was again followed by another resignation in May

This appraisal of Mr Joffe's management abilities, however, differs sharply from the latest annual report of W&A in which high praise is expressed for Mr Joffe

Mr Philip Jacobson, chairman of W&A has the following to say about about Mr Joffe "Brian embodies a rare mix of a razor-sharp business brain, accuracy of thought, and a calm, reasoning manner His stewardship of the group's fortunes will, I trust, continue for many years."

However Mr Joffe announced his resignation as chief executive of W&A two weeks ago together with his intention to use the cash shell of Aurochs to build up a major trading company He was not available for comment yesterday

of

According to JSE analysts Mr Simchowitz will virtually be able to dictate the offers made to minorities in Hunts, General Tyres and Tarrys, all three companies quoted on the JSE

When asked whether he intended selling the shareholding of 11 percent he has in AAF Mr Simchowitz said " I will sell anything if the price is right "

Mr Jeff Liebesman, chief executive of FS Industries, the new controlling shareholder of the W&A group of companies was not prepared to discuss the matter yesterday, saying that the restructuring is nearing completion and that an announcement would be made within two weeks

(232) B/day 26/5/88

Deregulation essential for economic reform

PRETORIA — Deregulation was the single most important factor for economic reform, Afrikaanse Handelsinstituut executive member T L de Beer said yesterday

The country could not attain and maintain a high growth rate unless the big companies achieved a satisfactory level of exports to ensure a healthy balance of payments, and the informal and small business sectors were stimulated to expand to create jobs

Jobs were created in other parts of the world mainly by small companies of fewer than 50 workers

In SA, however, existing and potential small companies were smothered by artificial rules and regulations

The problem in the way of deregulation was provincial and local authorities' vested interests

He recommended the State President use his powers to speed up the process of deregulation

De Beer said privatisation was, however, a slow process that could not happen overnight

Eskom would be the first to be considered for a stock exchange listing

Problems with the scale of government's share in Foskor were being investigated and structural adjustments at Iscor were being considered to make privatisation possible

The development of the Mossel Bay gas project should also be mainly a private sector development, De Beer said

Garlick proposals puzzle shareholders

(232) STAR 26/5/88

By Teigue Payne

Investors were puzzled yesterday by the reasons for the proposed takeover by two directors of Garlick and its holding company, Garcon Garlick shares rose 500c to close at R13, which was R1 higher than the offer to be made to minorities, indicating the proposal could be resisted

An analyst said the premium on the offer price indicated that some shareholders wanted others to vote against the offer or that they expected the two directors, Mr Jack Garlick and Mr H N Boyce (the consortium), would raise their offer in reaction to opposition

The R12 offer to ordinary shareholders is a healthy 78 percent premium on the share's price on May 18, the day before the cautionary announcement, and compares with a net asset value per share quoted as R11,07.

Opposition to the deal centres on the fact that this net asset value figure is on the basis of land and buildings at historical cost. Although Garlicks reportedly leases most of its buildings, the century-old Cape-based company owns a number of old buildings

Opponents of the deal reportedly say the current value of these buildings would be a multiple of their historic cost and would vastly increase the net asset value

The opponents are also apparently questioning the reasons given by the directors for the proposals The cost to the directors to buy out all ordinary and preference shareholders would be R38 million and the proposals would result the delisting of both Garlicks and Garcon.

In yesterday's announcement of the proposals, reasons given were that they would "facilitate executive decision-making which should improve the performance of Garlick and the security of employment for its staff and permit the consortium to involve a wider spectrum of key executives to participate directly in the future performance of Garlick"

Mr Issy Goldberg, chairman of the Shareholders Association of South Africa, said he had not had time to consider the proposals and did not suggest that shareholders should oppose them, but he viewed the reasons for them "with a certain amount of scepticism".

He said the consortium was paying a huge sum for management independence, which was unlikely to have been a problem in the past, and for an exceutive share scheme, which could easily have been arranged by the company in its present form

According to McGregor's *Who Owns Whom*, at the end of last year the Garlick family held more than 50 percent of Garcon and Garcon and members of the family held about 65 percent of Garlick

Yesterday's announcement said Garcon had indicated its intention to vote for the scheme and that a majority of the directors of Garlick had recommended that Garlick ordinary shareholders do likewise

Mr Goldberg said as the offer to Garlick ordinary shareholders was by way of a scheme of arrangement in terms of Section 311 of the Companies Act, it would go ahead if 75 percent of the votes at the shareholders meeting were in favour As it could be assumed that the Garlick family would vote for the proposals and that their shares would all be represented at the meeting, the 25 percent of shares represented needed to block them would have to be gathered from the 35 percent of minorities — a difficult task

Thereafter, the deal could only be blocked if the Supreme Court refused to ratify it

Mr Jack Garlick, Garlick managing director, was not available for comment

23 2

STERLING DRUG

On the shelf

Fears that Panado, Andrew's Liver Salts and other medical preparations would disappear from supermarket shelves because of the current dispute between the Chemical Workers' Industrial Union (CWIU) and Sterling Drug appear unfounded — so far.

A Sterling spokesman says manufacturing is continuing at the company's Mobeni plant, near Durban, and products will continue to be available Just over 20% of the plant's 300 employees are on strike Make-or-break day is Friday, when a Conciliation Board will sit to try to settle the dispute

The strike was begun by the Cosatu-affiliated CWIU in protest at the recent sale of the formerly US-owned company to Barlow Rand subsidiary Adcock-Ingram.

Before the deal was signed, the union had demanded that any sale should be subject to the union being privy to company accounts and other business information It also demanded creation of a trust fund for employees

FM 27/5/88

CWIU temperatures have risen with Sterling's sale to a Barlow Rand subsidiary. The union has recently been involved in disputes at other Barlow's companies — Nampak and Plascon It accuses the group of imposing head office bargaining rules on its companies — a charge Barlow's rejects It says its companies are left to handle disputes in their own way.

Sterling's management points out that there are no redundancies planned and no change in conditions of employment Company sources say they hope that because the Sterling dispute is essentially a protest action, it will fizzle out once the protest has been noted. ■

Jeremy Sampson gains control of Design International

STAR 28/3/88 FINANCE STAFF 232

One of South Africa's longest-established corporate and financial design consultancies, Jeremy Sampson & Associates (JSA), has acquired control of Design International in a move that will boost turnover to R4,5 million a year.

Design International is a member of the TWS Public Relations Group.

The deal is effective from July 1 ~~this~~ year. The new company will retain the JSA name.

Blake Anderson, owner of JSA, will be managing director of the new company. Design International's MD Hilton Dawson becomes deputy MD. The chairman will be TWS MD Keith Rhodes.

Says Mr Anderson. "The main benefits for clients will be our enhanced creative and production capabilities"

232 S Times 29/9/80

SUN

DIAGONAL STREET by JULIE WALKER

More than the family silver

PRIVATISATION can mean more than merely selling the family silver

This is the message from Brian Pomeroy, managing partner of Pim Goldby Management Consultant Associates in the UK Mr Pomeroy addressed the Simpson McKie privatisation conference in Johannesburg on Monday The conference was co-sponsored by Finansies & Tegniek with technical input from Pim Goldby

Mr Pomeroy has been one of the leading advisers to the UK Government since it launched privatisation in 1979 Mr Pomeroy says he did not come to offer a blueprint to SA, but to relate the UK experience

OUTRIGHT

He outlined the various methods of privatising public corporations These range from outright sale, franchising, management contracts and contracting out

The outright sale means that the government gets the cash and washes its hands of the industry, but is possible only when the industry has no strategic importance, and it must already be profitable

Mr Pomeroy believes that franchising is both undervalued and misunderstood There are natural resources which cannot be alienated — for example, there could not be a free for all in broadcasting because of the limited air space

A franchisee could put in capital and management and would risk losing the franchise for underperforming British Rail is an example of where Mr Pomeroy sees franchising as a possibility

The track would remain state-owned, but the trains could be owned and run privately

DOCKYARDS

A management contract has been granted to shipbuilders to run the Royal Navy's dockyards

"Generally speaking, the assets of the Royal Navy are not for sale," says Mr Pomeroy, "but the shipbuilders are obliged to maintain the ships in good condition The staff are employed by the contractor "

He says that in the UK almost all the managements of industries earmarked for privatisation favoured the move Trade unions were against it on principle, but did not generally cause trouble

The managements were often of high calibre, but were not appreciated, and they welcomed the opportunity to prove themselves Often, investment decisions were made on non-commercial criteria, such as the availability of funds from a central pool, and were beyond the immediate control of the managements

The acceptance of privatised companies depends on the credibility of the regulatory framework The objectives must be set out, and there must be room for a rethink

Often there are fears that a private monopoly may be as bad or worse than a state monopoly The regulatory framework for British Telecomm says that its prices may be increased annually according to a formula which depends on the inflation rate

There are plans to introduce cash penalties for the company if it fails to supply prompt and efficient service

There are also moves to allow the private customer to sue a monopoly

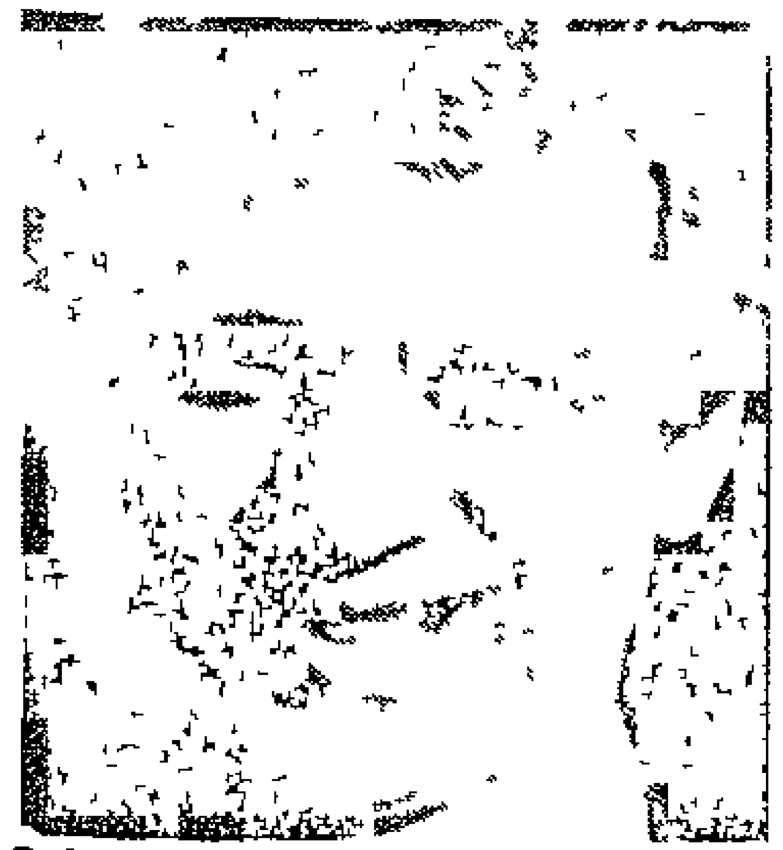
The popularisation of capitalism greatly assisted the privatisation process in the UK It came through large-scale advertising to the extent that there are now shops at which share certificates may be presented or bought

"Shares were advertised like washing powder," says Mr Pomeroy

Among the better-known megaflotations are British Gas, British Telecom, and water and electricity generating, but these are only the visible tip of a huge iceberg Rolls-Royce, British Airport Authorities and the Trustee Savings Bank are other examples

But plans are afoot for a whole range of privatising moves, such as research and educational institutes, Crown suppliers, vehicle licensing, and certain aspects of health care and jails

Which reminds me of a joke about Mrs Thatcher, who believes that long-term inmates should be given the opportunity to buy their own cells



Brian Pomeroy ... shares advertised like washing powder

Softly, slowly on the road to privatisation

THE South African Government is committed to privatisation, but the minister in charge of the policy, Dawie de Villiers, warns that action cannot be expected overnight.

Dr de Villiers spoke of the interest in and the great expectations of the public about his portfolio, but outlined the reasons why it would not be rushed

He says it is but a part of the Government's aims to revitalise the economy They include enhancing personal saving, tax reforms and the slowing of Government spending

SALARIES

Low returns on capital employed, and the increasing role of the State in fixed investment in times when the private sector hung back, served to erode the tax base The salaries of the large number of public employees account for 32% of Government expenditure

It is not desirable for the Government to continue to shoulder this burden

Dr de Villiers draws comparisons between the UK before privatisation and SA today Steel, energy, communications and transport were all dominated by the State, and many were monopolies

Apart from the lack of trust in the public sector, the absence of a systematic framework and no effective measure of performance there are also difficulties in reconciling the different time scales of politicians and industrialists

Dr de Villiers says the fault lies with the system which is open to political and bureaucratic interference Prudence goes with the wind when a government underwrites a business, and no false market is as good as the real thing

Objectives differ between interested stakeholders and a balance is important to maximise the benefits of privatisation

PROFIT HISTORY

JSE executive president Tony Norton approves of the reduction in the State's role, but says the JSE remains responsible for the listing of companies, and the initial quality of earnings must meet the criteria

The JSE cannot guarantee the future of a company, but it can vet the send-off "We like a profit history, not promises "

Mr Norton believes that deregulation must either precede or accompany privatisation He would prefer to see a profitable SA Airways in an open market with competition from other domestic airlines

He says there is no marketable securities tax on debt because the Government issues debt, but there is on equities

"If the only positive move to come out of privatisation is the scrapping of MST, it will have been worthwhile "

John Banos, chief economist at stockbroker Simpson McKie, believes that the Government should consider selling property first

"Property is immediately listable with no need to rationalise or increase efficiency before listing," says Mr Banos

He believes that institutional cash flow will easily be able to absorb new scrip, and the Government should amend or scrap prescribed asset requirements now In bad times, funds will turn to fixed-interest investments

Mr Banos outlines the worst case and most optimistic scenarios under which SA may find itself during privatisation

Lack of support by the workers, squandering by Government of the proceeds a continued bear trend in equities and hardened sanctions would lead to higher inflation and interest rates and a deterioration in confidence

But greater efficiency, employee support, deregulation and a conservative fiscal policy in balancing the Budget, and no more trade sanctions, would all be beneficial

"I cannot quantify what improved confidence will do to the equity and capital markets, but it is unlikely to be insignificant "

It is easier to float companies in a bull market

Attending the conference were not the usual fund managers but a cross-section of city councillors and managers of Government departments earmarked for privatisation

The concept has to be sold to the right people or it will never be manageable

Bday 31/5/88.

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Transkei plan of shares for workers

MICK COLLINS

A PROMINENT Transkei Development Corporation (TDC) consultant is attempting to put forward the concept of employee share ownership schemes (Esops) as an antidote to trade unionism in the region.

The move is seen in industrial circles as a bid to lure wage-hampered Far East entrepreneurs to a depoliticised, trouble-free Transkei where trade unionism is outlawed.

Consultant Arthur O'Connor says trade unionism prompts an emotional reaction in Africa — even in Transkei — as unions are regarded as protection against exploitation.

"This emotion is understandable in SA where, denied other avenues of political expression, politicised black South Africans look to trade unions to articulate their political aims.

"But here we are in Transkei and our independence, while it may have been conceived for other reasons, is real: apartheid does not exist within our borders; we govern ourselves; our economic future is in our own hands; we are totally enfranchised."

There are increasing indications, O'Connor says, that trade unions — now illegal — may become a fact of the Transkei industrial scene.

O'Connor says alternatives to trade unions — such as Esops — should be considered as they are having a dramatic effect on wealth redistribution.

"Esops has a simple and invincible logic: the worker is allocated bonus shares in his company on an individual assessment of his contribution towards annual profits and thus becomes an owner of the enterprise with a vested interest in the success of the company's corporate objectives."

Labour costs

O'Connor, who says an essential principle of Esops is that staff costs should be fixed to allow a company to be competitive, points to Taiwan's wealth, which he says is due to low labour costs.

Opponents of Esops should reflect on labour costs of $2,37 an hour in a country such as Taiwan, which now has a $75bn surplus, he says.

"Inordinately low by rich country standards, it is nevertheless too high for Taiwan to maintain its competitive edge and that is why they are now forced to farm out the labour intensive components of their industry to lower cost areas."

on overcrowding and health

No tax aid for us, says Eskom

Star 31/5/88 232

The electricity supply giant Eskom is an "entirely self-funded independent organisation" and does not get funds from the taxpayer, the commission said yesterday.

Reacting in a statement to what it said was a tendency in the media to include Eskom in the list "of those who are supported by taxpayers' money," the commission said.

"Eskom is not, and never has been, in receipt of Government funds collected from the taxpayer."

It was "an entirely self-funded independent organisation which gains its revenue from sales of electricity and loans in the financial market," the statement said. — Sapa.

Namibian gas: test results awaited

WINDHOEK — Soekor was processing and analysing geological information obtained from the third test hole in the offshore Kudu gasfields of Namibia, the Director of Geological Survey, Dr Roy Miller, said yesterday.

The work was being done on behalf of the Namibian State-owned Swakor, which holds concessions for offshore prospecting.

Dr Miller said a report from Soekor on the test results was expected in about four months' time

"Swakor will decide on its next step on the basis of that report", which would also determine the siting of the next test hole, he said.

In spite of exceptionally good results obtained in the third Kudu test hole this year, Namibia did not have a proven, viable gasfield at this stage, so more drilling was needed, he said

Swakor chairman Mr Skerf Pottas announced last month that two gas-bearing sandstone layers had been found in the third Kudu hole drilled to a depth of 4 526 m into the Atlantic off Luderitzbucht in southern Namibia.

The combined gas flow from the two sandstone layers was about 1,23 million cubic metres a day.

A flow tempo of about 350 000 cu m a day was considered sufficient for commercial production

Mr Pottas said the gas pressure was almost identical to that of the first Kudu hole drilled in 1974.

The second hole drilled last year did not yield encouraging results, he said.

Dr Miller said Swakor was hoping to attract private-sector investment to help fund the huge costs of exploration. Technology to convert gas into liquid fuel had made great advances in the 15 years since the first dry methane gas was found in the first Kudu hole. — Sapa

NRP meets to wrap up affairs

Star 31/5/88

DURBAN — The Natal head committee of the defunct New Republic Party met at the weekend to tie up its affairs.

About 50 people representing 13 constituencies in the province attended, a spokesman for the party said

The committee donated R8 500 to Mr Ralph Hardingham, its sole MP, who represents Mooi River, to help finance his constituency office.

About R100 000 was left in the NRP's residual fund in Natal, the spokesman said This would be used at the discretion of trustees, who include former leader Sir de Villiers Graaff and Dr Fran Cronje

As Mr Hardingham is a sitting MP, the NRP has decided not to deregister the SBDC by the State in the 1987-88 financial year, (b) what total amount was (i) lent and (ii) written off as irrecoverable debt by the SBDC in the whole of the country in that financial year and (c) what percentage of the total amount lent by the SBDC in that financial year was lent to members of the White, Black, Asian and Coloured population groups, respectively?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(1) (a) Mr M J Pentz

(b) When the SBDC was established in 1981

(2) (a) R29,042 million

(b) (i) R114,064 million

(ii) R31,440 million

Note The amount of R31,440 million also represents bad debts with regard to loans granted in previous years Since the SBDC's formation in 1981 until 31 March 1988 a total amount of R461,183 million was lent throughout the country During the same period R48,020 million was written off as irrecoverable debt of which R3,675 million was since recovered The nett total accordingly amounts to R44,345 million which represents 9,6 per cent of the total loans granted

(c) The SBDC grants loans to meritorious small business enterprises irrespective of the population group of the entrepreneur It is, therefore, not the policy of the SBDC to furnish particulars of its clients on the basis of race

Companies/close corporations registered

1013 Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology

How many (a) companies and (b) close corporations had been registered in the Republic as at the first day of each year from 1980 up to and including 1988?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

Owing to factors such as an unknown number of dormant companies, particulars of the total number of companies which were incorporated and in operation on a specific date are not readily available The number of companies and close corporations which were incorporated during each of the relevant years, is furnished below

(a) Companies

Year	New companies incorporated	Close Corporations converted into companies	Total number of companies
1980	11 819	—	11 819
1981	12 587	—	12 587
1982	11 912	—	11 912
1983	14 100	—	14 100
1984	11 601	—	11 601
1985	5 836	12	5 848
1986	5 188	47	5 235
1987	6 395	278	6 673

(b) Close Corporations

Year	New Close Corporations incorporated	Companies converted into Close Corporations	Total number of Close Corporations
1985	9 840	6 071	15 911
1986	16 737	6 650	23 387
1987	24 151	5 211	29 362

Note The Close Corporations Act, 1984 (Act 69 of 1984) came into operation on 1 January 1985

The decrease in the number of new companies incorporated since 1985 compared with the preceding years is mainly due to the coming into operation of the Close Corporations Act, 1984

Companies/close corporations liquidated

1019 Mr C J DERBY-LEWIS asked the Minister of Justice

How many (a) companies and (b) close corporations were liquidated in (i) each year from 1980 up to and including 1987 and (ii) 1988 as at the latest specified date for which figures are available?

The MINISTER OF JUSTICE

(a) (i) I refer the Honourable Member to my replies to Written Questions Nos 104 of 1982, 302 of 1983, 514 of 1984,

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170 of 1985, 611 of 1986, 98 of 1987 and 476 of 1988

(ii) 918 compulsory liquidations as on 29 April 1988

(b) (i) The Close Corporations Act, 1984 (Act 69 of 1984) came into operation on 1 January 1985 and the information is, therefore, only available as from 1985

1985 — 21
1986 — 116
1987 — 228

(ii) 108 as on 29 April 1988

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Umgeni Valley area/Riverview Trading Store: faction fighting/unrest

1020 Mr R M BURROWS asked the Minister of Law and Order

(1) Whether there have been any reported cases of faction fighting and/or unrest in the (a) Umgeni Valley area below Waterfall in Natal, and (b) vicinity of the Riverview Trading Store, since 1 January 1988, if so, (i)(aa) which groups were involved in, (bb) what was the outcome of, and (cc) what weapons were used in, each of these incidents and (ii) in respect of what date is this information furnished,

(2) whether any persons were killed or injured during the course of these incidents, if so, how many were (a) killed and (b) injured in each case,

(3) whether any property was destroyed or damaged as a result of these incidents, if so, (a) what property, and (b) to what extent, in each case,

(4) whether any arrests have been made as a result of these incidents, if not, why not, if so, how many in each case?

The MINISTER OF LAW AND ORDER

(1) Yes

(a) 4 cases

(b) 9 cases

(i) (aa) Factions of the UDF and Inkatha

(bb) various cases were reported, *inter alia*

Murder	7 cases
Attempted murder	4 cases
Arson	2 cases

Some of these cases are at present being investigated, while several arrests have been made in certain cases These persons are presently awaiting trial

(cc) Mainly petrolbombs, sharp instruments such as knives and assegais, as well as homemade firearms

(ii) 1 January until 30 April 1988

(2) (a) and (b) Eight persons were killed and twenty-four persons were injured

(3) Yes

(a) and (b) 6 houses were totally destroyed

(4) 34 persons were arrested on various charges and are presently awaiting trial

Botshabelo: persons detained

1060 Mr P G SOAL asked the Minister of Law and Order

Whether any persons were detained in Botshabelo between (a) 6 and 16 December 1987 and (b) 20 and 30 March 1988, if so (i) how many on each specified day and (ii) why, in each case?

The MINISTER OF LAW AND ORDER

(a) and (b)

A number of persons were detained in Botshabelo each day between 6 and 16 December 1987 and also between 20 and 30 March 1988 on various charges, inter alia

Theft

Stock-theft

Arson

Housebreaking with the intent to steal and theft

Possession of suspected stolen property

Robbery

Illegal possession of ammunition

Child abuse

Trading in uncut diamonds

NPU calls in agency's guarantee

Star 21/6/88 (195 (232

By Sven Lünsche

The Newspaper Press Union (NPU) yesterday acted strongly against troubled advertising agency Freedman and Rossi BBDO yesterday, when it withdrew the agency's R500 000 guarantee.

Advertising agencies are required to provide a financial guarantee equal to two months' billings

NPU agency guarantee committee chairman Graham King said this morning the agency's outstanding debts exceeded their guarantee by several hundred thousand rands

"When questioned on their financial position the agency refused to comment and when they cancelled a meeting on Friday we had no option but to call in the guarantee," Mr King said

Market sources said that apart from debts for advertising services, Freedman and Rossi BBDO also owed similar amounts to other firms and that it was close to liquidation.

In a seperate development several senior members of the Freedman and Rossi BBDO have broken away with the financial backing of the Grey Philips Group and started up on their own The new group is to be called U5 and it is expected that a number of existing clients will join in the move

The new agency, which opened its doors yesterday has two sets of partners, Grey Financial Services which has a minority equity stake and the five senior partners Mike Freedman, Mike Rossi, Andrew Clare, Sam Michael and John Montgomery

"We were approached to provide the financial backing for this new venture and had no hesitation in agreeing," Edo Folli, Grey Group deputy chairman said last night

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.Star 2/6/88 232

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Gant's buys Delport's homeland factories

CAPE TIMES 2/6/88 232

By Financial Staff

GANT'S, the Cape-based canning group, has acquired the canning factories of the D R Delport group in Bophuthatswana, Venda and Kwazulu.

This will provide the company with an excellent vehicle to expand its market share.

The growth in the demand for canned foods has been outstanding recently and Gant's say that their sales figures for the first four months of this year show a 50% improvement on the same year-ago period.

Gant's had previously been at a disadvantage in not having suitable manufacturing facilities close to the important markets of the Transvaal and Natal.

Goods from the Strand factory incur considerable expenses in reaching these markets.

Chairman David Gant said that the group's factories at Bapsfontein and Empangeni were inadequate for the expansion the company had in mind but "the acquisition of the Delport factories in Bophuthatswana, Venda and KwaZulu will provide us with the most appropriate vehicle through which to expand our market share.

"It is also logical to assume that the incorporation of the Delport group into the Gant's operation will provide a greater degree of stability and rationalization in the local marketing of canned foods."

Gant's will now have four food processing operations in SA and local market turnover will increase by about 30% as a result of the acquisition. Gant's says that "although exports are currently performing extremely well, due to the relative weakness of the rand, the group's dependence on exports has lessened and these account for only 13% of turnover generated by the SA food processing interests".

Michael Delport (chairman) and Marcus Jooste (MD) will be joining the board of Gant's.

Hansard

HOUSE OF REPRESENTATIVES

†Indicates translated version

For written reply

General Affairs

Sheltered employment: salary parity

~~18.~~ Mr T R GEORGE asked the Minister of Manpower

(1) What procedure is followed in determining the salaries of (a) White, (b) Coloured and (c) Indian persons employed in sheltered employment facilities,

(2) whether salary parity has been attained in respect of Whites, Coloureds and Indians employed in such facilities, if not, (a) why not and (b) when is it anticipated that parity will be attained,

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

The MINISTER OF MANPOWER

(1) (a), (b) and (c)

The salaries of employees who are employed under the sheltered employment scheme are coupled to the salary scales of the occupational class maintenance officer (post class factotum) in the Public Service on condition that the salaries for each population group must correspond with the gradings per population group for the post class factotum

(2) No

(a) Attention is being given to the attainment of parity for employees under the sheltered employment scheme

(b) Once the necessary approval has been obtained and funds become available

(3) No

Hansard

HOUSE OF ASSEMBLY

†Indicates translated version

For written reply

General Affairs

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Privatisation policy: reserve values

938 Mr C J DERBY-LEWIS asked the Minister in the State President's Office entrusted with Administration and Broadcasting Services

Whether any reserve values are being placed on the assets of the State prior to selling them in terms of the current privatisation policy, if not, why not, if so, what formula is used in this regard?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

The question bears on a policy matter concerning which decisions still have to be taken Rest of question falls away

Organization: criminal proceedings

1068 Mr R M BURROWS asked the Minister of Justice

Whether, since 12 January 1987, any criminal proceedings have been instituted against a certain organization, the name of which has been furnished to the Minister's Department for the purpose of his reply, if so, (a) in which regions, (b) when, (c) on what charges, (d) with what results and (e) what is the name of this organization?

The MINISTER OF JUSTICE

I caused enquiries to be made from all the attorneys-general and according to them no prosecutions in this regard have been instituted up to 26 May 1988

Drug-related crimes: statistics

1150 Mr C J DERBY-LEWIS asked the Minister of Justice

Whether his Department keeps statistics on drug-related crimes committed in the Republic, if not, why not, if so, what percentage of crimes committed by (a) Whites, (b) Coloureds, (c) Indians and (d) Blacks during the latest specified period of 12 months for which statistics are available were drug-related?

The MINISTER OF JUSTICE

No Statistics regarding prosecutions for and convictions of offences are kept by the Central Statistical Services The information is however not available there in the required form The number of convictions for offences with regard to drugs and dependence-producing substances for the period 1 July 1986 to 30 June 1987 was however obtained and is as follows

(a) Whites 2 965

(b) Coloureds 10 359

(c) Indians 1 676

(d) Blacks 21 777

Own Affairs

Educational Institutions: properties purchased/expropriated

134 Mr R M BURROWS asked the Minister of Education and Culture

(a) in respect of what schools or educational institutions were properties purchased or expropriated for educational purposes in each of the provinces in the 1986 and 1987 financial years, respectively, and (b) what sum was paid for each of the properties so purchased or expropriated?

The MINISTER OF EDUCATION AND CULTURE

1986

Cape

(a)	(b) R
De Grendel Special School, Milnerton	475 000
Beaconhurst Primary School	2
Hudson Park High School	250 000
Victoria Girls High School	1
Denneoord Primary School	25 000
Denneoord Preparatory School	122 500
Diamantveld High School	2
Knysna Proposed High and Primary School	720 000
Dirkie Uys High School, Moorreesburg	159 000
Swartland High School	1

Star 8/6/88

Dramatic change in attitudes of workers

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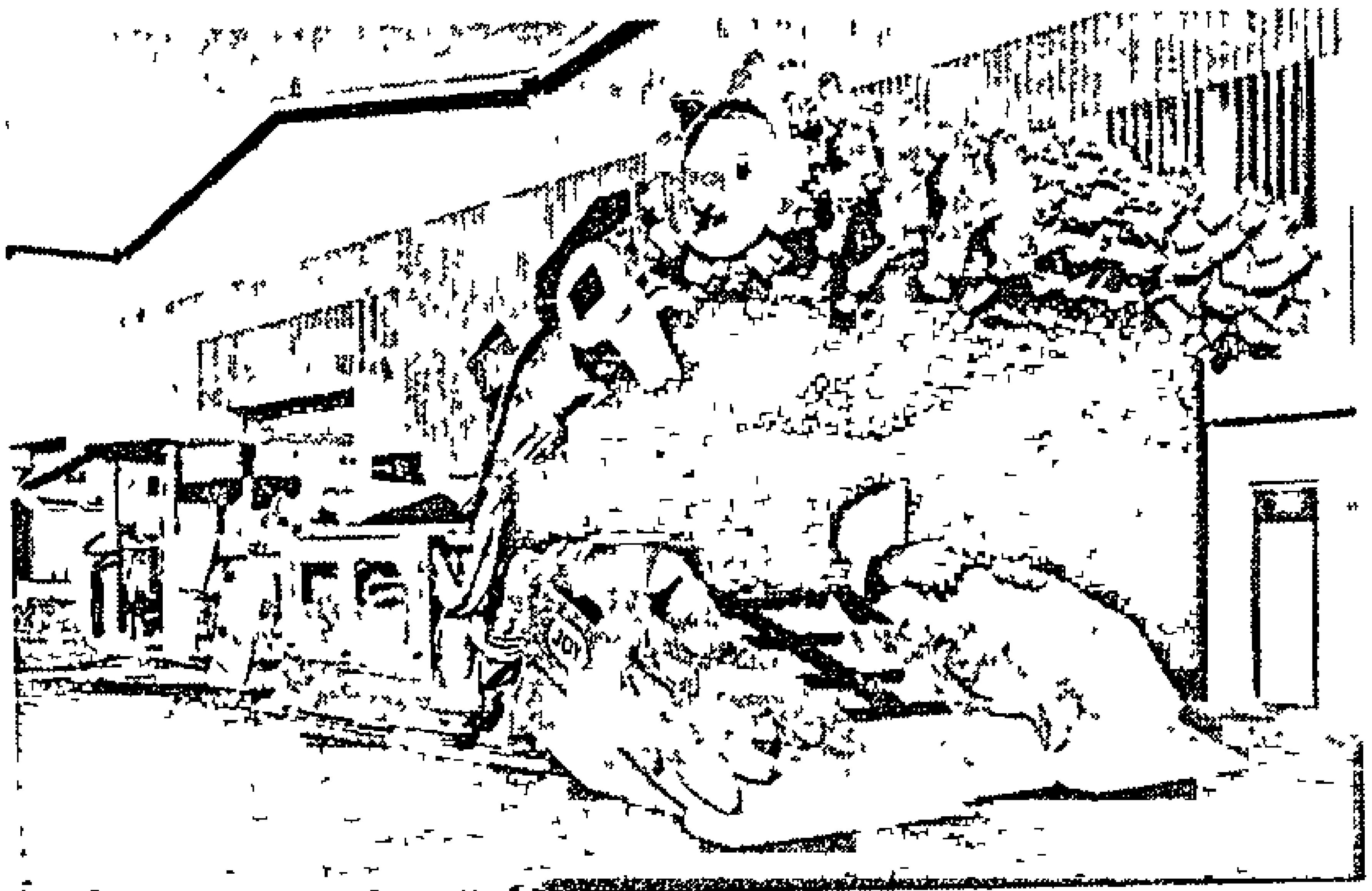
PART II: JCI's development of the participative management system at two of its gold mines has proved invaluable in improving worker-employer relationships. Teigue Payne reports.



The introduction of mechanised mining, such as this massiveJoy continuous miner, was initially strongly opposed by the mining unions because it would obviously cost jobs.

JCI's goal is to take the participative management system beyond purely problem solving and use it in, for instance, improving the quality of life in the hostels, says Mr Amm

A development of the system at the two JCI mines has been letters sent to every black and white worker — about 12 000 on Western Areas and 18 000 on Randfontein — addressed by name, and in the worker's home language

The theme of the first such letter, sent in August last year by Mr Maxwell, was the need to increase the size of the cake so that there would be more to share Mr Maxwell discussed the need to face up to a number of difficulties which both mines were experiencing, especially the change to trackless mining, the feeling of insecurity which accompanied it and intimidation by radical groups and damage to equipment

He encouraged the workers to overcome the difficulties and said management was relying on them to think of ways to streamline work practices. Monetary rewards were offered for good ideas

In March this year another letter from the general manager of Western Areas addressed various problems being experienced by the mine It indicated areas in which progress had been made and asked employees for their continued support

The two letters have drawn hundreds of letters in reply, including many recommendations Many of the recommendationshave been taken further, according to Mr Amm.

Another initiative in the participative management programme has been the opening of information centres at each hostel, manned by trained information assistants Information varies from the mundane to the important - from bus times to advice on Aids and conditions of service and promotional opportunities

Now a newspaper edited by a black journalists and carrying news from workers rather than management, has been instituted

Mr Amm says there has been no significant union reaction to the programme at either mine He says there would be "no apparent reason" for union objection

Industrial relations workers on both mines say the change in attitude of workers has been dramatic

Among the indicators of the improvement are that absenteeism is down from about four percent at the time of the audit to about 0,5 percent, well below the industry average, according to Mr Amm The incidence of grievances and complaints has also dropped markedly

Mr Amm comments that an organisation's industrial relations policy generally can only succeed if employees are happy about the way they are treated at work, and if management is able to show that it recognises the value and contribution of the individual

Mr Amm's advice on human resources management to mines which are mechanising is that they should

- Undertakes precise manpower planning through future labour forecasts of numbers of workers and skills needed
- Institute proper selection techniques for workers required to operate expensive machinery
- Remunerate appropriately, with the rate for the job
- Provide for more sophisticated training arrangements through specialist training people, machinery availability and the general training infrastructure

Fundamental to the success of a participative mangement programme is whole-hearted belief in the system by senior management, who must be able to demonstrate conclusively that it holds significant benefit for both the company and the employees

Mr Amm believes the system is appropriate in any industrial organisation and in both mechanised and unmechanised mines The system is currently being applied at JCI's new Joel mine ing on Monday night at which they ... ceive less than R115-million from the ...

Hidden hazards on the road to deregulation

9/6/88 STimes

By Ian Smith

THERE are still concealed hazards on the road to deregulation in SA's transport industry

The Government's deregulation actions have resulted in more private hauliers moving goods around the country as permit requirements have eased Most operators approve of what has been done

Unitrans chairman Ockie Goosen, reporting record turnover of R115-million — up 32% on the previous year — says in his annual review that competition in freight transport will benefit the industry and the economy

One side

But that is only one side of the picture Commerce and industry will have to face up to rising costs because of new pressures emerging in the transport sector, says Ian Lockett, chief executive of Natro, one of SA's largest road transport brokers

He believes the overall effect of deregulation will be to increase costs

"Private operators may be hauling more goods, but they have to contend with several new problems which, in the long term, will contribute to cost increases"

Provincial authorities have tried to guard against the worst aspects of cut-throat competition experienced in the US and falling standards by introducing stricter regulations for hauliers

Mr Lockett says "On a run between Durban and Johannesburg a driver can expect to be stopped at Newcastle, Ladysmith and Mooi River for routine roadworthy inspections

No limit

"At each stop there may be a queue of vehicles before he can put through the check

"Even if no fault is found, the vehicle may have to go through an identical check two or three times There is no limit to the number of times he can be stopped

"On busy routes where operators rely on quick turnaround for two-way loads these inspections can be costly in vehicle standing time and manhours — a bill they pass to customers"

Mr Lockett says the industry also has to contend with long delays for compulsory weigh-ins and the provision of municipal escorts for abnormal loads

Another increasing threat to costs comes from labour unrest

"Work disruptions and union action are causing long delays, vehicles idle while they wait to be loaded or unloaded," says Mr Lockett

"With the national transport fleet at full stretch to meet demand, this is costly for operators"

The industry has welcomed the removal of Sats road transport's exemption from demurrage charges if goods are not moved from ports within three days of being discharged

"This should lead to improved efficiency, but it will also mean higher costs for customers if demurrage penalties are incurred," says Mr Lockett

Finally, the shortage of heavy moving equipment means carrying capacity is at a premium "The rule of supply and demand could influence costs," says Mr Lockett

Happy hirers

SIZES of rental car fleets rose by an average of 41,4% in April compared with last year, revenue by 33,1% The average number of rental days rose by 30,2%, says Pretoria University's Bureau for Financial Analysis

Laylow purchase approved

Star 6/6/88

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Finance Staff

Dashaus Investment Holdings' shareholders have approved the purchase of discount clothing retailer Laylow for an effective R4 million

Chief executive Fred Ginsbery said at a meeting last week the Laylow acquisition offered the group enormous expansion potential, with results from the new division continuing to perform in excess of budget

He said the purchase was in line with group policy of identifying strategic niches in the retail sector where growth opportunities existed

Plans are advanced for the transfer of the company's listing from the DCM to the main board of the JSE Subsequent to the year-end the group opened its second Furniture Hyper at the Highgate complex and plans are under way for a third store in Pretoria

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IMES MEDIA PUBLICATION

Share in pilots' plan for SAA?

B'day

MANDY JEAN WOODS

SAA could become a shareholder in the air crew operating and recruiting network (Acorn) to be established by the SAA Pilots Association (Saapa) if it wanted to, president Blake Flemington said yesterday.

The primary function of Acorn will be to negotiate employment contracts for member pilots with airlines worldwide, including SAA. The company is expected to be fully operational by July 31.

Flemington said SAA had been noncommittal about the privatisation of pilots, but Saapa envisioned SAA getting involved in Acorn as a shareholder.

"We do not believe this is something which will lead to conflict with SAA Our first concern is SAA and its pilots. Once the job requirements for SAA have been established we will actively pursue job opportunities around the world."

He said the formation of Acorn before negotiations on the official recognition of Saapa and on working conditions for

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SAA could hold shares in pilot network

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pilots were complete should have no effect on the outcome

An SAA spokesman said yesterday he could not comment until current discussions with Minister of Transport Eli Louw and Saapa were concluded

A spokesman for Louw said while at this stage no details of Acorn had been given to the minister, he recognised that every person had a democratic right to form a company as they desired

Flemington said Acorn was the result of a culmination of years of frustration with a bureaucratic system The cancellation of an early retirement (age 45) option for SAA flight crew was one reason for the formation of Acorn

"About 98 pilots are eligible for early retirement before August 31 this year and most have indicated they will pick up the option," he said In the past few years more than 40 pilots had left SAA and of those only one had reached the required retirement age of 58

"Almost all these pilots now fly with one of 17 airlines around the world, where they are paid better Singapore Airlines, one of the main poachers of SAA pilots at the moment, are the second worst payers in the world, but its remuneration package for pilots is double the SAA package," he said. Non-SAA pilots also wished to join Acorn

Flight Engineers Association chairman Peter de Beer said if wage negotiations were not fruitful, then Acorn would be a viable option.

Saapa to ask Government for go ahead

Star 6/6/88

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By Tim Cohen

The South African Pilots' Association (Saapa) will today ask the Government to sanction its plans to form a go-it-alone private company which will sell its members' services to SAA and other airlines worldwide

A spokesman for the Minister of Transport, Mr Eli Louw, confirmed last night that the association would meet the Minister in Cape Town today

The spokesman, Mr Leon Els, said although the formation of the go-it-alone company was not on the agenda for today's meeting, the Minister expected to be informed of the association's plans

The meeting was requested by Mr Louw about a week ago.

The two main points on the agenda are the recognition of Saapa as the official representative of SAA's pilots and the pilots' remuneration package

Mr Louw preferred not to comment on Saapa plans to form a independent company — which will be called Acorn — until after he was informed of the details, Mr Els said

PLANS

The association's plans to form Acorn were revealed at a press conference at the weekend

The chairman of Saapa, Captain Blake Flemington, said last night that the company would be owned by the association, which represents about 97 percent of SAA's pilots Members of Saapa would be shareholders in the company, but all members of the association would not necessarily be participating members of Acorn, he said

South African Airways declined to comment on the planned formation of the new pilot company

"We don't want to say anything until after the meeting with the Minister," a spokesman said

Coleman to visit detainees in their cells

Star 6/6/88

By Bruce Anderson

Dr Max Coleman of the Detainees' Parents Support Committee has accepted the Minister of Law and Order, Mr Adriaan Vlok's, invitation to visit detainees in their cells and expects the visit to take place today

Speaking in his personal capacity, Dr Coleman said last night "I am taking the Minister's invitation at face value and, as such, I welcome it"

He said a representative of the Minister had arranged to contact him again today

The invitation came after Dr Coleman had challenged the Minister's statement on Republic Day that no children under the age of 16 were being held in detention under the emergency regulations.

Dr Coleman submitted a list of 15 detainees, allegedly under the age of 16, being held in detention on the Reef and in Maritzburg.

Last night, Dr Coleman said he understood he would, in the presence of a magistrate and a representative of the Minister, be taken to visit children under the age of 16 whom he has alleged are being held in detention.

A senior police spokesman, Brigadier Leon Mellet, said last night the police were prepared to accompany Dr Coleman to any police cell or prison in the country in which he claimed a detainee under the age of 16 was being held.

"We are quite confident that there are no detainees under the age of 16," the brigadier said

In one case, Brigadier Mellet said, a detainee whose age Dr Coleman had listed as 15 turned out to be 25

Man shot and injured, homes burnt

Weekend unrest has left a man injured and two homes burnt down, according to a police report

A man was shot and injured near Pinetown

At Imbali, near Maritzburg, and Nthorowe, near Greylingstad, homes were set alight.

In Nyanga, Cape Town, two men were arrested after three shots were fired at security force members

Privatisation boon for job creation

Star 7/6/88

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Finance Staff

The government's privatisation policy will have a positive influence on the growth and job creating ability of the economy, says Dr Dawie de Villiers, Minister of Administration and Privatisation.

Pointing out that over the last two decades over 60 percent of all investment was created by the public sector, Dr de Villiers indicated that this trend would have to reverse itself and the private sector needed to reinvest more into the economy.

The rate with which net fixed investment increased over the last few years was not satisfactory and an increase of less than four percent was generally expected this year, he added.

"In a developing country such as ours, where there is a need for more employment, this is not good enough. For example, only 16,7 percent of the country's net fixed investment between 1981 and 1984 was chanelled to the production sectors — the expansion of which is extremely necessary for the creation of employment opportunities.

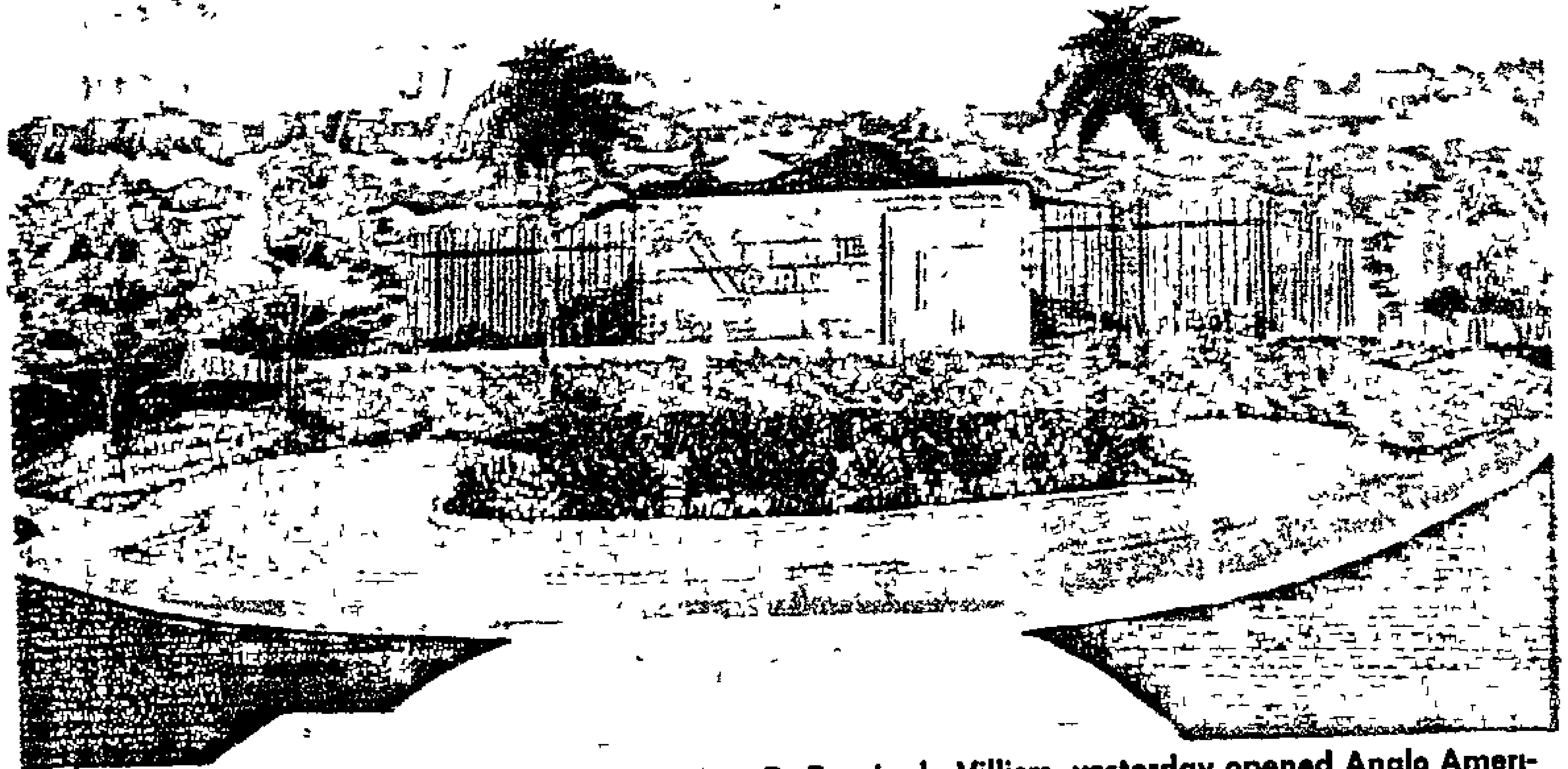
"Government simply had to reverse these trends, and privatisation presented itself as an appropriate means by which that could be achieved," he said.

"A reappraisal will obviously include the position of the stock issued by enterprises possibly involved in the privatisation programme," Dr de Villiers said, explaining that large chunks of private investment are currently flowing into public sector stocks.

The Minister said that private enterprise was highly selective in looking for as high a return as possible, preferably at low risk, in investing the rest of their money.

"The effect was a reduced pool of investment funds being employed in a rather short list of investment avenues," said Dr De Villiers.

Foreseeing privatisation as contributing to a major redirection and rechanelling of saving funds away from speculative "investments in inflation" towards more productive ends, the Minister said there had been "distortions in the investment field" and that the Government's share in net fixed investment "grew out of all proportions".



The Minister of Administration and Privatisation, Dr Dawie de Villiers, yesterday opened Anglo American Property Services' development, the 32,5 ha Waterfall Park just off the Ben Schoeman highway at the Kyalami off-ramp. Mr Peter Gardiner, Ampros's director of estates development and marketing, says the company had invested about R10 million in servicing and landscaping the park and that sites there would be selling at a highly competitive R150 a sq m.

Unitech giving CWH a new momentum

Star 7/6/88

By Sven Forssman

Unitech has increased profits by nearly 100 percent every year since its inception in 1982. It will be interesting to see whether Unitech can apply the same growth within Computer Warehouse (CWH)

Unitech recently became a majority shareholder in CWH when it purchased a substantial number of shares from one of its joint-founders, Mr WM Smith-Chandler. This arrangement resulted in Unitech increasing its 39,5 percent interest in CWH to 64,3 percent.

It was announced in January that Unitech had acquired a 36,4 percent controlling interest in CWH for a total consideration of R2,9 million.

But, CWH's poor results for financial 1987 did not meet the warranted profit level, which meant that the deal had to be renegotiated.

High overheads and decreased margins resulted in CWH's pre-tax profits falling 38 percent to R851 000 — this, despite a 73 percent increase in turnover to R28,3 million.

The new agreement gives Unitech a bigger controlling interest, 39,5 percent, for only R1,8 million.

Says managing director Mr William Stephens. "We're very happy with our acquisition of Computer Warehouse. It has an established national network in the corporate and retail market.

"The purchase price was good — we paid close to net asset value — and the company has potential.

"In the six months period after acquiring Warehouse, we have achieved significant progress with the margins and gone a long way towards reducing the overheads — but reducing the overheads to our satisfaction will still take a little while."

Unitech also announced recently that it would extend an offer to

INVESTMENT ARGUS 7/6/88 232

It's 'Yes' for R160-m Tiger, Langeberg deal

FRUIT farmers have given a huge vote of confidence to the R160-million deal between Langeberg Co-operative and Tiger Oats to float a new company, Langeberg Holdings, on the Johannesburg Stock Exchange this month

Since April 23, the co-operative has held meetings thoughout the country to discuss the proposed transaction

The transaction with Tiger, whereby Tiger will pay R80-million for a 50 percent stake in the new company and Langeberg Co-operative will chip in another R70-million, was approved a 98 percent majoriy of votes, Langerberg announced today.

But the co-op's 1 350 members, who have been asked to subscribe for R10-million of shares, will get theirs at 25 percent of the Tiger Oats price

Among resolutions approved by co-operative members were.

- The specific transaction with Tiger
- The sale by the Co-operative of its businesses as part of the restructuring
- The basis of allotment of shares to members, growers and personnel
- The offer of shares to directors

According to Langeberg all the main conditions have been fulfilled and the transaction was currently being implemented

Invitations to members and growers of the co-operative to take up shares in Langeberg Holdings will be posted during the week and application forms and cheques must reach the transfer secretaries before June 30, Langeberg said

- Rand mines gold producer **Blyvooruitzicht Gold Mining Company** has dropped its final dividend by 17 percent to 75c from 90c last year, bringing the total payout for the year to 150c (205c)

As expected, marginal producers Durban Roodepoort Deep and East Rand Proprietary mines have again passed their dividends

- Helped by a 137 percent improvement in the contribution from Boumat, Saficon saw earnings a share soar 73 percent to 138,5c (80,3c) for the year to March

This is comfortably ahead of the forecast of 111c a share The final dividend of 29c brings the total payout for the year to 40c, up 38 percent on the previous year's 23c.

- Three of the **Anglovaal Group's** investment holding companies improved earnings and dividends for the year ending June 30, while the fourth — Middle Witwatersrand (Western Areas) declared an unchanged dividend on a lower profit,

Anglovaal itself raised its final dividend by 10 percent on its ordinary and "A" shares to 430c (390c) bringing the year's total to 650c — an 11 percent increase on 1987's total of 585c.

The dividend was covered 5,1 (5,3) times by Anglovaal's record earnings estimated consolidated profit (after tax, minority interests and preference dividends, but before extraordinary items) for the year rose by 7 percent to R141,8-million (R133-million).

Maggie Rowley

Majority of Anglo workers accept its share offer

Finance Staff

Despite opposition by most trade unions, almost 65 percent of Anglo American employees had taken up the participative share offer, Julian Ogilvie Thompson, chairman of the share scheme's board of trustees, said yesterday

"A positive response has been received from 108 335 employees of the companies participating in the Anglo American Group Employee Shareholder Scheme. The offer to join the scheme has been made to 168 194 eligible employees and the 64,4 percent acceptance is an encouraging reaction to a long-term project," Mr Ogilvie Thompson said.

Wealth-creating

"Although there are still approximately 26 000 employees in respect of whom the process has yet to be completed, Anglo American now has over 100 000 new shareholders and we hope that, once the benefits of the scheme become apparent, other employees will join the scheme next year," said Mr Ogilvie Thompson.

"Anglo American believes that the scheme involves employees in the wealth-creating process by opening a new avenue of financial participation," said Mr Ogilvie Thompson.

"In addition, employees will have a stake in the long-term growth and dividend performance of the corporation."

The employee shareholder scheme offers employees with two years' service the opportunity to acquire Anglo American shares.

In the first year of the scheme, each employee was offered five shares, paid for by the participating companies.

The shares are held in trust for the employee for a period of four years.

Thereafter, they can be retained or sold by the employee.

During the four years, all dividends declared will be paid to the employee

It is hoped that each year further shares will be issued — the amount and value depending upon the performance of the participating companies.

Steel World in (180)
Star 5/6/88

R5,5m acquisition

Steel World is to acquire Houston Steel Merchants from SA Bias subsidiary, Houston Industries, for R5,5 million (232)

Houston Industries said yesterday that as a result it would itself become a cash shell with an estimated net asset value of 30c a share at June 30

It said that in terms of a previously announced deal, Steel World was to have been reversed into Houston Industries, thus producing a change of control

The share was suspended to allow for a re-negotiation, however — Sapa

Adaptation the vital key

232 B/day 8/6/88

THE FUTURE of the South African property industry lies in adaptation to a changing society, with a new attitude towards certain types of development

This emerged from the SA Property Owners' Association (Sapoa) executive think-tank held at KwaMaritane in Bophuthatswana last week, a four-day gathering attended by many of the country's property decision-makers

Urbanisation, privatisation and deregulation are key issues for consideration — part of the range of political factors affecting property They are likely to have a substantial impact on the industry in future, with each of these elements requiring a significant shift in thinking for some companies and organisations

Speakers stressed the need for greater recognition of the growing informal sector which, according to UCT School of Economics' Professor Brian Kantor, accounts for as much as 15% to 40% of growth on top of measured GDP

Competition

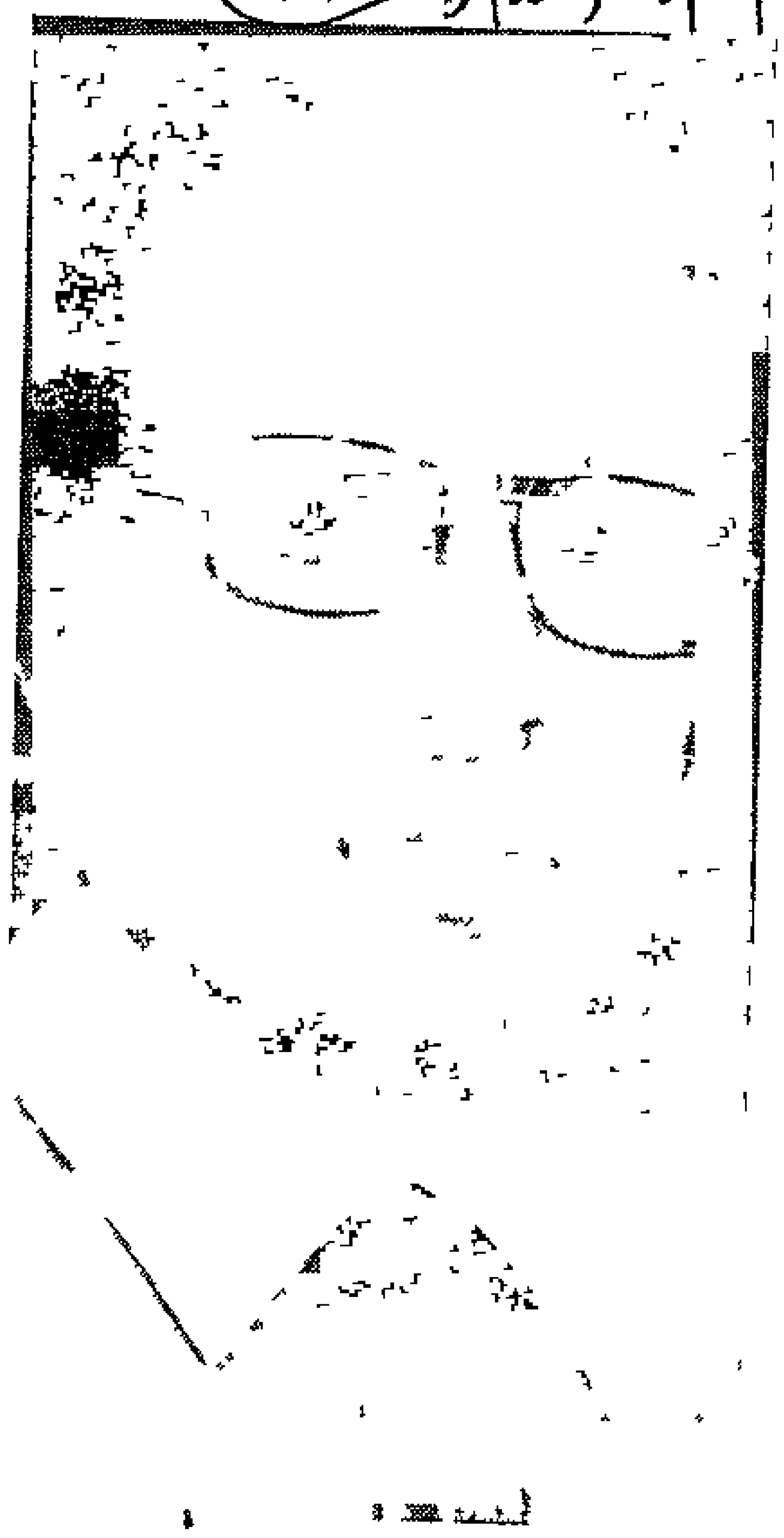
Open trading was taking off everywhere, Kantor pointed out, providing real competition for formal retailers The formal sector had to get into this Third World market, he said, and developers of major new centres should take cognisance of this when planning projects

Jan Steyn, chairman of the Urban Foundation, noted that housing supply could provide a stimulus for economic growth, and thus the homes construction industry could well prove to be a key sector

However, the problem of red-tape still existed, he said, citing one case where a Western Cape developer had to obtain 34 different sets of approval before going ahead with his project Bureaucracy of this nature had to change

The location of land for development was also critically important to the successful integration of people into the economy . by locating people on the periphery of the metropolitan areas one reduced their chances of integration, he said

Professor Laurie Schlemmer, director



☐ **SCHLEMMER . . private farms and smallholdings for legal squatting**

of the Centre for Policy Studies at the University of the Witwatersrand, supported Steyn's view that urbanisation was a reality which could not be reversed

While certain types of decentralisation might make sound economic sense, he said that if the policy was implemented with a view to controlling urban growth, it would simply spur greater urbanisation in the long run through the creation of economic inefficiencies

Controlled

As one measure towards the provision of land for urban settlements, Schlemmer suggested the use of private farms and smallholdings for legal, controlled squatting

There were many such white landowners in peri-urban areas already illegally accommodating small to moderate numbers of black squatters, with everyone concerned seemingly happy with the arrangement

If a private landowner, with suitable controls and basic minimum services, was prepared to make a marginal profit by allowing controlled squatting, he may be contributing meaningfully to addressing a need

The property markets of SA were among those most sensitive both to socio-political upheavals and to the spatial constraints imposed by policies which distinguished people of different races, he concluded

Gerrit Bornman, chairman of the Central Witwatersrand Regional Services Council (RSC), agreed that decentralisation had to a large extent proved impractical, saying employment opportunities had to be brought to where black development was taking place

Income-producing properties had to be located near black areas in order to provide jobs and to improve the economic base of the black local authorities In particular, he suggested the development of industrial accommodation near these places

Pressure

He also warned that, while the formation of RSCs had resulted in millions of rands savings through better co-operation and planning, there was upward pressure on levies in metropolitan areas

An increasing need for small manufacturing facilities was identified by Evert Groeneweg, executive director of group finance at Barlow Rand Groeneweg observed that SA would be on the road to disaster if it did not awaken to the fact that the terms of international trade had turned against raw materials

The future lay in the development of unique, value-added products for world markets

Noting successful Japanese systems, he said that in the heart of SA's industrial areas there should be cheap, factory-type premises to accommodate the growing number of small component manufacturers assets perceived to be invested in the investments highly dangerous ing in them — Sapa

Informal sector too restricted

Star 10/6/88

Own Correspondent

DURBAN — Unless the biases and obstacles widespread in legislation and regulatory systems are removed to enable small business to grow, the prospects of peaceful change in South Africa are virtually non-existent

This was the hard-hitting message Dr Ben Vosloo, managing director of the Small Business Development Corporation, punched home in his address to the Charter Accountants Congress yesterday.

"Currently as many as 500 000 businesses out of one million in South Africa may be unrecorded, providing an income base for as many as 3,5 million people."

Research conducted in high growth economies such as Japan and Taiwan, said Dr Vosloo, had shown small business to be by far the most effective job creator in a free enterprise economy

Yet in South Africa, much of business conducted within the informal/unrecorded sector is declared illegal because it does not comply with the many laws and regulations governing business activity

Despite the frightening prospect, under current economic restraints, of unemployment growing to five million by the turn of the century, the Government continues to force small business to operate outside the mainstream economy, said Dr Vosloo

Regulation, he said, is a great time-waster which hit small business, where the owner is wholly responsible for all aspects of the operation, the hardest.

Over-regulation discouraged potential entrepreneurs and drove existing small business into the informal, unrecorded economy

At present about 40 percent of the population received less than three percent of the national income Development of small business would help to achieve a greater spread of wealth distribution

"If present trends continue our population can be expected to double in 25 to 30 years, and an estimated 1 500 to 2 000 jobs per working day will have to be created if we are to avert a major unemployment crisis in this country

"Small business is a logical starting point for the black entrepreneur, who for generations has been denied free and equal access to participation in the economy."

The black consumers market already account for 40 percent of total retail sales and their spendig power is growing rapidly

Between 1980 and 1985 the real personal disposable income of whites fell by 18 percent while the black, coloured and Indian share of total disposable income rose from 12,2 percent in 1972 to 44,5 percent in 1985

Score still has peaks to climb

Star 10/6/88

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By Ann Crotty

The enthusiastic investor support enjoyed by Score in recent years appears to have waned in the past few months Analysts are attributing the fall off in support to a financial 1988 performance that was not quite up to market expectations but, more significantly, to concern about the acquisition of Clicks

The worry is not only that holding company Hi-Score may have paid over the odds for Clicks but also that Clicks, without founder Jack Goldin, may not sustain its past performance In addition analysts still seem a bit sceptical about the scope for synergy between Hi-Score's various operations and Clicks

It appears that the Hi-Score management team is not so much concerned about synergistic possibilities as it is with the desire to get exposure to a wider market and presumably to attain the same sterling returns on its new assets as it has on its Hi-Score assets

At Hi-Score the emphasis in terms of product mix is on food and allied goods In terms of target market, the emphasis is on the lower income groups.

At Clicks, the emphasis is on retail toiletries, cosmetics, appliances and fancy goods In addition Clicks has 16 Diskom stores, which carry the same types of products, but target the black market Most of the Clicks stores are situated in the Cape region

While there will be little duplication of activities, Score MD Carlos dos Santos was emphatic that there was considerable scope for synergy in terms of financial discipline He also stressed that the enlarged group would have far greater buying power

Despite this optimism, the market became nervous when it was revealed that Mr Goldin would be remaining on only in an advisory capacity This nervousness should abate if Mr dos Santos and his team can get the same sort of performance out of the Clicks assets as it has out of Score's assets

That financial 1988 did not meet either the management's or the market's expectations led to worries that the group had passed its peak and that future performance might be more pedestrian

It is certainly unlikely that the group will be able to sustain the exceptional performance that it has reported over the past 7 years, but even if this perfomance was to plateau, it would be far from pedestrian

Score's latest annual report, which does not include the impact of the Clicks' acquisition, shows that operating margins have been increased steadily from 0,78 percent in 1982 to 2,97 in financial 1988 Return on shareholders' funds, which was a strong 31 percent in 1982 and dipped in the intervening years, was up to 32 percent in financial 1988

The excellent growth performance on the trading side was matched by a strengthening of the balance sheet with ordinary shareholders' interest soaring from R585 000 in 1982 to R47 million in financial 1988

One measure of the exceptional performance that the group has achieved over the past seven years is the sharp increase in productivity per employee In financial 1982 when Score had 732 employees it reported a turnover of R43,9 million which is equivalent to almost R54 000 sales per employee In 1988 Score had 5 123 employees and achieved a turnover of R923 million which is equivalent to R180 000 per employee

Many take up Anglo shares

Star 10/6/88

The Anglo American Group Employee Shareholder Scheme had received a positive response from 108 335 employees, the chairman of the scheme's board of trustees, Mr Julian Ogilvie Thompson, said yesterday. (232)

The scheme offers employees with two years' service the opportunity to acquire Anglo American shares Mr Thompson said the offer was made to 168 194 employees.

He said Anglo believed the scheme involved employees in the wealth-creating process by opening a new avenue of financial participation

They would have a stake in the long-term growth and dividend performance of the corporation.

Elex suspended at directors' request

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STAR 11/6/88

ANN CROTTY

Yesterday morning, after about an hour's trade during which time almost 9 000 shares changed hands, Elex a DCM electronics company was suspended at the directors' request.

According to market sources the request was prompted by the fact that a Mr P D Blackman has applied for liquidation of Elex on the basis that the company owes him R190 000 relating to the purchase of his company by Elex in 1986. The Elex company is emphatic that the amount is neither due nor payable The case will be heard in the Supreme Court next Wednesday,

Although the company is relatively small — with a turnover of almost R6 million and pre-tax income of R786 000 in financial 1987 — the suspension has attracted considerable attention because it was announced on the day that CRB, an electronics company listed on the main board, was expected to make a formal offer to Elex minorities in a deal that was to see CRB take control of Elex.

In mid-March CRB announced its intention, subject to certain conditions, to make an offer to Elex minorities. At that stage the offer price that was indicated was R30 cash and 25 CRB shares for every 100 Elex shares.

As part of the deal Elex management, which controls about 60 percent of the shares, warranted pre-tax profits of not less than R2,5 million in financial 1989. The offer to minorities would not be affected by this warranty

Elex has been actively traded during the past week. Buyers were encouraged by the intended offer and market sources report that there was a reasonably steady supply of shares being made available at around 30c-35c

The share remained relatively strong despite some nervousness about the delay in reporting the figures for Elex 1988 financial year which closed at end-February It now seems that the delay was due to the liquidation proceedings The share was suspended at 36c.

CRB shares were trading at 65c-70c yesterday. This means that the cash and CRB leg of the deal was worth R47,50 which was equivalent to 47c per Elex share

Elex MD Mr Laurence Chatwin would not comment on the liquidation application or on whether or not CRB would be proceeding with the deal. There was nobody available for comment at CRB

At this stage it seems that CRB is not obliged to proceed with the offer. It may decide to shy away from the publicity that

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Sell-off won't aid SA's blacks

By Robyn Chalmers

THE Government's proposed privatisation programme will not uplift South Africa in any way, but merely make up some backlogs caused by apartheid says a race relations expert

SA Institute of Race Relations executive director John Kane-Berman says the State will be selling off public assets not to gain new ground, but to make up lost ground

"The Government has rightly said that black socio-economic development is a key priority

"Recently, however, both the Minister of Finance and his deputy have stressed that development programmes are designed to discourage migration to the cities," says Mr Kane-Berman

Instead of funds being spent on areas where blacks have been moved for rational economic reasons, such as squatter camps around the cities, part of the proceeds of privatisation will go towards perpetuating apartheid, he says

Mr Kane-Berman identifies some of the main social and political issues facing the economy that need urgent attention

- Black business — many of the restrictions aimed at stifling black business have been lifted since the mid '70s, but black businessmen are still subject to restrictions
- Education — with a 3 500% increase in State expenditure on black education in the last 15 years, much progress has been made in reducing the per capita spending between white and black schoolchildren It has come down from 18 to 1 in 1971 to 7 to 1

"This seems like a major achievement - until one remembers that the gap was 7 to 1 in 1953, when Dr Verwoed nationalised the mission schools" he says

- Housing — the black housing shortage stands at around 500 000 This figure overlooks the homelands, and if one takes them into account the shortage is closer to one million
- Energy and water — in only eight out of 31 black townships in the PWV area do all households receive electricity Backlogs for water are also enormous

Listing for Monatic

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Star 13/6/88

By Tom Hood

CAPE TOWN — Leading menswear manufacturer, House of Monatic, is one of three companies Lenco Holdings plans to list on the JSE

Monatic, formerly the listed IL Back group, was taken over with Rich Rags and Budget Footwear in a R50 million deal with Pepkor last year.

Budget has already been listed and chairman DB de Jager says the directors are examining opportunities of listing the three remaining operating units

This might involve mergers or acquisitions leading to Lenco having either a controlling or a strategic stake in the listed company, he says in his annual review.

The report discloses that after previous losses, Monatic traded profitably in the second half of last year and has generated more than R11 million since Lenco took control in 1987.

Although now a smaller business, Monatic is still large enough to be listed on the JSE or in a merger with another unlisted manufacturer, say the directors

Monatic's debts have been cut by R5 million and stock by R6,5 million and there is potential for further cash generation by additional reduction

"The upside potential in the House of Monatic investment, particularly in its effective cost to Lenco is great," the directors say

Coastal Clothing, one of the new listings on the JSE's main board, aims to conserve cash by offering bonus shares instead of a dividend

A record net profit of R1,2 million was reported for the year to February despite a resumption of tax payments, with earnings up 21 percent to 12,7c a share

A maiden dividend of 2,5c has been declared, but shareholders can opt to take bonus shares instead At five bonus shares for every 100 ordinaries held, this is worth 290c and is 16 percent more than the 250c the dividend on 100 shares would yield this week.

See Page 3

Private sector aid in privatisation

13/6/88

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CHRIS CAIRNCROSS

CAPE TOWN — The process of privatising elements of the public sector, including some of the parastatals, is itself being privatised, Dawie de Villiers, Minister in charge of privatisation and administration in the Office of the President, said.

He said to keep the public informed, specialist teams were being recruited from the private sector to investigate every public sector target identified as a possible candidate for "sale".

See Page 7

232 B/day

Bonus shares an increasingly popular way to beat MTC

ROBERT GENTLE

RESISTANCE to MTC (minimum tax on companies) has already manifested itself: a growing number of companies are issuing bonus shares (non-taxable), instead of paying out dividends (taxable).

Almost every week, listed companies announce varying schemes whereby shareholders are given the option of foregoing their dividends in favour of bonus shares, the exact amount of which is related to their existing share stake.

Last week, electronics group Ohio announced that, after its first year as a listed company, 87% of its shareholders had opted for bonus shares, resulting in an extra 894 220 shares going into issue.

On the same day, recently listed Trimtex Holdings announced a similar scheme whereby shareholders may take seven bonus shares for every 100 shares held.

While acknowledging the obvious tax benefits of such moves, some companies make no bones there are other advantages. The most obvious is that it is a convenient and hassle-free method of raising extra equity, increasing working capital and improving the debt-carrying capacity.

"It is quite simply retaining capital for the long-term benefit of the business," says a director of one such company.

From the shareholder's point of view, it provides a neat choice of either hanging onto the newly acquired shares with a view to long-term capital gains, or simply selling them to make a quick profit.

What about disadvantages? Although the point is often made that more shares in issue dilutes net earnings a share, analysts say this is irrelevant precisely because of the increased number of shares in issue.

'Privatisation imperative for prosperity'

232 B/day. 13/6/88

CHRIS CAIRNCROSS in Cape Town

THE PROCESS of privatising elements of the public sector, including some of the parastatals, is itself being privatised, according Dawie de Villiers, newly-appointed Minister in charge of privatisation and administration in the Office of the State President.

He also stressed the privatisation programme was being proceeded with "in haste" but tempered with "caution" It was important the process gathered momentum, and equally important that it was handled correctly

In an interview, De Villiers — now just two months into his new portfolio — made clear it was not his intention the privatisation process be planned or carried out behind closed government doors

Consultation with all interested parties would be carried out in the widest possible manner To this extent, the process of privatisation was itself being privatised, with specialised teams of experts being recruited from the private sector to investigate every public sector target provisionally identified as a possible candidate

This started with the secondment of Finansbank alternate director and GM Pieter van Huyssteen to act as adviser to De Villiers for three years. He will also be represented on all the specialist teams, whose members are being made up of merchant bankers, accountants, lawyers and a variety of other professions whose specialist skills may be required

De Villiers said his role would be a co-ordinating one and, in the circumstances, he would be maintaining only a small departmental staff

☐ DE VILLIERS . . . co-ordinating role

There seems no doubt government has decided to step firmly on to the road of privatisation It sees the process as an important and integral element of a much bigger, long-term programme aimed at addressing major structural defects in the SA economy

Indeed, De Villiers reasons that "privatisation has become an imperative for economic prosperity in SA" It could contribute to a major redirection and rechannelling of savings away from speculative "investments in inflation" towards more productive ends

A number of negative trends had convinced government of the desirability of this strategy, said De Villiers. The first was that government's share in net fixed investment had grown "out of all proportion" Between 1970 and 1984, 64% of all net fixed investment was made up by the public sector

More disturbing, from government's standpoint, was the extent to which capital utilisation was reflecting declines in efficiency De Villiers noted that the efficiency of capital employed — measured in terms of the capital/output ratio — between 1973 and 1985 was less than half the efficiency levels between 1946 and 1972

Negative trends

In other words, it took twice the net fixed investment after 1973 to contribute R1 to the annual GDP than it did in the previous period Other negative trends quoted by De Villiers:

☐ As the public sector's share in the economy has increased, so the private sector's contribution has grown smaller By the same token, the tax base has also narrowed,

☐ Between 1981 and 1985, the public sector made no contribution towards net domestic savings,

☐ Personnel expenditure in the public sector has now risen to 32% of total government expenditure

"Government simply had to reverse these trends, and privatisation presented itself as an appropriate means by which that could be achieved," said De Villiers

Particularly important in government's pursuit of the privatisation goals was the effect these negative factors had on the economy as a whole The slack investment scenario appears to be one area on which attention has most been focused

The element which De Villiers and his advisers appear to be most concerned with is the system of prescribed assets and what impact privatisation will have on them

Currently, a large proportion of total institutional investment funds have been absorbed through this investment channel To compensate for this the private sector, in turn, spent much of its energies looking for as high a return as possible in investment opportunities for the remainder of the funds at its disposal The effect, noted De Villiers, has been a reduced pool of investment funds being employed in a rather short list of productive investment avenues

He said it made sense that should such parastatals as Eskom, Sats, and Posts and Telecommunications be privatised, their status as prescribed asset borrowers would be reviewed Any changes would have to be done in such a way as to prevent any disturbance in historic investment decisions

"Great caution will have to be taken not to prejudice any one of the enterprises concerned that may happen to be the first to be privatised over those that are still subject to investigation"

Explored

De Villiers said that since the privatisation of large public corporations was bound to change the structure of the economy and the investment environment, the issue of prescribed investments would have to be thoroughly explored at policy level

He concluded with the warning that privatisation was, by nature, a long-term strategy and not destined to be a "quick fix" Little was likely to emerge this year, although much hard work would be going on behind the scenes

He guaranteed that as specific progress points were reached the public — "all the public" — would be fully informed This would be done through direct statements and a series of publicity programmes, focused at specific projects and the audiences concerned

Deregulation pushing up road costs

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ST 14/6/88.

The overall effect of government deregulation efforts in road transport will be to raise transport costs

This is the opinion of Mr Ian Lockett, chief executive of Natro, a leading road transport broking company.

"Government moves to privatise the road transport industry are having the effect of deregulating the movement of goods, but increasing the regulation of the industry itself," he says

"While private hauliers are already moving more goods around the country because of the easing of road transport permits, companies are having to contend with several new problems that, in the long term, will contribute to transport costs increaseing "

Mr Lockett believes the major contribution to increased operating costs comes from the marked rise, particularly at provincial level, of regulations governing vehicle movement between destinations.

"On a single run between Durban and Johannesburg, a driver can expect to be stopped at Newcastle, Ladysmith and Mooi River for routine inspections," he says.

"At each stop he may have to contend with a queue of vehicles

"Then, with or without anything having being found faulty, the driver might have to go through the identical check another two or three times.

"Indeed, there is no limit to the number of times he can be stopped along the route "

Boumat making a bid for Mewa

232) Star 14/6/88

By Ann Crotty

Boumat, which supplies materials to the building industry, looks set to take control of Mewa, one of the country's leading fabricators of stainless steel products

A cautionary statement has been made stating that negotiations are taking place, which if successful could result in the acquisition of Mewa by Boumat A further announcement is expected within two weeks.

If negotiations are successful then it may also result in the disappearance of Mewa from the building and construction sector of the JSE after just ten months of life in the public eye

Mewa went for a listing last September in order to raise money to fund the strong growth that management was "forecasting The group's results for the year to end-February showed earnings per share of 13,1c which were well ahead of the prospectus target of 11,5c. While actual turnover beat the prospectus forecast, operating profit was slightly lower because of the adverse impact that expanding production capacity had on margins

At the time that management announced its results, which was at end of May, there was little indication of a possible change of control. The directors were looking to further growth in financial 1989 on the back of buoyant conditions in the building industry as well as from increased expenditure on education and medical care facilities In addition. "With its upgraded production infrastructure, and strengthened sales and marketing resources in Johannesburg and Durban, the group is well positioned to increase turnover and earnings."

The initial reaction to the announcement has been favourable Since the time of the preparations for its listing last year, Mewa has made a favourable impression on most analysts who regard it as a very tightly run operation. However this impression was not reflected in the performance of the share price and after an initial surge to 125c from its issue price of 100c it eased back to trade below the issue level.

The only explanation that was put forward was investor concern about possible successors for Ernst and Eli Rabie who are joint MDs and are also major shareholders

A link-up with Boumat appears to make excellent sense. It will provide Mewa with whatever depth of management it may need and will enhance its growth potential. What remains to be seen is whether or not the Rabie family will be staying on.

Russia to market gold coins

Star 14/6/88

VIENNA — The Soviet Union has formed a joint venture firm to sell gold and other precious metal coins to the West celebrating events such as Russian Christianity's millennium, a senior Soviet official said on Monday

Eugene Uljanov, treasury division general manager at the Soviet Bank for Foreign Economic Affairs, told reporters that the firm would start selling gold, platinum, palladium and silver coins in October

The first coins to be issued would mark events such as the 1 000th anniversary of Christianity in Russia, as well the invention of the cyrillic alphabet and Russian architecture.

Uljanov, in Vienna for a world gold conference, said the firm, Mezhnumizmatica, was a joint venture of his own bank, the State Bank of the USSR and the Soviet-owned Ost-West Handelsbank AG which is based in Frankfurt.— Sapa-Reuter

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SA takeover laws likely to change soon

ROBERT GENTLE

WITH the takeover battle for British chocolate manufacturer Rowntree by Swiss rivals Nestlé and Suchard still making headlines, why are there seldom such battles in SA? After all, the Companies Act makes provision for takeovers

The main reason, say merchant bankers, is that share ownership overseas is usually spread among many different holders of typically small size, often less than 10%

The SA economic landscape, however, is dominated by a handful of major players — "the Anglos, the Sanlams, the Barlows" — who are majority shareholders in many important companies

Even where the giants are not in control, individual investors own huge share stakes, often with ironclad agreements preventing sell-outs to a predator

Intentions

"A predator wanting to gain control from a major shareholder would be better off discussing the whole issue with him amicably over a cup of tea," says Dillie Malherbe of Rand Merchant Bank

Central to the concentration of power is local legislation that permits investors to buy up shares in companies without having to declare their intentions or the size of their shareholding

In the US, laws require anyone who has acquired at least 5% of another company's shares to declare them

Similarly, in the UK anyone acquiring 5% of another company must inform that company If he acquires 15% he must rest for seven days before acquiring any more, and if he buys 30% he must make a formal bid for the entire company

This recently introduced legislation has done a lot to stop the notorious dawn raids — described by one financial editor as economic *Blitzkrieg* — whereby slick takeover specialists acted with such speed and efficiency that a company did not even know it was being taken over until the new owners walked through the door

It also explains why Suchard and Nestlé are sitting on their accumulated holdings, trying to offer a substantial premium to minority shareholders to induce them to part with their remaining shares Only then will one of them gain control

In SA, not only are there are no disclosure laws but a predator who has accumulated a sizeable stake in a company, albeit without making a formal takeover offer, is not obliged to offer terms to minorities Control is possible without their consent

Indeed, Issie Goldberg, chairman of the SA Shareholders Association, which protects the interests of thousands of minority shareholders, says Chapter XII of the Companies Act does not clearly state what "change of control" really means

He says "Investors should understand the important difference between *de jure* control and *de facto* control

"The former means a majority holding — more than 50% — of the voting shares of a company The latter indicates 'effective control' may be exercised by a holding of less than 50%, and in certain cases as low as 20%"

Section 314 thus requires that a predator or someone offering to acquire more than 50% of voting shares pursuant to a takeover must make the same offer to all shareholders of that company.

"However, a *de facto* change of control — acquiring, say, 49% or less — requires in law no such offer to be extended This is clearly absurd"

Things may change soon.

A Bill is expected to be placed before Parliament with a view to establishing a takeover panel.

"The panel will have the force of law to control procedures of takeovers and mergers, establish full disclosure and generally determine just when a 'change of control' has taken place — possibly with as little as 20% of a company's shares having been acquired by a predator," Goldberg says

He points out this would bring SA into line with overseas procedures and would go a long way towards improving the current JSE regulations, which are only contractual in nature and do not have the force of law

Watchdog

Nevertheless, any takeover panel would at best be a watchdog, and would not be able to halt the buying up of local companies

The reason? Exchange control makes off-shore investment difficult, leaving cash-flush companies and institutions with little choice but to invest their surplus funds at home

Margins at Premier food lacking lustre

232) Star 15/11/88

By Ann Crotty

In the six years since financial 1983, the last year in which UK-based Associated British Foods controlled the group, Premier's annual turnover has surged from R1,7 billion to R3,2 billion

Over the same period, trading profit has risen from R116,1 million to the R206,5 million recorded in financial 1988, while earnings have soared from R53,3 million to R202 million

The performance at trading-profit level shows that margins dipped from a high of 6,8 percent in financial 1983 to a low of 5,5 percent in financial 1986 The last two financial years have seen a recovery in margins which were back to 6,4 percent in financial 1988

While food continues to dominate turnover, other interests, chief of which is SAB, are of growing importance at the earnings level

Over the six-year period, the greatest pressure on margins was in food-related areas In the latest annual report, chairman Tony Bloom says Premier Food Holdings enjoyed a highly successful year in which profitability was significantly increased "It holds the largest or second-largest market share in virtually all the important sectors in which it operates."

With the exception of pet foods, all divisions in the food company were ahead of budget. "It was particularly satisfying to see the broiler division return to profitability after several years of difficulties"

However, the report reveals little about the comparative performance of the food division in financial 1988 As Mr Bloom points out "Restructuring and divisionalisation of the group, and in particular Premier Food Holdings, into different cohesive business units, renders comparative information completely misleading," and so none is provided

But investors are likely to focus on the fact that the newly structured Premier Food Holdings reported a turnover of R2,2 billion in financial 1988 and a trading profit of only R102,4 million This means margins in this area were an unexciting 4,5 percent

Whether or not the comparisons are strictly valid, it seems inevitable that investors will refer to Fedfood which, in the year to March, reported margins of 7,6 percent And in the six months to March, Tiger Oats was looking at margins of 6,5 percent Perhaps more significantly, margins at both Fedfood and Tiger are on a firmer trend

In financial 1987, before the restructuring, milling, baking, distribution and industrial feeding, which accounted for 40 percent of the Premier group's turnover and 48 percent of trading profit, reported margins of 6,9 percent.

Durban's coal terminal is privatised

Coal exports through Durban could be increased from 1,8 million to 5 million tons a year, as a result of a joint venture agreement between SA Transport Services (Sats) and the Durban Coal Terminal Company

The agreement will enable private enterprise to upgrade and operate the historic Bluff Mechanical Appliance, which has been operating since the early 1920's

The terminal will now be controlled by a non-profit company in which Sats will have a 50 percent stake

A Sats' statement says the new agreement is in line with the government's policy of privatisation and with SA Harbours strategy of becoming more business-orientated — Sapa

11/6/88 (23) FM

HEERENGRACHT HOTEL

Sunny side up

Southern Sun (SS) is to take over Cape Town's Heerengracht Hotel The hotel, which closed at the end of January while being managed as a five-star by Protea Hotels, will reopen in October as a four-star unit under the SS banner

Southern Sun MD Bruno Corte says his group has a 15-year lease on the hotel with an option to renew for another 10 years

The decision should end months of acrimony between the Cape Town City Council and the building's owners, Bankorp, property arm of Sanlam-controlled Trust Bank

The row developed last year when Bankorp announced it intended to redevelop Trust Bank Centre, the building that houses the Heerengracht, as an office block and gave Protea Hotels notice It was one of only two five-star hotels in the CBD

The council objected on the grounds that it had allowed the tower block to be built in the Sixties on condition it contained a hotel of international standard When direct negotiations failed, it sought a Supreme Court interdict to restrain Bankorp from closing it.

An out-of-court settlement was reached before the matter came to court, but the hotel had already been closed News of the settlement sparked off a flurry of interest from hoteliers eager to revitalise the hotel.

SS is to rename the hotel, which will consist of 137 rooms, three boardrooms and an upmarket restaurant and cocktail bar Corte says marketing will be aimed at businessmen It will have "no banqueting facilities to annoy them But in summer it will help us with our convention and tourist business"

He refuses to discuss rental, but says "It's favourable Everything will be refurbished. Trust Bank will spend about R2m on basic improvements and the lobby and we'll spend another R4m

"The rooms will cost us R30 000 each, which is a bargain, considering it would cost R150 000-R200 000 a room to build a hotel of similar calibre from scratch"

The move tightens SS's stranglehold on Cape Town's CBD, where it already operates the 350-room Cape Sun and the Inn on the Square ■

PRIVATISATION 232

Privatise the process

"Privatise the privatisation process," JSE president Tony Norton suggested at a conference last week He says heavy input from private-sector experts would assist Pretoria in its plans to sell off State assets

Fred Macaskill, executive director of The Privatization Centre, welcomes Norton's call and offers suggestions on how it could be done

"Private people could be involved as consultants, auditors and lawyers," says Macaskill, whose organisation advises government, bankers, economists and public-sector labour unions on how best to carry out privatisation

For example, engineering consultants familiar with an industry to be privatised could supply technical advice Merchant banks and stockbrokers could draw up plans for financing sales or floating stock issues

Ideally, government would turn over the task of privatising a State corporation to a committee of private-sector experts For example, if the Post Office were to be privatised, Pretoria could give a committee three months to come back with a business plan that satisfies government, workers, consumers and the business community

This helps get around the problem of civil servants dragging their feet, thinking they'll be harmed by privatisation

In the UK, where privatisation has become a household word, many private groups are pushing government to speed up and extend privatisation This comprehensive approach has helped PM Margaret Thatcher push for a low-tax, high-growth economy

In Britain, people are beginning to see that privatisation can be applied to a wide range of functions — from trash collection to education Macaskill hopes growing private-sector interest and involvement in SA will likewise broaden the scope of privatisation

The conference suggests interest is already picking up now that the State President has put privatisation on the agenda Other aspects addressed were

- Deregulation John Banos, chief economist for Simpson McKie, said privatisation should be accompanied by — even better, preceded by — deregulation. "In most cases, a private monopoly can only exploit the consumer if supported by government regulations such as import tariffs and duties"
- The notion that SA has special circumstances Andre Pienaar, principal consultant for Pim Goldby, while conceding the differences between SA and the UK, stressed that privatisation makes sense wherever it's carried out "Circumstances do not decrease the justification for privatisation"

He told the audience to take a wide view and recognise that privatisation means more than just listing the big State corporations and utilities He said any step that allows more private competition is a form of privatisation "Selling SA Airways is a popular suggestion — but simply opening the market to competition and franchising route licences will be a significant privatisation action"

Metal Box/Nampak deal offers additional benefits

Star 20/6/88 (232)

By Sven Forssman

Metal Box South Africa shareholders taking the Nampak share option could enjoy an additional earnings boost of more than 20 percent in the 1989 financial year, says Mr David Brown, chairman of both companies

Nampak announced in March its intention of taking over the 46 percent balance of ordinary shares in Metal Box South Africa not already held by it, as well as the preferred stock.

Basis of the deal

The basis of the deal was that Nampak would offer 35 Nampak ordinary shares or R860 in cash for every 100 Metal Box SA ordinary shares

Metal Box in Britain indicated that it would elect to take the cash offer for its 25 percent holding, but the ratio of the deal suggests that most shareholders would prefer the share swop

Mr Brown says the pro-forma calculations that show an earnings improvement of more than 20 percent is based on four considerations

"They are the strategic plans of both companies, the recently adopted partial deferred tax system, the assumption that all Metal Box SA shareholders take the share alternative and the proposed structural changes," he says.

In the original announcement, it was stated that the implementation of the deal calculated retrospectively to September 30 1987 would have added about nine percent to earnings, 9,4 percent to dividends and 16,7 percent to the market value On the same basis, Nampak's earnings would have decreased by 1,3 percent

Synergistic benefits

According to pro forma calculations, existing Nampak shareholders should benefit by about four percent in earnings growth if the Scheme of Arrangement is implemented

The main synergistic benefits of the deal, according to Mr Brown, are the "accommodation of future projects and expansion without minority constraint, increased gearing to be repaid from the strong combined cash flow, wider management deployment and further minor rationalisations"

Since the scheme, if approved, would only be operative for two months of the current financial year, it would have little effect on the earnings of either company this year

Standard Merchant Bank, acting on behalf of Metal Box SA, and Finansbank acting on behalf of Nampak, have both declared the scheme to be "fair and reasonable" to the parties concerned

4000

Hudaco to seek major acquisition

22/6/88

Finance Staff

(232)

Hudaco Industries, after showing earnings growth of 42 percent to 33,4c a share for the six months to end-May, has hinted that it is looking for a major acquisition soon. Hudaco upped its interim payments by 50 percent to 15c

Commenting on the results the directors said that against the background of strong management, combined with positive cashflow, Hudaco was well resourced to identify a major strategic acquisition in the medium term

The stronger balance sheet derives largely from the succesful integration of major acquisitions made in 1987 and the restructuring of the power transmission division, through the disposal of both Terraquip and the Frencorp listed shell

The directors expect earnings growth to continue in the second six months.

New toll road delays 'will cost thousands'

(232) Star 20/6/1998

By Dan Side

A 12-day delay in the opening of South Africa's first privatised toll road is expected to cost the operators, Tolcon, thousands of rands in lost income.

Today's scheduled midday opening of toll gates on the stretch of the N1 between Vanderbijlpark and Kroonstad has been postponed for contractual reasons.

According to Tolcon chief executive Mr Ron McLennan today, the company was advised by the Department of Transport that a specified elapsed period after the gazetting of the project expired only on July 2 and it was illegal for the road to be taken into use before that date.

Mr McLennan would not venture a guess at the amount of lost income but said it would be "a substantial amount of money".

The postponement, he said, arose over an understanding about whether Tolcon would be able to start operations earlier than the stipulated 60 days after gazetting.

"We had to change all our advertising and publicity," he said

The 124 km route, which bypasses Parys and Vredefort — designed to eliminate the potential dangers associated with heavy truck traffic on streets through towns — was said to cut about 30 minutes off the travel time between Johannesburg and Bloemfontein.

Revenue lost by the postponement will be heavy because the toll for two-axle light vehicles (including motor cycles) is R8, rising to R21 for heavy vehicles with seven and more axles.

Star 21/6/88

Is the Government serious about deregulation?

232

An exasperating lack of action is frustrating all other efforts to promote small business, writes Leon Louw, executive director of the Free Market Foundation.

South Africa has joined the global small business revolution Small business now appears to account for nearly all new job creation, and a great deal of "unrecorded" economic growth South African small business, as Dr Anton Rupert prophesied some years ago, has become big business

The small business revolution in South Africa takes place against the background of the wave of deregulation, privatisation and pro-small business sentiment that is sweeping the world This is the world's first truly global revolution

Virtually all significant countries are now marketising to some extent In the East and the West, in old and new countries, the First and the Third world, rich and poor, big and small — with few exceptions — small business is being decriminalised

Even in black Africa the post-colonial dark age of "African Socialism" may be coming to an end In Dakar, we "Dakarites" were treated to an example of this, the significance of which was unfortunately lost on most of the delegates Wherever we went we saw the streets lined with small and informal businesses

New policies

The government of Senegal arranged a special seminar on economic policy for both the ANC and the Idasa delegations which amounted to propaganda for their new free market policies We heard that the economy was booming for the first time in many years thanks to small business deregulation, and the liquidation or privatisation of State corporations, land and housing

Ten African countries recently sponsored a supplement to *The International Investor* in which they boasted, inter alia, about the new entrepreneurial opportunities in their countries Some African countries, like Guinea, have undergone a rather dramatic but little known ideological somersault — invariably with the same beneficial results

The corresponding developments in the communist bloc are no less fascinating In most communist countries now small business is freer than it is in South Africa

In some Central and South American countries the small business cause is taking on the appearance of a popular deregulatory movement not dissimilar to the Anti-Corn Law League in 18th century England In Peru, Hernando de Soto's all time bestseller, *El Otro Sendoro* (The Other Path), is concerned with the deregulation of small business and has developed a cult-like following People go about the streets wearing T-shirts marked "I am an informal"

During the 80s virtually all new jobs in the US have been provided by small business In the first half of this decade there was a net gain of 8 million new jobs, 10 million in the small business sector and 2 million in the big business sector

Reports of this kind come in daily from all over the world But what about South Africa? South Africa was one of the first countries to talk about small business deregulation, but has fallen dismally behind in terms of action — the notable exception being Government's support of the SBDC

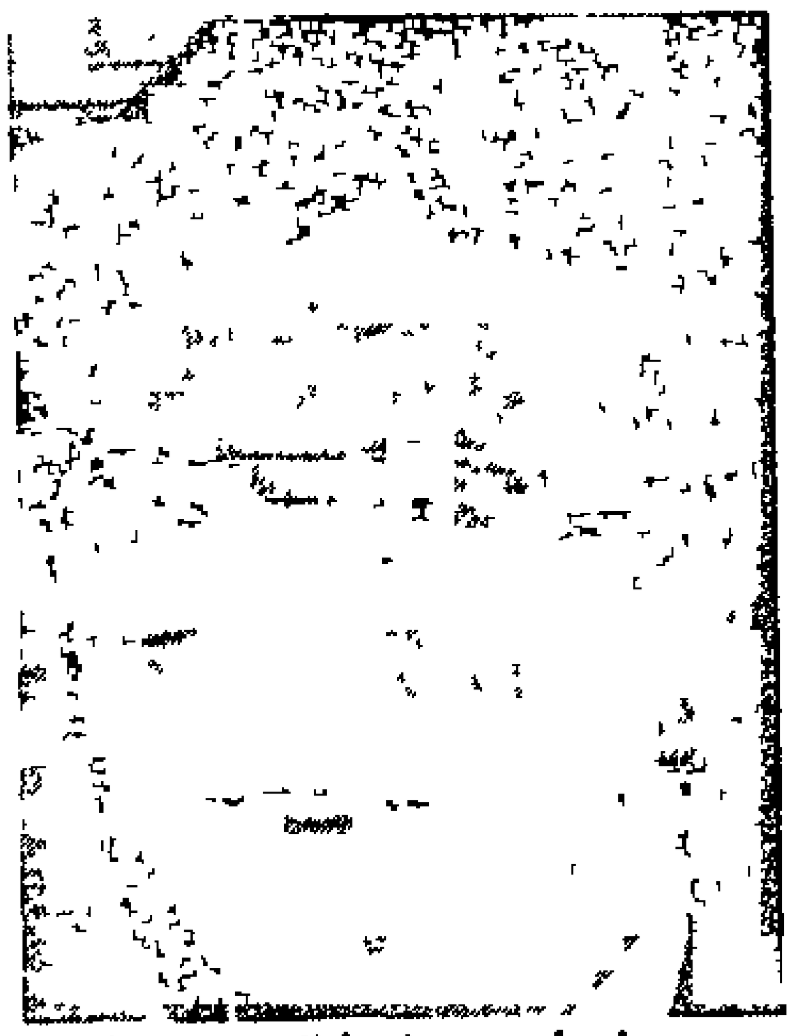
Exasperating

There has been an exasperating lack of fundamental deregulation, and this is frustrating all other efforts to promote small business Since the early 70s Government spokesman have repeatedly promised that deregulation (and, more recently, privatisation) is imminent.

But their lack of performance has led to speculation that either the Government is not sincere or that it is impotent in the face of the obstacles presented by both private sector and bureaucratic vested interests

These vested interests can be found in existing business, labour and the civil service, and any successful future policy regarding small business development will have to accommodate them

As far back as 1985 the State President himself sounded exasperated when he said "I am of the opinion that there are too many rules and regulations . Even if I as State



Louw "don't impede the entrepreneurs".

President have to take power during the next session of Parliament so as to enable me to deregulate in the interests of the country, I will do so!"

The Temporary Removal of Restrictions Act seemed to be the first breakthrough It gave the State President the power to suspend many laws, but to date only one small property in the Johannesburg suburb of Kew has been slightly deregulated There has been some deregulation in other respects too

On the face of it, it seems a lot, but doesn't amount to much against what must still be done

So, apart from its direct assistance to such agencies as the SBDC, there is no hard evidence yet that Government really means business However, there are some hopeful signs This year may be a turning point

There is speculation that there is draft legislation at the departmental stage regarding the genuine deregulation of business licensing and of taxis — slight relaxation of the taxi licensing laws and of enforcement of the remaining laws has led to an explosion in the industry

Some of the homeland Governments are following Ciskei's examples of deregulation, and a few municipalities are seriously considering deregulating to the extent permitted within their limited powers

Some, like Johannesburg, Durban and Cape Town, have already made a start They have provided the first visible and truly welcome signs of progress with the emergence of village markets, decriminalised hawkers and hot dog carts

In some areas zoning policies are being relaxed and "cottage industries" are returning Now more and more people see that the sky does not fall on our heads when Big Brother bureaucrat is not watching over us

Unfortunately, besides these hopeful signs there are also indications that the Government might be tempted to protect small businesses from failure through special programmes This may be well-meaning but it is mistaken

Avoid mistakes

It is as important for unsuccessful businesses to go to the wall as it is for successful ones to thrive and grow Government should not make the same errors in this area as it has made for decades in agriculture

There is also an unfortunate tendency to associate small business with black business, and black business in turn with a limited range of activities Small business had nothing to do with skin colour and should be encouraged in all communities, and the time has come for black entrepreneurs to start thinking beyond trading, taxis and small industry to, for example, air transport, computers and property development

The objective of small business is usually to become big, and if this is not constrained in any way, big business will be subjected to market forces which ensure that it can only retain its share by offering goods and services at competive prices

With sanctions already imposed on South Africa and the threat of more to come, it is important that Government gets out of the way of the entrepreneurs and allows them to use all the opportunities available to produce wealth and create jobs

● This article was written for *Roots of Enterprise*, a *Leadership* publication

Fed Volks buys into Teljoy

Star 22/6/88

Federale Volksbeleggings has acquired a 26,9 percent stake in Teljoy from Santambank.

Announcing this yesterday, Fed Volks says the acquisition was intended "to strengthen and complement Federale's existing interests in selected growth sectors of the consumer market."

The purchase price is 230c a Teljoy share and excludes the final dividend for the year to end-March to be paid in July.

The price of R35,4 million will be met with five million Federale ordinaries at 350c a share plus a cash payment of R17,9 million.

Had the transaction applied to the financial year to end-March 1988 there would have been no material change in Federale's earnings or asset value a share. (232)

But Federale anticipates enhanced earnings in future years.

"The concept of TV rental is expected to gain further popularity in future years. The company is also entering the field of audio and visual communication and security." — Sapa.

Government to spend R5-m on ad campaign

(232)

Star 23/6/88

CAPE TOWN — A R5 million Government advertising campaign to inform the public about deregulation and encourage private initiative should get under way in two to three months

The Minister of Information, Dr Stoffel van der Merwe, yesterday said the campaign had been approved in principle by the Cabinet

He also indicated the campaign could serve as a forerunner to one promoting the Government's privatisation policy

A long deregulation campaign was foreseen, with R2 million being spent this year,

Referring to the premature release this month by the Conservative Party of details of the Bureau for Information's R4,7 million advertising campaign to encourage voters to go to the polls in the October municipal elections, Dr van der Merwe said he wanted to make it clear there was also nothing to hide here

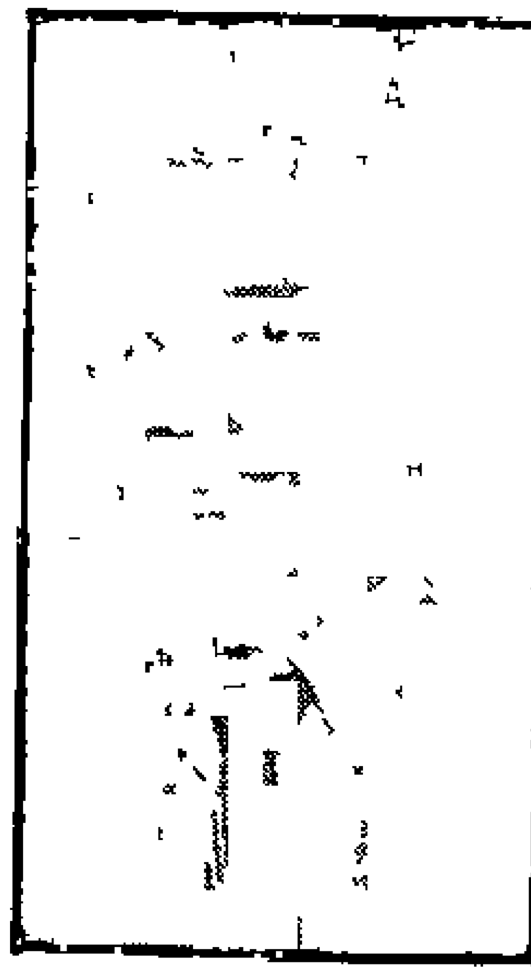
Tender Board approval for the campaign had already been obtained and, while the McCann agency had been granted the election campaign contract, this one would be handled by Bates Wells

"While the campaign will be about deregulation, it will actually focus on the promotion of private initiative, Dr van der Merwe said

"Stimulation of this can lead to more employment opportunities and better futures for many people," he said — Sapa

(232) B/day 23/6/88

The high and low roads to privatisation



JOHN BANOS (left), chief economist of Simpson McKie, writes on the possible effects of privatisation on SA's financial markets

THE WAY in which government tackles privatisation and the state of the economy at the time will have crucial effects on the ability of the Johannesburg Stock Exchange to cope with privatisation issues

A cash-flow analysis reveals that privatisation on a modest scale (let us say an annual transfer of R1bn to R1,5bn worth of assets) can be accommodated by the JSE without any detrimental effects on the price of existing stocks

With the persistence of double digit inflation, high tax rates and a lack of alternative investments, institutional cash-flow should continue growing in real terms in the foreseeable future For 1988, the potential inflow of insitutional cash-flow into equities is in excess of R6bn

On the other hand, the amount of new capital raised through the Johannesburg Stock Exchange (JSE) has declined sharply since last October's stock market crash Only R842m * was raised in the first quarter of 1988 and the total for the year could be less than R4bn

Even if overseas investors and local private investors do not subscribe for the new issues, and even if prescribed asset requirements remain the same, privatisation can still occur (albeit on a modest scale) without being a serious depressant for the market

A cash-flow analysis is a necessary tool, but it does not provide the answers It makes a substantial difference whether privatisation is combined with deregulation or increased regulation, whether ownership is transferred to the public at large or to the three or four largest pension funds in SA, whether the proceeds of privatisation are used to repay debt or to increase government expenditure If government expenditure is increased it makes a difference whether the money is used for current or capital expenditure

One can derive a whole matrix of different scenarios for SA's financial markets depending on the method of privatisation and the socio-economic circumstances which accompany it

I will look at only the two extreme scenarios

The pessimistic scenario as follows
1. — Improved profitability of public corporations is achieved through the easy and quick option of increasing prices,
2 — Privatisation is not supported by the majority of employees and trade unions,
3 — Government spends the proceeds from privatisation unproductively;
4. — The bear market in equities continues unabated,
5 — Large-scale privatisation is not accompanied by a relaxation of prescribed asset requirements, and
6. — Privatisation occurs concurrently with full trade and capital sanctions from abroad.

The pessimistic scenario results in an economic environment where·

☐ Firstly, SA is isolated from the rest of the world because of sanctions,

☐ Despite high government expenditure, economic growth is very poor due to low productivity, high labour unrest, reduced exports due to sanctions and low business confidence; and

☐ Inflation is likely to be rising sharply due to high government expenditure, increased prices from public corporations and higher prices of imports due to sanctions

This economic environment is not good for equities Sub-standard economic growth means that real earnings will be stagnant at best But the biggest negative factor is likely to be the massive overhang of script reaching the market due to privatisation and sanctions occurring concurrently

Now the outlook for the capital market given the assumption of strongly-rising government expenditure, the public sector borrowing requirement is likely to remain high

The major detrimental factors, however, will be a sharply higher inflation rate and a deterioration in confidence The outcome should be a steeply positive yield curve, with yields on long bonds substantially higher than current levels

The optimistic scenario is as follows
1 — Improved profitability of public corporations is achieved through greater efficiency rather than through increasing prices,
2. — Privatisation is supported by employees and trade unions,
3 — Privatisation is accompanied — or, preferably, preceded — by deregulation,
4. — A greater proportion of institutional cash-flow is invested in equities due to
(a) A change in prescribed asset requirements, or
(b) The PIC being allowed to invest in equities,
5 — A conservative fiscal policy;
6 — Privatisation is not impeded by increasing trade and capital sanctions from abroad, and
7 — Privatisation proceeds on a small scale initially, with the most suitable and acceptable assets being privatised first

The effect of the optimistic scenario on the financial markets is as follows

If government uses the proceeds of privatisation to repay debt, this should be neutral for interest rates. However, the optimistic scenario is beneficial for economic growth, due to the attainment of higher productivity levels, less labour unrest and expedient tax cuts.

Higher economic growth, coupled with an increase in the demand for credit from the private sector, could push money market interest rates higher than current levels. This is particularly so if one notes that real interest rates in SA are still low by international standards.

The long-end of the capital market should benefit from reduced inflation flowing from reater efficiency in public corporations, more deregulation in the economy and a conservative fiscal policy

The optimistic scenario hence results in a flattening of the yield curve, with money market rates edging up and long rates coming down

Lower inflation should also be beneficial to the equity market over the longer term, although it is debatable what the short-term impact of a reduced rate will be

Equities should benefit, however, from stronger economic growth (and therefore real earnings growth), less labour unrest, an improvement in business confidence and a more normal international environment

The supply of script reaching the equity marker through privatisation should be easily absorbed by increased institutional cash-flow Furthermore, an easing of prescribed asset requirements (or their abolition altogether) could shift a greater proportion of institutional cash-flow into equities

In conclusion, a simplistic cash-flow analysis reveals that privatisation on a modest scale can be accommodated by our financial markets However, a more in-depth study reveals that the effect of privatisation on SA's financial markets is a whole matrix of possibilities

I have highlighted a few of the issues involved To pinpoint accurately what the outcome will be, one has to know the route that government will follow with respect to privatisation a few possibilities have been given in the White Paper, but the exact route has, I think, not yet been decided

One also has to know the response to privatisation from the labour movement Trade unions are still crystallising their views One has to forecast the sanctions threat There is currently so much uncertainty about this

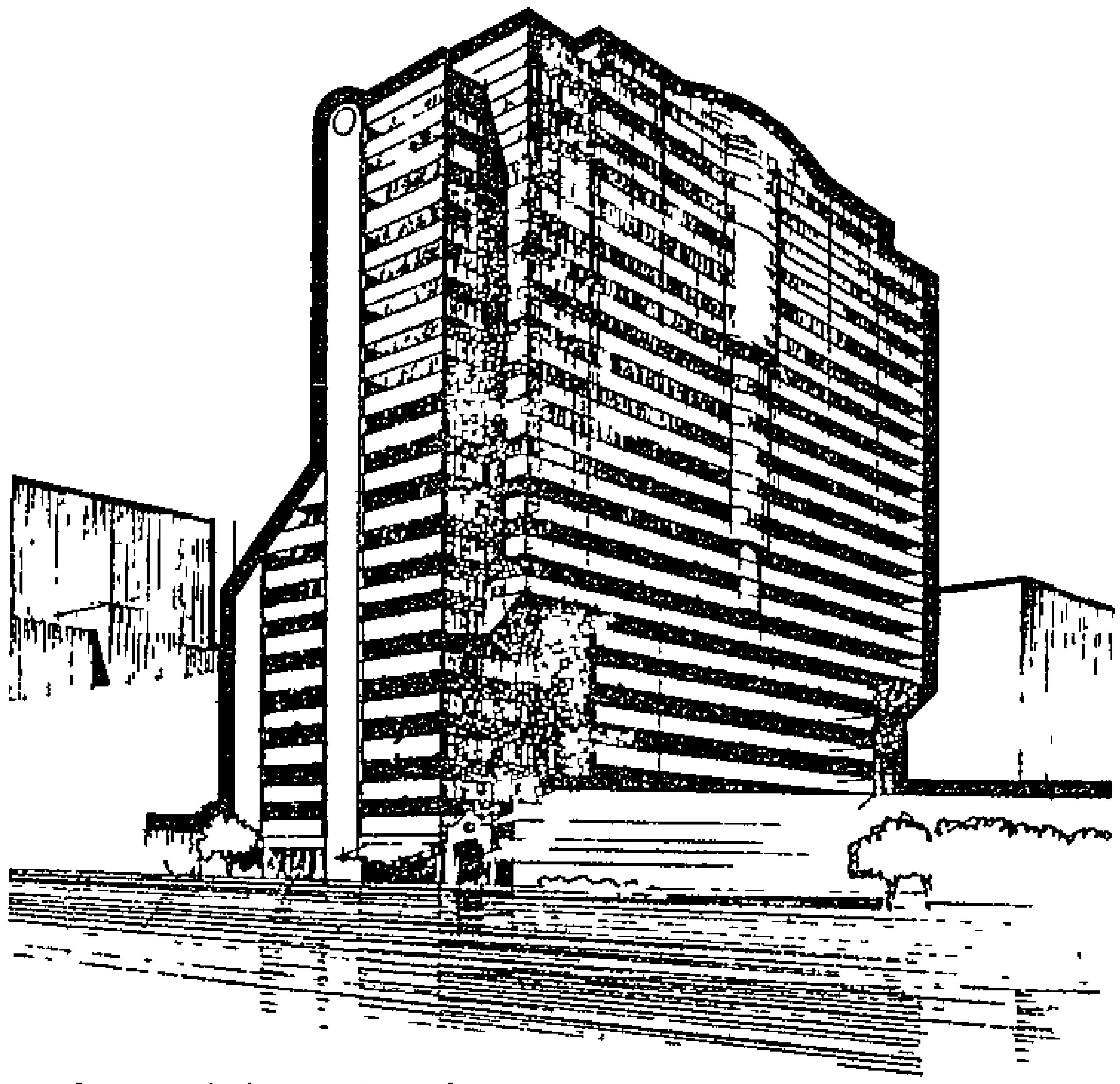
Finally, one has to know the state of the markets in the years ahead, because privatisation works much better in a bull market than in a bear market

• Refers to capital raised through rights issues and total market capitalisation (at issue price) of newly-listed companies.

JCI sells R50-m Diagonal St project

(232)

Star 23/6/88



An artist's impression of JCI's super building to be created in Diagonal Street

By Frank Jeans

Johannesburg Consolidated Investments (JCI) has sold its R50 million Diagonal Street development to a consortium of pension funds

Early last year, JCI bought the 3 750 sq m site from the Argus group for R3,75 million and following negotiations with the Johannesburg Council and the National Monuments Commission, it was agreed to retain two old buildings fronting Diagonal Street.

The old fruit trading alley which has been demolished, will be rebuilt as a shopping mall as far west as possible on the site, so as to allow "reasonable property development"

A further 2 000 sq m of retail space on the ground floor of the new building will be let to Indian tenants who vacated the old property to make way for the project

The new structure, which is expected to be complete and ready for occupation at the beginning of 1990, will have 14 000 sq m of lettable space over 21 floors

The office component will cover 14 floors and there will be seven storeys of parking In addition, 352 parking bays will be available for tenants

While no details are available, it is understood that negotiations are already going on for leases and two tenants have been secured for a total of 9 500 sq m

The Indian tenants who were displaced by the demolition of the old building will have the first option to re-establish themselves in the new shops

Lovasz well placed for growth

Star 24/6/88

By Sven Forssman

(232)

Lovasz Chemicals, which was listed on the JSE last year, is well placed for growth, both organically and through acquisitions, chairman Vivian Imerman says in the annual report

"The group's management has been further strengthened through the acquisition in March of a speciality chemicals operation, Acetico Biochemicals, and the establishment of a new chemical and commodity division," Mr Imerman said

"Acetico Biochemicals manufactures and distributes high technology speciality food additives and enzymes to the food, bakery, confectionery, brewing and beverage industries, and these activities open up new markets for the group

"In addition, the establish of business ties with Biocon provides for the transfer of technology in product development, manufacturing expertise, marketing support and representation of a diversified high-tech product range

Mr Imerman said Lovasz embarked on a project of establishing offshore operations some years ago, and the benefits of this decision were clearly felt during the year under review

Among the benefits of these operations are the streamlined flow of imported materials, and the assurance of continuity of supply of vital products

On future prospects, Mr Imerman said the group would be able to maintain growth profit objectives because its offshore operations provided a big hedge against the rand

He revealed that another plant was on the drawing board, which would enable the group to go into another five or six different chemicals

"Unlike most locally manufactured products in the industry, our raw materials are sourced entirely from prime local manufacturers," he added

New boost for deregulation?

(232)

The small business and informal sectors could be given a strong boost, should government accept the recommendations of a deregulation lobby, known as the Sunnyside Group, to promulgate a new Small Enterprise Promotion Act.

Devised with the intention of speeding up the process of deregulation, the proposed Act will grant special monitoring powers to a small business commissioner, who will oversee deregulation and advise government on the necessity of amending — or scrapping — outdated laws that restrict entry into, or the effective running of a business

"Government officials have expressed concern about the creation of yet another bureaucracy, but this is clearly not the intention. We want deregulation to gather momentum — so far, only the surface has been scratched," says Job Creation SA CE and member of the Sunnyside Group, Ian Hetherington

With 4m-odd unemployed in SA and the number growing by 300 000 every year, neither the formal business sector nor government have the resources to stem the tide of joblessness It is common cause, however, that by amending unnecessary and outdated legislation and the thousands of antiquated municipal and provincial by-laws, millions of additional jobs could be created in the informal sector at minimal cost to the taxpayer

Novel suggestions in the proposed Act (a copy has been handed to government) include the following:

☐ All new legislation should be tested for its possible impact on small business and the legislator should publish an accompanying report analysing this impact The draft Bill and impact analysis should be communicated to small business lobbies at least 180 days prior to promulgation;

☐ All departments and divisions administering legislation, including provincial and local authorities, should, within 180 days of commencement of the Act, submit proposals for a compulsory public review of the legislation they administer The onus will be on the administering authority to justify its application to small business The review should be completed within three years,

☐ The appointment of a small business commissioner, with assistants, to monitor central and local government laws, examine their impact on small enterprise and recommend improvements The commissioner will report to the State President

The Sunnyside Group is a voluntary association with representatives drawn from the National African Chambers of Commerce (Nafcoc), the African Council for Hawkers and Informal Business (Achib), the Get Ahead Foundation, Job Creation SA, the Small Business Development Corporation, the Law Review Project and various other bodies with a strong interest in deregulation

The need for a monitoring body on deregulation was proposed by the SBDC to the President's Council as far back as 1985 The Office for Deregulation and Privatisation (now under Minister Dawie de Villiers) has been administering the process to date, but the lack of the department's ability to scythe through legal impediments has slowed down the momentum

While deregulation remains a topical buzzword, implementation of the policy still has a long way to go Even the State President's special powers to cut through red tape under the Temporary Removal of Restrictions on Economic Activities Act have only been used once — to deregulate activity in one building in Kew, Johannesburg

The reason, says executive director of the Self-Employment Institute Theo Rudman, is that vested interests remain the most powerful lobby against deregulation He points out that much legislation and many regulations exist "purely because it serves the interests of certain groups rather than the community as a whole "

He adds "There will be squeals of complaint from people who are protected by the existing legislation. Everyone supports the process of deregulation in principle until it affects him or her personally — and then the opposition tends to become loud and vociferous "

Many businessmen, therefore, have "mixed feelings" about the deregulation of laws that restrict entry of people into business, whether as manufacturers, distributors or in the service sector But, while this type of reaction to increased competition is understandable, it is certainly not in SA's best interests — sociologically or economically

"The greater the number of underprivileged people who enter private enterprise, the stronger the resistance to creeping socialism Little capitalists, given the opportunities, can become big capitalists and therefore object lessons to others," says Rudman

Big business thus has an interest in promoting deregulation Not only does it create jobs at minimal cost to the taxpayer, but with more retailers local demand, particularly at the wholesale end, also increases — as happened in Taiwan and other Far Eastern "miracle" economies

That this type of "inward industrialisation" *is* possible in SA is evidenced by the huge growth in black taxis and hawkers (*Business* June 17)

An added spinoff is that economic growth creates a politically stable and economically prosperous society. All these factors benefit "big business", which should actively support the growth of small and informal business

"Indeed, the extent of the legislation hampering black business activity is such that one wonders how a black business sector was able to emerge at all The fact that it has, serves to illustrate the potential, tenacity, courage and enthusiasm of our under-privileged people," says Rudman

But further deregulation is still needed Hopefully, the focus given to the subject by the Sunnyside Group's lobbying activities will give renewed momentum to what is an essential process ■

Asset sale will reduce debt burden

(232)

FSI-Waicor finally get restructuring under way

Star 24/6/88

By Ann Crotty and Magnus Heystek

An announcement on the restructuring of the FSI-Waicor group is imminent — some 10 months after the initial deal was conceived

Cause of the long delay is believed to be the R227 million debt raised by FSI to fund the acquisition of Waicor Originally the deal involved the purchase of Mannie Simchowitz's 47 percent stake in Waicor for R35 a share

This meant FSI had to fork out R105 million to Simchowitz At that stage although the offer was well ahead of the market price of R22,75, prospects for the enlarged group looked exciting enough to expect that most of the minorities would stay on board

But the collapse of the JSE just 10 days later ensured that the R35 per share offer to minorities would be snapped up This meant FSI was looking at a massive debt of R227 million

Jeff Liebesman

To Mr Jeff Liebesman, executive chief of FSI, this must have been a stroke of singularly bad luck as a booming equity market would have facilitated the deal much easier. Any rights issues would have almost certainly been gobbled up by stock-hungry institutions and investors

There has been considerable disagreement between company sources and market analysts as to the annual cost of this debt The former have indicated, but not stated, that although it was used to buy shares, the debt has been made tax efficient which means an annual interest charge of around R13 million

However, analysts remain adamant that at this stage the group is looking at an annual interest bill for the Waicor acquisition of around R25 million

Against this, is an expected annual income from Waicor of about R10 million in the first full year

The difference between the two amounts has put most pressure on management to restructure the group and ensure that the debt is transferred from FSI to Waicor operating subsidiaries where, as one broker noted, it can more easily be offset against trading income

Sale of assets

This can be achieved by the sale of FSI assets to Waicor subsidiaries It would be pointless for FSI to undertake a restructuring without making asignificant reduction of around R125 million in its debt

What FSI assets are available for sale to W & A? — Form-Scaff and NatBolt If both were sold most of the debt problem would be resolved

But indications are that FSI management is keen that Form-Scaff remains as an unlisted 100 percent held company

Form-Scaff is rapidly on the way to becoming one of the world's top scaffholding companies A change in the nature of its ownership could attract unwelcome attention to its SA links and in addition any reduction in the 100 percent stake would dilute FSI's future income from this very lucrative operation

So, Form-Scaff is unlikely to be affected by the restructuring

This means the funds have to be raised through the sale of NatBolt And the feeling is that FSI could be looking for something in the region of R130 million for its 78 percent stake in NatBolt. The obvious purchaser is Hunts, although the burden could be spread across Gentyre and Tarry

The R130 million is equivalent to about R26 per NatBolt share which is a 25 percent premium on the current market price and not far off its 12-month high of R33

The biggest problem facing FSI management must be how to persuade the shareholders of Hunts and its subsidiaries to pay the premium Part of this problem will be resolved through the purchase by W & A of AAF's 50 percent stake in Hunts at a price rumoured to be in the vicinity of R10 a share

This would leave London-based AAF, headed by Mr Simchowitz, with something in the region of £20 million available for the purchase of overseas assets and it would leave W & A with about 65 percent of Hunts and mean that there was less dilution of earnings and dividends to the pyramid company

Costly exercise

It will also eliminate the costly exercise of remitting dividends to AAF only to repatriate them back to SA, an almost futile exercise which last year cost close R500 000

Mr Simchowitz finds himself in the enviable position that, although he only has an indirect stake of 11 percent in AAF via an option, he can virtually dictate terms insofar as the deal relates to AAF and Hunts

According to rules on the London stock exchange minority shareholders can withold their blessing on any deal, thereby blocking it, unless they consider the terms sufficient This happened last month when the minority shareholders in AAF blocked the proposed deal whereby Mr Brian Joffe was to acquire control of locally-quoted property company Aurochs in which AAF has a stake

At the time of the deal Mr Simchowitz said he would agree to any deal on the basis of it being "financially viable"

This can mean only one thing A deal has been struck with the minority shareholders, and in particular Mr Simchowitz, of AAF

With regards to the minority shareholders, if FSI is looking for a significant premium on NatBolt then it is likely that most of the important minority shareholders have already been tested for their response

Conscious of the fact that there exists some concern about the quality of management in the Waicor-group, particularly after the departure of Mr Simchowitz initially and recently Mr Brian Joffe, FSI this week announced the names of the executive committee which will oversee the day-to-day running of the company

Brian Joffe

While the restructuring has almost certainly taken up most of the time of the various executives, much is expected from them once the restructuring is complete

Already there is some talk in the market of Gentyre acquiring Goodyear's SA operation

One significant, although at this stage not vital, detail worth looking out for will be whether the restructuring brings together NatBolt's subsidiaries, L Matus and Tarry It was with the intention of linking up these two operations that FSI first approached the W & A group some 10 months and R227 million ago

Govt to spend R5m over three years

Deregulation ad campaign under way soon

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B/day 24/6/88.

CAPE TOWN — The government's advertising campaign to inform the public about deregulation and to encourage private initiative should get under way in two to three months, and the R5m to be allocated to it would be spent over a three-year period, Information Minister Stoffel van der Merwe said yesterday.

The campaign had been approved in principle by the Cabinet, but finer details still had to be worked out.

Van der Merwe also indicated the campaign could serve as a forerunner to a campaign promoting the government's privatisation policy.

A long deregulation campaign was foreseen, with R2m being spent this year and R1,5m in each of the two successive years

Referring to the CP's premature release this month of details of the Bureau for Information's R4,7m advertising campaign to encourage voters to go to the polls in the October municipal elections, Van der Merwe said he wanted to make it clear there was also nothing to hide here.

Tender Board approval for the campaign had already been obtained and, while the McCann agency had been granted the election campaign contract, the deregulation one would be handled by Bates Wells.

"While the campaign will be about deregulation, it will actually focus on the promotion of private initiative

"Stimulation of this can lead to more employment opportunities and better futures for many people who would otherwise have had fewprospects," he said

The overall effect of the campaign should be beneficial to the economy.

At the same time, the deregulation campaign could serve as "background music" to a subsequent advertising campaign to promote the government's policy of privatisation.

Van der Merwe said British Prime Minister Margaret Thatcher's government had spent about R150m on its privatisation campaign. — Sapa.

Nestlé succeeds in Rowntree takeover

232 B/day 24/6/88

MIKE ROBERTSON

LONDON — British chocolate giant Rowntree, under siege from Swiss rivals Nestlé and Suchard, has surrendered.

Rowntree, the maker of Kit Kat and Smarties, yesterday said it was accepting an improved £2,55bn takeover offer from Nestlè

The abrubt ending to what has been dubbed here as the "bar wars" came when Rowntree chairman Ken Dixon said he was backing a £10,75-a-share bid from Nestlé

This compares with the highest previous offer of £9,50 from Suchard and a share price of £4,68 before hostilities opened in April

Rowntree won assurances it would play an important role in the new group

Rowntree retains its York-based headquarters and will assume responsibility for Nestlé's international confectionary strategy

Dixon, who gets a seat on Nestlé management committee, said "We believe the price is fair and shareholders and employees should gain"

Suchard is still Rowntree's biggest shareholder with nearly 30%, but apparently could not match the Nestlé offer.

□ John Rich, MD of Rowntree's whollyowned SA subsidiary, Wilson Rowntree, said yesterday the offer appeared to be a good one for shareholders and that both companies had tried to assure the best interests of Rowntree employees world-wide

● Picture Page 3

PRIVATISATION

Justice Inc

Move over Eskom, SAA and the Post Office There's a new candidate for privatisation — the legal system

The State system is under strain and under fire, with overworked judges and overloaded courtrooms But justice can be served privately, as the Association of Arbitrators (AoA) is demonstrating

Arbitration, increasingly popular as people tire of the court system, allows two people, or companies, to settle a dispute before a neutral third person — the arbitrator

AoA chairman Eyvind Finsen, a Johannesburg architect, says arbitration is popular in the construction industry, where disputes over building contracts regularly arise — and need to be settled quickly

He gives a typical example

While excavating a building site, a contractor discovers the land is rocky and unstable and will cost more to build on than he planned "Contractor's risk," says the building owner "I was led to believe the land was more stable," cries the contractor.

So off the two go to an arbitrator — perhaps a builder himself — who hears evidence from both sides and makes a ruling

"Arbitration is a legal process, binding on the parties and covered by the Arbitration Act of 1965," explains Desmond Devine, a civil engineer and chairman of AoA's Cape branch committee "It's part of the legal system but an alternative to court procedures"

Though most of AoA's 750 members are in the construction industry, the association would like to see arbitration take hold in other areas. Finsen wants AoA to build a stable of arbitrators drawn from other fields — auditors, accountants, doctors, insurance brokers and land surveyors

"There are a great many commercial transactions in which disputes could be better settled by arbitration. sales agreements on TVs and refrigerators, contracts for buying property and so on," says Finsen

And arbitration needn't be used just to settle minor claims "We could operate in many of the areas in which small claims courts operate. But while there is a R1 500 limit for small claims, with arbitration there is no limit." In a current dispute over a tunnelling project, Finsen says, there's a claim for over R8m

The AoA says arbitration can be·

☐ Quick and convenient "You make arrangements which suit both parties — where and when to hold the hearings — and can get arbitration under way as soon as possible," says Finsen There are no court delays or lengthy legal procedures Also, the arbitrator is an expert in the area, so the parties don't have to spend a lot of time leading evidence on technical aspects of the dispute, as they might have to do with a judge;

☐ Inexpensive. Long court cases can tie up company personnel and lead to large attorneys' bills. An arbitrator charges about R150 an hour and decides who pays the cost, normally the loser Some cases are settled without any *LA Law*-style courtroom drama at all Documents are given to the arbitrator, who returns with a ruling,

☐ Confidential People who don't want bad publicity — or any at all — may opt for arbitration, which is conducted in private "Consider a case of patent infringement," says Finsen. "You don't want people getting up in court and telling about processes and patents that you wanted to keep secret;"

☐ Final. There is generally no appeal unless both parties agree to it before the arbitrator's ruling. "It brings a state of uncertainty to an end," says Finsen, "and people don't have to worry about marathon appeals,"

☐ Fair "Both parties must agree to the judge and there's a lot of protection in that," says UCT economist Brian Kantor, and

☐ Best of all, if you think arbitration is inefficient, expensive or unjust, you don't have to use it — a choice you wouldn't have if State-run courts were your only recourse to justice

Says Kantor "What they're doing is offering competition and I'm all for it The more people know about it, the better"

By law, arbitrators need only be 18 or over and sane The AoA doesn't want to change this, because it would destroy the spirit of arbitration "People should be free to choose whomsoever they will," says Finsen "It's a basic freedom of contract"

Rather than trying to legislate away competition, the AoA will train its members — it offers a diploma in arbitration after a one-year correspondence course, for example — and win work for them in the marketplace ■

Hansard

Five most junior posts: salary scales

705 Mr C J DERBY-LEWIS asked the Minister of Public Works and Land Affairs

(a) What are the salary scales attached to each of the five most junior posts in his Department, (b) how many of these posts are filled by Whites, Coloureds, Indians and Blacks, respectively, and (c) in respect of what date is this information furnished?

The MINISTER OF PUBLIC WORKS AND LAND AFFAIRS

(*See* reply to Question No 688 on Thursday, 26 May 1988 in column 1601)

Five most junior posts: salary scales

706 Mr C J DERBY-LEWIS asked the Minister of Justice

(a) What are the salary scales attached to each of the five most junior posts in the Prisons Service, (b) how many of these posts are filled by Whites, Coloureds, Indians and Blacks, respectively, and (c) in respect of what date is this information furnished?

The MINISTER OF JUSTICE

(*See* reply to Question No 688 on Thursday, 26 May 1988 in column 1601)

Five most junior posts: salary scales

707 Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology

(a) What are the salary scales attached to each of the five most junior posts in the Department of Mineral and Energy Affairs, (b) how many of these posts are filled by Whites Coloureds Indians and Blacks respectively, and (c) in respect of what date is this information furnished?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(*See* reply to Question No 688 on Thursday, 26 May 1988 in column 1601)

Five most junior posts. salary scales

710 Mr C J DERBY-LEWIS asked the Minister of Water Affairs

(a) What are the salary scales attached to each of the five most junior posts in his Department (b) how many of these posts are filled by Whites, Coloureds, Indians and Blacks, respectively, and (c) in respect of what date is this information furnished?

The MINISTER OF WATER AFFAIRS

(*See* reply to Question No 688 on Thursday, 26 May 1988 in column 1601)

Five most junior posts: salary scales

711 Mr C J DERBY-LEWIS asked the Minister of Law and Order

(a) What are the salary scales attached to each of the five most junior posts in the South African Police, (b) how many of these posts are filled by Whites, Coloureds, Indians and Blacks, respectively, and (c) in respect of what date is this information furnished?

The MINISTER OF LAW AND ORDER

(*See* reply to Question No 688 on Thursday, 26 May 1988 in column 1601)

Five most junior posts salary scales

712 Mr C J DERBY-LEWIS asked the Minister of Defence

(a) What are the salary scales attached to each of the five most junior posts in the South African Defence Force, (b) how many of these posts are filled by Whites, Coloureds, Indians and Blacks, respectively, and (c) in respect of what date is this information furnished?

The MINISTER OF DEFENCE

(*See* reply to Question No 688 on Thursday, 26 May 1988 in column 1601)

Consumer Council: privatisation

995 Mr C J DERBY-LEWIS asked the Minister for Administration and Privatisation

Whether it is the intention to privatise the South African Co-ordinating Consumer Council, if not why not?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

No The South African Co-ordinating Consumer Council is an institution not for gain and the privatisation thereof is not at present being considered

Hansard

Competition Board cartels

1006 Mr C J DERBY-LEWIS asked the Minister for Administration and Privatisation

(1) Whether it is the policy of the Competition Board to (a) discourage and/or (b) prohibit cartels,

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(2) whether an exemption was granted to the cement industry in this regard, if so, (a) why, (b) when and (c) in terms of what statutory provisions and/or regulations,

(3) whether a further exemption of this nature has been granted to this industry, if so, (a) why, (b) when and (c) in terms of what statutory provisions and/or regulation?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

(1) (a) Yes, see (b)

(b) Yes, a prohibition on collusion on prices and conditions, market sharing and tender practices was published in Notice No 801 of 2 May 1986

(2) Yes, a temporary exemption was granted

(a) To enable the Competition Board to conduct an in depth investigation into the application for exemption of the cement industry and to make a recommendation to me

(b) Until 2 May 1988

(c) In terms of section 14(5) of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of 1979)

(3) Yes

(a) To enable the Board to complete its investigation (see (2)(a) above) and to make a recommendation to me

(b) Until 30 September 1988

(c) In terms of section 14(5) of the Maintenance and Promotion of Competition Act, 1979 (Act 96 of 1979)

Pensionable service buying back

1096 Mr D J N MALCOMESS asked the Minister of National Health and Population Development

(a) On what date did the buying back of pensionable service come into effect, (b) how many public servants who bought back pensionable service have retired since that date, (c) what total amount, excluding any interest on the amounts outstanding, did these persons pay to buy back such service, (d) what total amount was received by these persons in increased gratuities in respect of such service, (e) what total additional amount in monthly pensions is paid to them as a result of their having bought back pensionable service and (f) in respect of what date is this information furnished?

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(a) 22 June 1955 — to the age of 25 years, 26 August 1966 — to the age of 18 years, 5 December 1980 to 20 September 1987 — to the age of 16 years

(b) to (e) The information is not readily available

(f) Falls away

SADF amounts spent on ammunition

1045 Mr C J DERBY-LEWIS asked the Minister of Defence †

Whether he will furnish information on the amounts spent on ammunition by the South African Defence Force in the latest specified three financial years for which information is available, if not why not, if so, what amount was spent in each of these financial years on ammunition (a) for training and demonstration purposes and (b) in actual combat?

The MINISTER OF DEFENCE

	(a)	(b)
1985/86	RM163.289	RM72.548
1986/87	RM298 914	RM136 827
1987/88	RM228 389	RM328 742

SADF· chaplains

1076 Mr W J D VAN WYK asked the Minister of Defence †

(a) Which denominations are represented by chaplains in the service of the South African Defence Force and (b) how many chaplains represent each denomination?

Auditors show Milly's loss at R2,6-m for year

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Star 27/6/88

CAPE TOWN — An announcement published today by Cape-based fast foods and convenience store chain, Milly's Stores Limited, discloses that the company traded at a loss of R1,04 million for the six months to December 31, 1987

In addition, today's figures also show a prior year adjustment of R409 000 and an extraordinary loss of R1,1 million arising from the sale of Milly's Carousel. This brings the total loss for the year to R2,6 million

The company's previously published unaudited results for the period showed a net profit of R358 000,

Milly's shares, which will shortly be relisted, were suspended on the JSE on June 1 at the request of the directors following concern that the interim figures may have been incorrectly reported. Chartered accountants Kessel Feinstein were called in and their preliminary report revealed the disparity in the figures

Acting chief executive of Milly's, Unidev's Anthony Scott-Wilson says that no explanation has been forthcoming from former MD Michael Bruchhausen for the large discrepancy between the unaudited interim results as presented by him to the board, and the figures determined by Kessel Feinstein

The official announcement states that the previously published results had been prepared by Bruchhausen and were accepted by the remaining members of the board in good faith

Unidev has declared its intention to support the company "In spite of the major losses incurred, we believe that Milly's is viable and we are taking active steps to safeguard both our own interests and those of minority shareholders," said Unidev executive director Ronnie Stein.

Recapitalisation necessary

"New financial disciplines have been imposed and we are confident that, barring unforseen circumstances, the measures implemented will lead to a significant improvement in the company's trading position within the foreseeable future

"Clearly however, Milly's needs to be recapitalised in order to fund new growth," Stein said

To this end, the company plans to raise R2,5 million by way of a rights offer, which Unidev will underwrite Further details will shortly be circulated to shareholders.— Sapa

A flourishing Morkels looks after staff

Star 28/6/88

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By Sven Forssman

Morkels continues to focus on the care and development of its people and to this end excellent results have again made possible the declaration of a special bonus to enable employees to increase their shareholding in the company, chairman Neville Organ says in the annual report.

"It is pleasing that despite the stock market collapse, many of our people continue to hold the shares acquired at the time of the listing," he says

"Good prospects exist for an improvement in sales and profitability during the current financial year and the company has realistically budgeted for further growth

"This should be achieved if no artificial constraints are applied which have the effect of materially reducing demand for consumer durable goods."

Reflecting on the year under review, Mr Organ says overall private consumption expenditure showed strong growth for the first time in many years as a result of increased personal disposable income and the continuance of the trend to spend rather than save

"Durables have led growth among retail sales sectors which, together with improvements in the housing market, relfect a willingness on the part of the consumer to incur higher debt by committing a greater proportion of future income to current purchases"

Mr Organ says the proposed withdrawal of the GST allowance will have an adverse effect of the company's cash position

"The allowance eases the industry's burden of paying GST in advance of payment by the customer The industry will seek similar relief when the VAT system is introduced"

Rembrandt plans unveiled today

Star 28/6/88

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By Magnus Heystek

The business community will be presented with its second major company reconstruction within days when the normally secretive Rembrandt empire of Dr Anton Rupert unveils details of its multibillion rand regrouping at a Press conference today

This follows on the restructuring of the FSI/Waicor group, announced over the weekend

This sudden rush of major reconstruction of large companies is partly a result of the moratorium declared on stamp and transfer duties relating to group restructuring announced in this year's Budget

The shares in the Rembrandt fold have been very strong since the cautionary announcement on reconstruction was posted last month

Due to technical problems at the JSE last night, the closing prices could not be ascertained

But at noon, Rembrandt Beh, Rembrandt Group, Tegkor and Tegniese Industriele Beleggskorporasie were trading at 1020c, 1400c, 860c and 920c respectively

In all instances, this was up nearly 50 percent from lows the various shares dropped to after the Great Crash of 1987.

With prospects of a major reconstruction and, hopefully, greater declaration in the wind, coupled with renewed weakness of the rand, Rembrandt shares have outperformed the market as a whole

Dr Anton Rupert

It is believed that results for the Rembrandt group, due out last week, have been held back to coincide with the announcement of the new structure

If the results of its major international subsidiary, Rothmans International, in which Rembrandt holds a controlling 35 percent, are anything to go by, these should be sound

For years, chairman Dr Rupert has managed to throw a veil of secrecy around his multibillion rand international operation, with shareholders having to accept the barest of information

But a study by the Bureau for Financial Analysis at the University of Pretoria has found that shares in the Rembrandt group have been the most consistent performers in respect of income plus capital growth

With the company delivering the goods year after year, shareholders have had no reason openly to question this lack of information

Scattered assets

Since its inception in 1946, the Rembrandt group has evolved into one of South Africa's truly multinational companies, with assets scattered around the globe

Initially a manufacturer of cigarettes and tobacco, the group now has vast, and in many cases dominant, interests in liquor, mining, insurance, finance, luxury goods, hospitals, banking, engineering, appliances and other consumer goods

Its overseas interests include major stakes in brand names such as Rothmans, Cartier-Monde, Piaget, Dunhill, Cavalla, Carling O'Keefe and Rowenta

Rembrandt last year acquired a significant stake of 10 percent in Consolidated Gold Mines (Cons Gold), with a preferential option to increase this stake even further

Rumours in London last week were that the recent strengthening of the share value of Cons Gold might be linked to this possibility

One line of thought suggested is that the group will be split into local and overseas components, with investors holding shares in both entities

But comment from Stellenbosch, headquarters of the group, has not been forthcoming

Str 28/6/88

Liebesman gets thumbs-up from top market analysts

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By Magnus Heystek

Stock market analysts came away from a meeting with FSI-chief executive Jeff Liebesman yesterday generally positive about the prospects of the newly reorganised FSI/Waicor grouping

The reaction of analysts and institutional investors are paramount to the success of the various rights issues in the pipeline The meeting also cleared up certain misconceptions regarding the cash-flow of the various holding groups which were seen to be negative prior to the restructuring

"Hunts is the immediate beneficiary in the whole restructuring and is grossly undervalued at present," one analyst said after the meeting While Hunts would have earned 149c a share (up 21 percent from the actual 123c) had the reorganisation been in place since January 1 last year, this particular analyst is now predicting earnings a share of at least 250c for the current financial year, which ends on December 31 1988

For a dividend he is forecasting at least 65c which at the current price of 800c makes the share very cheap

The market seems to have made a similar conclusion with more than 17 000 shares in Hunts trading yesterday, in contrasts with a paltry 750 in W & A

W & A will enhance its image by becoming more of a rand-hedged stock due to its 50 percent holding in London-listed AAF Although only approximately 15 percent of its earnings will come from AAF, this will provide it with sufficient off-shore income to qualify as a rand-hedge In a scenario of further rand-weakness this is bound to be eventually appreciated by investors

AAF, which now has more than £25 million in cash at its disposal, can be expected to be fairly vigourous on the international front It is the stated desire of Mr Liebesman to develop AAF into a major off-shore operation

But the main beneficiary in the long-run still seems to be FSI itself, what with a substantially lower gearing and more than sufficient cash-flow from its operating subsidiaries to trade away the remaining debt

FSI earns more than 40 percent of its income abroad, and although not much is known about the quality of these assets, they will provide FSI with a handsome cushion in times of currency weakness

FSI also attracted some interest with the price moving up 10c to 710c a share on fairly active volume This was more in reaction to the absence of a rights issue by FSI than anything else, one analyst indicated

Liebesman gets 232 the mix just right

Magnus Heystek,
Finance Editor

Mr Jeff Liebesman, chief executive of the newly created FSI/Waicor conglomerate has achieved what he set out to do reduce the debt in the holding companies and spread it among the operating companies and refocused the trading entities into four clearly defined areas.

Now its up to him and his chief executives, many of whom have their personal fortunes tied up in the various businesses, to make it work.

The new grouping puts FSI among the top 20 industrial companies in the country — quite a jump from being a small, privately-owned scaffolding firm barely eight years ago

The reorganisation stems from the FSI acquisition of Waicor in September last year, barely weeks before the stock market crash. The statutory offer to Waicor-minorities (which were snapped-up after the crash) resulted in FSI having to pay about R227 million for Waicor This increased FSI's gearing to unacceptably high levels and raised fears among analysts that FSI was experiencing a negative cash-flow

At the weekend FSI put this fear to rest All investment holding companies in the group are either cash neutral or have a cash surplus if the effects (and assumptions) of the reorganisation are taken into account, it said.

Initial comment from analysts was favourable, although one or two drawbacks were pointed out. The next few weeks will tell how the market, and particularly, the institutions will react.

The details of the restructuring are very much in line with that forecast in The Star on Friday

- Hunts becomes the major industrial holding company for most of FSI's South African interests (see chart)
- W&A becomes the immediate holding company of Hunts after the acquisition of an additional 50,01 percent from London-based subsidiary AAF at a price of £12 million.
- Released from its South African interests, AAF becomes W&A's international arm with approximately £24 million in cash at its disposal This international link effectively makes W&A a currency hedged stock.
- Several rights-issues are planned that will entail an injection of R121 million from minority shareholders

After nearly ten months of number crunching and deliberation FSI, in conjunction with two local and one overseas merchant bank and five stockbroking firms (one British), have concluded that were the reorganisation in place on January 1 1987 the earnings per share of the various companies in the financial year to end-December 1987 would have shown substantial increases

The net tangible asset value of the shares would also have undergone radical change FS Group increasing by 47 percent to 127c, FSI by the same margin to 254c, Waicor by 5 percent to 1762, W & A by 6 percent to 4311c while Aurochs' remains constant at 545c a share. The nav of Hunts drops by 26 percent to 553c but the directors have asserted that with the inclusion of Hunts' goodwill (on which a value of at least R105 million was placed before the write-off) the net intrinsic value of Hunts is at least 809c a share at December 31 1987.

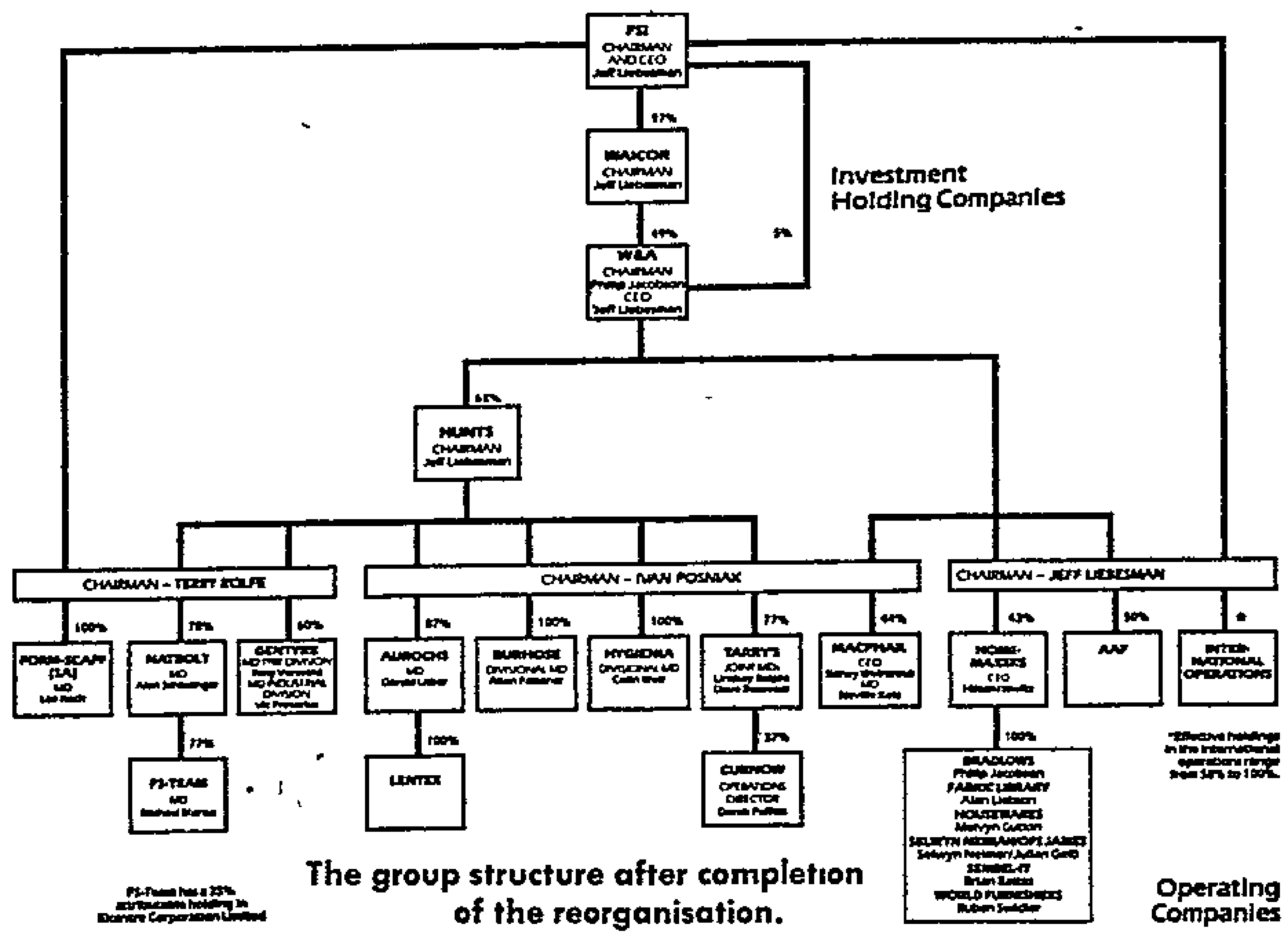
Crucial to FSI in particular is that gearing (consolidated interest-bearing debt as a ratio of shareholders' interest) drops from 61 percent to 42 percent while that of W&A rises from 14 to 24 percent, Hunts from 10 to 28 percent, both well within acceptable limits.

Hunts which, after the reorganisation, has ordinary shareholders' interest of R226 million (before R121 million) and assets of R624 million, has been singled out as the vehicle for take-overs among disinvesting foreigners.

Asset sale will reduce debt burden

FSI-Waicor finally get restructuring under way

FIRST WITH THE NEWS — Headlines from last Friday's Star Business page.



The group structure after completion of the reorganisation.

Star 29/6/88

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Anglo sounds spending warning

By Michael Chester

Warning bells have been rung by Anglo American that South Africa cannot afford its current spending spree.

The directors say in the annual review that South Africa must first ensure it is able to continue to meet huge repayments in terms of global debt commitments

South Africa can no longer afford a continued surge in domestic spending when strong growth in export earnings cannot be taken for granted in view of uncertainties over price levels of precious metals in the aftermath of last October's stock market crash.

It is to be hoped, Anglo says, that serious attempts to curb government spending will be sustained. That, together with initiatives on privatisation and deregulation, should contribute to better economic performance.

In the short term, however, a significant alleviation of present constraints can only come about from rapid growth in export earnings or renewed availability of foreign capital.

Stimulatory monetary and fiscal policies increasingly offset the low levels of confidence linked with political conditions — with the result that there had been a significant acceleration towards the end of last year and into the start of 1988.

But it is testimony to the financial constraints in operation that the acceleration in the recovery should have already become a cause for concern.

The recovery had started from an exceptionally depressed level and its progress to date has been modest, Anglo says.

Rembrandt plans to set up international holding company

(232)

Star 29/6/88

By Sven Lünsche

The Rembrandt Group yesterday said it would float off its vast international interests into a new European-based investment holding company to be listed separately on a European stock market and the JSE

The group will control virtually 50 percent of Rembrandt's current worldwide earnings of R1 billion

However, at a Press briefing yesterday, Rembrandt director Johan Rupert remained secretive about details of the deal, which would be presented to shareholders in August

He said shareholders in the four main listed Rembrandt companies — Rembrandt Group (Remgro), Rembrandt Controlling Investments (Rembeh), Technical Investment Corporation (TIB) and Technical and Industrial Investments (T & I) — would be offered shares in the new world group on a pro rata basis to their current shareholding

Shareholders in Remgro and its three pyramid companies would have the chance to retain existing holdings, while also taking up shares in the new company, representing Rembrandt's offshore interests.

Between 40 and 50 percent of total earnings of the Rembrandt empire are off-shore based While Remgro's and its three pyramid companies' future earnings would be without the contribution of the overseas investments, Mr Rupert stressed "Every shareholder in all our listed companies will have a precise interest in the new holding company, depending on the stake of his company in the underlying assets of the whole group"

Mr Johan Rupert

He said the new company would have to adopt a more generous dividend policy, in keeping with norms in Europe

South African shareholders will receive dividends from the new holding company without deductions So the dividend yield, being more generous than for the South African companies, is likely to lift the price of the shares

Mr Rupert said the overseas rationalisation would involve Rembrandt's unquoted investments While Rothman's would play an important part in the new group, it would not be restructured, as had been reported recently

The arrangements seem likely to force the group into somewhat fuller disclosure. Mr Rupert said the European holding company would obviously have to meet the requirements of the major overseas market on which its shares were listed

He denied that the deal was being done mainly to disguise Rembrandt's South African lineage

Mr Rupert said the group wanted to be prepared for the unification of the European market in 1992 and had been working on the deal for about three years

"Following this unification, it will be very difficult for outsiders to participate on any scale in this market, which is the major reason why we are going for a distinct European-based operation," he said

Mr Rupert said Remgro would rearrange its local investments into five operating divisions, "in order to exploit opportunities for expansion and further growth"

The division would have trademark-orientated products, mining and engineering, financial services, diverse interests and internal group services

The announcement of the restructuring coincided with the release of results for the year to March, which showed that Remgro's earnings had risen by 33 percent to R740,6 million The total dividend has been raised from 12,5c to 17c

Rembrandt Beheer's earnings rose by 33 percent to 105,08c, with the dividend up from 9,25c to 12,58c TIB's and T & I's earnings improved by just over 32 percent each to 92,16c and 97,65c They are paying respective total dividends of 11,04c and 11,70c

(232) Sowetan 29/6/88

'Health services must be free'

THE Government's idea of privatising health and social welfare services once more received all-round condemnation — this time from the Centre for Enrichment in African Political Affairs, writes Mokgadi Pela.

More than a month ago, the Imbeleko Women's Organisation launched a national campaign against the programme.

At the weekend, various speakers in Soweto reiterated that the provision of houses, health facilities and education was the responsibility of the State

A thread which ran through their speeches was that tax was deducted so that citizens could benefit from among others, free health services

They further said that only when a total transformation of society took place, would black people enjoy basic necessities?

Mr Ish Mkhabela, the acting co-ordinator of the Witwatersrand Network for the Homeless, said "Privatisation is not on our agenda, it is on the agenda of the State and big business In this country, housing is another means of control and oppression"

He said as long as there was capitalism, housing would remain a problem

A social worker from the South African Council of Churches, Miss Fikile Mazibuko, said privatisation of health and welfare services did not auger well for the man in the street The lower income groups and pensioners would be hardest hit

Mrs Amelia Jones, a social worker from Cape Town, who delivered a paper on the dilemmas faced by social workers, said the impact of apartheid was a reality faced by all her colleagues

The two-day seminar, which was held at the Dube YWCA, was attended by a wide cross section of people

Motorway toll gates ready soon

By Helen Grange

Construction of the toll road on the new Hendrik Schoeman highway is on schedule, and work on the Witwatersrand's first toll gates will start next month, according to the developers Tollway

The first toll gate will be erected on the eastern section of the highway between Krugersdorp and Springs, near the Rand Airport interchange

As new sections are completed, a toll gate at the Dalpark interchange will be commissioned, as will another gate near Winchester Hills

"We expect these initial toll plazas to cost in the region of R15 million, and Tollway's target dates for completion are the second quarter of 1989 for the plazas on the N13 and at Rand Airport, and the last quarter of 1989 for the other," said Mr Lou Gluckman, technical director of Tollway

The plazas have been designed to ensure minimal delays to traffic Various systems being used internationally, including credit cards and dedicated debit cards for regular road users, were being examined

The R77 has been incorporated as part of the N17 — the Hendrik Schoeman Toll Highway — and now becomes part of the national system

The N13 is to be part of the east-west highway linking all central business districts along the entire Witwatersrand only until the central section of the N17 immediately south of Johannesburg has been completed

Mr Gluckman said Tollway was examining ways to ease the current peak period congestion at the Rand Airport interchange, as well as new and improved signs to guide motorists

Kings and Wilsons to merge

(232)

Star 30/6/85

Finance Staff

Kings Parking and Wilsons Parking are to merge tomorrow

While the Kings and Wilson names will be retained for trading purposes, a new holding company known as Interpark (Pty) Limited has been established

Federale Volksbeleggings, which owned 90 percent of Kings, will have a 45 percent interest in Interpark, while Sage Property Holdings and Wilson Australia, which jointly own Wilson, will each have a 27,5 percent interest

Peet van der Walt, an executive director of Federale Volksbeleggings, will be the chairman of Interpark Alan Calenborne, formerly development director of Kings, has been appointed managing director and Larry Schneider, formerly general manager of Wilson, will be the deputy managing director.

Interpark will control 110 car parks with more than 40 000 parking bays in major centres and at airports throughout South Africa It will also operate the toll roads at Tsitsikamma in the Cape, Marianhill in Natal and Kranskop in the Transvaal

The Competition Board has advised that, with the information at its disposal, it is not aware of any circumstances which do not justify the proposed merger in the public interest

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THE ECONOMY

A black business rift over privatisation

The bigger black businesses want their share of the privatisation cake; the smaller ones want nothing to do with it, reports MZIMKULU MALUNGA

BLACK business and consumer organisations are divided over the issue of privatisation, with the old-established National African Federation of Commerce and Industry saying black businessmen will participate in the privatisation process while newer organisations of hawkers, *stokvels* and consumers have come out against the strategy

Nafcoc executive director Sam Molebatsi said this week his organisation was negotiating with government agencies on behalf of the black community to purchase some of the industries due to be privatised

He would not give details but said Nafcoc had earmarked industries which black people could buy

"Black people are going to benefit from privatisation government ownership has not been conducive to efficiency," Molebatsi said, adding that privatisation would raise the level of blacks' economic involvement "slightly higher than it is at the moment".

Molebatsi said Nafcoc had consulted various black organisations and the response had been positive He did not specify the organisations but said they were included in the negotiations with the govenmment

"I don't think there is anybody involved in business who will be against privatisation," he said "It is a move away from state control towards a free economy."

He said his organisation believed in free enterprise rather than socialism.. "You can't have a democratic government and a socialist policy but you can have a mixture of both by the control of certain activities in the economy such as the Reserve Bank," he said.

Molebatsi said Nafcoc would consult financial instutions, including the African Bank, to finance the purchasors, whom he said could either be individuals or "*stokvel* associations".

Achib's Laurence Mavundla

But the president of the National Stokvels Association of South Africa, Khehla Lukhele, said his association had not been approached by Nafcoc and it did not support privatisation

Lukhele said, "As long as apartheid is there, privatisation on its own will not make black people change their attitudes towards capitalism " *Stokvels* were born out of sharing, he said, and "sharing is lacking in capitalism".

Lukhele said he did not see the free enterprise system succeeding as long as apartheid existed.

The African Council of Hawkers and Informal Business (Achib) also came out against privatisation

Achib president Laurence Mavundla said privatisation was a negative step.

He said even if blacks took over big industries exploitation would continue "Exploitation by the black retailer is the same as that of the white retailer," he said. "The government wants to change black people and put them into capitalism."

The executive director of the National Black Consumer Union, Eldridge Mathebula, said his organisation had mixed feelings about privatisation. "We don't know how black people are going to benefit," he said

There were no black people with enough capital to own a huge corporation like the South African Transport Services· "Only big companies can do that," Mathebula said.

"Privatisation is going to create monopolies and bigger companies will grow faster," he said. Privatisation would not change anything for the small businessman. "It only makes the rich richer and the poor poorer."

●Molebatsi said Nafcoc would issue a statement on its privatisation negotiations next month.

INSOLVENCY

Oh, what a tangle

The most complicated bankruptcy proceedings in SA history — that's the Friedman & Rossi/BBDO (F&R/BBDO) case, according to a liquidator. For a start, it's plagued by a R17m damages claim being investigated by Commercial Union against Comcorp, formerly BBDO International Holdings (SA).

And then, F&R/BBDO has a claim against Venture BBDO (now renamed VS Financial Services), which in turn has a substantial claim of R9,4m against Comcorp.

None of this comes as any consolation to F&R/BBDO creditors, who, as of this week, were looking to reclaim some R9,4m against book value assets of about R8,8m.

This week, F&R/BBDO's *pro forma* accounts for assets looked something like this:
- ☐ Sundry debtors R2,8m,
- ☐ Fixtures R800 000,
- ☐ Inter-company loan asset R2,2m, and
- ☐ Goodwill R3m.

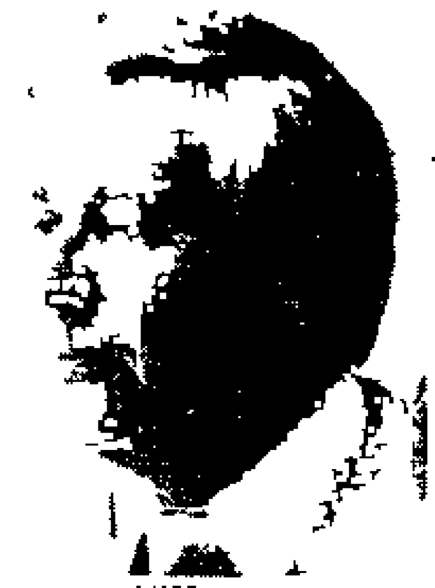
Creditors, on the other hand, totalled some R9m:
- ☐ Santambank R2,7m,
- ☐ Shareholders' loans R2m,
- ☐ Trade, including SABC, R3,5m, and
- ☐ Reciever of Revenue R1,2m.

Hardly a bankrupt company — on paper. But after the problems posed by Commercial Union, the goodwill figure does not tally with that used in the F & R/BBDO founding agreement, signed in October 1986. Neither what it represents — nor what cash may have changed hands — is actually clear.

Fixtures will probably realise R200 000 (according to the auctioneers) and there are always some bad debtors. This could mean assets are worth about R3m-R4m against creditors of R9m.

The current liquidators — Westrust and Metrust — are at this stage looking almost exclusively at F&R/BBDO. Later, particularly regarding the claim VS Financial Services has against Comcorp, they will probably look at the incredible web of companies that came before it, and the substantial amounts of money involved.

Dissel



Tiley

Tomes

Shepherd

Where does it all start? On September 30 1985, the US company — BBDO Inc — had decided to get out of SA. It injected R5m into Comcorp, then BBDO International Holdings (SA). Of this, R3m went to Nedbank to relieve the SA shareholders from their suretyships.

Another R2m went to relieving certain other debts held by the company. In terms of the US agreement, BBDO International Holdings (SA) changed its name to Comcorp and the operating company was in future to be called Venture BBDO.

BBDO Inc (US) ceded its loan account, now totalling R9,6m, to five SA shareholders: Derrick Dissel, Ian Shepherd, Graham Tomes, Alan Tiley and Pierre Venter. A formal cession document was written by SA attorneys Werksmans whereby the US shareholders ceded their claims to the SA shareholders.

These five shareholders ceded the loan of R9,6m to Venture BBDO. Comcorp, which wholly owned Venture BBDO, reflected the amount as a liability owing to Venture BBDO. Venture BBDO entered a like amount as an asset — a "long-term loan to the five shareholders of Comcorp."

In effect, these were nothing more than book entries.

By November 4 1985, Comcorp was in liquidation, after Commercial Union had filed for provisional liquidation. Barnib was the other main creditor. At this stage several startling facts emerged:
- ☐ Comcorp's share capital totalled R134 000,
- ☐ Assets were about R7,4m against liabilities of R10m *excluding* the Commercial Union claim,
- ☐ Of the assets, R5m worth of book debts were irrecoverable, and
- ☐ The control of the principal *trading* business, BBDO SA (Pty) Ltd, had been changed by the issue of new shares — 97,5% to the five directors, 2,5% to Comcorp — via a subsidiary.

So, in effect, Comcorp and Venture BBDO were wholly owned by the five directors, BBDO SA (Pty) Ltd 97,5% by the directors. In other words, *Comcorp owned only 2,5% of the issued capital* of BBDO (Pty) Ltd. In chasing one of the main assets of F & R/BBDO, the liquidators will have to go far and wide. ■

Business sees privatisation problems

Star 1/7/88 (232)

By Michael Chester

Privatisation — the government handover of State businesses to the private sector — may have become an "in" word in business circle but may not be a panacea for South Africa's economic ailments, says the Association of Chambers of Commerce and Industry

The latest edition of *Assocom Review*, released today says "Would the present managements of many State enterprises — from forestry and sawmills to SA Transport Services — perform to the standards set by major private sector directors and their top executive managers?

"This is not an implied criticism of their ability They were never trained to think and act as businessmen operating in a competitive environment

"For privatisation to be successful, people will have to be re-educated Some will adapt, others won't

"Privatisation is desirable for sound economic reasons, probably the most important being to make the most profitable use of the capital invested in all the assets in the country

"The profit motive is not always present in some State enterprises and this important yardstick for measuring the efficient use of resources is often not critically applied

"In a country short of both capital and skills, these resources must be nurtured and used with the utmost economy

"Before we privatise, let us be sure we have the people to do their jobs to the standards set by the private sector and demanded by investors and investment analysts"

1/7/88 2.32

BACKGROUND MUSIC

The Bureau for Information plans to pump R5m into a three-year advertising campaign — possibly starting as early as next month — to publicise and promote the acceptance of government's privatisation policy.

Information Minister Stoffel van der Merwe says the campaign — awarded to Bates Wells — has been approved in principle by the Cabinet. He says the initial phase will create the "background music" against which the privatisation initiative will be carried out

He expects to spend R2m in the first year and R1,5m in each of the following years To counter suggestions that this may be excessive, Van der Merwe points out that in Britain, Margaret Thatcher approved R150m to advertise and promote privatisation.

THE CAIRO TALKS

Under the sphinx

As a public relations exercise, last week's Angola-Namibia peace talks in Cairo were a triumph for SA How much actual progress was made is debatable, officials close to the delegates say very little was actually achieved during the hours of talks between South Africans, Angolans, Cubans and Americans

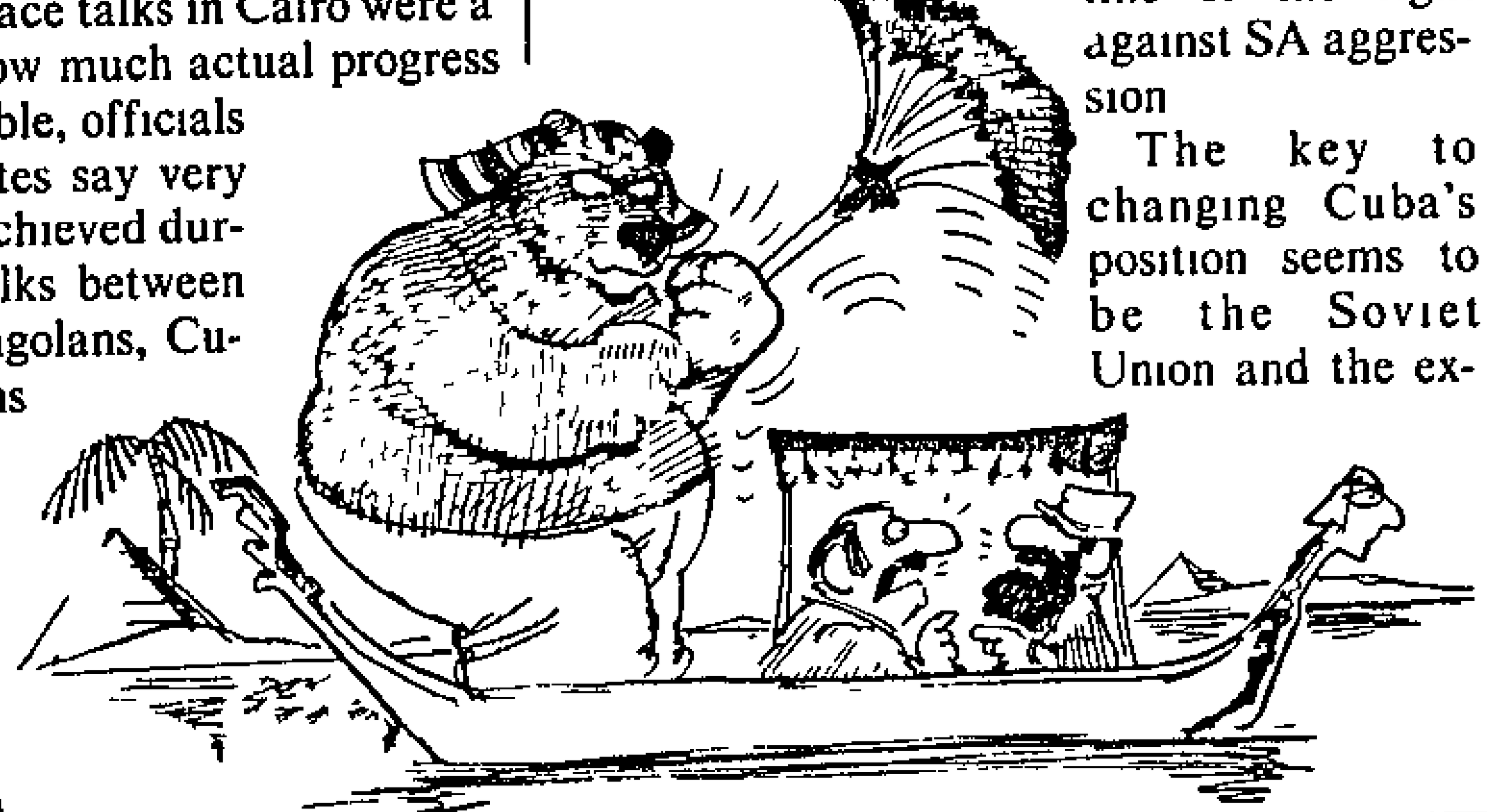
However, they say there are reasons to remain optimistic The talks did not break down as they threatened to do at one critical stage and the parties have agreed to meet again later this month in the US

The Cairo meeting probably focused far more sharply than the previous discussions in Brazzaville on the enormous problems still to be solved before the conflict in Angola can end and Namibia move towards independence

The crisis that nearly led to the collapse of the talks was apparently precipitated by Cuban and Angolan demands that were totally unacceptable to SA Soviet intervention reportedly saved the day

The Cuban position, in particular, is expected to cause continuing problems Although Fidel Castro has agreed in principle to the withdrawal of his estimated 50 000 troops from Angola, he wants the pullout phased over a number of years rather than months — as SA is insisting

At this stage, there appears to be no reason why Castro should compromise Of all the parties to the dispute, he seems to have least to gain by a quick settlement He is being paid to keep his troops in Angola, he presumably does not relish the prospect of trying to find 50 000 jobs back in Cuba for returning soldiers and his image, in the Third World in particular, is boosted by the perception that he is in the frontline of the fight against SA aggression



The key to changing Cuba's position seems to be the Soviet Union and the extent of the pressure the Soviets are willing — or able — to exert on Castro The next round of talks — probably in Washington or New York in late August or September — is expected to achieve far more than the Cairo meeting The US talks, like those in London in May, will be handled at senior official level

As one SA official put it "The technicians will now take over and try to work out something acceptable to the politicians" ■

ECONOMICS

Privatisation needs support to succeed

2/3/88

By GN BARRIE, department of law Rand Afrikaans University

DESPITE flaws in its privatisation process, the British experience has shown that the key to successful privatisation is the creation of a correct environment

Initiatives must be given to gain the support of the key constituencies Public employees are understandably concerned that privatisation may endanger their jobs

This concern, and the opposition to privatisation that it produces, may be reduced in a number of ways

The pace of contracting jobs out to the private sector, for instance, can be limited in such a way that the number of jobs lost in the public sector is balanced out Employees may also be given ownership stakes, or even outright ownership, of a privatised asset

When the British government privatised the National Freight Corporation in 1982, employees were allowed to buy 85 percent of the company

With the incentive of ownership, the workers became advocates, rather than opponents, of privatisation Private ownership, meanwhile, has turned the money-losing drain on the taxpayer into a highly profitable, taxpaying company

A key lesson of the British experience is that spreading private ownership widely, especially among groups that might otherwise be hostile, helps win support for privatisation

It is now almost routine for Britain to structure sales of government enterprises as share offerings to the public

With all its obvious advantages, however, one must be realistic when looking at privatisation

According to Simon Butler, who has written many commentaries on the subject, privatisation is not a solution to the problem of escalating government spending

And the idea of privatisation does not rest on the contention that the government has no legitimate role as a direct provider of services

"Privatisation is suitable, however, for those goods and services that society believes should be provided, but for which government provision is costly, inefficient and subject to political dynamics that benefit undeserving groups

● Extracted from the law journal *De Rebus*

232 S/Times 3/7/88.

Spotlight on deregulation

A CONGRESS to analyse implementation of the Government's privatisation and deregulation programme will be held in Pretoria.

Administration and Privatisation Minister Dawie de Villiers will deliver the opening address. The congress will be held at the CSIR Conference Centre from October 31 to November 2.

It will investigate the clockwork of privatisation, and the importance of marketing during its implementation.

For further information phone Ingrid Alberts (012) 346 1756/7.

Adcock at Eskom

COLIN Adcock, retired managing director of Toyota SA, will act as consultant to Eskom. Mr Adcock's primary involvement with Eskom will be to assist in its drive for improved productivty.

Bid for control of Garlicks turned down

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Cpe Times 4/7/88

By ROBERT GENTLE
and AUDREY D'ANGELO

THE battle for control of Garlicks, the Cape Town-based department store chain which owns valuable properties in city centres, appears to have been won by a consortium made up of MD Jack Garlick and marketing director Noel Boyce

Members of the Garlick family have turned down a R22m bid for control of pyramid company Garcon, in which they have a 60% stake, from a second consortium composed of an attorney, a stockbroker, a property company and a financial institution

But the second consortium has asked them to think again It has extended its offer, which originally expired on Friday, until midday on Wednesday

Members of this consortium were recently identified as attorney Gerald Rubenstein, stockbroker Norman Lowenthal, Downtown Real Estate and Senbank.

Rubenstein said its offer had been extended to allow the family more time to consider the terms of the deal By Wednesday he expected a definitive answer "one way or the other"

Asked what the consortium would do if it did not obtain the requisite 50% approval, Rubenstein replied "We may just walk away from the whole thing"

Ronnie Lowenthal, brother of Norman Lowenthal, said "The first round went to them, but it's not over yet"

The original R38m bid from the first consortium is still open and could very well be accepted, according to Jack Garlick.

He and Boyce are offering to buy all the shares in operating company Garlicks, including those held by members of the Garlick family, for R12 a share They also propose to redeem the 1m preference shares for R2 a share

Garlick, stressing that he was speaking as a member of the first consortium and not as MD, pointed out that if the rival offer is accepted ordinary shareholders in Garlicks will not benefit

He said he was concerned about the future of Garlicks and the security of staff

Both consortia say they intend the chain to carry on business as usual But Garlick suggested that, without a single retailer in the second consortium, he found it hard to believe it would trade more efficiently than the present management

He said he could not put a precise value on the properties in city centres owned by the chain

Lowenthal said last week that there were no plans to sell off the city centre properties "This is not an asset strip"

Privatisation base in Sandton soon

HELOISE HENNING

THE Office for Privatisation is setting up lines of communication with business and industry in Johannesburg.

Pieter van Huyssteen, adviser to Minister of Privatisation Dawie de Villiers, is opening offices in Sandton this week to facilitate interaction between the private sector and industries slated for privatisation.

"The action is in the north," said Van Huyssteen, who was seconded from Finansbank.

He said he had chosen the Witwatersrand for his base ahead of Pretoria or Cape Town because, as an adviser, he needed speedy access to industry and the commercial and financial institutions.

Merchant banker Eugene van Rensburg and lawyer Louw Pienaar are the latest appointments to his office.

Meanwhile Assocom has announced that, following discussions in June with De Villiers, a liaison group was being formed comprising six large-employer bodies — AHI, FCI, Seifsa, the SA Agricultural Union, the Chamber of Mines and Assocom.

The committee would meet regularly with Van Huyssteen and the ministry to discuss issues relating to privatisation.

Van Huyssteen said he welcomed the opportunities for discussion that would come from this group, which was one of several he and the ministry would keep in touch with.

The process of privatisation was a highly specialised activity, and his office valued the assistance and views of the private sector.

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Go-ahead for creditors' meetings

SUSAN RUSSELL

THE two companies that own the site of Syd Catton's now insolvent Wynford Club were granted leave in the Rand Supreme Court yesterday to convene meetings of their preferent and concurrent creditors to consider schemes of arrangement proposed by Aquilla Nominees (Pty) Ltd.

According to papers before the court, in terms of the scheme Aquilla Nominees would provide R281 000 for distribution to Wynford Eagle (Pty) Ltd's preferent and concurrent creditors and R321 000 to those of Wynford Kestrel Properties (Pty) Ltd.

A director of both companies, Laurence Francisco Pereira, said Aquilla would provide the capital sum by subscribing for shares in the companies which would have an aggregate issue value equal to the capital sum

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PRIVATISATION (232)

In the spotlight

Supporters of privatisation have a couple of jobs to do if they want to hold government to its promise to shed State assets

They must keep the issue in the spotlight and they must persuade consumers, workers and businessmen that it's necessary and beneficial to privatise — so they'll put pressure on Pretoria

These questions and answers — adapted from *Privatisation Issues in SA*, a new booklet by management consultant Pim Goldby — provide ammunition for those who'd like to see privatisation succeed

☐ Is there room to shrink the State sector?

Yes. From 1970-1984, 63,7% of fixed investment was by central government or State corporations — squeezing out private-sector investment and creating a smaller tax base Also, current government expenditure has soared From 1980-1984, the share of general government spending, public debt interest, subsidies and current transfers rose from 18,6% to 26,2% of GDP,

☐ What success has there been worldwide?

In Britain alone, direct State involvement in industry was halved in eight years, £19bn has been raised from the sale of State assets since 1979, with £14,2bn more expected, and 20% of adults have a stake in former State enterprises, with workers at privatised enterprises forming a significant proportion;

☐ Why the wide interest in privatisation?

Stagnating growth rates, rising administered prices, big Budget deficits and conflicts at State-owned enterprises have governments around the world re-evaluating their roles in the economy "There is a recognition that the expansion of the State's economic role has been unacceptably high and has resulted in pressure on taxes,"

☐ What forms can privatisation take?

Selling shares in a large State corporation is a typical way to privatise But the enterprise could be sold to a single private company or broken up into pieces and sold to a number of firms Alternatively, it could be sold or given to management and workers

Where the State wants to hold on to assets, it could set up management partnerships — with the firm being run by a joint board of private businessmen and public officials

Another form is "contracting out," where private firms deliver services that government requires or even subsidises, such as garbage collection, education and health Local governments contracted out services worth some R2bn in 1986-1987

Another variation is simply allowing private firms to compete against a State-sanctioned monopoly For example, private companies could supply telephones, something only the Post Office has been allowed to do — though the phone system may stay under State control Likewise, private airlines could compete against SA Airways, even if the State carrier stays in business, and

☐ How do you persuade workers, fearful of losing their jobs, that privatisation is good?

Privatised companies may well be more tightly run, with a lower wage bill and fewer workers (though some booming privatised companies, such as Jaguar in the UK, have increased their labour forces) Workers don't have to lose out, however

Government could negotiate with them to offer financial security: lump-sum payouts for leaving the company or shares of stock. Or labour forces could be shrunk by not replacing workers who leave or retire, rather than through mass firings

Employees who do lose jobs — with or without compensation — should find a more productive economy to find work in, and

☐ What hinders privatisation at the municipal level?

There are two major factors.

Firstly, since the introduction of regional services councils, local government officials are uncertain about what services they will be responsible for in the short and long term. This tangle should be cleared up so that decisions to privatise can be made

Secondly, existing legislation links pay and pensions to the size of a municipality If this remains the case, officials might hesitate to shrink the size of their empires ■

8/7/88 FM

Financial health the HMO way

Dr John Cowlin recently co-wrote a report on Health Maintenance Organisations (HMOs) for the Department of National Health. Here he summarises the arguments in the report

Much has been written about health care privatisation in SA Given the size of the cake the SA taxpayer is expected to fund, I don't believe government has any alternative

About 20% of the population — that's 6m people, mostly whites — are covered by medical aid schemes. Generally speaking, the standard of health care which medical aid insurance provides is excellent So patients covered by medical aid have nothing to fear from health care privatisation.

Health Minister Willie van Niekerk has said the State can no longer afford to subsidise non-medical aid health care, and employed South Africans should look to the private sector to provide these facilities. Furthermore, if the private sector could provide health care to indigent and unemployed South Africans at a lower cost than the State, it would be prepared to subsidise the private sector on a per capita basis.

Government clearly intends to transfer provision of health care for non-medical aid employees from the taxpayer to the employee and his employer

Given rising expectations, higher real incomes and increasing industrialisation of black workers, their health care needs are going to escalate in the near future Already, organised labour is making demands on management to provide health care insurance for workers

Understandably, the health care industry recognises a great opportunity The primary challenge, however, is not simply to provide facilities, but affordable and cost-effective ones What these systems need are the following

- ☐ To provide primary health care and common surgical procedures;
- ☐ Sophisticated procedures can be referred to existing provincial or private facilities;
- ☐ They must be affordable;
- ☐ More emphasis on preventative medicine; and
- ☐ Health care professionals, such as doctors and nurses, must be allowed to share in savings created by cost-effectiveness, as an incentive to do so

I believe the HMO concept, with certain modifications, will fulfil the above criteria.

Briefly, a HMO is a health care system in which the only source of revenue is a predetermined monthly subscription HMOs are encouraged to practice cost-effective medicine as they cannot spend more than their total subscription revenue on health care.

In the US, HMOs currently finance about 10% of health care insurance needs. It has been shown that they can reduce health care costs by 45%, compared to conventional medical aid schemes They may have an elitist connotation, but this should not detract from the fact that they provide cost-effective health care.

Any excess of income over expenditure can be distributed to doctors and nurses as a bonus for cost-effectiveness, as well as to provide dividends for financiers and shareholders.

Alternatively, such excess of income can be redistributed to members of the scheme by means of no-claim bonuses on future premiums

Such an arrangement provides an effective deterrent against over-servicing by both patient and doctor

Current SA legislation does not prohibit HMOs as such, as the Registrar of Medical Schemes is empowered to exempt any medical scheme from all or any of the provisions of the Medical Schemes Act

It is in the ethical rules of the SA Medical and Dental Council that the greatest stumbling blocks exist

These rules prevent group practice and advertising on the part of doctors, as well as doctors being employed for another person or institution's gain

However, the vacuum created by State withdrawal from health care provision must be filled by more cost-effective, imaginative and flexible health care systems

The Medical Council's ethical rules are adapted to a largely First World and "Harley Street" medical environment SA faces a health care crisis which requires that these ethical rules be amended to allow health care systems such as HMOs to function

Under existing medical aid schemes, a family of four would pay about R240 a month in subscriptions Most South Africans cannot afford such a premium Many black workers, however, with a 50% subsidy from employers, could afford a R60 a month premium to a HMO

Government has decided to privatise — now let it remove outdated restrictions placed on the health care insurance industry.

Privatise varsities, says prof

By KIM CLOETE

THE managing director of Cargo Carriers, Professor Roy Marcus, has drawn criticism in academic circles by arguing for the privatisation of engineering facilities at universities and technikons.

Marcus, a former Wits University academic, envisages private colleges funded by industry to form the technological institutes of the future and plans to put what he terms his "new dispensation for South Africa" into effect within 10 to 12 months.

Today's students, he says, are not geared for the demands of industry and, according to him, the manpower being churned out of South African universities and technikons is wasted.

With the introduction of private colleges, the accent would be on co-operative educational programmes where the commitment from the industry to assist with the training of students would form a vital part of the curriculum, he says.

The proposed balance between college and industry would see industry supplying some manpower to assist with the training and in turn college staff would help industry with research and development needs

"This would produce the right profile of person for industry," says Marcus

"Industry would also benefit greatly from the college scheme, as the right type of technology would be introduced which would in turn generate foreign revenue through exports."

Marcus also argues that tertiary education as it stands is unbalanced, as first year students are at vastly different levels of development.

"Because of the low standard of black education, black students are at a distinct disadvantage when beginning their first year of university."

Marcus wants to solve this problem by introducing "junior colleges" to prepare students for engineering college education

Marcus attributes the "depressing" lack of facilities at universities to an over-supply of engineering departments at South African universities

But Marcus' views are vehemently criticised by most academics who believe improvements should be made from within the education system

"The idea of industry leaders setting themselves up in empires of their own to the exclusion of existing establishments is crazy," says Professor Richard Patton, who holds the chair of Applied Mechanics in Wits University's Mechanical Engineering School.

Although Patton agrees with Marcus that funds are desperately needed to improve facilities, he believes a massive injection of money from the private sector would do more good than dismantling present institutions

Instead of privatising facilities, Patton says it would be more feasible to get local industry involved in engineering studies through a consortium which would contribute a "modest" sum to the university each year.

He criticises Marcus' view that students are not geared for industry "The engineering faculties at Wits and UCT in particular are world-renowned and our students can hold their own anywhere in the world," Patton says. 8-14/7/88

But both agree on one issue — the abysmal salaries paid to lecturers. Says Patton: "Junior lecturers simply cannot afford to remain here and it has become a real crisis at universities

"Salaries are so far behind the private sector that there is no hope of attracting — and retaining — the right calibre of staff."

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SBDC bid for deregulation

ALAN FINE

THE Small Business Development Corporation (SBDC) has applied for the deregulation of 45 industrial parks and "hives of industry" in terms of the Temporary Removal of Restrictions on Economic Activity Act.

SBDC development services GM Mike Smuts, who expects the initial gazetting notices by the end of July, said yesterday this would represent "a giant step forward" for deregulation.

So far only one area — Enterprise Park at Kew north of Johannesburg — has been given this status. And some of the areas applied for by the SBDC are 10 times as large as Kew, the largest accomodating some 200 businesses employing 800 people.

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SBDC applies for deregulation of areas

● From Page 1

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Smuts said among the 45 deregulated zones applied for were three areas in Soweto, parts of Atteridgeville, Vanderbijlpark, Vosloorus, Katlehong, Eldorado Park, Lenasia, Nancefield, Pennyville and Wadeville in the Transvaal.

Zones in the Cape were situated in Athlone, East London, Port Elizabeth, New Brighton, Uitenhage and Blackheath, while applications had also been submitted for parts of Chatsworth in Natal and Phoenix in Bloemfontein.

Among the legislation from which the SBDC hopes government will grant exemptions are wage-regulating measures, certain safety regulations, building laws, by-laws and regulations, provincial ordinances related to trading hours and licensing, and by-laws covering such matters as advertising signs, the use of verandahs and the sale of second-hand goods.

Multimech heads for JSE

By Tom Hood

CAPE TOWN — Multimech, the Tollgate group's in-house engineering and vehicle body building company, is expected to be listed on the JSE through a reverse takeover by Drivetech

Both companies are controlled by Duros, which owns Tollgate

Tollgate will receive R17,9 million — R3,7 million in cash and the balance in Drivetech shares

But Tollgate will pay R11 million in cash to Duros for its 40 percent stake in Multimech

After the deal Tollgate will end up with more than 60 percent of Multimech

The three companies said yesterday the reorganisation would achieve Tollgate's aims of giving Multimech its own identity and a separate listing on the JSE

Tollgate is to get a new MD, Hennie Diedericks, the MD of Volkskas Investments (formerly Volkskas Industries)

Johann Barnard, present MD, is to be vice-chairman Tollgate recently appointed a new chairman, Johan Claasen, a Duros director and former chairman of Ellis Park

Multimech has been developed into an independent business, with a significant part of its work coming from outside customers

"Drivetech's financial base will be considerably enlarged and certain synergistic benefits realised," the companies said.

"As a result of the significant increase in Tollgate's bus operations, the earnings of Multimech are budgeted to increase materailly, with resultant benefits to the enlarged Drivetech group"

Tollgate's earnings would have increased by 8,6c to 40,8c a share if the reorganisation had been effective for its past financial year Net asset value would have dropped by 6c to 298c

Duros's earnings would have risen by 0,5c to 54,3c and net asset value by 5c to 375c

Drivetech's earnings would have been 2,1c lower at 18,3c and net asset value would have risen by 1,1c to 41,9c

● In another development,Tollgate is to merge eight sport and leisure companies into one with assets of more than R35 million

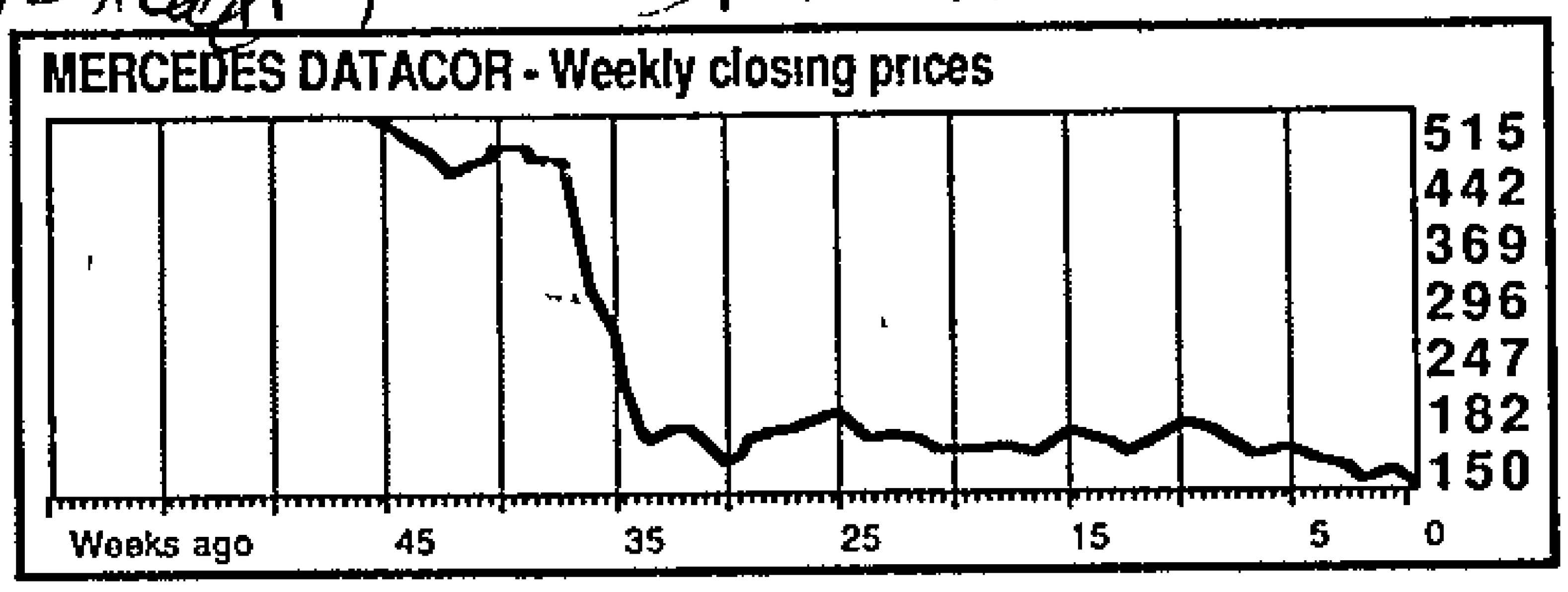
The new company, Entercorp, has been formed via its wholly owned subsidiary, Tollcom, and will apply for a JSE listing later

Mercedes Datakor suffers with the rest

232)(AH) Star 7/7/88

Sharespot

Lynne Peach



Mercedes Datakor was very warmly welcomed into the Electronics sector in August 1987 Having been issued at a price of 200 cents, the share proceeded to reach a high of 560 cents — before the October market crash took the wind out of its sails

The share entered the New Year at 220 cents, still offering a capital gain to subscribers Since then, however, the price has been unable to find its feet So far this year, the price has come down by 32 percent, to a rather faded 150 cents

Mr C Brunette (financial director) comments that this has nothing to do with the fundamental state of the group which he says "is even stronger now than when it was listed"

An encouraging factor is that the price has been falling on small volumes of trade In other words, there is no disturbing panic selling but rather a scenario of few sellers who have to offer super-low prices in order to entice buyers

The lack of interest appears to be focused on the computer industry in general, rather than on Mercedes Datakor in particular

The group started out in 1937 with Mercedes Office Machines and until the mid-1970's maintained its focus on office equipment such as typewriters, copiers and calculators

At that time, Datakor's present chief executive, Mr Nicholas Frangos, took control and re-defined its focus to high technology office automation The entry into the computer market got under way with the formation of Datakor (large-scale computer networking)

The group is currently positioned in three major sectors of the information technology markets data processing, office automation and communications

The data processing division is most important with its hefty 50 percent — 55 percent contribution to group turnover It embraces Datakor whose business involves hardware, peripherals, point-of-sale equipment and networking Also included is the maintenance operation which has about 25 branches which employ approximately 200 engineers

Another notable contributor to group turnover is the office automation division with 30 percent This comprises Joffe Associates, a relatively new addition acquired in April 1987, which is a major supplier of personal computer products Also in this division is Integrated Office Systems which provides sophisticated word processors to large companies

The third, and smallest, division is communications It accounts for approximately 10 percent of group turnover Here the Timeplex range of products (hardware and software) is sold to financial institutions Mr Brunette says that this is a major growth area

In addition, Mercedes Datakor has recently acquired interests in three listed companies It has 26 percent of Mast Hold which provides management training, skill training and management consulting services There is a 26 percent holding in Dimension Data which specialises in computer networking and data communications

Since Setember 1987, the group has upped its stake in Don Gray Holdings from 26 percent to about 45 percent The latter provides recruitment and training for staff for the computer industry as well as various software packages, expecially for use by personnel management

Mercedes Datakor has an agreement with Don Gray Holdings to finance some of its acquisitional growth in exchange for Don Gray shares

Ownership of Mercedes Datakor is largely in the hands of the directors, New Bernica, and to a lesser extent Lifegro Sankorp has recently acquired a 26 percent interest

In the financial year to March 1988, turnover more than doubled to R105 million Growth in PC operations, which have lower markups compared with data processing operations, cut operating margins from 20 percent to 13,6 percent This was largely offset by a lower tax rate enabling attributable income to climb by 88 percent

The greater number of shares in issue inhibited the rise in earnings to 44 percent to 17 cents This exceeded the prospectus forecast of 15,1 cents while the dividend was on target at 4 cents

Mr Brunette says that the debt equity ratio is less than 20-25 percent Net asset value is 45 cents

While the rapid expansion phase of the past year is unlikely to be duplicated, Mr Brunette believed that growth will at least equal that of the industry which is expcted to perform better than most others Further acquisitions are likely to take place

Group earnings will, however, be diluted this year as the weighted number of shares in issue rises from 48,5 million, to about 56 million In spite of this, bottom-line growth is expected to exceed 20 percent This equates to earnings of more than 20 cents for fiscal 1989, compared with the previous year's 17 cents On cover of 2,5 times, the dividend should be at least 8 cents

At the current price of 150 cents, this places the share on a forward PE (March 1989) of no better than 7,5 However, in today's market, with better value available elsewhere, it is hard to justify accumulation at the current price level

The price chart appears to support the view that the share price could fall further Nearly two months ago the price negatively broke through its support level of 180c-185c While it may be in the process of forming a new support level at around 150 cents, it could well fall further before embarking on a bull trend

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Privatisation under spotlight

Congress plans analysis

CP Correspondent

THE government's announced intention to privatise and deregulate State-controlled assets will soon come under the spotlight when a comprehensive congress aimed at analysing the implementation of the concept is held in Pretoria.

The congress will be hosted by the Institute of Marketing Management for about 500 delegates and will be held at the CSIR conference centre from October 31 to November 2

IMM Northern Transvaal chairman Pierre Beguin explains that the congress will be aimed at investigating the actual clockwork of privatisation

The implementation of the concept is expected to take some time, but important aspects like marketing should be addressed as soon as possible

"A marketing need has been identified, particularly from the ranks of the Institute, for relevant information and practical guidelines," he said "We will have to look at the international experience in this regard "

Privatisation has already been implimented with great success in various First and Third World countries South Africa's unique infrastructure will, however, still have to be kept in mind.

Apart from being an important source of State revenue, privatisation will serve to close the gap between government and the business sector, ensure greater participation for workers and the public in services like telecommunication and transport, and it will represent a giant leap towards a free enterprise system, Beguin says.

Beguin underlines the necessity of the correct marketing of the concept right from the outset. Accurate and digestable information will have to be made available to create positive attitudes.

Existing "myths" about privatisation will, for instance, have to be eradicated through effective marketing Marketing tools needed to achieve this goal include advertising, public relations, research and promotions.

He also announced that three privatisation experts from abroad would address the congress as guest speakers A number of key South African speakers will be focusing on the South African situation

Administration and Privatisation Minister Dr Dawie de Villiers has already undertaken to officiate at the opening of the congress

The congress will be of particular value to persons of all levels of the private and public sector directly or indirectly involved with the marketing of privatisation and deregulation

Church celebrates anniversary

By KERRY CULLINAN

ST CHARLES Lwanga Catholic Church, Father Smangaliso Mkhatshwa's parish in Soshanguwe, celebrated its 10th anniversary last week by holding a week-long focus on communication.

A vast array of cultural activities, taking place under the banner of "Knowledge is Power", entertained residents each evening until the early hours.

Performers included Bayete and Victor Ntoni, who played in a huge marquee erected for the week, while art, photographs and books were also on display.

Plays, videos and poetry readings were interspersed with talks by the likes of Achmat Danghor from the Congress of SA Writers and Sefako Nyaka from *New Nation* newspaper.

On Saturday, the audience was delighted by a display by a local karate school. The young karateka used their elbows, foreheads, feet and hands to smash through roof tiles and bricks with great vigour.

The celebrations ended on Sunday with a prayer service conducted by Bishop Daniel.

Father Mkatshwa

City Press HOTLINE

Hopeful homeowners taken for a ride by crooked contractors

SOME companies are getting rich building township houses

And others are getting rich *not* building township houses – but taking deposits of up to R3 500 from hopeful home-owners

The recent boom in black home ownership has brought a mushrooming of estate agencies and construction companies

City Press investigated two of these companies – and found out just how easy it is to get taken for a ride

house on a site in Diepkloof provided by Properhomes

Four months later, when there was no sign that a site had even been allocated to him, Mr Magubane demanded a refund Mrs Mkhwanasi, who runs Properhomes with her husband, told Mr Magubane to cancel the deal in writing and wait 10 to 14 days for a refund He is still waiting

When *City Press* spoke to Mr Mkhwanasi this week he said he would not

be very busy.

Several dissatisfied customers have consulted lawyers to try to get their money back Some have started proceedings to sue Mr Mkhwanasi in the Small Claims Court

And the Fraud Squad at John Vorster Square has opened an inquiry into Properhomes

Another contractor who has a string of angry clients behind him is Adam Barnard of VIP Konstruksie in Pretoria

Upgraded plant will save R50m

LIZ ROUSE

DORBYL and Iscor, in partnership, are investing R120m in the upgrading and extension of the seamless tube manufacturing facility at Dorbyl's TOSA works in Vereeniging

The partnership, in which Dorbyl holds a 60% interest, has been concluded with Iscor under the name TOSA Seamless Tubes.

Dorbyl CE Dawid Mostert says that the investment was agreed upon as a partnership with Iscor because of the magnitude of the project, the critical technological interface between raw materials (steel) and the end product, and the current and expected growth of the SA seamless tube market

The existing seamless plant can no longer meet current requirements and a high rate of growth is expected after 1990, mainly due to the needs of the mining industry in which the new technology of backfill and hydropower will make the major contribution

The investment is of national importance as it will produce locally the many thousands of tons of boiler tube currently imported The new mill will also meet specifications which are beyond current capabilities Estimated savings in imports are R50m a year,

The facility will come on stream in January 1990

11/7/88

Govt poised to act on insider trading

Star 12/7/88

(232)

By Sven Forssman and Sven Lunsche

The Government is poised to crack down on insider training in the securities market and also take steps to ensure there is no unfair treatment of minority and other shareholders in merger or takeover situations

A government statement yesterday said the authorities were currently considering a proposal by the Advisory Committee on Company Law and, if accepted, the necessary legislation would be put before Parliament next year

According to the statement, a proposed panel to monitor the securities market would be established and would be self-regulated by the private sector and all its members would therefore, with the exception of the Registrar of Companies, be nominated by the representative bodies which are engaged in the industry

"The panel will be empowered to make its own rules regarding takeovers and mergers and will also have the power to investigate any takeover or merger Another function will be to exercise control over insider trading," the statement explained

"The panel will have power to investigate cases of suspected insider trading and if any proof thereof is found the matter can be passed on to the competent authorities for prosecution

"In this regard the panel will be a proper forum where complaints regarding insider trading can be lodged

"A severe penalty to serve as a deterrent, is prescribed for any contravention of the provisions relating to insider trading, mainly because the profits to be made by dealing in insider information can be exceptionally high

"The panel will further be empowered to enforce its rulings on a specific takeover or merger by obtaining the necessary civil relief from any court of competent jurisdiction"

"The existing legal provisions have proved inadequate as there are cases where minority shareholders and other persons involved are treated unfairly during a takeover or merger," the statement said

JSE president Tony Norton, has repeatedly called on the authorites to tackle insider trading, which he described recently "as an ugly area of fraud and damage"

Norton was quoted as saying the JSE could not run a disclosure-based market and allow people to get away with non-disclosure and profit by it

He said there was a great deal companies could do with regards the quality of disclosure

"Even some larger companies which should know better are not timeously disclosing information If they have material price-sensitive information they should release it immediately or publish a cautionary announcement

STAR 13/7/88 (232)

Hortors reversed into CTP Holdings

By Sven Forssman

Hortors is to acquire certain trading businesses of CTP Holdings in exchange for the issue of Hortors shares to CTP, according to the Argus Printing and Publishing Company.

"The agreement will make Hortors a subsidiary of CTP Holdings," Argus executive chairman Hal Miller said.

"The acquisition will provide Hortors with a viable business. In addition, Hortors will dispose of its shareholding in CTP to Hortors' shareholders in the form of a reduction of capital."

The announcement says that in consideration for the acquisition of the trading businesses, Hortors will allot and issue to CTP 45 553 030 shares out of its capital, which will be increased for this purpose.

A standby offer to Hortors' minorities will be made by Argus at 275c a share.

As a result of the deal, the nature and scope of Hortors' business activities and operations will be changed and considerably expanded.

The announcement says there will be no material effect on CTP's earnings or net worth.

Based on Hortors' audited financial statements as at March 31, 1988, Hortors net asset book value was 132c a share.

The effect of the acquisition, on the basis that it is effective from April 1 1988, will be to decrease Hortors' net asset value to 71c a share before the reduction in capital.

Based on a forward projection of estimated profits of the enlarged Hortors for the year to March 31, 1989, earnings are expected to increase to 8,7c a share.

The bank's chief economist,

Private hospitals fret over lower return on investment

Star 24/7/88 (232)

By David Canning

DURBAN — Private hospitals face a worrying trend of diminishing returns on investment, but also the exciting prospect of a bigger role in privatised national health care

Dick Williamson, Afrox general manager, says in the past few years hospitals have experienced major cost escalations in excess of the consumer price index (CPI)

The average all-in cost of providing one hospital bed has risen to R150 000, while the all-in cost faced by a patient can average R300 a day

Mr Williamson was speaking earlier this week at Entabeni Hospital, Durban, where additions worth R4,5 million are being completed

He said the trend was clearly to shorter patient stays as a result of scientific advances and the use of high-tech equipment with which hospitals have had to equip themselves

It meant the average patient spent about three days in hospital, whereas older surgical techniques saw the patient hospitalised for six to 10 days

While hospital costs had risen to a higher level than most patients could personally afford, there had been big increases in the membership of medical aid schemes

However, returns on investment of private hospitals had slipped because medical aid tariffs had lagged behind the general cost of living

Mr Williamson said that in terms of the Medical Schemes Act, a hospital was allowed to claim payment direct from a medical aid scheme only if the hospital's rates were in line with or less than prescribedtariffs

Where its charges were greater, the hospital must claim full payment from the patient who then recovered a portion of the costs from his medical aid scheme

This put the onus of claiming bad debts onto the hospital, which, owing to the nature of the business, could not apply the usual credit control rules of commerce

For this reason, he said, hospitals had stayed "contracted" into medical aid tariffs

Mr Williamson said private hospital efforts to get this situation changed had not met with success

In his view, the ground rules should be changed so that the hospital could recoup from the medical aid scheme (on a "contracted in" basis) the difference between the official medical aid tariffs and the Hospitals Cost Index

He felt the whole system of medical aid tariffs should be looked at afresh

Most insurance policies carried a minimum clause, with the insured person footing the very minor bills himself to save on premiums, he said

Yet medical aid schemes had been competing among themselves to offer even more all-embracing services

He thought that they should offer members the choice of reducing monthly contributions by being able to select what level of cover they required

Many people could afford the R20-odd it took when they went to a doctor It really was "catastrophe insurance" they were after — cover for major medical bills, he said

PRIVATISATION

Place to park

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Johannesburg's parks are up for grabs The city council is prepared to countenance almost any scheme which will improve usage and reduce maintenance costs.

It does not, however, intend to let parks be fenced off and charges be levied for existing facilities. Nor, says parks and recreation department head Paul Loubser, will it allow the parks to be used for anything "bizarre" such as turning Joubert Park into a funfair.

Rather, it is looking for entrepreneurs to create additional facilities, such as restaurants, on leased portions of the park — which will generate revenue for the council and perhaps delay future rate increases, a portion of which goes towards park maintenance

It is two years since the council expressed its willingness to consider proposals to privatise municipal facilities It received a number of proposals such as plans to turn parts of parks into office or residential parks — which it promptly turned down One was for a park and its swimming pool to be developed as an exclusive residential complex

However, the latest moves follow approval for a scheme devised by Recreation and Leisure (R & L), headed by former provincial swimmer Jonathan Fleischer and former Springbok swimmer Dean Price, to rescue the run-down Paterson Park recreation club and swimming bath in Norwood

R & L was granted a 30-year lease and is spending R1,5m on rebuilding the facility.

A proposal to turn the 110 ha Delta Park, between Victory Park and Craighall Park, into a riding school is also being considered. ■

FINANCIAL MAIL JULY 15 1988

LIQUIDATIONS

Profits of doom

The liquidation of advertising agency Friedman & Rossi/BBDO (*Business* July 1) has come at the right time for SA's hard-pressed liquidators

For an industry whose catchword once was "your doom is my boom," pickings have been rather meagre since the high point of 1986, when around 400 companies were going to the wall every three months

The latest figures issued by Central Statistical Services show the total number of liquidations for the three months to May 1988 fell by 17% compared with the previous three months and 26,5% with the same three months of the previous year An average of around 100 liquidations — many of them minor — is now taking place every three months **(see graph)**

Insolvencies for the three months to April fell by 13,2% compared with the previous three months and 42,7% with the corresponding three months of the previous year

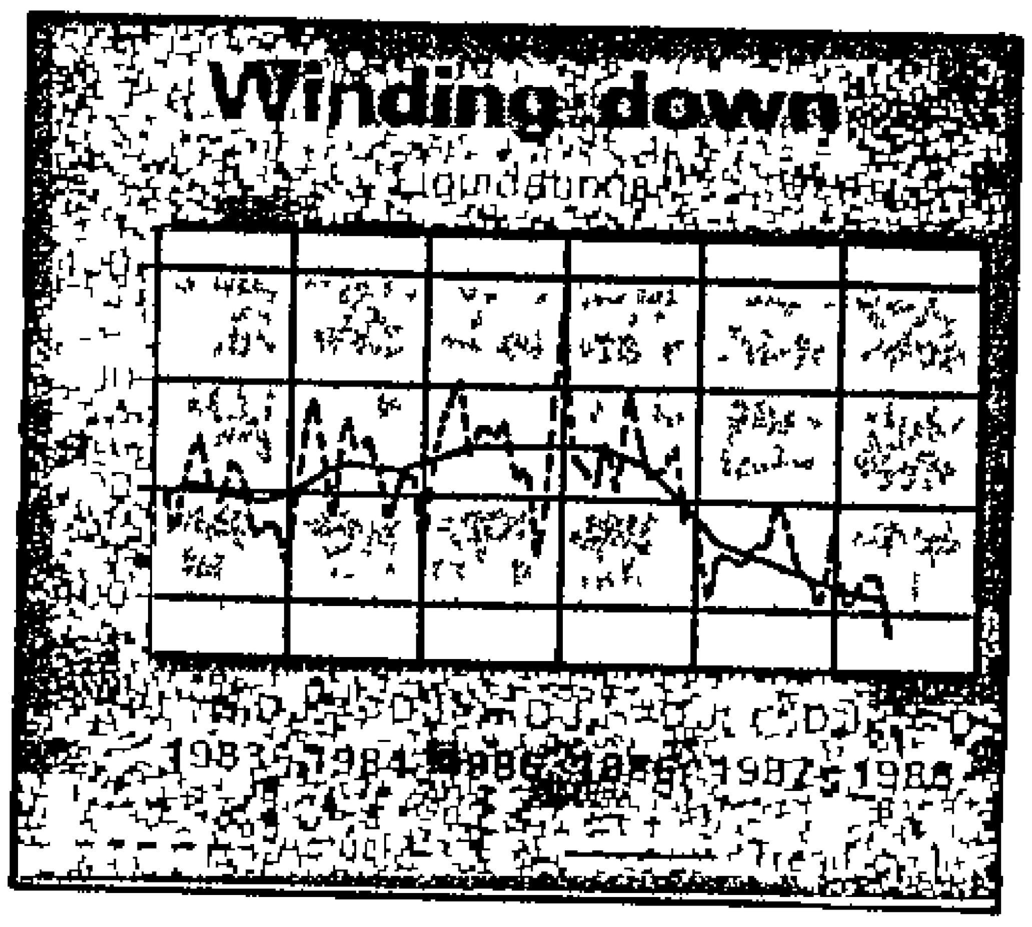
Liquidator Clive Lansdown, of Coopers & Lybrand, says the business is at its lowest level for years

Liquidators were apparently queueing up for the relatively juicy Freedman & Rossi/BBDO liquidation

With estimated assets of around R3m and average liquidator fees standing at around 10% of the value of recoverable assets, it's easy to see why. An extremely complicated winding-up because of the number of companies and conflicting claims involved, it was finally awarded to liquidators within Metrust and Westrust jointly.

It was interest rates at a punitive 25%, coupled with a volatile foreign exchange market which caught many firms with offshore transactions uncovered, that prompted the high number of company fatalities in 1985/1986

Neil Bowman, a director of Westrust, observes that many small operators were attracted into the liquidation business at the time, "most of whom," he says "have since quit"



In spite of the attraction of the fees, he says it's a difficult business Most of the bigger liquidators get their work from a regular clientele — insurers, shippers, building societies and banks — who know their work and their capabilities

"The small guys don't have it easy Big jobs, where assets of several million are involved, are few and far between And in many liquidations there are no assets — so we don't recover Often all we get is our minimum fee of R750"

Is the business going to get better? It doesn't look like it The economy seems better managed than it was in 1985; interest rates, though rising, are being monitored and the rand is in what appears to be a controlled slide

Still, Bowman thinks there could be opportunities ahead "Our information is that the liquidation business is going to show an improvement towards the end of this year and into the next People who have been holding on to their businesses in the hope of a renewed boom might finally have to let go"

Then there's always the odd case of mismanagement, fraud, the ripple effect of the October crash and the prospect of what effective sanctions might do to business in SA — all of which will keep liquidators' spirits up

To be sure, there'll always be some carcass to feed on ■

Cape Times 15/7/88

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Seven SA firms in world's top 1 000

Own Correspondent

LONDON. — Seven SA companies are included in the world's top 1 000 firms in a survey by International Business-Week magazine published this week.

Eight of the top 10 are Japanese companies, with the largest — Nippon Telegraph and Telephone — having a market value of $296 billion (about R630bn), more than 17 times the value of the entire Johannesburg Stock Exchange.

The top SA company is De Beers, ranked 318th, with a market value of $4,3 billion (R10bn). The market value was calculated using London Stock Exchange data.

Anglo American Corporation, with a market value of $3,96bn, is ranked 355th.

Driefontein Consolidated, with $2,21bn, is placed 682nd; Anglo America Gold ($1,75bn) 820th; Vaal Reefs ($1,62bn) 861st; Goldfields of South Africa ($1,45bn) 935th; and General Mining Corporation ($1,37bn) 968th.

The rest of the top ten are: International Business Machines, United States ($67,47bn); Dai-Ichi Kangyo Bank, Japan ($63,25bn); Fuji Bank, Japan ($62,81bn); Exxon, United States ($61,88bn), Tokyo Electric Power, Japan ($61,53bn); Nomura Securities, Japan ($56,12bn); Industrial Bank of Japan ($55,89bn), and Mitsubishi Bank, Japan ($55,81bn).

Sappi hits top spot in R1-bn takeovers

ST 15/7/88

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By Sven Lunsche

Sappi has acquired control of Saiccor, the largest dissolving pulp producer in the world, and of the Swaziland-based Usutu pulp mills, in a massive deal totalling more than R1,05 billion

Through one of South Africa's largest financial deals this year, Sappi moves into the international big league of pulp and paper producers

The deal arises out of the decision by UK textile giant, Courtaulds, to withdraw from the wood pulp industry worldwide.

Flowing from Courtaulds' decision, Sappi, in conjunction with some overseas investors, acquired 80 percent of Usutu, although the deal will need the approval of the Swaziland government, which retains its holding in Usutu

Sappi top of the league

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SPr 16/7/88

SVEN FORSSMAN

Sappi's acquisition of Saiccor — the world's largest dissolving pulp producer — and the Usutu pulp mills in Swaziland (subject to formal approval by the Swazi government) for R1,05 billion will make it the second-biggest focused industrial company in SA, after Sasol, MD Eugene van As said yesterday

Saiccor supplies 11 percent of the world market — its entire production from its Umkomaas plant — while Usuthu supplies about 14 percent of the world's unbleached softwood pulp Some 60 percent of its products are exported

The deal arises out of the decision by UK chemicals giant, Courtaulds, to withdraw from the wood pulp industry worldwide

"The deal will catapult Sappi into the world's top 10 traders in terms of volume export About 40 percent of our turnover will come from exports, compared with the current 25 percent," Mr van As said

"Our turnover will increase to more than R2,4 billion from R1,5 billion If the share stays around R35, our market capitalisation will be in excess of R3 billion

"Another impact of the deal would be to push up our total assets to R4 billion"

Mr van As said Sappi's strategic plan in acquiring Saiccor was not to become the biggest pulp and paper producer, but the best

"The rationalisatin benefits of the deal are immense and they will still be coming through in six or seven years time"

He stressed, however, that the acquisitions would have little or no impact on gearing

"The debt will be funded out of earnings and we are expecting our gearing to remain at the 80 percent level," he said

As part of the deal, Sappi is linking up with an international marketing consortium, which has bought control of the Speciality Pulp Trading group (SPT) It will assume a pivotal role in the international distribution of Sappi's other products

"We have not had a sanctions problem anywhere," said Mr van As

Analysts said yesterday that while the deal would make Sappi one of the big players in the world, they were worried about a dilution of earnings because of the increase in shares - payment will be made through the issue of 10,52 million new shares — and high gearing

On the plus side, they said the deal would increase its foreign exchange earnings, thereby making it more attractive to investors because of its rand-hedge appeal Also, rationalisation would reduce transport costs

Sappi's share price shot up to R35 yesterday morning, but closed only 25c up at R31,75

Sappi gains market share in R1,5bn deal

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CAPE TIMES 16/7/88

By AUDREY D'ANGELO
Financial Editor

SAPPI will acquire control of Saiccor (Pty) and of the Swaziland-based Usutu pulp mill in a R1,5bn transaction, it was announced yesterday

The deal, resulting from a decision by British-based Courtaulds to withdraw from the wood pulp industry worldwide, sent Sappi shares R2,25 higher yesterday to R31,75 They had already risen on Thursday on rumours that the deal was pending

The purchase of the Usutu pulp mill is subject to the consent of the Swazi government

Saiccor was originally set up by the Industrial Development Corporation (IDC) in partnership with British Celanese and an Italian company, Snia Viscosa, to produce pulp for the manufacture of viscose cellulose for the textile industry It now supplies 11% of the world market

A statement issued by Sappi yesterday said that as part of the deal it would link up with the international marketing consortium which has bought control of the Speciality Pulp Trading Group (SPT) from Courtaulds

In addition to marketing both Saiccor and Usutu's products world-wide which it does at present, SPT would also assume a pivotal role in the international distribution of Sappi's other products

The purchase of Saiccor also gives Sappi an additional 82 000 hectares of high growth timberlands located conveniently to its own resources and operations

The statement says that "flowing from Courtaulds' decision to get out of the woodpulp industry world-wide, the opportunity arose for Sappi to acquire, with overseas investors, 80% of Usutu

"This part of the transaction is subject to the approval of the authorities of the kingdom of Swaziland The Swazi authorities will retain their holding of preference shares in Usutu"

Usutu, a low cost producer, is located near Manzini in Swaziland, and supplies about 12% to 14% of the world's unbleached kraft softwood pulp About 40% of its product is sold on the SA market and the balance is exported

Sappi has undertaken to invest a further R30m in Usutu to increase production

Sappi, along with overseas investors, is buying Courtaulds' stake in Usutu and part of that held by the Commonwealth Development Corporation (CDC)

The deal is complex Sappi is buying direct control of 33,3% of Saiccor and shareholders' claims of R17m from Industrial Selections (Indsel), National Selections (Natsel) and the IDC This portion of the transaction, involving about R305m, will be effected by the issue of a total of 10 520 000 new Sappi ordinary shares to the three parties

The purchase of the remaining 66,7% of Saiccor from Courtaulds and shareholders' claims of R34m against Saiccor, and the acquisition of 80% of Usutu, will be effected by the issue of a further 10 016 000 new Sappi shares, and a R41m cash payment

In addition Sappi will assume certain liabilities amounting to approximately R480m and will repay these in instalments over an extended period of time

The announcement says the 10 016 000 new shares issued will be renounced in favour of Gencor

Sappi MD Eugene van As said that the deal made Sappi one of the largest suppliers of pulp and paper in the world

(232) 17/7/88 STimes.

MANPOWER MIRROR by ROBYN CHALMERS

Heavy going for Esops as blacks spurn offers

IT is ironic that SA employee share ownership schemes (Esops), introduced for the benefit of workers, have been widely condemned by black employees and trade unions

Esops have been around in in the US and UK for more than 10 years, and were taken up by SA firms last year The move was triggered by the disinvestment of foreign-owned companies such as Ford, Coca-Cola and Standard Chartered

Esops offer workers a stake in the company so they will work more productively — and to blunt trade union pressure

TAX INCENTIVES

Esops have been a successful feature of American corporate life since 1974 when tax incentives were offered to encourage employers to establish them

British trade unions have embraced the concept and tried to enhance the advantages to workers

But in SA Esops they have no more support now than when they started

Labour and Economic Research Centre (LERC) research officer Judy Maller puts the number of SA companies with participation schemes at "a conservative estimate of 120"

"Some of them are small companies so it is difficult to say how many unskilled black workers are being offered shares

"A recent survey found that on average companies offer 5% of equity to workers, often going as low as 1% or 2%"

FRAMEWORK

She believes that this is a major stumbling block to the Esops concept The shares are offered to individuals, so in effect workers have more chance of influencing the company through their unions

Federation of SA Industrial Relations director Mike Beaumont says trade unions view the schemes with suspicion "Although they provide a useful framework with which to communicate with employees, the unions' argument that they do not give workers greater participation in actual decision making is correct"

Miss Maller also conducted a survey of all the Cosatu unions Of a 67% response rate, all but one union rejected Esops out of hand

Cosatu general secretary Jay Naidoo says "We are opposed to the idea of Esops Fundamental issues must be addressed first We are still struggling for a living wage, let alone considering buying shares"

The fact is that workers are often more concerned about putting food on the table than in advancing to managerial positions

This attitude was visible only too clearly at Anglo American-controlled Samcor in April The 3 000 workers went on strike not to protest so much against their employer as against their union

It stemmed from an agreement between the National Union of Metalworkers (Numsa) and Ford Canada by which employees received a 24% stake through a trust in Samcor

The problem arose with a provision which said dividends would be paid into a community trust and used for black advancement The workers wanted the money paid directly to them

Samcor chairman Les Boyd said "employees do not have a comprehensive understanding of the free enterprise system"

In spite of the rejection of such schemes, the Anglo American Esops is turning in surprising results

Anglo spokesman Paul Clothier says 111 850 employees out of 168 194 have taken up the offer of shares — almost 67% Although this is not an overwhelming acceptance by any means, "it is satisfactory," says Mr Clothier

SATISFACTORY

The Anglo scheme involves giving workers five shares each, to be put in a trust for four years

Miss Mallor believes the testing point will come at the end of four years when the difference in the number of strikes by those who have shares and those who do not is measured Another test will be whether workers retain the shares or cash them in and whether they buy more shares or not

The ultimate problem with Esops, she believes, is that companies are not giving a large enough share to the workers Perhaps the unions will have to tackle that problem, instead of rejecting the schemes

Columbia looking for more growth

(232) Star 15/7/88

By Sven Forssman

Growth in the current financial year will be achieved via mergers and cash acquisitions, Columbia Consultants chief executive Gordon Polovin says in the annual report

"As many of the group companies, including Pride, Concorde, Milstan and Toco, are cash-flush or have debt capacity, they are well positioned to take advantage of new market conditions," he says

"Columbia will focus its attention, for the most part, inwardly, adopting a stance of consolidation At the same time, with excess debt capacity, it will continue to investigate relatively larger investment banking opportunities

"In this respect, it is expected that the ongoing disinvestment campaign being implemented in the US will present good opportunities"

As a result of growth and the increase in the number of key employees, Columbia is introducing a share scheme for its staff

On corporate finance activities, Mr Polovin says the group was involved in frenetic growth activity, culminating in the current corporate structure "This involved 35 acquisitions, five mergers and four listings, completed within 18 months since the listing in October 1986

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BUSINESS DAY, Thursday, July 21 1988

MCI discusses possible Assocom merger

Own Correspondent

PORT ELIZABETH — The Midland Chamber of Industries (MCI) was keeping its options open on a possible merger with the Association of Chambers of Commerce (Assocom) and would be guided solely by the interest of its members, deputy president Adam Bage said yesterday

Speaking at MCI's mid-year meeting, Bage confirmed discussions had been held with the Federated Chambers of Industry (FCI) and Assocom

He said the MCI management committee had no axe to grind Its interest was its members' interest No decision on a national affiliation would be taken without members' support.

The next round of talks would be with other regional chambers next month, and should a referendum be called this would take place in October so the matter could be "fully and constitutionally resolved" at the annual meeting in November.

"What we are seeking is a national affiliation which will give us the strongest, most authoritative voice and which will, hopefully, be a step towards the ultimate objective of a single voice for the private sector"

He said Assocom, which had gained the Transvaal Chamber of Industries by its merger with the Witwatersrand Chamber of Commerce and Industry, saw MCI as the next big target for the creation of a national employer body representing both commerce and industry

"Ideally, Assocom wants to merge at a national level with the MCI, but if it cannot do that it is happy to draw away its rival's regional membership.

"The intensity of the fight over MCI indicates how important it is to both bodies' credibility."

He said the the question of MCI's relationship with the FCI went back to 1984 when the FCI was seen as having two main weaknesses — it was not fully representative, and its finances were weak

A vehicle to list M & P D

Cape Times 21/7/88

932

Montays in reverse takeover

By AUDREY D'ANGELO
Financial Editor

THE shell of furniture company Montays has been bought by rapidly expanding computer firm Micro & Peripheral Distributors (M & P D) in a reverse takeover

It will be used as a vehicle to list M & P D in the electronics sector of the Johannesburg Stock Exchange (JSE)

The announcement yesterday shows the sound judgment of 85% of the minority shareholders in Montays who elected to stay in the shell rather than accept an offer of 10c a share from Furniture Fair's holding company Furngro.

M & P D, which has offshore interests, says it has doubled its turnover every year since it was formed in 1982

According to a statement issued yesterday the deal means the tangible net asset value of Montays shares has risen from nil to 31,8c based on M & P D's assets and the guaranteed after-tax profit forecast.

Announcing the takeover, the computer firm's CE Mike McGrath said that Montays would buy the entire issued share capital of M & P D After the acquisition and obtaining JSE approval for a transmuted listing, Montays will be renamed and transferred from the furniture to the electronics sector of the JSE

In terms of the acquisition agreement, the existing issued shares in Montays are to be consolidated into 314 500 ordinary shares on a 10-for-one basis

The acquisition of M & P D shares by Montays will be settled by the issue to the M & P D vendors of 31 135 000 ordinary shares of 1c each in Montays.

The effect will be that Montays shareholders, who stayed in the company, including Furniture Fair executive chairman Ivan Hammerschlag and his brother Jeff Hammerschlag, will own 1% of M & P D

McGrath said the listing would be followed by a rights offer to provide the correct spread of shareholders and increase the group's working capital

The funds would "enable M &P D to move heavily into local assembly and towards the manufacture of personal computer systems and other high technology electronic components in SA"

McGrath said the decision to seek a listing was based on the need to develop M & P D's full potential through strategic acquisitions and expansion of its off-shore operations

It was first established in SA to handle the distribution of Epson and Fujitsu products In a planned programme of diversification, operations have been extended into the distribution of microcomputing software through the Softsource subsidiary and computer networking products supplied by the Lasernet subsidiary

Through further diversification the group has become one of the largest involved in the local assembly and limited manufacture of IBM-compatible personal computers It has also set up a successful foreign trading company distributing computer hardware

Cape-based Montays was placed under provisional liquidation at the end of last year Control of the company was bought by the Hammerschlag brothers for 10c a share

At the end of last month the Supreme Court sanctioned the disposal of all Montay's assets to Furniture Fair

Yesterday Ivan Hammerschlag said the acquisition of a stake in M & P D with its exciting growth prospects fully justified the decision of most minority shareholders to retain their shares

At the time the offer of 10c a share was being made to them, Hammerschlag said negotiations were in progress which might result in a reverse takeover

INVESTMENT ARGUS 21/7/88 237

Anglo employees set to cash in on free shares offer

From DEREK TOMMEY

JOHANNESBURG. — The 110 000 Anglo American group employees who earlier this year accepted the corporation's free offer of five Anglo American shares are about to receive something more tangible.

On August 2 each of the 110 000 will receive a dividend cheque for R8,12 — the first to be paid on their five shares.

Accompanying the dividend will be a brochure about Anglo American and the share issue.

"They can also get a copy of the annual report if they want," a senior Anglo American official said today.

ANOTHER CHANCE

They can also expect another dividend cheque on January 20, next year, when the interim payment for 1989 will be made.

The shares were offered to Anglo American's employees as part of an employee participation programme. The offer was accepted by 66 percent.

However, those who did not take up the shares will get another chance. The corporation will be offering further free shares to its employees again next year.

The August 2 dividend will cost Anglo American R893 000

The group's total dividend bill for 1987-88 was R516-million.

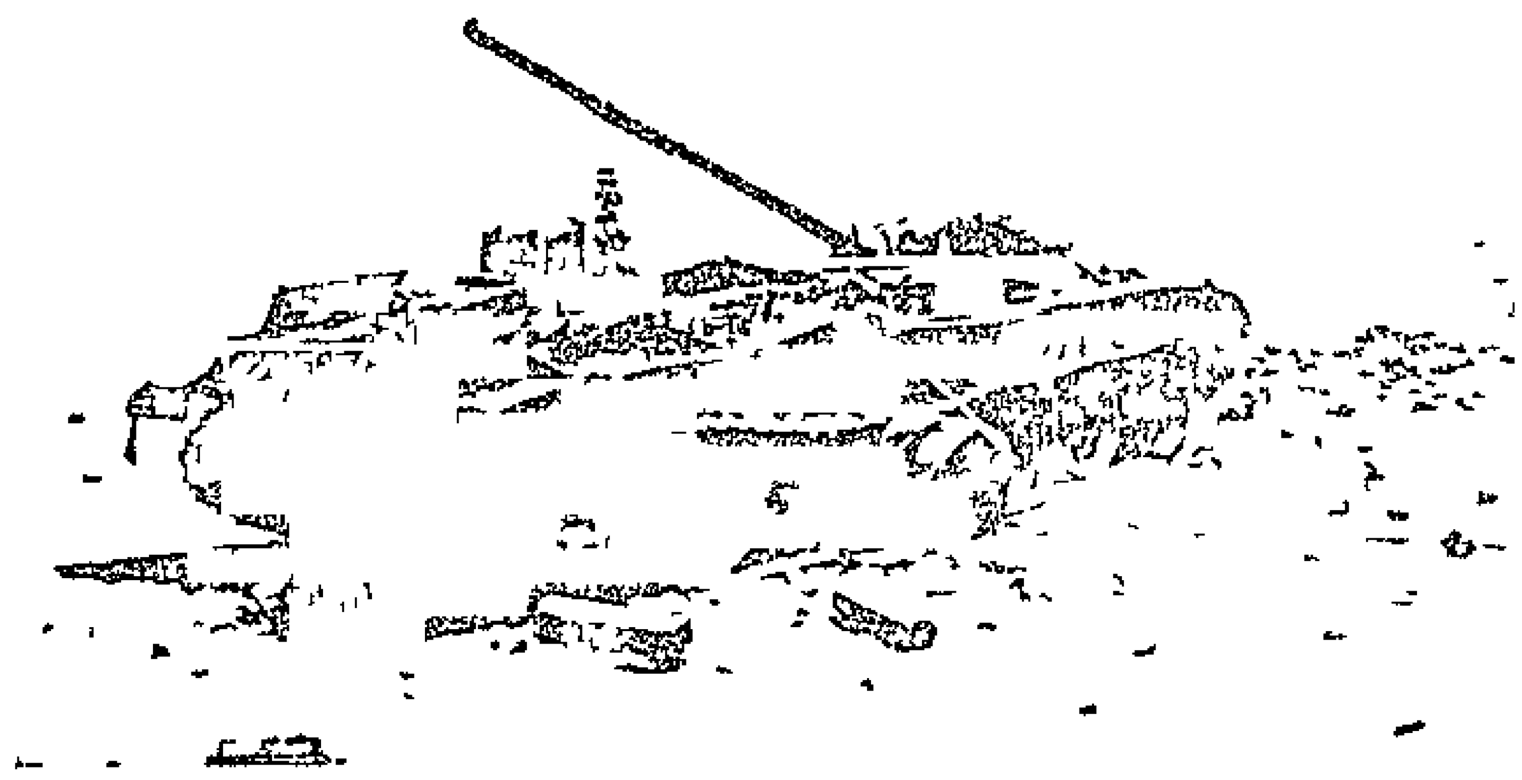
tic — even if slightly less so than Perez de Cuellar and his belief that a ceasefire could begin next week

The consequences of Rafsanjani's move are awaited It is assumed that his power base is strong and that he would not have acted without the approval of the army, Revolutionary Guard and most of the *mullahs* Equally, however, it is feared Rafsanjani will face a fight with the radicals, led by Ayatollah Hossein Ali Montazeri, the designated successor to Khomeini, whose Islamic zeal transcends logic Certainly, the main reason for caution in reactions stemmed from the destructive possibility of an internal upheaval

The external ramifications are enormous, depending on what happens in Teheran While it was at war, Iran lost its former keystone role as an ally of the US in East-West geo-political strategy In peace and no longer isolated, Iran's position between the Soviet underbelly and the Indian Ocean could return to the centre stage of diplomacy even though, militarily, it is a spent force

That is not the case in the oil markets Knee-jerk reaction to the Khamenei letter added nearly a dollar a barrel to crude prices just when Opec's evident disunity and impotence was pushing oil back towards 1986 levels and most analysts were predicting an erosion to $12-$13 a barrel against the cartel's theoretically official $18

The rationale for the rise hinged on the argument that Saudi Arabia, Kuwait, the United Arab Emirates (UAE) and other allies of Iraq have been content to let prices go because that undermined Iran's capability to continue fighting Hence peace means a new stiffening of Opec's power Peace would imply that Iraq, which has been exempt from Opec quotas — producing 2,6m barrels per day (BPD) against a notional ceiling of 1,5m BPD — would return to the disciplined fold



Iraqi tank destroyed in Fao campaign .. balance tipped

Little weight is given to this argument Iran will need to spend billions on reconstruction And Iraq is little better off its war costs are put at $230bn and it has run up external debt of $60bn, in spite of high oil production The tanker war in the Gulf (in which 400 vessels have been attacked with the loss of 250 lives) has restrained Iranian exports and output which has been as low as 1,5m BPD against its quota of 2,4m BPD It will need all of that to rebuild the economy

Already Opec members are lining up for a row over quotas at the next meeting in November — with the UAE, in the fore, blatantly ignoring its figure — and, on the present outlook, the cessation of a shooting war in the Gulf will make little difference

But watchers of the oil price will know its relationship with that of gold The cessation of hostilities in the Gulf, therefore, has major ramifications which will reach down to the very roots of the SA economy

Meanwhile all the world will be relieved by the end of a horrible war

INSOLVENCY

How others go bust

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SA's bankruptcy law reformers should look carefully at foreign experience

The reform of insolvency law is very much a burning issue at home (*FM* June 10), but it continues to cause international ripples as well Only four industrialised countries — the US, UK, Canada and Australia — have recently succeeded in meeting the challenge And even so, the moves are recognised as not representing the last word on the subject

But it's clear that three glaring faults in SA's insolvency law have been largely overcome in foreign jurisdictions Briefly, these are that "professional insolvents" profit from defective insolvency law, that the onus of proving fraud, and so on, rests with the liquidator, and that our law is not aimed primarily at speedily rehabilitating an honest man who's gone broke through circumstances beyond his control

The whole issue has been one of international concern for decades, the first notable attempt at a solution being at The Hague in 1925 Less ambitious agreements have since been made in the form of bilateral or trilateral agreements between adjoining states

The most recent and promising bid was the Draft European Bankruptcy Convention The original was produced by the six EEC members of 1970 (when the US appointed its own reform investigation) to establish a uniform bankruptcy law "Bankruptcy" was used in its widest context, as meaning the insolvency of all classes of legal and physical person But, regrettably, the initiative foundered — largely because the proposals presented too great a difficulty when it came to reconciling the different views of the now numerous member states

The need to reform insolvency law at world level remains ever-pressing International and trans-frontier trade continues to increase in scale, frequency and complexity And at least one aspect causing concern is the proliferation of multinational companies, whose head offices or headquarters may be continuously mobile and the consequential problems of their role in such matters as transfer pricing whereby the insolvency of one limb of the multinational may be exported to another

Moreover, reformed or not, as Muir Hunter observes in the *Touch Ross European Insolvency Guide*, the bankruptcy laws of each country are replete with legal and historical difficulties and anomalies One is that debts due to the State, or to extensions of the State, may be "super-preferential" Preferential treatment may also be extended to liabilities such as hospital dues or even church fees It all depends on the country

The need for reform has also been perceptible at national level, again mainly because the nature of commercial transactions is becoming increasingly sophisticated Nonetheless, it is generally agreed that insolvency laws resemble one another in their broad outline to a surprising degree — the deeds and misdeeds of businessmen in any society are similar

For example, concepts such as "fraudulent conveyances," "voluntary dispositions" and "trading with knowledge of insolvency" are recognised and dealt with and, where appropriate, punished in almost every commercial system So we have the various branches of insolvency law bankruptcy, winding up, receivership, administration orders and the universal problem of the consumer debtor

But nation-states have their quirks cantons or areas of a country tend to have specific laws for commercial transactions which differ from national or federal law, and insolvency law is usually regulated at the national or federal level

Research shows a great dynamism in insolvency laws They always have long and chequered histories For example, England — used as the touchstone for much of SA's commercial law — first set up bankruptcy legislation under King Henry VIII in 1542 Called "An Act Against Such Persons As Do

Make Bankrupt," it was directed to the repression of the fraudulent conduct of "traders" This, essentially, remained the sole concern of English bankruptcy law down to the 1860s, when the "privilege" of bankruptcy was extended to non-traders

The insolvency laws of Belgium, France, Italy and Luxembourg are still founded on the distinction between trader and non-trader (a company director, for example), while other EEC countries do not make this distinction

Even after reform, the problem of excessively complex law seems to have remained For example, the new British legislation (1986) has produced the standard English work on insolvency, which has about 400 pages of Acts and 500 of statutory instruments There are also roughly 400 pages of prescribed forms

"Obviously," a UK practitioner tells the *FM*, "material of this bulk is not easily understandable by anyone other than a specialist Having said that, though, the vast majority of cases proceed without undue difficulty" This is another area where Western jurisdictions are way ahead of SA — the role of the bureaucracy, and indeed the courts, has generally been reduced to a minimum

For those looking to what SA's insolvency law *could* look like, perhaps the best detailed example is that bastion of capitalism, the US The insolvency laws are regulated by the Federal legislature, but laws of individual states (for instance, the setting aside of settlements before sequestrations and freeing of insolvent estates) also play a role

Every Federal Bankruptcy Act before 1978 followed a large or small depression The first law — of 1800 — was scrapped in 1803, the 1841 Act in 1843, and the 1867 Act in 1878. And so on

The scrappings were proof of general dissatisfaction with existing legislation, mainly because of the distance between the bankruptcy courts and the people affected by their orders There was also dissatisfaction with the Federal government's interference in people's private affairs and the cost of the administration of insolvencies

Only the latter dissatisfaction remains a lot of time and energy went into reform When former President Jimmy Carter signed the Bankruptcy Reform Bill on November 6 1978 it was the end-product of enormous labour by commissions, committees and sub-committees of Congress and numerous outside groups It's noteworthy that the Bankruptcy Code of 1978 achieved what is so badly needed in SA consolidation of *all* law relating to insolvencies

In general, the provisions of the US code apply to any individual, partnership or corporation except government units, insurance companies, banks and specific loan businesses Idiosyncracies remain because farmers' incomes are subject to seasonal and cyclical change, the code does not apply to a farmer without his consent

A crucial "acts of insolvency" test has

been replaced by a two-part test of whether the debtor is *able* to pay his debts as they become due (except when they are in dispute) or within 120 days before the serving of a petition by a custodian to take over all the debtors' assets

There is ample recognition of modern commercial realities For example, an "insider" is defined as someone whose behaviour — as a result of his near kinship with the debtor — should be closely examined to see if he has maintained an arm's-length relationship with the business involved

The insolvent estate basically includes all assets, as well as liens Any release which may be allowed rests on the aim that individual debtors be given a fresh start This is of absolute importance

The code includes a list of releases which apply provided that state law allows them for example, US$7 500 for a residence, household goods, clothing, furniture and fittings, books, animals, crops and so on The debtor has a choice between release under Federal or state law

The whole process has become far less complicated than before For example, reorganisation is simplified — the involvement of the Securities and Exchange Commission and the courts is reduced The hearing and approval of the court at every step is omitted, and the court may not refuse to approve a plan which has been accepted by all the creditors if they will receive what they would have from liquidation

Among the major achievements of the new law is that "professional insolvents" have been given their come-uppance The court *must* provide for rehabilitation in liquidation cases unless any one of 10 conditions apply Among them

☐ The debtor is not an individual (this deflects trafficking in corporate shells and bankrupt partnerships),

☐ The debtor had, within a year before sequestration, traded with assets with the intention to defraud,

☐ The debtor did not maintain proper books,

☐ The debtor committed a bankruptcy crime — for instance a false oath, or did not disclose information,

☐ The debtor did not satisfactorily explain a loss or a shortage, or

☐ The debtor had, within one year before sequestration, or after, committed any of the above infringements in collusion with an insider

These provisions meet the objective that going bust should not mean death on two legs

In other countries, undergoing reform of insolvency law, the process is often still subject to dynamic change In the UK, 1986 legislation consolidated the treatment that, sensibly, should be meted out to the professional insolvent But the principle that a person responsible for fraudulent trading must accept full responsibility for the company's debts was introduced into law as long ago as 1929

Today, the courts are empowered to make a wide range of orders if a credit transaction has been made within three years before liquidation and which is "grossly in conflict with the principles of fair business practice" The problem of the professional insolvent is tackled by the ability to disqualify someone from being a director if he is found to be "unfit" The matters to be taken into account include such things as failure to ensure that a company has kept proper accounting records

An application for a disqualification order can only be made by the Secretary of State for Trade and Industry — but every officeholder in a company insolvency has a legal duty to inform the Secretary of State whether or not he has found evidence that any director of the company is unfit

Various other UK provisions are aimed at getting the bankrupt back on the road The process of the appointment of a receiver and manager for a company's assets or business sometimes makes it possible for him to make a struggling entity profitable and to return it to its previous owners, or to sell it or part of it as a going concern

In investigating the reform of our insolvency law, the SA Law Commission has invaluable precedents from the US and UK US law, in particular, can be seen as having achieved the objectives of efficiency, minimal bureaucratic interference and getting the bankrupt back on the potentially productive road

These, along with the ease of prosecuting bankrupts where there is evidence of fraud and related matters, must be the objectives in SA SA can hardly afford the cost of ineffective, inefficient and outdated insolvency law at a time of endemic double-digit inflation, a stricken rand, high unemployment and a swelling bureaucracy Effectively outlawing an insolvent from productive society is quite simply the wrong way of tackling the problem ■

Gentyre merging two tyre facilities

(232
STAR 23/7/88

ANN CROTTY

FSI subsidiary, Gentyre, is rationalising its tyre distribution facilities with the merger of its two wholly owned trading companies, Uniroyal Tyre and General Tyre

The merger is to take effect from July 26

The two distribution companies are part of Gentyre's tyre division and currently operate dual facilities The merger should therefore result in significant savings to the extent that it seems strange that it was not undertaken at an earlier stage

Mr Tony Versfeld, MD of the tyre division, says there were commercial reasons for not merging earlier and that these reasons had fallen away

General Tyre is by far the larger of the two companies, controlling an estimated 24 percent of the tyre market, compared with Uniroyal's estimated 2 percent

After the restructuring, all the business will be conducted under the name of the General Tyre & Rubber Company (SA) (Pty) A company statement says: "Every effort has been made to ensure that there will be as little disruption as possible to long-standing customers and users over the transition period"

Privatisation plan has little to offer blacks

Rich will get richer, poor will lose jobs

A MATHEBA, Lecturer in the Department of Political Studies at the University of Bophuthatswana, examines the State President's recent announcement about greater privatisation. He points out that while many businessmen will welcome this new opportunity, the majority of the population will still be out in the cold.

MANY businessmen are rejoicing at the recent announcement by the State President of greater privatisation of the economy. Surely they have much to gain. But what about the toiling masses? What benefit are they going to derive?

It is my intention in this exposition to put in proper perspective the meaning of the State President's words and what blacks can expect out of his intended shake-up of the economy.

The economy, like many aspects of society, cannot be isolated from the socio-political factors of a people, neither can the latter form an entity all by itself Thus it would make much economic sense to consider first the socio-political factors underlying the economy

It is common knowledge that whites, being but a tiny proportion of the population, monopolise the wealth of the country. This they have achieved by means that have nothing to do with free enterprise or good neighbourliness

Blacks, the indigenous majority and rightful owners of the productive means, are, by contrast, impoverished, oppressed and humiliated. Hence the abnormal economic situation that exists

Schematically, we find on the one hand whites in total control of all productive means, backed by a formidable governing machine which has at its disposal the modern means of destruction On the other hand, we have a mass of suffering souls who, amidst plenty, scarcely have the barest necessities of life

President Botha's economic reform should thus be seen against this background At the centre of his intended reforms is a call to privatise. In other words to inject more and more private capital into the economy The government, in other words, is set on being "business-like", at least as far as the economy is concerned.

Characteristically, if a large piece of the national cake is put up for sale, as is the government's intention, it goes without saying that only those who have the means to buy will do so Obviously the whites will become the major beneficiaries Naturally when they buy, they do so not out of charity but to make even more money than they already have

Government enterprises are known to be woefully inefficient and wasteful Once private citizens have acquired ownership of these enterprises, they will move to eliminate these and other ills This includes over-employment – in other words, doing what all sensible business owners would do under such circumstances

To keep pace with other competitors, they will try to employ as many capital-intensive business practices and as much skilled labour as possible The latter are, of course, people with knowledge, acquired either through job-training or at formal educational centres

The education system in South Africa, lest we forget, has been deliberately designed to favour the already better-off section of society Given this and the country's background of institutional discrimination and separation, whites would therefore obtain preference over blacks, coloureds and Indians – even though their wages may be higher than all other races

The privatisation program as far as blacks are concerned thus seems ill-advised and irrelevant It does not adequately address itself to the root cause of the country's fundamental economic ills or, for that matter, attempt to redress the socio-political grievances of the black people.

Instead of alleviating the economic pressure exerted on this section of the population, the privatisation program will enrich the wealthy even more, but at the expense of less fortunate whites and poor blacks

In conclusion, the government should apply itself squarely and decisively to the fundamental factors that gave rise to the depressed economic plight of blacks.

As long as the State President and his advisers fail to do this, the political reforms as well as the new economic initiatives will fail Black discontent would, by the same margin, continue to flare up time and again

24/7/88 City Press 232

Unispin adds to product range

Star 25/7/88

232

Unispin has acquired the short-staple spinning business of Industrex and its plant and equipment in Port Elizabeth

The acquisition plus additional investment needed to have a short-staple spinning operation up and running to Unispin s standards will cost R20 million to be funded from available resouces.

MD Chris Snijman says "Short-staple spinning represents about 80 percent of the total yarn spinning industry and opens a massive market to Unispin in the synthetic and natural cotton sector.

"We see the potential in this sector as such that it could ultimately overtake worsted spinning of knitting and industrial yarns as Unispin's major business and could, in turn, lead the group into the weaving industry.

INDEPENDENT

"Unispin is a yarn supplier — the largest independent knitting and industrial yarn supplier in the country and we see these developments as a natural extension of our product range and service to our customers"

He says Unispin's range being synthetically-based with a small proportion of natural fibres, concentrates on the winter market, whereas cotton is the big seller in summer.

Unispin has followed a policy over the years of steady re-investment in plant and equipment, providing the company with modern facilities and a highly competative operation, he says

It has acquired a 370 000 square metre property next to its existing premises and convsersion work has already started The new facilities should be operation by January — Sapa

Sage acquisition of Eurefin called off

Star 27/11/88 (232)

By Ann Crotty

Sage's proposed acquisition of the Eurefin cash shell, which was intended to provide it with a vehicle to list its financial services subsidiary, has been knocked on the head, apparently by recently gazetted changes to legislation dealing with the payment of stamp duty on the transfer of assets

Shareholders have been advised that "due to unforseen circumstances beyond the parties' control, the negotiations between Sage and the controlling shareholders of Eurefin have been terminated by mutual agreement".

One source has speculated that the unforseen circumstances may relate to the changes in stamp duty legislation which were detailed in a Government Gazette three weeks ago. The changes have resulted in a considerable tightening up of the legislation and appear to rule out any possibility of parties being able to avoid most of the burden of the 1,5 percent stamp duty on the transfer of assets.

It may be that the two parties see little point in testing the changes, which, as they stand, could add considerably to Sage's cost of getting a listing for its wholly owned subsidiary, Sage Financial Services Neither party was available to elaborate on details yesterday. At this stage it seems that had Sage acquired a major stake in the Eurefin cash shell, say in the region of 65 percent, and transferred its financial services assets to that shell it could now be looking at a stamp duty bill equivalent to 1,5 percent of 65 percent of the value of the assets that it had transferred

Privatisation fling a big success

B/Day. 28/7/88

NAIROBI — Kenya's first fling with privatisation proved the biggest success yet for a public share issue.

For the venture into uncharted waters, the government used as its flagship the state-owned Kenya Commercial Bank (KCB), which offered the public a 20% stake.

Subscriptions totalled three-and-a-quarter times the stock offered by the bank.

"This represents the largest popular response to a single public share issue in the history of Kenya's stock market," the bank declared.

Because of the initial British influence, and a ban prior to independence on Africans holding shares in plantation-owning companies, share trading has long been seen by many Kenyans as a foreign institution.

But this is clearly changing, "thanks to the increasing number of firms that have gone public," according to the Standard newspaper. — Sapa-Reuter

(232)

'R300-bn could be handed over to private sector'

St 28/11/88

By Michael Chester

232

New studies by the Free Market Foundation have revealed that the value of government assets that could be handed over to the private sector in a full-scale privatisation programme now stands at R300 billion

Foundation director Mr Leon Louw told an "SA Megatrends" conference in Johannesburg yesterday that the total had been compared with estimates that it would cost between R3 billion and R6 billion a year to give the black population equal footing with whites in the allocation of State funds on public services

The result had been the discovery that privatisation had the potential of funding such an equality exercise for the next half century and longer

The bonanza of privatisation would be further magnified by the generation of higher tax revenues from an acceleration in economic growth as State operations swung into profit in the hands of the private sector

"The total effect of privatisation is hard to estimate," said Mr Louw, "but rudimentary calculations suggest privatisation will increase government revenues dramatically for many decades to come"

Only privatisation and deregulation were capable of achieving and sustaining a high economic growth rate, which was crucial if blacks were to become more patient and whites more conciliatory

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BUILDING, CONSTRUCTION

Privatisation an untapped market

Brian Murphy . . . quality work with quality people

CONCOR Construction is celebrating its 40th year with plans to put more emphasis on profits rather than turnover, and to look beyond traditional construction work for its longer-term growth

Chairman Brian Murphy says the company is continuing to improve its financial position It turned a loss of R10m in 1986 into a profit of R1,8m in 1987

"The emphasis now is on doing quality work with quality people — perhaps giving a lead to the industry in current times of a building upturn," he says

He believes the construction arm of the business will continue to provide it with a sound basis for the forseeable future, but it will be looking beyond this for growth

"We expect to be more innovative — initiating or participating in projects such as the toll roads and the provision of underground backfill in mines — and to actively pursue such opportunities.

"I see us looking more and more at new markets that are compatible with our knowledge and expertise Concor Technicrete is already doing so successfully

"With our extensive mining connections, for example, we will be particularly active in supplying products ourselves or working with clients — especially those we understand and who are financially sound — to develop these products"

He believes privatisation is a large untapped market offering major opportunities for a company that can move early and quickly

Concor will be using available funds to acquire new well-run businesses with strong management and which are counter-cyclical to its traditional activities

The key, says Murphy, is profitability, but Concor is not interested in chasing turnover "Though there is an upturn in construction, tendering is still very keen Prices are not yet where I would like to see them We'd rather pass up contracts than get them at margins which don't give us a fair and reasonable return"

He feels the difficulties encountered by the industry during the last recession were caused largely by contractors undercutting each other and knowingly going into contracts at low prices

"If our quality work policy causes a drop in turnover, so be it Our primary objective is profitability We have some outstanding people in our group and our emphasis is now on matching them with the right type of projects," he says

Recent restructuring of the group has proved successful and laid the groundwork for the next decade

With the current upturn Concor will be watching productivity particularly carefully

Says Murphy "I'm very conscious of the risk of developing a 'boom mentality' We need to look after costs, achieve or better tender estimates, and maintain our productivity"

ROOF FOR HYPERAMA

THE new Benoni Hyperama now has a roof over it.

Manufacturers of continuous standing seam roofing, Hyperdek, have finished laying 19 000m² of roofing at the centre

The system incorporates on-site rolling at roof-level, ensuring that any length of sheet can be rolled, restricted only by handling and conditions

Because the roof is rolled at gutter-level, the system is said to be labour and cost-effective

Says MD Mike Ferguson "This prestige job offers an opportunity to display all the features of the system One of its attractions is that because there are no holes in the roofing that could cause leaks, it is completely weather-tight

"Our specialist area has become shopping and industrial complexes We have done a number of jobs in excess of 20 000m² The Westgate centre, for example, covers 45 000 m²"

The sealing system is said to make it possible to remove the sheets, and so eliminate the possibility of intrusion through the cladding

Very high standard

THE standard of service offered by SA's plant-hire companies is extremely high, they are pleasant to deal with and are more efficient than their overseas counterparts

This is the conclusion drawn by Rand Air MD Brian Shekleton, who has just returned from an eight-week tour of eight European and American countries, where he studied the plant-hire industry

"We don't have a lot of work at the moment and it's not easy, but our standards are high We are very sophisticated

ACTIVITY

"We are still a new country, while in the older countries they are resistant to change in industry, and are used to things being done in one particular way," he says

"The state of the industry at the moment shows a much higher level of activity than has been the case in the early part of the year, but whether or not this is going to be maintained is another story"

He feels there are some encouraging signs "There has been an increase in utilisation across the whole industry, but if it is to be long-term or short-lived remains to be seen We're taking things a month at a time, and they're better months than they were," he says

Because of the recession there has been heavy competition in the industry over the last few years, and this looks likely to continue Shekleton thinks it is a healthy sign "Competition is very good unless things reach the stage where managers are making a last fight for survival and become desperate Outside of such a situation it can only be healthy"

ENOUGH

He says a lot of the long-term effect on the economy is based on what is going to take shape politically "We can't know what's going to happen, but within our own organisation we have bought a lot of new plant and equipment, and have spent a great deal on training staff

"We're getting good use out of the equipment and as a company we're very optimistic about the future There's enough work for the time being"

He says the market has changed in recent years in that there are not so many major projects about, but there are a lot of small to medium-sized ones

ENORMOUS

"Of course big projects like Mossgas exist, although I don't think it's as big a concern as was originally anticipated, but it will generate a lot of employment for a lot of people, and its effect must be good for the construction and plant-hire industries

"If the Lesotho Highlands water project goes at the speed it was originally planned to go at, there would be need for enormous quantities of plant and equipment which everyone could be involved in

"However, I have great doubts about its going ahead quickly when I consider the problems caused by the weather, politics and money It's already two years behind and the recent snowfalls will mean more delay"

Everite worth a closer look

Star 29/7/88

232

By Ann Crotty

Investors should take a close look at the annual results of Everite. At first glance, the 11 percent increase in turnover to R323,7 (R291,7 million) and the 11 percent improvement in operating income — before interest and depreciation — to R51,3 million (R46,2 million) does not look wildly exciting

But these figures do not give an accurate picture of the very strong performance that Everite achieved during the financial year to end-June. The turnover figures are not comparable because of the sale of the group's concrete division to Fraser Alexander in July 1987 and the acquisition of Turner & Newalls building products operation

In addition there was the deconsolidation of Everite's PVC pipe division following its merger with AECI's Durapenta to form DPI plastics. DPI plastics is now treated as an associate company so its contribution no longer appears at the turnover level. Group financial manager, Neil Carter, indicates that the comparable figures would show an improvement in the region of 25 percent.

Operating income, after interest and depreciation (the latter includes additional cost on revaluation to replacement cost of fixed assets which was down 42 percent in financial 1988) was up 36 percent to R29,1 million

A slight reduction in the tax rate, from 46 percent to 42 percent, helped to boost net income 29 percent to R16,9 million (R13,1 million). The net income figure was further boosted by an extraordinary item of R2,6 million following the sale of the concrete division

Earnings, before extraordinary items, were 19,1c which represents an increase of 13 percent on the previous year's 16,9c. A dividend of 11c has been declared, 26 percent ahead of 1987's 8,75c

The increase in dividend means that dividend cover is down from almost 2 times to 1,7 times. Mr Carter points out that the profit from the sale of the concrete division underpinned the more generous payment. But in addition he stresses that if it were not for the group's conservative depreciation policy, declared earnings would be in the region of 24c which means that the dividend would be more than two times covered

Operating margins before interest and depreciation remained at 15,8 percent. This was a significant achievement given the extent of the restructuring that the group undertook during the year

Mr Carter notes that these costs continued into the third quarter of the year and that it was only in the final three months that the benefits began to show.

Assuming that the bulk of the costs are now behind them, and the rationalisation measures are reaping good rewards, the current financial year should produces strong results from this group

The group's holding company Everite Holdings reported earnings of 56,5c a share and a dividend of 33c

New Eurefin listing pitched at 200c

SKr 29/7/85

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By Ann Crotty

Eurevest, the latest product to come from the Ronnie Price stable, looks set to get a listing via a one-to-one rights offer to existing Eurefin shareholders at an issue price of 200c The deal should boost Eurefin's current cash holdings of R30 million to R40 million

Yesterday, Eurefin closed at 400c after heavy trading Ahead of the announcement of the deal, the group was sitting with cash of R30 million, equivalent to 400c a share, so the market appears to be putting no value on the additional assets that Eurefin is now selling, or is perhaps uncertain of how to rate its total assets

It seems likely that the investment community will, at least initially, be soemwhat taken aback at the price at which Eurefin management is pitching the issue price of Eurevest

According to management, the 200c is in line with Eurovest's net asset value, which is said to include cash of about R6 million, equivalent to 75c a share.

Some time ago Eurefin management said the book value of Atlas-Utas, which is to be part of Eurovest, was in the region of 67c a share (However, analysts believe its earning capacity should ensure a much higher market value) If the 67c is accepted for Atlas-Utas, then the remaining assets are being valued at around 130c, of which 75c is represented by cash

Apart from Atlas-Utas and the cash, Eurovest will comprise Durafoam and Utas Investments Atlas-Utas is a distributor of automative reconditioning machine tools and has long been part of the Eurefin group, Durafoam is a manufacturer and distributor of PVC plastic outdoor and leisure furniture and is a recent acquisition by Eurefin Utas Investments holds a portfolio of selected marketable securities

If the deal goes ahead as planned (management has said it is subject to certain conditions precedent), then Eurefin will with one hand be giving over R6 million to Eurovest, but with the other hand will be taking in some R15 million from the sale of assets on which the market seems unwilling or unable to put much value

So Eurefin is now a cash shell with R40 million and, with the collapse of the Sage deal, there is talk once again of a possible deal with Brian Joffe

Deregulation 'eases racism'

CHRISTOPHER TUCHER

RACISM had been removed from the laws regulating commerce and the next deregulation had to be easing trade licensing restrictions that hampered small businesses, said Business Practices Committee chairman Louise Tager.

While deregulation was fashionable throughout the world, in SA, because of the heavy racial content of the law, it was more far-reaching and important than in any other country, Tager told a Wits Business School conference.

She called deregulation the "means whereby socio-economic apartheid can be dismantled"

"Only when all South Africans are subject to the same laws will apartheid be legally dead," said Tager.

Until licensing regulations — with the exception of health and public safety measures — were eased, entry into the economy would remain at the discretion of licensing authorities.

However, significant progress had al-

● To Page 2

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Deregulation 'dismantles apartheid'

● From Page 1

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ready been made

The abolition of influx control and new property ownership rights put blacks in a "position to raise mortgages and establish a capital base" and the Group Areas Act, like the pass laws, would become unenforceable.

The introduction of 99-year-leasehold rights and the recent repeal of restrictions on black trade, licensing and commercial occupation had created a "deregulated, non-criminal environment in which black business activity is governed by the same laws that apply to all SA businessmen", said Tager

Nampak sparkles

232 Star 30/7/88

SHARESPOT

Lynne Peach

Nampak is now more firmly established in the packaging market, thanks to its recent acquisition of an additional 46% of Metal Box The latter is wholly-owned by Nampak.

Metal Box shareholders were given the option of R850 cash or 35 Nampak shares for every 100 shares held. Those who have not as yet stated their preference, will be obliged to take up the Nampak share option

This alternative does, however, appear to be the preferred one. Mr David McFadden (financial director) confirms that so far most Metal Box shareholders have chosen to receive Nampak shares rather than the cash. An exception is the UK parent which swapped its 25% stake for about R147 million in cash

Nampak is involved in the manufacture, marketing and servicing of primary packaging products (Metal Box), secondary packaging and printing poducts, and paper and related products (Nampak Products) The latter is made up of 4 packaging divisions, 3 paper mills, a tissue converting operation and a small transport division.

Mr McFadden explains that primary packaging refers to, say, a bottle while secondary packaging would involve making a carton that a fixed number of these bottles would fit into. Containers are made from glass, plastic and paper and Nampak also handles some re-cycling of these raw materials.

In the first half of the current financial year, Nampak Products accounted for 53% of group turnover while Metal Box contributed 47% Their respective contributions to attributable profit were 72% and 27%. The increased stake in Metal Box will, however, lift its bottom-line contribution to about 40%.

Historically, Nampak has tended to perform well — mostly exceeding its target growth rate (economic growth and inflation) It has also blossomed to be a dominant force in the packaging market, having a market share of approximately 50% While the potential to increase this large slice in the future is limited, demand for packaging is set to rise on the back of population growth which will ensure that an increasing number of products need to be made available

Mr McFadden says that, while acquisitions are likely to feature in the future, immediate emphasis is being placed on digesting the enlarged holding in Metal Box. Some rationalisation benefits are expected to materialise in the 1989 financial year.

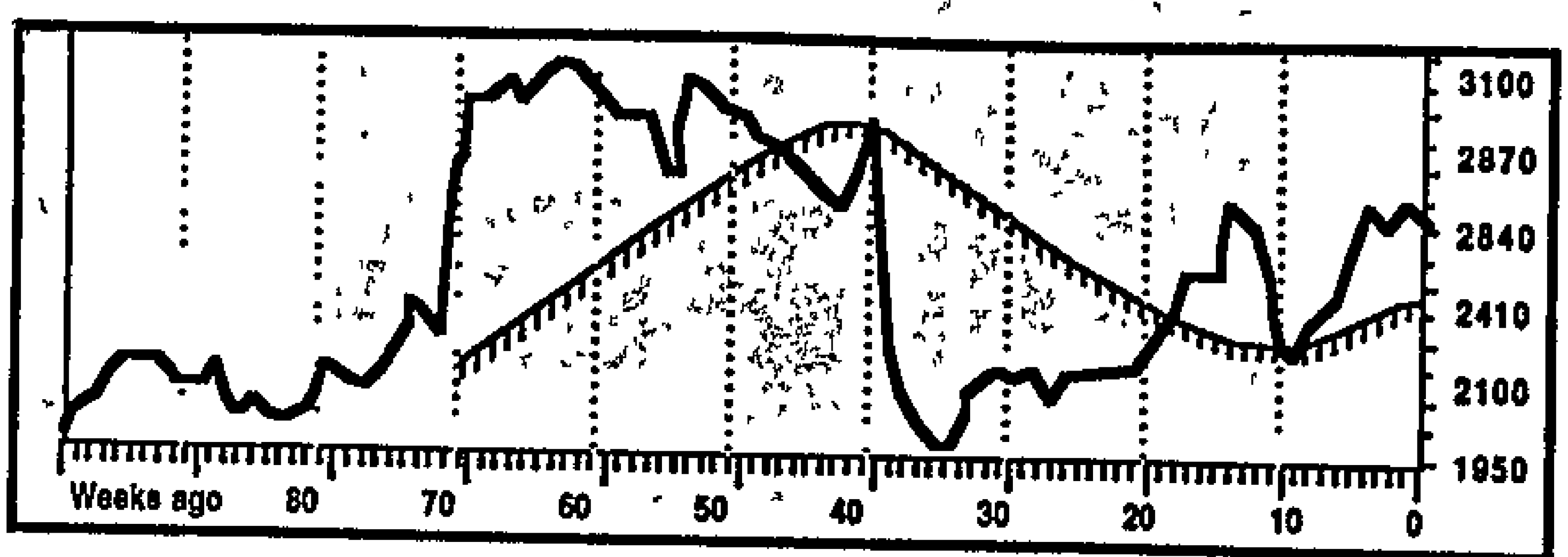
Another anticipated effect of the deal is that CG Smith's holding in Nampak will be diluted from 71,6% to around 64%. The number of shares in the hands of individuals, however, is not expected to differ much from the current 1,1 million. The total number of shares in issue will increase to lie between 42 million and 47 million

Nampak interim results to March 1988 showed a strong 39% rise in earnings, from 117 cents to 163 cents. This was after a 21% increase in turnover to R1 208,4 million Volume climbed by 11% on the back of stronger local and export demand.

Mr McFadden comments that, while foreign business is expected to continue to expand, it is moving from a low base. It has been speculated that exports represent 30% of sales which Mr McFadden says is not true. He elaborates that the undisclosed figure is not nearly as high as this.

Nampak is currently trading at a price of 2 500 cents, placing the share on a price earnings (PE) ratio of 8,1 This is roughly in line with the average for industrial companies. If, however, earnings of around 360 cents materialise for the financial year to September 1988, the PE ratio will improve to just under 7.

Unless, earnings growth in 1989 comfortably exceeds the expected 20%, the share appears to be fairly priced rather than particularly cheap



Nampak — weekly closing price. Nampak's share price has been moving in a positive fashion for the last 7 months. It will especially look promising if the price breaks above 2 700.

Americans own R7-bn S African gold shares

W/Argus 30/7/88 (232)

By TOM HOOD, Business Editor

ANALYSES by Johannesburg stockbrokers indicate that shares in South African gold mines worth R7,2-billion are held by Americans.

This represents about 20 percent of the shares of 33 gold mines at current market capitalisation (see table).

In percentage terms, American holdings are concentrated in average and speculative quality mines with relatively less exposure to the low-cost producers, according to gold analyst Stephen Oke.

However, in rand values, Americans hold 77 percent or R5,6-billion of blue chip gold shares — "a considerable proportion indeed," says Mr Oke.

He believes after discussions with contacts in New York that a watered-down version of the Dellums-Wolpe Bill — which would prohibit Americans from owning South African shares — will be passed some time early in the next presidency

The effect of any disinvestment could be cushioned by the financial rand, he says

"Some negative impact would undoutedly occur on the JSE due to sentiment and this would be ascerbated should the bulk of the shares held by American investors be sold locally.

"However, with the dollar price bearing the major brunt due to the financial rand's undbouted depreciation, a great deal of interest could emanate from Europe and the Far East for South African mining shares at very inexpensive levels"

US shareholding in SA gold mines, June 1988

Company	Percentage US Holding	Value of US Holdings (Rm)
Beatrix	1,68	18,9
Blyvooruitzicht	37,5	144,3
Bracken	40,8	18,2
Buffelsfontein	22,3	295,0
Deelkraal	9,2	98,5
Doornmfontein	43,0	101,4
Driefontein	27,6	1890,5
Durban Deep	23,5	8,7
ERPM	3,0	8,9
Elandsrand	4,1	69,4
Free State Cons	11,4	378,0
Grootvlei	38,6	26,0
Harmony	12,8	76,0
Hartebeesfontein	20,7	525,0
Kinross	18,2	110,3
Kloof	30,5	1146,2
Leslie	14,3	8,2
Libanon	61,4	191,6
Loraine	34,4	57,0
Marievale	10,5	1,1
Randfontein	7,7	121,2
St Helena	17,4	48,8
Stilfontein	10,7	16,7
SA Land	4,7	1,7
Unisel	11,3	47,5
Vaal Reefs	20,0	1032,1
Venterspost	49,5	79,9
Vlakfontein	7,8	1,8
West Rand Cons	19,5	4,0
Western Areas	16,0	47,8
Western Deep	17,5	523,9
Winkelhaak	24,2	132,8

Nampak sparkles

232 Star 30/7/88

SHARESPOT

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Historically, Nampak has tended to perform well — mostly exceeding its target growth rate (economic growth and inflation) It has also blossomed to be a dominant force in the packaging market, having a market share of approximately 50% While the potential to increase this large slice in the future is limited, demand for packaging is set to rise on the back of population growth which will ensure that an increasing number of products need to be made available

Mr McFadden says that, while acquisitions are likely to feature in the future, immediate emphasis is being placed on digesting the enlarged holding in Metal Box Some rationalisation benefits are expected to materialise in the 1989 financial year

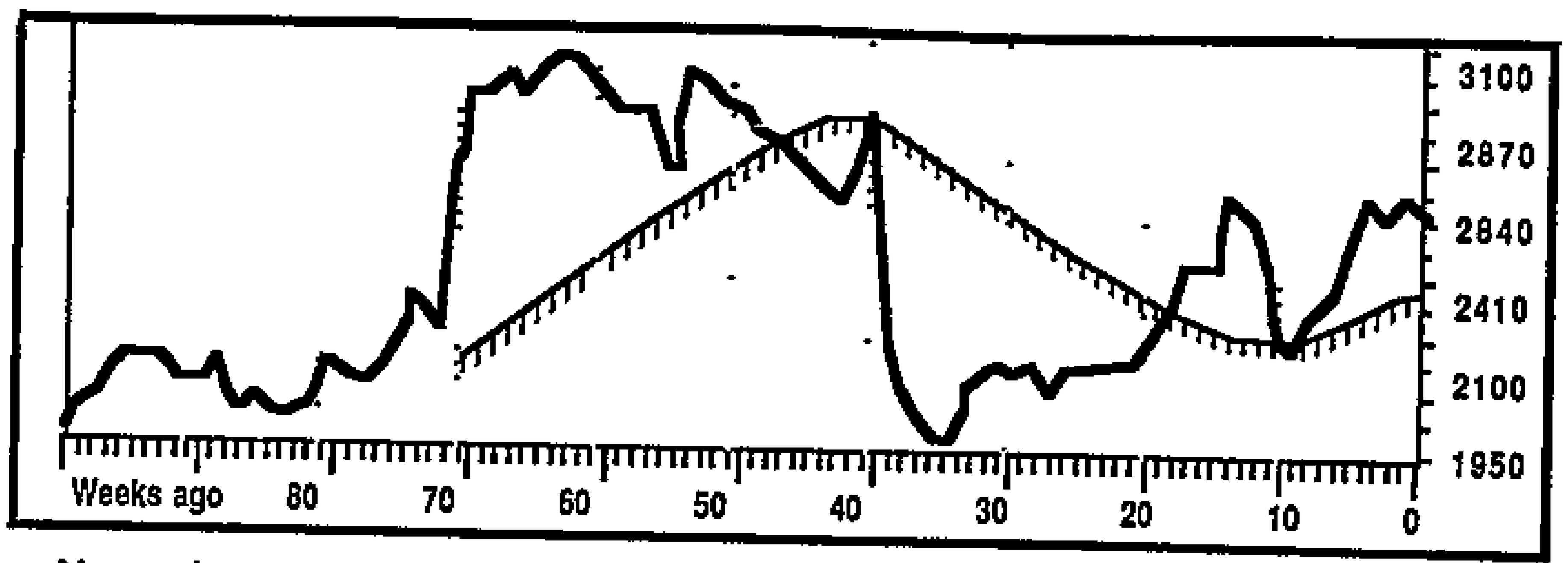
Another anticipated effect of the deal is that CG Smith's holding in Nampak will be diluted from 71,6% to around 64% The number of shares in the hands of individuals, however, is not expected to differ much from the current 1,1 million The total number of shares in issue will increase to lie between 42 million and 47 million

Nampak interim results to March 1988 showed a strong 39% rise in earnings, from 117 cents to 163 cents This was after a 21% increase in turnover to R1 208,4 million Volume climbed by 11% on the back of stronger local and export demand

Mr McFadden comments that, while foreign business is expected to continue to expand, it is moving from a low base It has been speculated that exports represent 30% of sales which Mr McFadden says is not true He elaborates that the undisclosed figure is not nearly as high as this

Nampak is currently trading at a price of 2 500 cents, placing the share on a price earnings (PE) ratio of 8,1 This is roughly in line with the average for industrial companies If, however, earnings of around 360 cents materialise for the financial year to September 1988, the PE ratio will improve to just under 7

Unless, earnings growth in 1989 comfortably exceeds the expected 20%, the share appears to be fairly priced rather than particularly cheap



Nampak — weekly closing price Nampak's share price has been moving in a positive fashion for the last 7 months. It will especially look promising if the price breaks above 2 700

Business Report

Unispin earnings up 155%

Grt Times 1/8/88 332

JOHANNESBURG. — Earnings up 155% are reflected in the first annual results form Unispin Holdings since its listing The results are marginally ahead of the prospectus forecasts

Earnings of 39,2c a share compared with 15,4c in the previous year and a prospectus forecast of 38,1c.

Recently acquired Patons was largely restructured but contributed little growth to turnover or profits

Comment with the results says "A sharp improvement in overall productivity combined with effective cost savings more than offset this with the result that operating income for the group rose by 58% on only a 19% increase in turnover — boosting the margin from 14,7% to 19,5%"

Interest was significantly reduced by 77% — a factor of lower borrowings and interest rates

The dividend has been lifted to 14c for the year against the prospectus forecast of 13,7c

The balance sheet has been strengthened with the raising of R10m in preference shares at a very favourable coupon which has combined with a strong cash flow to reduce debt to less than 50% of equity

Funds on call exceed R13m and the company says it has adequate resources to meet requirements for its expansion programme which includes the development of a new short staple cotton spinning division acquired recently

Unispin acquired the short staple spinning business and plant of Industrex, Port Elizabeth, for R20m, which included funds needed to upgrade production

"Short staple spinning represents about 80% of the total yarn spinning industry and opens a massive market to Unispin in the synthetic and natural cotton sector," said MD Chris Snijman at the time of purchase, reported a week ago

Looking to the year ahead, Snijman says that Patons is now "fully on track "

"The outlook for the current year is for a further growth in sales and profits "

Unispin shares are currently priced at 150c at which level the earnings and dividend yield 26,1% and 9,3% respectively against actuary index averages for the clothing and textile sector of 17,2% and 6,1% — Sapa

London office for Three Cities

A CONCERTED marketing effort to woo overseas customers for SA's top independent hotels will start before the end of the year, says Russell Stevens, executive chairman of Three Cities Hotels

His newly formed management company, which recently took over the management of Durban's Royal and Johannesburg's Carlton, aims to

Sanlam hits out at McGregor

Cape Times 2/8/88

232

From GRETA STEYN

JOHANNESBURG — Sanlam has hit out at Robin McGregor of McGregor Research Services for saying billions of rands held in reserve by mutual life assurers are enabling them to control the economy

McGregor is the author of a report calling for a new tax system for life assurers, currently being studied by the Standing Committee on Finance

Sanlam accused McGregor of waging a campaign against large companies, and said his allegations were "absurd and unfounded".

McGregor last week said life assurers held substantially more funds in reserve than was necessary to pay policy benefits and to safeguard assurers against unforeseen events

"This allegation is devoid of all truth and indicates a surprising ignorance The fact of the matter is that life assurers have to build up reserves to be able to pay policy benefits," Sanlam said.

Over the years, death claims increased and could even exceed premium income Life assurers had to keep reserves to cover them against this possibility.

The surplus of premium receipts over payments did not represent profits, but had to be set aside, with interest, to be able to pay claims one day when death rates had risen to such an extent that claims exceeded premium income.

If McGregor believed that this form of income was taxable in the hands of the assurer, he should also believe that deposits with building societies and banks should be taxed in full — not only on the interest earned, Sanlam said

A large amount of the life assurer's surplus comprised pensions which were not taxed in the hands of the life assurer because the pensioner was taxed — any other system would be double taxation

McGregor was well known as someone with a grudge against large companies which, as he put it, controlled the economy, Sanlam said His figures to prove this claim were highly questionable

"McGregor is, in fact, waging an entirely groundless and unhealthy campaign against large companies"

Trifed Shipping wound up

SUSAN RUSSELL

TRIFED Shipping, co-owned by Triomf Fertilizer and Fedmis, was wound up in the Rand Supreme Court yesterday with liabilities of about R4,9m.

The order was granted by Mr Justice Goetzee.

Trifed director Neil Gillies said Triomf was provisionally liquidated in July 1987

A offer of compromise was sanctioned by the Rand Supreme Court but Triomf's shares in Trifed were not part of it and were still vested in provisional liquidators.

Gillies gave liquidation of Triomf and a law suit for about R5m as reasons for winding up the company Trifed was set up by Triomf and Fedmis to rationalise the shipping of bulk cargoes

When Triomf was liquidated Trifed could no longer guarantee to shareholders and customers to ship full cargoes.

He said the R5m action arose out of an incident in which sulphur on the MV Cambridgeshire was damaged.

Trifed's attorneys had advised that continuing to defend the claim would run into hundreds of thousands of rand, Gillies said.

He added that Trifed had cash assets of R613 000. Liabilities, contingent and prospective, were R267 390 each owing to Fedmis and the provisional liquidators of Triomf, a claim of about R5m by a Canadian company plus legal costs already incurred in the action.

2/3/92

B Day

232

4/8/88

The roads that will carry levies

OPERATIONAL

Tsitsikamma (Plettenberg Bay — Port Elizabeth at Craggs) N2 27 km
Mariannhill (Maritzburg — Durban, bypasses Pinetown) N3 19,6 km
Kranskop (Pretoria — Naboomspruit, section bypassing Warmbaths and Nylstroom in the northern Transvaal) N1 33 km
Huguenot Tunnel (Du Toits Kloof, Paarl — Worcester) N1 10 km
Vaal River (Kroonvaal, Vergenoeg — Kroonstad, bypassing Parys and Vredefort) N1 95 km
Tugela (Frere — Keeversfontein, bypassing Colenso and Ladysmith) N3 52,5 km

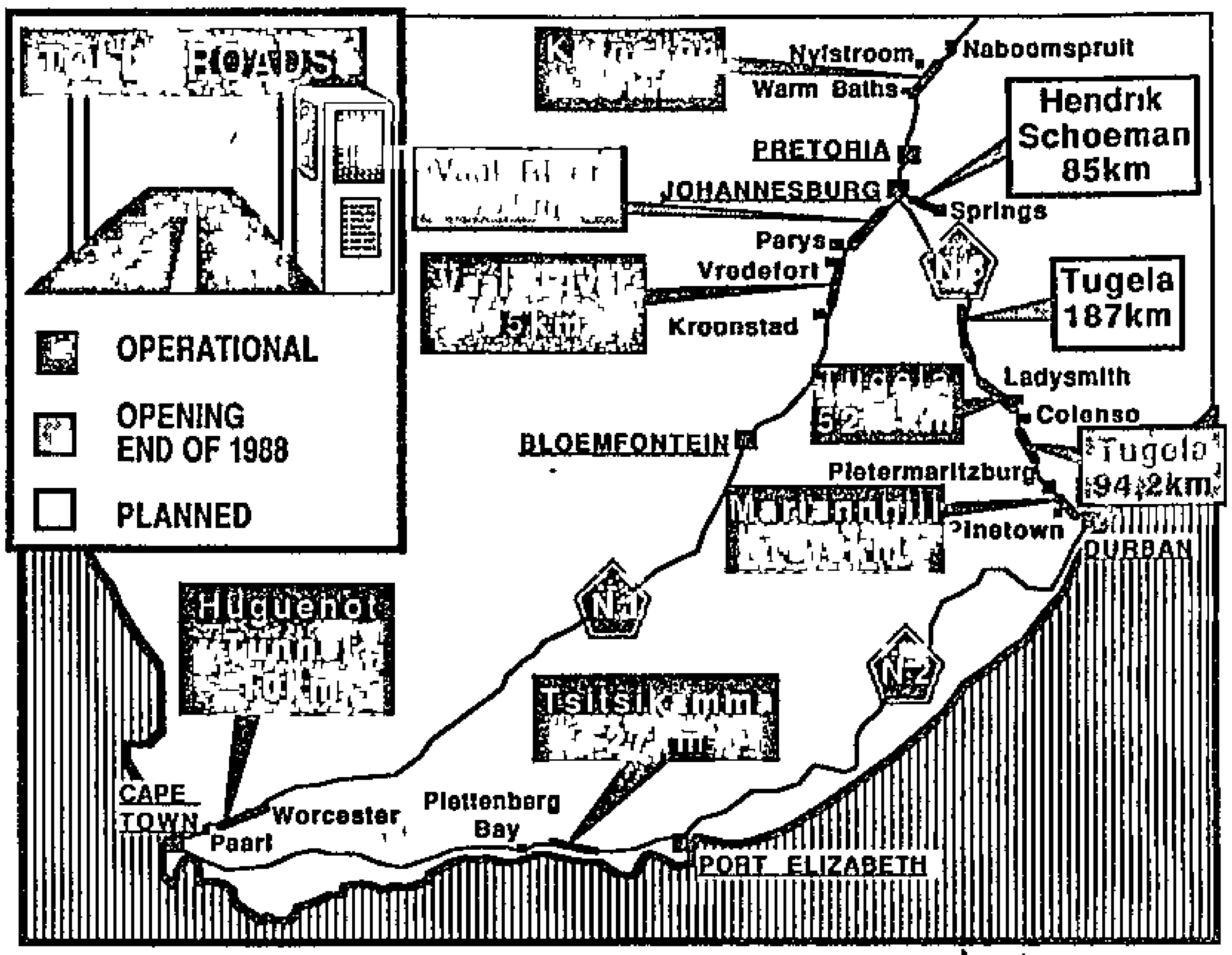
OPENING END OF 1988

Vaal River (Kroonvaal, extension Vergenoeg — Johannesburg) N1 77 km
Tugela (Frere — Cedara) N3 94,2 km

PLANNED

Tugela (extension from Keeversfontein to Johannesburg) N3 187,8 km
Hendrik Schoeman (Springs — Krugersdorp) N17 85 km

● Information supplied by the Automobile Association and Department of Transport.



Since the opening of ... in 1986 a network ... spread throughout ... sixth one opening in ...
Only two ... to control South A... since the Govern... privatisation
Toll Highway ... (Tollway), which ... cor Basil Read, G... and Standard ... given the Kru... tract
Tollroad C... which is made up ... and Roberts, G... Senbank and Sanlam agreement to toll ... to Cedara (near ... N1 from just south ... Kroonstad ...
Toll concessions ... period initially but renewing by ... years Ownership ... state says the D... port (DOT)
All the toll ... routes Some of ... used before the ... maximum toll ... governed by a fixed ...
Tolcon says the ... up only 35 percent ...

More motorists to pay a fee

Privatising roads is taking its toll in SA

By Paula Fray

As government privatisation of roads gains momentum, more and more motorists are finding they may have to pay toll fees on a daily basis as they commute to work.

When the toll plazas open at Ennerdale and Winchester Hills, south of Johannesburg, residents may have to pay a fee or take the Golden Highway

Many Transvaalers who travel by car between Johannesburg and Durban — a journey of about 583 km — may find nearly 437 km of the N3 tolled by 1995

Motorists could then pay up to R30 extra for travelling on the toll roads alone

If all the roads under investigation and construction are completed by 1995, at least 793 km of the country's roads will be tolled This includes some existing roads

The lastest toll road is on the N3 between the foot of Van Reenen's Pass and Frere It is said to save the motorist about 30 minutes driving time About 4 000 cars use the N3 each day and each will pay at least R6,50 — the cost for light two-axle vehicles

Motorists will pay R8 for more than two axles, including those towing trailers or caravans, R12 for heavy vehicles with two axles, to R18 for five or six axles, and R20 for seven or more axles The toll is tax deductible for commercial users

Work has also started on a toll plaza on the outskirts of Mooi River Local Nottingham residents not only face paying tolls on a daily basis but also increased traffic on the alternative road in their town

The residents are complaining that the Government has ignored them after they collected 1 000 signatures asking the Government to look at the state of an alternative road through Nottingham

They are concerned that the winding road is unsuitable for heavy vehciles and they fear for schoolchildren who walk along the road Some residents travel both ways between Mooi River and Maritzburg to work each day, and they too will have to pay R6,50 each way to use the 55 km long concrete highway which is 16 km shorter than the alternative route

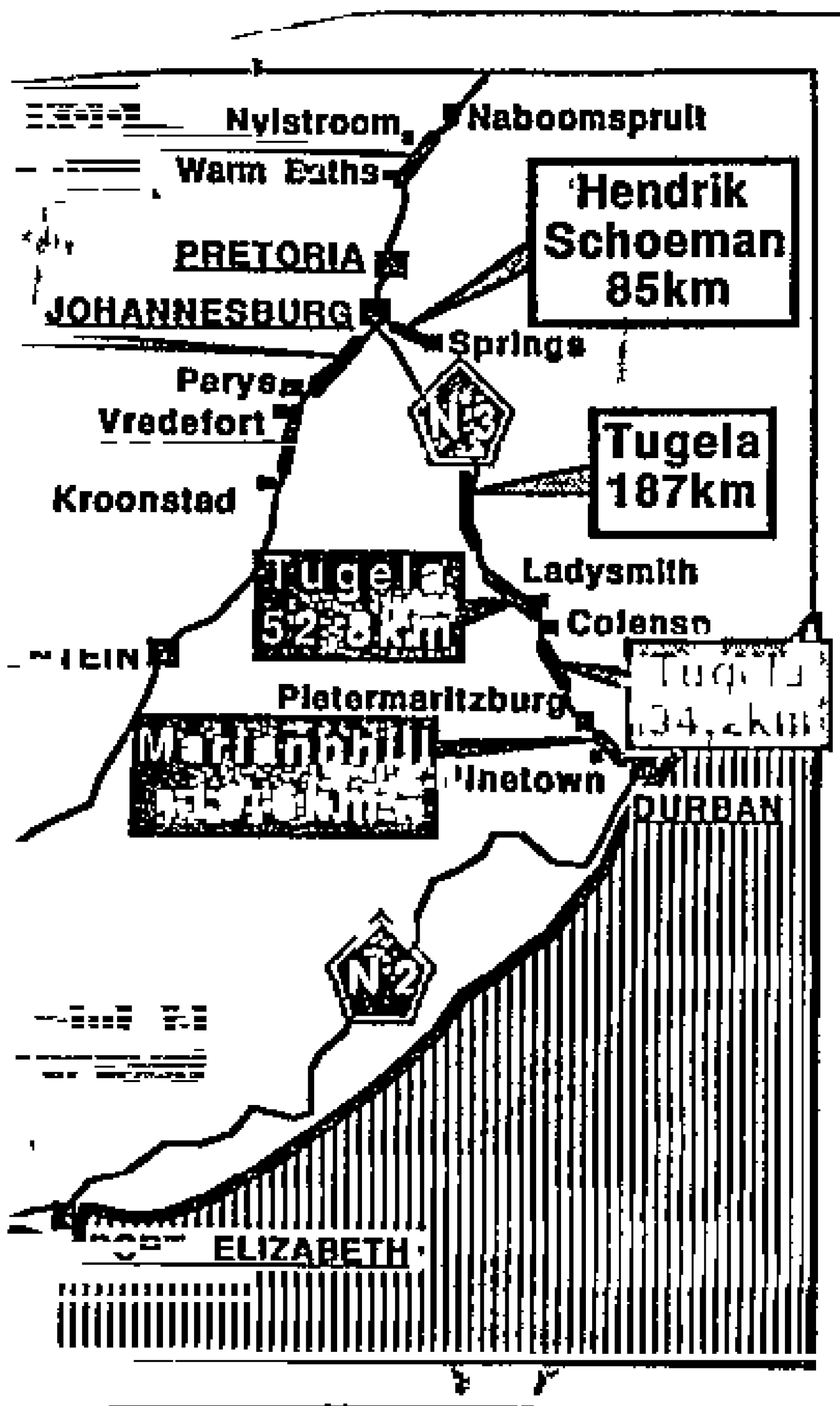
The toll road between the Vanderbijlpark interchange and Kroonstad is said to have cut the travel ling time between Bloemfontein and Johannesburg by 30 minutes

The prices are R8 for light vehicles and motorcycles, R10 for light vehicles with more than 2 axles, two axled heavy vehicles pay R13, three and four axled vehicles pay R15, five and six-axle vehicles pay R18 while heavy vehicles with seven and more axles pay R21

Hauliers grumble as Government counts blessings

Star 4/8/88 p 32

A motorist travelling to Durban from Johannesburg in 1995 could stop at about five toll plazas and pay up to an additional R30 for using the toll roads Is this the scenario toll roads paint? PAULA FRAY investigated



Since the opening of the first toll road in 1986 a network of these roads has spread throughout the country with the sixth one opening in Natal this week.

Only two companies have survived to control South Africa's toll roads since the Government embarked on privatisation

Toll Highway Development Company (Tollway), which consists of LTA, Concor, Basil Read, Grinaker, Finansbank and Standard Merchant Bank, has been given the Krugersdorp to Springs contract.

Tollroad Concessionaries (Tolcon) which is made up Group Five, Murray and Roberts, Grinaker, Keeve Steyn, Senbank and Sanlam has been given an agreement to toll the N3 from Alberton to Cedara (near Hilton Road) and the N1 from just south of Uncle Charlies to Kroonstad

Toll concessions are for a 25 year period initially but with the option of renewing by purchase for a further 25 years Ownership remains with the state, says the Department of Transport (DOT)

All the toll roads offer alternative routes Some of them are the old roads used before the highway was built The maximum toll tariff for the route is governed by a fixed formula

Tolcon says the existing roads make up only 35 percent of the total toll road

And if motorists are paying to drive on these existing roads?

The DOT has already said it was not "iniquitous" for motorists to pay for existing sections of the freeway as these were upgraded and new sections added

The advantages seen by the state in privatising the roads are numerous and includes "the State not having to find the money to build and maintain roads urgently required improvements will be provided earlier than otherwise possible, and as Government does not have to finance these projects, a reduction in income tax levels can be expected , a spokesman for DOT said

Although toll roads seemed to be the ideal way to solve the country's need for new and better maintained roads the possibility exists that the public could be tolled for the use of roads it had already paid for

The Transport Consultative Committee (TCC) which comprises major employer organisations including Assocom has come out against tolls on existing roads

The Automobile Association (AA), initially against the toll road system, then came out with qualified support — supporting the principle of toll roads but according to a set of criteria

According to Mrs Iona Reed assistant general manager, public affairs, they believe that as far as possible only new projects should be developed as toll roads They are, however, questioning whether the criteria set down are being met in the case of the N13 particularly

However, those hardest hit are road hauliers who are now facing three pronged "punishment" for the damage their heavy vehicles allegedly cause to the roads their licensing fees recently went up by 300 percent they pay a much higher fee to use the toll roads and they use a lot of petrol on which there is a government levy

Road hauliers claimed they were 'being held to ransom by the Government's toll road policy" which would force them to pay for roads to which they had already contributed millions

"We are against toll roads," said Mr Phil Erasmus, chairman of the Public Carriers' Association (PCA) which represents about 400 private hauliers

"We have already paid our dues for the roads already built It is an absolutely appalling situation now that the licence fees have gone up as well We estimate the government will get between R600 million to R800 million in licence fees My fees alone have gone up to R3 million a year " he said

"They say the reason for the extra fees is the damage trucks cause to the roads Only 16 percent of the truckers are over loading, the rest are within the law Why don t they punish those few?"

Mr Erasmus said they were unhappy about the tolling of existing roads If roads were tolled, there had to be a reason able alternative, he added

Mergers set to create two giants

232 B/Day 8/8/88.

CHERILYN IRETON
and PETER BROWN

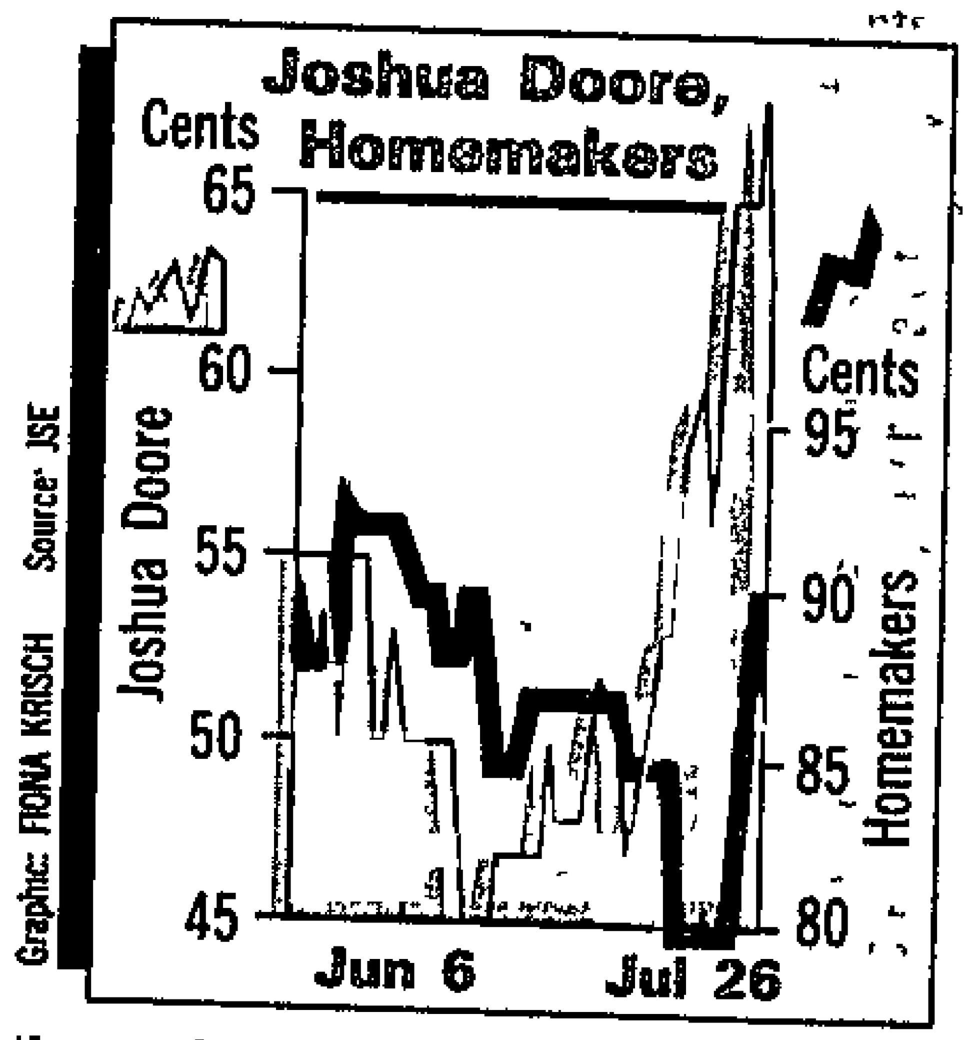
JAGUAR Holdings and Budget Footwear are set to merge into a single formidable footwear manufacturing operation.

This is the first of two sizeable, unrelated mergers of JSE-listed companies expected to be finalised soon.

The second involves the link-up of the furniture interests of Homemakers — namely World Furnishers and Bradlows — with Joshua Doore. If market speculation is correct, this will see the formation of a retailing furniture arm with a combined turnover of around R350m.

The negotiations between Jaguar and Budget have been confirmed by the publication today of a joint cautionary announcement from Jaguar, Budget, Coastal Clothing and Lenco. Jaguar recently acquired Coastal Clothing and Lenco owns some 60% of Budget's capital.

Separate cautionary announcements issued by Joshua Doore and Homemakers have underlined suggestions that Homemakers is looking to extend retail furniture interests to the middle end of



the market. World serves the lower end of the market while Bradlows caters for the upper end.

Toghether they represent one of the largest furniture retail groups in the country, with 145 stores nationwide. Combined assets total some R200m with turnover above the R250m mark. Joshua

● To Page 2

Mergers all set to create two giants

● From Page 1

Doore has about half these assets and turnover.

232

Details of the merger are still to be announced but the rationale for the deal is said to be the synergistic.

In spite of claims the three companies complement each other, there is likely to be some overlap, particularly between World and Joshua Doore's black consumer orientated Price 'n Pride stores

B/Day 8/8/88

Group assets will stand at R23bn

B/Day 10/8/88

SA Perm to merge with Nedbank

232

GRETA STEYN

THE SA Perm, with assets of R8bn, is to be dissolved and become a division of Nedbank in terms of a proposal to be put to shareholders of the different companies.

The Nedbank Group will pay Perm shareholders R180m in a deal made possible by far-reaching changes to banking legislation earlier this year. The Perm's assets and liabilities will be transferred to Nedbank to create a banking giant with assets of about R23bn.

The Nedbank Group's commercial bank, Nedbank Ltd, will change its name to NedPerm Bank in terms of the proposal, a joint statement by the Perm and the Nedbank Group said

NedPerm will consist of two divisions, Nedbank and the Perm, with the bank's Perm division continuing the existing business of the Perm building society.

Perm MD Bob Tucker, who is to remain as MD of the bank's Perm division, was tight-lipped last night. He declined to comment on any details of the proposal, other than to say: "I am excited about the merger."

However, the statement released late yesterday afternoon said the building society had become increasingly "inhibited" by its status as a mutual building society in a rapidly changing banking environment.

The Perm had not been able to diversify into new products and services, and its growth had been constrained, but the option of taking the equity route, as other societies had done, had been rejected because "the potential benefit to shareholders of converting to an equity building society is limited".

The profits of the Perm will be for the benefit of NedPerm from October but the implementation date of the agreement to transfer the Perm's assets and liabilities is expected to be March 31

Perm shares, which include fixed-

● To Page 2

SA Perm is to merge with Nedbank

232

● From Page 1

period, indefinite-period and subscription, will become fixed deposits with NedPerm from April Shareholders will receive a cash bonus from the Nedbank Group amounting to about 11,5% of their existing shareholding

Shareholders may opt for equities instead of a cash bonus For every R10 000 worth of shares held in the Perm they can receive, instead of a cash bonus, 100 Nedbank Group shares valued at R6 a share in blocks of 100 shares

Funds to pay the cash bonus to shareholders will be raised by way of a rights offer by Nedbank Group, scheduled for October or November The amount needed via the rights issue will be determined only after the election by the Perm shareholders on whether to take Nedbank Group shares is known

A maximum of R180m will be raised through the issue of 30-million ordinary shares at R6 a share, underwritten by Old Mutual

B/Day 10/8/88

The cash bonuses and equities will be paid to shareholders once the rights issue is completed towards the end of this year

Mashold buys out Grolier subsidiary

232

CAP Times 10/8/88

By AUDREY D'ANGELO
Financial Editor

CAPE Town-based MAS Holdings (Mashold) has joined the growing number of SA companies to benefit from the US disinvestment policy

Mashold, a mail order group which until now has dealt almost entirely with the black market, has diversified into the middle and upper income white market by buying the SA subsidiary of Connecticut-based Grolier International for R3,7m

It has raised R800 000 of the purchase price by placing 400 000 Mashold shares with financial institutions at a price of 200c each The balance will come from internal resources

Mashold recently completed a capitalization issue and the formation of a pyramid company, Mascon, listed in the "Industrial/retailers and wholesalers" sector of the JSE on August 1

The purchase of Grolier consolidates Mashold's position as the largest mail order and direct marketing group in SA Grolier has a client base of more than 400 000 and gives Mashold an operation base in the Transvaal

A statement issued yesterday said that Grolier SA would retain both its name and its supply link with the former US parent, with "the usual rights on new lines "

All Grolier staff have received a farewell bonus, but they will retain their jobs and the company will continue to be run autonomously

Its head, Bob Warde, said the change of ownership would enable it to expand and had ended uncertainty and insecurity among the staff "Because of US legislation, our American parent was unable to inject any additional capital into our organization," he explained

"Now that the company is part of a major quoted SA group, its potential for growth has risen dramatically There are greater resources available, both in human and financial terms

"We will not only retain our supply links, but now have the ability to bring in exciting products from various other sources "

SA Perm to become Nedbank arm

CAPE TIMES 10/8/88

(232)

Own Correspondent

JOHANNESBURG — The SA Perm, with assets of R8bn, is to be dissolved and will become a division of Nedbank in terms of a proposal to be put to the shareholders of the different companies.

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However, the statement released late yesterday afternoon said the building society had become increasingly "inhibited" by its status as a mutual building society in a rapidly changing banking environment

The Perm had not been able to diversify into new products and services, and its growth had been constrained But the option of taking the equity route, as other societies had done, had been rejected because "the potential benefit to shareholders of converting to an equity building society is limited "

The profits of the Perm will be for the benefit of NedPerm from October this year, but the implementation date of the agreement to transfer the Perm's assets and liabilities is expected to be 31 March 1989

Perm shares, which include fixed period, indefinite period and subscription shares, will become fixed deposits with NedPerm from April 1989 Shareholders will receive a cash bonus from the Nedbank Group, amounting to about 11,5% of their existing shareholding

But shareholders can opt for equities instead of a cash bonus if they wish For every R10 000 worth of shares held in the Perm they can receive, instead of a cash bonus, 100 Nedbank Group shares valued at R6 a share in blocks of 100 shares

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But a maximum of R180m will be raised through the issue of 30-million ordinary shares at R6 a share, underwritten by Old Mutual

The cash bonuses and the equities will be paid to shareholders once the rights issue is completed towards the end of this year Only shareholders of shares in the Perm which were in issue on September 30, 1987 and which are still in issue on March 31, 1989 qualify

One of the advantages of the deal was that the Perm would retain its identity, the statement said Its branches would continue to operate as before, independently of the branches of the Nedbank division of NedPerm The operations of both Nedbank and the Perm would be rationalized and the new bank would have the benefit of immediately establishing the largest home lending portfolio among the banks

FNB denies NBS takeover

1/9/88 232

GRETA STEYN

FIRST National Bank yesterday quashed rumours that it was poised to take over the NBS in a similar deal to the SA Perm-Nedbank merger.

The rumours sprang up when it emerged that First National had been steadily buying NBS shares since the building society group's listing.

First National's stake in NBS has been pusjed up to 10%.

First National Bank senior GM Jimmy McKenzie said there was no grand plan behind acquiring NBS shares and rejected suggestions that the NBS would join the bank's fold as "speculation."

NBS MD John Gafney could not be reached for comment.

Transfer

B|Day

Registrar of Banks Chris de Swardt yesterday noted that while a bank was not allowed to hold more than a 10% stake in a building society, it was possible to dissolve any society — not only a mutual such as the SA Perm — and transfer its assets and liabilities on to a bank's balance sheet.

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BDay 12/8/88

NEWS FOCUS

Perm tie-up changes SA banking scene

GRETA STEYN

ANALYSTS dubbed the Nedbank-Perm merger "a rescue operation" for the SA Perm. But the tie-up is far more than the kiss of life for the mutual building society — it is an innovative deal which changes the SA banking scene in one fell swoop

Says Perm MD Bob Tucker. "It's crazy to talk of rescuing a company which, today, is making R23m profits. We know profitability declined by R3m in the previous financial year — but the fact of the matter is that the Perm is still making a substantial profit Nedbank wants to pay R180m for the Perm — far from a bargain basement price"

He notes that, at current share prices, the premium of 11,5% Perm shareholders will get in terms of the deal beats the premiums on any of the listed societies' shares

Tucker has no regrets that he never went the equity route on the way to becoming a fully fledged bank The merger with Nedbank meant the Perm had leapfrogged across being an equity-based society right into competitive banking

If the Perm had raised capital by way of a listing, it would still take years to acquire the necessary banking skills and technology to become a competitive bank.

"The authorities undoubtedly want us all to become a single class of institution with a single body of legislation. Now does it make sense to convert to an equity, which takes you only a few steps closer to the eventual ideal, or is it not more logical to reach your goal in one fell swoop?"

Nedbank and the SA Perm may seem strange bedfellows, but neither anticipates any problems in getting along Nedbank Group CEO Piet Liebenberg says both Nedbank and the Perm will retain their separate identities, because "they serve needs in very different market segments".

Adds Tucker. "I don't see any corporate culture problems lying ahead. Nedbank has obviously focused heavily on the upper end of the banking market I've got no difficulty with that. The Perm has focused on to the market of the future — and Nedbank has no problem with that. The Perm's culture is unique — and that won't change"

But what about politics and social responsibility? Liebenberg says the Nedbank Group intends maintaining its "fully neutral political stance," which was adopted "by careful policy choice".

"We draw a sharp distinction between any personal political commitment and that of the company in which we work That element of our corporate culture will not change"

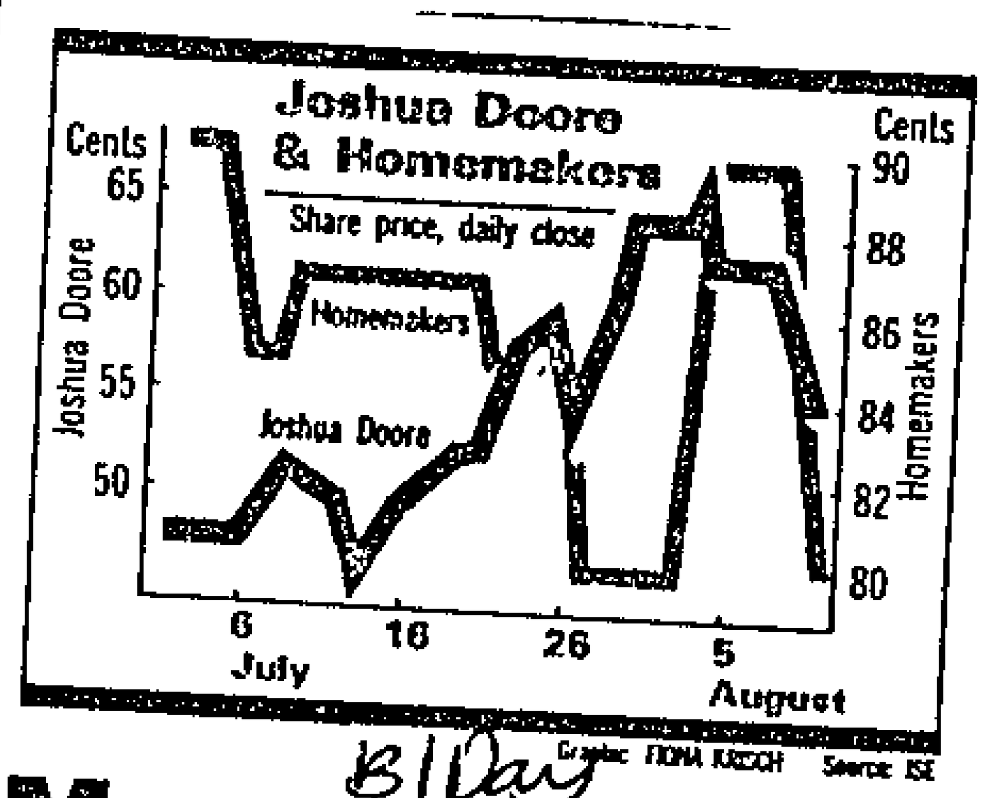
Tucker feels strongly about social responsibility — and he feels concern with social issues need not stand in the way of economic viability.

He points out that more than 50% of gross salaries earned in SA today are earned by black people. As that percentage rises, so does the importance of the market.

"Consider the fact that SA needs 250 000 houses a year and look at the saturated white housing market — that tells you where the future lies. We will be building a financial institution which is viable into the long-term future."

☐ TUCKER ... "culture is unique"

As Liebenberg puts it "We seek to be responsible corporate citizens, giving back into the community in which we conduct our business"



B/Day 12/8/88

Merger will see 177-store giant

LIZ ROUSE

(232)

THE merger of World Furnishers and Bradlows Stores with Joshua Doore will create a 177-store giant with a turnover of R400m a year and operating profits approaching R50m

Under the terms of the transaction released yesterday, Homemakers Holdings will exchange 100% of its furniture division (World and Bradlows) for 107-million shares in Joshua, giving it 60% of the enlarged Joshua.

In accordance with its policy of deriving earnings approximately equally from general household goods and furniture, and in order to enhance the marketability of Joshua shares, Homemakers will offer 20-million Joshua shares at 50c each to its own shareholders in a rights offer.

The offer will be underwritten by FSI Corporate Services, a wholly-owned subsidiary of FS Industries W & A Investment Corporation (which holds 45% of Homemakers) will take up its full entitlement.

The result will be that Joshua MD David Sussman will own 8% of the enlarged Joshua The other shareholders will be Homemakers 48,8%, institutions 24%, and the general public 8%. W & A will hold 5% of Joshua and other participants in the rights offer will own the 6,2% balance.

Homemakers will receive R10m before costs from the sale of Joshua shares. Sussman will join the Homemakers board. Homemakers CE Hilton Nowitz and Homemakers executive deputy-chairman Melvyn Gutkin, will join the Joshua board and work closely with Sussman

Market cautious on NedPerm merger

12/8/88 Star (232) (88)

Market reaction to Nedbank's merger with the Perm building society has not been as positive as both parties might have hoped for.

The proposed merger, still to be ratified by shareholders of both companies, will make Nedbank the third largest financial services group behind First National and SBIC, with combined assets of more than R23 billion.

But, there is a market fear that Nedbank will be acquiring a number of weak shareholders on board.

Building Society shareholders are usually first-time share owners and tend to run like hares when they see a small profit.

A few analysts have even described the merger as a "rescue operation". They point to the fact that as the Perm never went public it was an indication that all was not well

The Perm's results for the year to March 31 were not encouraging. After-tax profit decreased 12,5 percent from R26,3 million to R23 million and return on assets expressed as a percentage of net after-tax profits to assets was 0,29 percent compared with the United's 0,61 percent.

While an eventual end to the Perm's mutual position was long predicted in financial circles, the merger announcement came as a surprise — especially in view of the Perm's much publicised stance on the issue. But when all is considered, the proposed merger has benefits for both parties concerned.

For the Perm, it will broaden the range of services and products they can offer, while Nedbank will benefit by gaining access to the Perm's far greater client base.

Diagonal St

Sven Forssman

Nedbank will benefit by having a firm consumer leg in the Perm and the benefits of passing business back and forth raises interesting possibilities, as does rationalisation in terms of infrastructure.

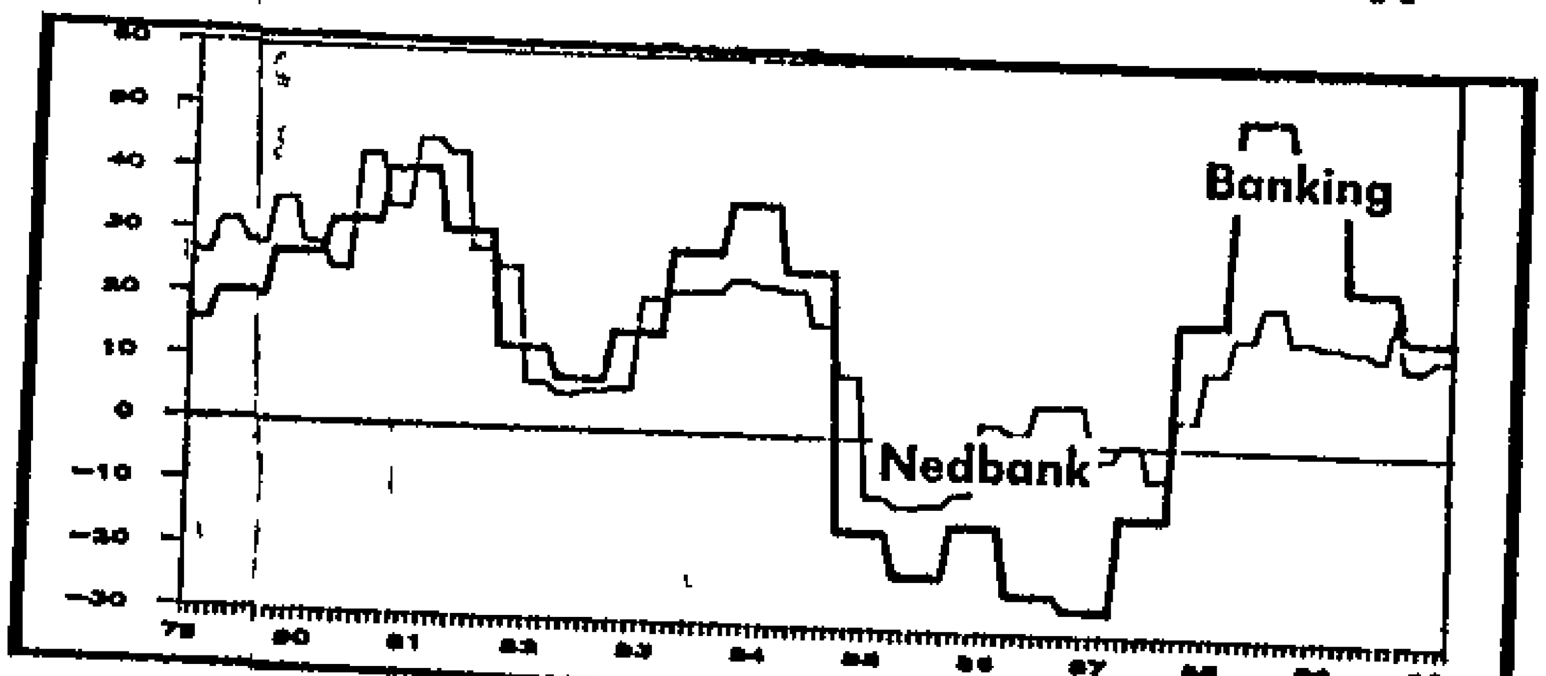
The proposed merger is also likely to have very little dilution effect on NedPerm's earnings per share when adding back the Perm's profits to Nedbank.

Also, Nedbank is expected to produce excellent results in the year to September which should sustain share price gains.

In the six months to March, Nedbank reported earnings per share growth of 53 percent to 54c and increased the dividend to 13c (11c).

By coming in line with other financial institutions in charging for computer transactions and insisting on minimum balances being kept in savings accounts, the Perm's profits are also expected to increase considerably in the current financial year.

Another reason why the merger should be welcomed is that the financial services sector is hopelessly oversupplied.



Earnings per share growth of Nedbank and the banking sector.

COMPANIES ARGUS 12/8/88 (232)

Bonwit a R64-m shot in arm for Seardel

By TOM HOOD
Business Editor

TAKOVER of Bonwit and its 12 Cape factories will add at least R64-million this year to the turnover of Seardel Investment Corporation, the country's largest clothing manufacturers

Group turnover is expected to reach R700-million, up R134-million or 24 percent on the record R566-million achieved in the year to June 30, according to chairman Mr Aaron Searll

Announcing the year's results to group executives, he said last night he was concerned that interest rates might harden further and that the government might dampen economic activity in the year ahead to protect the country's monetary reserves

He described trading conditions as "highly satisfactory" and said the clothing factories were reasonably well booked for the next six months.

Earnings, however, were expected to slow down from the 31 percent increase of the past year, when they rose R4-million to R17,6-million

Group earnings work out at 105c (80c) a share However, Seardel is cautiously maintaining a six times dividend cover and ploughing back R14-million to reserves, which have now been strengthened by R26-million in two years.

This improved ratio of borrowings to group equity to 77 percent from 114 percent a year ago

Borrowings, however, still made a big dent in profits Even with low interest rates for most of the year, the interest bill jumped by R2,7-million (39 percent) to R9,7-million

Shareholders are to get a 37 percent rise in final dividend, which is up to 11c from 8c a share, bringing the total payout to 17,5c (13c), a jump of 34 percent

● Another clothing giant, **Transvaal Clothing Industries** said today it has opened a Cape Town office and sees the area as one of of natural growth

"It is inevitable we will have to open a factory production unit there to service the increasing garment requirements of our Cape customers," chief executive Mr Ronnie Fivelman says in the annual report.

"Factory production in Cape Town will also reduce vulnerability to a single-area labour force"

Mr Fivelman says the acquisition of a controlling interest (60 percent) in Haberdashery Textiles has enabled the group to diversify into the home dressmaking market

Traclo's major customers have placed additional orders, so ensuring the group a further increase in market share

Listed last September, Traclo lifted turnover 77 percent to R248-million for the year to April Net profit at R1,4-million represented an increase of 87 percent

INVESTMENT

PRIVATISATION

Two steps back

Developers have reacted with scepticism to government proposals that they should construct office buildings for the public sector on a system of amortisation

The suggestion was made by Piet van Blommestein, Director General of Public Works and Land Affairs, at this week's Property Owners' Association (Sapoa) conference

He says that, in the light of the White Paper on Privatisation, the question arose whether government ought to lean more heavily on the private sector for the provision of its accommodation requirements

This follows calls earlier this year by the private sector for government departments to stop erecting buildings for own use or occupation, "unless there is a strategic reason to do so" (*Property* April 22)

Although this related also to service properties, such as schools, post offices and hospitals, Van Blommestein concerns himself primarily with office accommodation, for which the State will pay the private sector some R148m in rental this year.

He says a University of Pretoria study reveals that construction for own use is still the cheapest method for the State to provide accommodation for its various departments and is certainly much cheaper than leasing This despite the fact that government tenants usually negotiate rentals well below market rates because of their size and security of tenure

However, strict comparison between private sector building costs and those of the public sector is negated by Van Blommestein's admission that finance costs, including interest, are not taken into account when calculating the cost of State-constructed buildings

And, he says, further complications arise when it comes to availability of State funds — which at any time might be earmarked for other projects

Consequently, he says, discussions have already taken place with private sector developers on the possibility of financing State buildings as well as designing and erecting them

Implementation would probably take the form of a modified proposal call scheme (*Property* July 29)

Van Blommestein says the factors to be taken into account would be the limitation of costs to fixed amounts, the creation of competition and the reduction of time between initial planning and completion of the building.

"As far as the costs are concerned, the needs of departments can be processed into specified norms and a cost limit can be fixed in collaboration with the Treasury To reduce the time scale and to create competition, private consultants could be commissioned by the department to prepare sketch designs and bills of quantities within the cost limit. Such documentation could then serve as a basis on which tenders could be invited for the complete package — the erection and financing of the building at a price and rate of interest to be redeemed by the State say over a period of 30 years "

Developers, however, say government wants to have its cake and to eat it. It wants to benefit from the increased efficiencies of the private sector, arising not least from market competition, and it wants the private sector to bear the costs of providing State buildings — no doubt at higher finance costs than *it* would have to bear To say nothing of the disadvantage to the private sector in having its costs met over 30 years.

This is hardly privatisation And Van Blommestein's other proposal, that some form of State co-operative be formulated to handle the leasing of all State-owned space to its own departments, hardly smacks of deregulation

It does confront one problem that once a State department has constructed its own building, it never again budgets for the cost of office space If a co-operative were formed, these costs would have to be built into budgets

But such an organisation would no doubt also seek to handle all leasing requirements from the private sector as well, effectively turning the government into a single tenant and placing enormous rental price pressure on developers

Also, since Van Blommestein's department is already responsible for such transactions, would such an organisation not simply duplicate and complicate the effort? ■

TIMESHARE

Taking stock

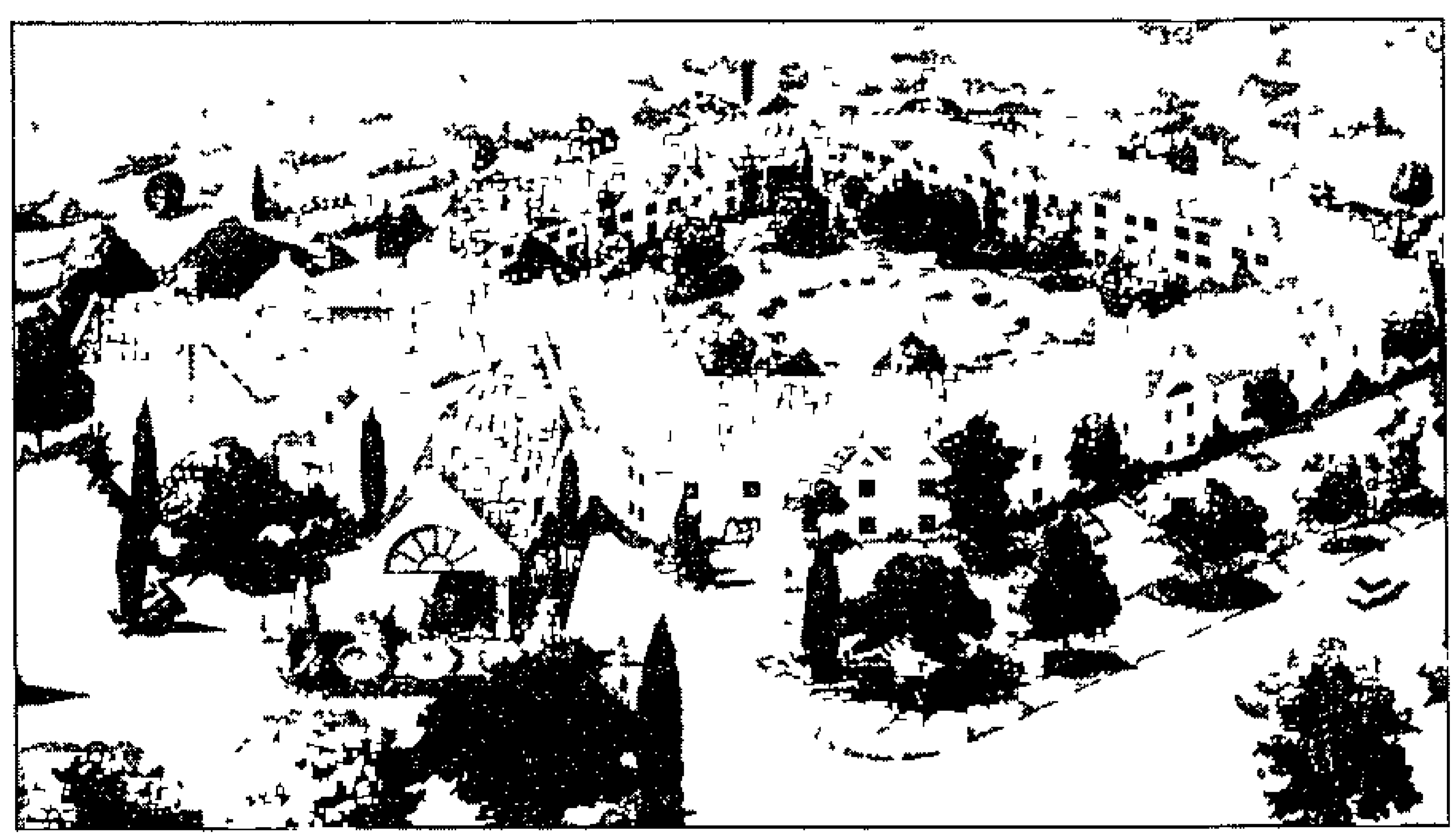
A government warning that hotels which convert to timeshare operation may lose their status as hotels has more to it than meets the eye

George Bartlett, Deputy Minister of Economic Affairs and Technology, says the trend is disturbing

"A potential danger is that much valuable foreign exchange may be lost because foreign tourists cannot be accommodated in these hotels, many of which are situated in the most scenic parts of SA Should this trend escalate, it will be detrimental to tourism and such hotels could, in terms of present legislation, place their continued existence as hotels in jeopardy "

However, developers point out that in

CAPE COMES TO BLOEM



Southern Sun's new Landdrost Hotel, in Bloemfontein, is expected to open in October

On the corner of Melville and Kimberley roads, in the suburb of Brandwag, the hotel has 147 bedrooms, including two presidential suites

The two-storey complex also has conference facilities for smaller groups and executive rooms for business travellers.

Seardel move 'frees' Bonwit

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By DICK USHER
Business Staff

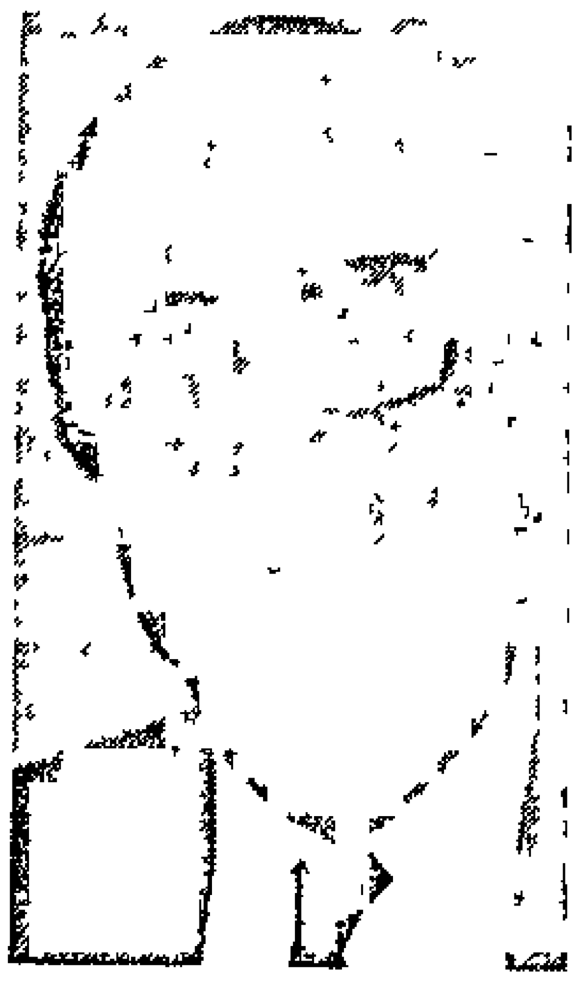
THE move into the Seardel Group can only benefit Bonwit as it will free the company from some of the marketing constraints it experienced under Wooltru, says MD Ron Malcolm.

The move, in a R9-million acquisition deal effective July 1, means that new markets have opened with chains which formerly avoided dealing with them because Bonwit was part of the Wooltru operation.

Started in the early 1940s as an in-house manufacturer of quality ladies' and children's wear for Truworths, Bonwit has grown to 12 factories in several locations around the Western Cape employing about 2 000 people

The name was derived from the famous New York clothing store of Bonwit Teller, noted for its top-quality garments

Since the move to Seardel, Bonwit has expanded its marketing base bith in-house and by forming partnerships with Ivano and New Name, both of which are recognised names producing high-quality women's and children's wear



Ron Malcolm

Although the company had developed a considerable degree of autonomy within the Wooltru operation, where it was expected to be a profit maker, not just an in-house manufacturer, Malcolm said this week that the move could only increase their independence of operation.

"We had it previously, but if you are an in-house operation the retailer tends to believe that the in-house manufacturer is there to serve his interests only.

"But in the Seardel Group we can do what we feel is necessary to achieve performance results," said Malcolm.

"Working in an in-house situation you can get only so far before the challenge begins to go and now we feel there are new challenges for us to meet"

One of the first challenges has been to develop the company's marketing structures and adapt to the dramatic changes happening at Bonwit. This includes the acquisition of Ivano and New Name to expand the customer base.

Another challenge

Malcolm said another challenge was to keep abreast of the tremendous changes which had occurred in the clothing industry in the past three or four years

"The market is now much more consumer-led than it was a few years ago when it tended to be retailer-led This has meant that, rather than buyers making their orders for a season three or more months ahead, they are now placing small orders and waiting for customer reaction

"Lead times are now much shorter, which places manufacturers at greater risk. To be ready to respond to the retailer and customer we have to take risks with fabric buying because the lead times of about three months from the textile factories are too long when you have to react to customer demand within weeks.

"The link between customer, retailer and manufacturer is becoming much more critical in the industry.

"Quick response is the name of the game and in the United States manufacturers get on-line information from the retailer's tills which enables the manufacturer to determine which lines, in which colours and sizes are dominating in the market.

Fed back

"This information is fed back to suppliers holding stocks of uncoloured fabrics and they can supply the manufacturer with the required shades within days

"We haven't achieved that sophistication in South Africa yet, but that kind of thinking is starting to happen and a few linkages have been set up.

"As Bonwit we are committed to try and follow that path because if we cannot give the customers what they want we will not be successful."

Outcry over tollroads puts spotlight on privatisation

CONTROVERSY surrounding the new private tollroads has raised questions about government's whole privatisation campaign, but the Privatisation Ministry and business leaders say they are not alarmed

The Transport Department's plans to place much of the national road system in private hands and permit toll plazas — like the one opened by Tolcon this month on the N3 to Durban or the one Tollway intends for the N13 in southern Johannesburg — have drawn criticism and legal threats from MPs, Johannesburg councillors and the Automobile Association

Fuel levy

Given the shortage of funds for road-building, most agree on the merits of privatised tollroads

The debate, however, stems from government's indirect subsidy to private road-builders — indirect, because it has allowed them to finance their construction by tolling existing roads like the N13 These are roads already paid for through the 24c/litre fuel levy motorists contribute to the National Road Fund

"The Transport Department is handing out existing roads to private companies to help them raise capital," says Johannesburg Transport Consultative Committee vice-chairman Pat Corbin

That may be the lesser of two evils "We either put up cash subsidies or use existing roads to finance new ones," explains Transport director-general Ronnie Meyer

"That is not privatisation at all," responds Corbin "If companies are not prepared to take on a venture without subsidies, then the state shouldn't privatise it"

CHRISTOPHER TUCHER

Is the private sector incapable of operating state enterprises for profit? Will the tollroad controversy sour public opinion and set a bad precedent for future privatisations?

Privatisation forms an important pillar of government's economic policy The Free Enterprise Foundation predicts the campaign will raise R300bn for government coffers

"The national roads are an obvious first candidate for privatisation," says Ronnie Bethlehem, JCI economist and a leading exponent of privatisation

"They are easy to administer Their upkeep is assured, because the toll plaza brings the provider of a service into direct contact with his customer"

The challenge is to attract private investment to an unproven enterprise "The tollroad concept is untested, so it will first be necessary to create investor confidence," says Finansbank MD Hennie van der Merwe

"Kilometre for kilometre, no road in SA has the traffic density to be economically viable, and we have said this to government all along," says Tolcon CE Ron McLennan

Proposition

He thinks traffic levels on roads like the N3 must double before a private tollroad becomes an attractive proposition

"Our 25-year traffic assumptions will determine the success of the venture," says McLennan "That makes it very risky and unattractive to investors Tollroads are no easy way to make money"

Tollway CE Horst Kohlberg, embroiled in the dispute over the N13, says the issue is the timing of cash-flow Tollway's M4, planned for southern Johannesburg, will not begin generating toll revenue until its completion in eight years

"If government wants to go to market with the roads, it must prove they are viable," he says

Bridging

The tolling of existing roads to finance new ones, McLennan thinks, is "an elegant solution"

Van der Merwe also believes it is encumbent on the state to prove the attractiveness of a privatised venture

"In any sector, there is a necessary bridging phase in which economic viability must be established In other areas, this may take the form of higher rates At least such a temporary subsidy is borne by the user, not the taxpayer"

The "elegant solution" found for the tollroads may set a precedent for co-operation between the public and private sectors in future privatisations

"Privatisation can never be a complete sell-off to private enterprise," says Meyer "In most models throughout the world, privatisation takes the form of joint participation Government remains as a minor shareholder"

The key to success of the privatisation campaign may lie in the "marketing"

A major grievance of the Johannesburg council, for instance, has been the inadequate way in which government informed and involved the city in the tollroad planning

Lesson

For Peter van Huysteen, consultant in the Privatisation Ministry, the debate shows the importance of educating the public about privatisation Better public relation could have averted several misperceptions

The final lesson Van Huysteen draws from the tollroad debate is the importance of a long-term perspective "We have to be careful not to shoot things down prematurely"

Paying for privatisation

NedPerm merger not a rescue, says Tucker

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Bob Tucker ... benefits for all concerned.

From CHRIS MOERDYK

JOHANNESBURG — The multi-billion rand NedPerm bank merger has released the Perm from the shackles of legislation, according to the building society's managing director, Mr Bob Tucker

The process of deregulation, he said, had effectively "tied the Perm up tighter and tighter"

Building society legislation was about three years behind banking legislation which placed the Perm at a distinct disadvantage

"This merger holds benefits for all concerned As far as Perm customers are concerned, there are no negative elements at all

"Our branches will retain their identities and, in fact, our customers will have access to a wider range of services — all those offered by a bank — without being denied the standards of personal service the Perm has prided itself on"

Mr Tucker denied that the merger represented any sort of rescue mission

"Our taxed profits were R23-million last year and that represents a lot of money in anyone's language On top of that Nedbank saw sufficient advantage in the merger to offer Perm stakeholders R180-million in bonuses That's hardly a rescue operation"

He added that the marriage between Nedbank and the Perm was a natural one

"With Nedbank focusing on the high value corporate market, it was natural to put the Perm alongside it We will benefit from Nedbank technology and expertise in offering our customers cheque accounts and other traditional banking services without losing that personal touch"

Mr Tucker said that if the Perm had decided to "go it alone" it would have forfeited access to banking skills and technology and would have ended up in a position "somewhere between Allied and Saambou" with customers benefiting from a mere three-percent bonus instead of the 11,5 percent created by the merger

"The Perm mission to serve the savers and home-oweners of South Africa is vital and because of this it remains intact," said Mr Tucker

Industrial relations enter simulation era

By DICK USHER

INDUSTRIAL relations are increasingly taking up methods used for other types of training — one of them being the simulation of real events

One programme consisting of a series of playlets, designed for use in the Seardel Group by John Hartley and his staff, has had great success in raising the level of understanding by shop stewards and supervisors of each others role and their importance in a company's operations

There are six modules in the programme and each module has several playlets on which group discussions are based Each module lasts about 90 minutes and are conducted at a company once a week

Depending on the size of the company, groups of between eight and 22 people take part with each group including shop stewards and supervisors

So far they have been used by about nine companies in the Seardel Group

Hartley said the idea was to make industrial relations "come alive" in a non-threatening way to clarify the role of shop stewards and give confidence to supervisors

"Very often you find situations where supervisors, with responsibility for discipline, feel their authority threatened by shop stewards We are trying to remove misunderstandings, remove fear and promote industrial peace and productivity," he said

"We try to get supervisors to see that shop stewards are not a nuisance but an asset to the company We also get shop stewards to look at their approach to situations

"Sometimes this can be over-aggressive or over-legalistic"

Johann Baard, group industrial relations executive, said of the programme that communication and training in the industrial relations field was probably the single most important challenge facing management

"Common goals, mutual respect and dignity in the workplace are the broad objectives Having imparted basic industrial relations and general people management skills to our supervisors and shop stewards, our training seeks to establish an understanding at this critical interface that all rights have corresponding obligations and that the two are inter-dependent," he said

One of the modules will be presented at a meeting of the South African Society for Training and Development on August 30 The meeting is at the Boston School of Advertising, Prudential House, St George's Mall, at 5,30pm

Those interested in attending should call Tania Donald at ☎790-4563 or 790-3699

Sappi deal too good to miss

Weekend Argus Foreign Service

LONDON — The opportunity presented by Courtaulds' decision to withdraw from the world wood pulp industry was too good to miss, according to Mr Eugene van As, MD of Sappi, which bought Courtaulds' South African and Swazi interests

The deal made eminent financial sense for Courtaulds and was strategically important for Sappi The R1-billion acquisition is expected to lift Sappi's annual sales from R1,5-billion to R2,5-billion and lift the proportion of its output going abroad to about 40 percent

"Our worst enemies are our competitors, said Van As

He was quoted in an article

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Old Mutual makes it formal as Nedbank gets the Perm

By David Carte

NEDBANK'S takeover of the Perm this week consolidates and formalises the Old Mutual power bloc

Old Mutual has long vied with Anglo American, Sanlam Liberty and Rembrandt as one of the great financial houses in SA But until Premier and SA Breweries were moved suddenly into the Anglo-Liberty camp five years ago it took pains not to control associates

After that, it made sure that its effective control of Barlows, Rennies and Safmarine was beyond challenge

Until the Cape mutual took outright, unfettered control of Nedbank in the rescue 30 months ago its alliance in financial services with Nedbank and the SA Perm was informal

Hostile world

For years by somehow dominating the Perm board with its own representatives, it controlled the building society without owning it

Now through Nedbank which will take 100% of the Perm the alliance has been established formally beyond question There is a lot of sensitivity in Cape Town and Pretoria about the power of the various camps but they would doubtless argue that SA needs strong banks and financial institutions in a hostile world

The Nedperm marriage also establishes Old Mutual Nedbank and the Perm as a giant one-stop financial services empire The Perm will operate independently under the Nedbank Group umbrella as Syfrets UAL Finansbank Nedfin and Nefic do

The transaction puts a lot of pressure on other building societies to follow suit It will be no surprise if Volkskas and United Group do a similar deal — perhaps the other way around with United s aggressive Piet Badenhorst in the driving seat

NBS insists that it can continue independently but First National Bank s nominee company has built up a 10% stake in NBS — so it may not have much say in the matter The Allied and Standard might well like the look of each other in the new environment.

Shareholders of the Perm — the paid-up and subscription shareholders — will have to ratify the Nedperm deal There is little doubt they will

Effectively SA Perm shareholders who may redeem their deposits plus 11,5%, are offered R180-million for a company with taxed profit of R23-million — about 7,8 times earnings

Bob Tucker .. victory not defeat

Ratification

For a financial services company with fairly bleak prospects (that describes the Perm before the deal) the price offered is generous Nedbank is issuing 30-million new shares for the Perm Its own earnings are expected to be at least R1 a share this year so the Perm need only lift its taxed profit to R30-million if it is not to dilute Nedbank s earnings

The Perm and Nedbank marry well Nedbank is primarily a wholesale organisation The get together increases its retail penetration It has lacked a mortgage bond book It will acquire a book of more than R5-billion

Nedbank's branch network has been less extensive than the other banks' There will thus be little overlap or need to close offices

Piet Liebenberg . out to make small accounts pay

Nedbank group chief executive Piet Liebenberg told me there would be rationalisation and some people could be asked to move to other positions in the enlarged group but there were unlikely to be any lay-offs

It is such a good deal for all parties so logical that many outsiders are kicking themselves for not having foreseen it It was 'no surprise", said the Star which strangely neglected to forewarn its readers

Team effort

Piet Liebenberg is given the credit for conceiving such a good deal, but he contends that it was a team effort something that emerged spontaneously in a year of discussions among the three parties

Pointing out that the Perm was technically unable to take over Nedbank he even tries to call the deal a merger rather than a takeover although he concedes that he is Bob Tucker s boss

Mr Tucker believes that far from being a defeat for the Perm, the takeover and conversion of the society into an equity institution were victories

Chris Liebenberg . twice a managing director

'This was no rescue You don t pay R180 million in a rescue The transaction leapfrogs us over all the competition as a single class of legislation evolves for all financial institutions

Mr Tucker says he did the right thing in holding out against conversion to a proprietory company earlier

"Our shareholders are getting an 11 5% premium AFTER the stock exchange crash They are being more handsomely rewarded than any of the others The Perm is being legislatively unshackled Together with Nedbank we can do more to exploit new technology We can offer our staff better career paths'

Conscience

Mr Tucker says the Perm will retain its social conscience He denies that its preparedness to operate small accounts for depositors and lenders was the wrong strategy

"In the short term that strategy was not highly profitable, but it will pay off in the long term Our new partners accept that basic point."

Mr Tucker says black mortgage borrowers have turned out to be extremely reliable

Mr Liebenberg says a priority will be to find ways of making small accounts more profitable

"We are a commercial enterprise We can't render unprofitable services '

Mr Tucker says the Perm was constrained by "unthinking, irrational legislation, which made it necessary to build reserve ratios out of retained profits and thus compelled short term thinking

The old Building Societies Act limited the societies' access to short-term finance and obliged them to lend only in the mortgage area

Culture gap

I asked Piet Liebenberg whether the cultures of the two organisations would gel

His reply was "At general manager level, there will be considerable interface between the two organisations, but otherwise they retain their identity and most of the staff are unaffected

"There was a culture gap between Nedbank and Syfrets in the early years I guess there is still a difference of culture between the subsidiaries of this group The culture may have changed since I came on board I don t see reconciling cultures as a major problem"

Divisional chiefs

Mr Liebenberg obviously believes that the group chief executive's function will be a full time job because he has appointed Chris Liebenberg managing director of the commercial bank, the position held by Anton van der Merwe Vance until his retirement in July Since then Piet Liebenberg has been managing director of the group as well the bank

Chris Liebenberg is supported by line divisional chiefs Richard Laubscher and Johan Westraat and general managers Phil Bacciom (human resources) John Bunting (accounting and administraction), Frans Brits (technology) Kay Davidson (credit), Merton Dagut (planning and marketing) and Tom Eunjen (international)

SUNDAY TIMES investigation

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The

14/8/88

NINE months ago, nobody had ever heard of Swiftsure Then suddenly the venture capital company's name was everywhere — at Kyalami, on Le Mans racing cars, on TV's Graffiti, in Paris as host of a South African fashion extravaganza But then the bills began arriving . and over the past few weeks a steady number of people have come forward to tell of unpaid accounts and broken promises Today the SUNDAY TIMES attempts to unravel the complexities of the Swiftsure Enigma

SPECIAL REPORT
by MARLENE BURGER
and ALAN DUGGAN

R8 million owing and clients list promises that were not kept . . .

PLANS to turn South Africa into a mecca of luxury boat-building may be coming adrift in a sea of unpaid bills and allegedly broken contracts.

Swiftsure, which planned to finance the venture by selling 8 000 000 shares to the public at 50c each, is facing legal action from several quarters over its alleged failure to meet commitments made by former managing director Javor Gourkov and his "successor", Mr Edmund van der Merwe, jun

Sport sponsorships and other deals totalling almost R8,5-million have already been cancelled or are in the balance this weekend

Among those who have indicated they will sue the company to recover their costs are Swiftsure's American agent, Mr George Schilling, world powerboating champion Bob Kaiser and a Paris modelling agency

Evidence made available to the Sunday Times indicates that Swiftsure has failed to meet obligations of

- R3-million to MTU of North America for six marine diesel engines ordered on January 29
- R1-million in sponsorship to Kaiser
- R205 000 to a Johannesburg-based video production house
- R1-million in sponsorship to SA champion racing driver Wayne Taylor
- R100 000 for office rental in Fort Lauderdale, airfares, hotel bills and rented cars to its American agent
- R84 000 to the organisers of the Miami Grand Prix
- R70 000 to Glamour,

in the US market? If so, please let me know so the bills don t continue to grow "

He said he had not had any response to his requests for funds

Another blow to South Africa's credibility in the international sports world was Swiftsure s alleged failure to honour a contract — signed by Mr van der Merwe, who took over the company's reins from Mr Gourkov two weeks ago — with Kaiser

"Bob told me last week he was taking legal action against Swiftsure " Mr Schilling said

Contacted in Florida this week, Mr Kaiser told the Sunday Times it would serve no purpose to comment on his dealings with Swiftsure

Asked whether his sponsor- . . agreement had been

sure s boatyard at Paarden Eiland in Cape Town stopped a week ago

A spokesman for the builders said they were waiting for Swiftsure s word to go ahead and added "We haven t terminated the contract as yet "

Neither Mr van der Merwe nor Mr Gourkov would take or return calls from the Sunday Times this week

'Fired'

However, Mr van der Merwe had previously denied that Swiftsure owed any money in the US

We've settled all our debts there - I don t know why George Schilling is lying like this

Anyway, he s been fired ' . . der Me we said hotel bills and rented cars to its American agent

- R84 000 to the organisers of the Miami Grand Prix
- R70 000 to Glamour, which organised a fashion show in Paris on June 10 as a prelude to this year's 24-hour Le Mans race
- R11 000 to SA modelling agent Lucilla Booyzen for freight costs connected with the Paris show
- R60 000 to a British TV production house
- R11 000 to the SABC for six sponsored five-minute spots on Graffiti
- R16 000 to a signwriting company in Miami
- R5 000 to the SA Formula 1 Powerboating Association

And this week, a R2,8-million contract between Swiftsure and Motor Racing Enterprises for naming rights at the Kyalami racetrack outside Johannesburg was cancelled by mutual agreement

Mr Schilling, who was approached by Mr van der Merwe to act as the company's US representative towards the end of last year, has already had his American Express credit card cancelled because of non-payment of Swiftsure expenses totalling nearly R15 000

Desperate

In addition, he is being sued for the balance of a 12-month lease on the office space rented in Swiftsure's name and for an outstanding telephone account of R3 200

And this week he said NO orders for boats had been placed by American customers

He said "Reports of orders for more than R250-million are incorrect I don't know of one order or deposit or agreement from any US buyer to construct a yacht in SA"

Mr Schilling said a "desperate" visit was paid on July 18 to the Johannesburg offices of Swiftsure by a representative of Miami Racing Style Design, which is allegedly owed R16 000 for signage it was hired by Swiftsure to make for the Miami Grand Prix

"The representative was told there was no money available to pay him — that, in fact, Swiftsure employees had not been paid in four weeks"

And although Mr van der Merwe told the Sunday Times last weekend that Mr Schilling had been fired, the Florida boat-builder has not been told this himself

In a letter to Mr Gourkov dated May 10, Mr Schilling says

"I don't understand why you have left me in such a precarious position with past-due bills for Swiftsure

"Have you lost all interest

week, Mr Kaiser told the Sunday Times it would serve no purpose to comment on his dealings with Swiftsure

Asked whether his sponsorship agreement had been honoured, he commented "I've been paid *some* money"

The chairman of the SA Formula 1 Powerboating Association, Mr Peter Lindenberg said Swiftsure owed the association nearly R5 000 for advertisements in race programmes

Meanwhile, work on Swift-

We've settled all our debts there – I don't know why George Schilling is lying like this

Anyway, he's been fired," Mr van der Merwe said

Asked whether Swiftsure was experiencing a cash flow problem, he replied "No, not really"

Mr van der Merwe also denied that work had stopped on the company's new boatyard in Cape Town "It's just going a bit slower," he explained

Story that

LAUNCHED as a "venture capital" scheme towards the end of last year, Swiftsure rapidly succeeded in its stated intention of making the company a household name

SATV and M-Net gave extensive coverage, worth about R2,5m in air time, to the company's fashion show in Paris and its sponsorship of South African driver Wayne Taylor at the Le Mans 24-hour race

Several journalists and a TV team were flown to Europe at Swiftsure's expense to cover the events

In a recent interview, Mr Edmund "Fingers" van der Merwe and his son, Edmund, were asked how much of the money invested in the company to date was being used to finance Swiftsure's publicity programme

They said the contribution by private investors had so far been "negligible" and claimed the money for the launches had come from the directors' pockets

But they were seeking R4-million from private investors for publicity and promotional purposes in this country and abroad

Clients had already paid substantial deposits to Swiftsure and that money was being held in trust pending the start of work at the Cape Town boatyard

But company spokesmen appeared unable to agree on the volume of work to be undertaken by Swiftsure

These discrepancies are on record

- In November 1987, Mr Edmund van der Merwe said the company had orders totalling R140m, with another R100m pending
- Three months later, Swiftsure claimed in "Investing Today" (an advertising pamphlet which deals mainly with venture capital projects) that it had confirmed orders worth more than R70m at the Fort Lauderdale boat show
- A few weeks ago, the Van der Merwes claimed they had firm orders amounting to R49,5-m
- Earlier, MD Mr Javor Gourkov spoke of orders worth R250-m
- A spokesman for the company's accountants, Mr Arthur Sharp, said he understood the company had secured six orders for motor yachts worth about R40m, but he was unable to provide details
- Mr van der Merwe said orders had been placed for two 61m steel-hulled cruisers, three 32m jet-powered sports fishing boats, a 34m aluminium-hulled yacht, a steel-hulled cruiser of similar length and at least 10 smaller sports fishing craft

Sources in Fort Lauderdale, with boat-building contacts throughout the world, were sceptical about the orders allegedly placed with Swiftsure

A boat builder said "I must tell you that a R40m order would be cause for celebration at any yard in the world, so a claim of orders worth anything up to R250m is quite incredible."

Mr van der Merwe said all the boats would be built in Cape Town, where the company expected to provide some 1 400 jobs in the next few years

He said he was excited about the future of the company and was convinced the Cape Town facility would be-

To Page 7

He leaves his wife, Xandra, and three sons

cans in the first six months of this year, according to a Mozambican frontier guards' spokesman

Swiftsure provisionally liquidated

15/8/88 Star 232

CAPE TOWN — Swiftsure, the high-profile company which claimed it would turn Cape Town into a luxury yacht-building mecca, has been provisionally liquidated — with debts totalling R1,5 million

Mr Acting Justice Douglas Scott of the Cape Town Supreme Court granted the provisional liquidation order late on Friday to the managing director of Murray and Roberts Properties South, Mr Robert Pomario, for unpaid rent and outstanding accounts worth R35 175

Contacted about weekend reports that Swiftsure sports sponsorships and other deals totalling R8,5 million had been cancelled or were in the balance, co-director Mr Edmund "Fingers" van der Merwe admitted to debts of "perhaps R1,5 million, no more"

Mr Pomario said in papers that in spite of his company having issued court summonses, Swiftsure had still not paid more than R34 000 in rentals for the past two months for leasing the Island Centre building in Paarden Eiland Swiftsure had also run up an outstanding electricity account of R952,25

He said in papers that the "jet set" yachts were first touted amid much fanfare in the media last year by "international financier" Mr James Edmund van der Merwe junior

Mr Pomario said he did not know whether this money had been raised but submitted that it was of concern that public money may have been dissipated

The matter cried out for investigation by a provisional liquidator, he said

Mr Alan Rennie of Syfrets Trust, Cape Town, has been appointed provisional liquidator

Contacted at his Paarl home last night Mr "Fingers" van der Merwe described as ridiculous weekend reports that Swiftsure deals worth R8,5 million had been cancelled

Several contracts specified in the report had never existed, he said

"We'll definetely have it all turned around by the end of the week," he said, adding that several major local businesses, which he declined to specify, would be injecting cash into the business so local debts could be paid.

He said confirmed orders for yachts totalled R22 million, not R70 million as reported — Sapa

FINANCE

Major problem of privatisation

BDay 232
16/8/88

ROBERT GENTLE

ONE of the major problems facing the local privatisation effort is lack of awareness and education, says Aloma Jonker of stockbrokers Frankel Kruger

"Awareness is essential when a company endeavours to sell equity But whereas sophisticated investors are normally aware of the true nature of a public company, individual investors are not."

Jonker suggests one solution could be a comprehensive advertising campaign, especially as the areas operated in by these companies are not "glamorous" These are often intangible services or the provision of raw materials to industry, with the result that the company is often unidentifiable with the end product

On the financial level, many people — including most of the operating staff in the public service — have little or no knowledge of financial markets or the forces that drive them "This situation will have to be rectified before privatisation, possibly by way of training programmes and seminars," she says

Awareness

Greater awareness could also assist in relieving some of the union pressure by demonstrating the benefits to be gained from share ownership

Although this would appear to be more complicated in SA because unions are "fairly politicised", the British experience shows that a successful privatisation programme tends to diminish political opposition

If not tackled well in advance, this general lack of awareness could create problems in the crucial field of funding, Jonker says.

"Although the prospect of raising the funds needed to buy equity was daunting even in the British context, that country not only had a higher level of investor sophistication, but also had recourse to international markets"

Burden

In SA, however, recourse to international markets is limited, if available at all. This places an even higher burden on the individual investor as an additional source of funds, "provided widespread interest is created"

Adequate awareness is necessary to understand more in-depth problems, says Jonker One example was the concept of government-backed loan stock in concerns like Eskom and Iscor. If such companies were transferred to the private sector, that stock would not be backed by government and would consequently lose its semi-gilt status

Jonker says the peculiar solutions to this problem — say, the conversion of such stocks into high-yield, fixed-interest equity instruments — could be hard to put across without an adequate degree of investor education, and could conceivably dampen investor interest.

Problems of privatisation

John Banos, chief economist of stockbrokers Simpson McKie Inc, outlines some of the formidable problems that will have to be overcome in the privatising of public corporations like Eskom, Iscor and Sats.

PRIVATISATION is an essential element in the revitalisation of the SA economy, as resources must be transferred to the generally more efficient private sector Nevertheless, the low level of profitability of the major public corporations is an issue to be addressed before privatisation can become viable

Eskom is widely regarded as the blue chip among the parastatals It has achieved striking advances in efficiency A loss of R163m in 1984 has been transformed into an untaxed profit of R702m in 1987

However, the corporation still bears very little resemblance to any of the larger public companies For one thing, Eskom is too highly geared with a debt/equity ratio of 285% Provision will have to be made for a partial or total conversion of debt into equity before a listing can be arranged

Deciding on how a monopoly like Eskom should be privatised is not a simple affair In the UK, the Central Electricity Generating Board is to be restructured into a number of competing generating and distributing companies before listing

The most serious constraint to privatisation, however, is Eskom's low level of profitability relative to its capital base If Eskom paid full tax and was valued on a historic price-earnings multiple of five to six, then the market capitalisation of Eskom would be between R1,8bn and R2,1bn, or less than 30% of the corporation's accumulated reserves of R7,3bn

If Eskom had no debt, it would have achieved a pre-tax profit of R2,8bn in 1987 With a clean balance sheet, market capitalisation would be between R7bn and R8,4bn, less than one-third of the corporation's assets of R28bn

A low level of profitability implies one of two things either the organisation is inefficient or the prices charged are too low It is likely that prices charged are too low Due to government's anti-inflation policy, it may take many months or even years before electricity tariffs make Eskom an attractive listing proposition

Like Eskom, Iscor's return on shareholders' funds is inadequate and needs to be boosted before a listing can be feasible

In 1987, the corporation earned a profit of only R93m on shareholders' funds of R3,6bn — a return on equity of 2,6% If government aims to get paid at least book value for Iscor's assets, its profits need to increase by a factor of at least six — something which cannot be achieved overnight

Iscor urgently needs to either improve internal efficiency or to raise prices The latter may not be an easy proposition

Sats is the least likely candidate for privatisation This is despite the fact that it has already taken steps to improve efficiency For example, the number of employees was reduced by 8,6% in 1987 alone Institutions, however, are unlikely to be interested in investing in Sats in its present form

At best, one or two profitable divisions of Sats could be listed on their own The profitable divisions include harbours, pipelines and SAA In particular, SAA showed a pre-tax profit of R109m in 1986/87

If the profitable divisions are privatised, however, the remainder of Sats will incur losses and will have to be subsidised

Privatising the railways would be virtually impossible in the foreseeable future The division lost more than R700m in 1986 and more than R400m in 1987

Foskor is one of the few public corporations that could be privatised relatively quickly — probably over the next two years Foskor has a track record of rising profits from R2,7m in 1985 to R8m in 1986 and R17,5m in 1987

The return on equity is a favourable 15,1%, although this measure may not be very useful for a mining company Foskor should benefit from the falling rand — about a third of its production is exported

Sanctions do not appear to be a problem Prospects for a rise in the international price of phosphate rock over the next year seem quite good A Foskor listing could raise about R100m and would be a good test case for government before any larger listing

What can be done to increase the profitability of the parastatals?

Reducing the labour force through retrenchment is neither sensible nor politically possible The alternative option of not hiring additional staff as the organisation grows is preferable However, it may take a few years before substantial efficiencies can be achieved via this route

Certain public corporations need to increase tariffs, but major increases are unlikely over the next year as this will conflict with government's policy to fight inflation

I have not referred to the issue of under-capitalised parastatal pension funds, but this is a very serious problem which will have to be resolved Finally, the major public corporations need to establish a track record of rising high quality earnings before they can be listed

The road to privatisation is bumpy and, in my opinion, very long, but full of opportunities which the country cannot afford to miss

CAPE TIMES 8/8/88 232

AAC pays employees first dividend

JOHANNESBURG — A special employee shareholder report incorporating information about Anglo American Corporation (AAC) and its results for the 1987/88 financial year has been made available to employees who are members of the Anglo American Group Employee Shareholder Scheme

A little more than 118 000 employees have accepted the offer to join the scheme

"For the many thousands of new employee shareholders, the right to know about, and their interests in, the performance of the company in which they have a financial stake is greatly enhanced," says Julian Ogilvie Thompson, chairman of the Employee Shareholder Trust

"Considerable research, including the canvassing of employee shareholder opinion, was carried out to ensure the production of a document that will tell its recipients what it is they want to know about their investment in a straight-forward, thorough way," he said

In addition 111 850 employees whose shares were issued on or before June 17, 1988 have received their first dividend cheque

This represents the final dividend of 162,5c a share declared by AAC on June 2, 1988 and paid on August 2, 1988

As it is intended to make further allocations of shares annually for another four years — Sapa

IGI buys 25% stake in Samatco

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Cape Times

By BRUCE WILLAN

IGI Life Investment Holdings (IGI) has bought a 25% stake in Samatco, a Johannesburg-based pension fund, portfolio and investment management house.

This will enable Samatco to increase its pension fund client base considerably and give it more bargaining power in the marketplace

IGI paid R750 000 for its stake in Samatco Recently Duros purchased a 30% stake in Samatco for R900 000

Geoff Reich, who is the largest single shareholder (45%), says that it will mean an added turnover of about R1m to Samatco with the possibility of getting more pension fund business through IGI

At present Samatco administers 10 pension funds with assets worth about R50m and total funds administered are about R90m

Reich indicated that over the next two years Samatco would have a growth rate of about 400% as a direct result of the "marriage" with IGI and Duros

Financial director of IGI, Martin Kapper, explained that with Duros being a 10% shareholder of IGI and with negotiations in process for Duros to obtain a further 15% it was a logical step for IGI to be introduced to Samatco

Metals

LONDON — Closing prices (in sterling) on the London Metal Exchange in the order of Turnover, market tone, cash buyer/seller, three months buyer/seller, fifteen months buyer/seller and settlement

Copper A 1278,00/1286,00, 1282,00/1270,00, 1150,00

Copper Std — 1230,00/1240,00, 1240,00/1230,00

Lead 351,00/354,50, 356,00/356,00, 342 00

Share index futures

Closing prices

	Bid	Offer
All Share Index 1750	Bid	Offer
September/September	1730	1745
December/Desember	1740	1765
All Gold Index 1257	Bid	Offer
September/September	1262	1290
December/Desember	1265	1280
Industrial Index 1630	Bid	Offer
September/September	1576	1605
December/Desember	1587	1615
Krugerrand: 1192	Bid	Offer

Govt may privatise facets of education

Political Staff

DURBAN — The Government is investigating the possibility of privatising some service facets of education, including hostels and transport

This was said by the white own affairs Minister of Education, Mr Piet Clase, at the Natal National Party congress here yesterday

Mr Clase confirmed that his department was also considering alternative methods of financing white education, such as implementing an education levy and cutting back on free books

He would make an annoucement on the issue as soon as possible

Other measures, such as the rationalisation of schools and planning for the training of teachers, were being taken to save money

Mr Clase told the congress that the education policy cut across language and political lines, but he repeated earlier statements that education was an own affair

Referring to a report by the Natal section of his department which proposed the opening of under-used teachers' training colleges to all groups, Mr Clase said this would not be done

Education colleges were there to maintain the values of a particular community

His department could not make provision for the differences of other communities It was not in the interests of education

Both Mr Clase and Minister of National Education, Mr F W de Klerk, faced widespread concern from delegates on the present standard of education

Mr de Klerk accepted that education and teachers were suffering at the moment but he said improvements could only be made within the means of the country

SALARY ADJUSTMENT

Mr de Klerk pointed out that teachers would be given a salary adjustment from December 1 which would bring their salaries into line with other civil servants

Mr Clase rejected claims that a growing number of teachers were quitting the profession

Between January and June last year there had been 1 670 resignations, he said During the same period this year the figure had increased to 2 051

The resignations included people who had gone to other education or civil service departments, husbands who had been transferred, woman who had resigned for reasons such as marriage or childbirth and people who had gone to the private sector

More deregulation coming

19/8/88 (232) B/Day

Political Staff

DURBAN — New legislation would be introduced next year to further deregulate business restrictions, Administration and Privatisation Minister Dawie de Villiers said yesterday.

He also said a notice would soon appear in the Government Gazette proclaiming another 23 free trade areas

He told the Natal NP congress "We are serious about deregulation and we are making progress"

He hoped to introduce new legislation to break through the inhibiting factors restricting the small businessman

Dealing briefly with privatisation, he said everything would be done to ensure workers were not jeopardised

He said 94% of workers in British Airways had shares in the airway.

"They are working for themselves," he added

Total dividend for year at 21c

Cape Times 19/8/88

Metro lifts income by 87% to R29,9m

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By AUDREY D'ANGELO
Financial Editor

THE acquisition of Frasers in July last year helped Metro lift attributable income for the year to June by 87% to R29,9m

The consolidated results, which include those of Jazz Stores — in which Metro has a 62,3% stake after the injection into it of Frasers supermarket and general dealers' businesses — show a 29,6% rise to 45c (35,5c) in spite of the issue of more shares when the acquisition was made.

The total dividend for the year is 21c (17c) with cover increased to 2,2 times.

Turnover is 66,9% higher at R2,7 billion (R1,6 billion), and operating income rose 72,9% to R54,9m (R31,8-million) But the tax bill rose only to R21,5m (14,3m)

MD Cecil Smith disclosed that this proportionately small rise was due to "an export venture"

Discussing the current financial year and future prospects, Smith forecast 5% growth in real terms

He said the group plans to expand in Botswana and the Transkei

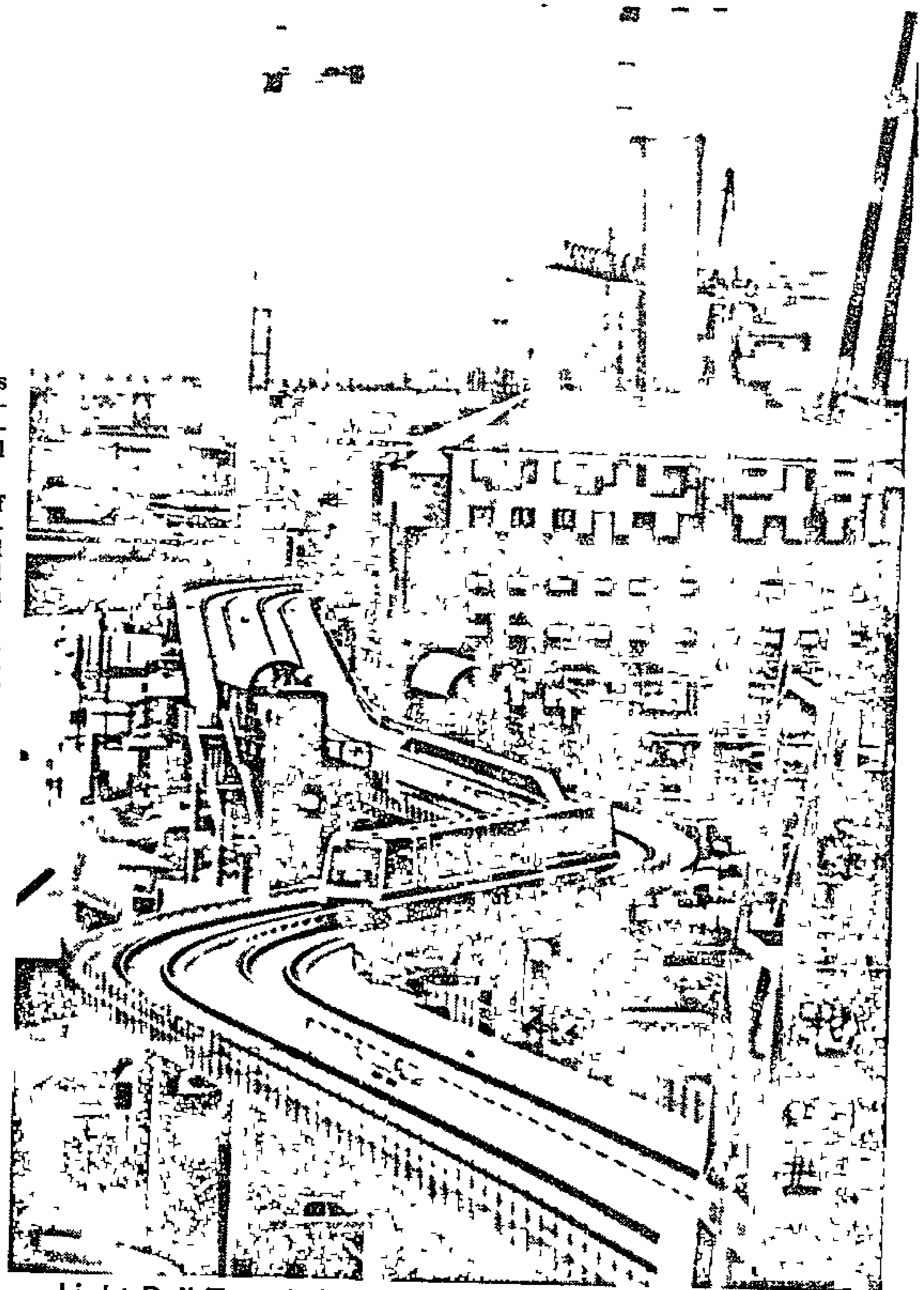
"Although we operate in a highly competitive, yet stable, sector our market share continues to grow," he continued "We expect inflation in our basket of commodities to remain at the consistent 12% of the past few years"

Explaining why the dividend cover was slightly higher than the promised 2 times, Smith said "The nature of the group has changed The increase in dividend cover to 2,2 is advisable because of changing financial needs and market conditions"

Smith said the integration of Frasers cash-and-carry, wholesale and mine store outlets had proceeded well "There is still more synergy to be exploited in joint buying and other areas

"In the current year we stand to benefit from a full trading year from all five trade centres, two of which were opened only during the past year

"No further trade centres will open this year, but other expansion is planned in Botswana and Transkei while refurbishment and upgrading of existing stores will see capital expenditure at a higher level than last year"



Light Rail Transit (LRT) — like this line in London's dockland — could be used to carry commuters to Cape Town's proposed harbour and power station site redevelopment, suggests Rod Bailey, marketing manager of GEC Traction Co. He points out that, with traffic and parking problems expected to get worse as "the affluency of the major ethnic group increases", LRT could provide cost-effective solutions to many transport problems facing major SA cities. Bailey says one of its main advantages is that its building costs are lower per kilometre than other systems.

New Nellie owner has $1,4bn assets

LONDON — The Bermuda-based Sea Containers, which bought the Mount Nelson Hotel from the British Commonwealth Company in a £6m deal on Wednesday night, has total assets of $1,4 billion

It is quoted on both the New York and London stock exchanges and at current share prices the group is valued at $284m.

The group's main business is the leasing of marine containers, containerships and cranes and it has operations in 95 countries At the end of last year it owned 280 000 containers, 12 vessels and 15 cranes

Sea Containers also operates the main ferry services between Britain, Ireland and the Continent with a fleet of 44 ships and hovercraft.

Last year the group paid $16,6m for a 42% stake in Orient-Express Hotels, which owns six luxury hotels in North America and Europe and manages the Turnberry Hotel and golf course in Scotland

Reporting profits for the first half of 1988 this week, Sea Containers disclosed a sharp recovery from a loss of $1,3m to net profits of $38,2m Turnover for the period was up from $315,6m to $380,6m

Sea Containers president James Sherwood forecast a record year in 1988 with net projected earnings of up to $110m

Krugerrand

JSE Closing

	Buyers	Sellers	Sales
1 oz	1195	1200	1195
1/2 oz	600	610	600
1/4 oz	30000	30300	30300
1/10 oz	12000	12100	12100

'Nellie' sold for R25-m

Cape Times 19/8/88

J32

By JIM FREEMAN

CAPE TOWN'S landmark hotel, the Mount Nelson, has been sold for more than R25 million to a leading international consortium that aims to make the city the focus of a major world tourism drive.

The president of Bermuda-based Sea Containers Ltd, Mr James Sherwood, said contracts had been exchanged with the British Commonwealth Company — the present owners of the Mount Nelson — on Wednesday night.

The deal includes not only the Mount Nelson but also several properties surounding it — regarded as some of the city's prime real estate — such as the Helmsley Hotel, the residential annexe housing the Mount Nelson staff and a number of residential and commercial properties backing on to Kloof Street.

Mr Sherwood said the figure agreed upon by the

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P.T.O.

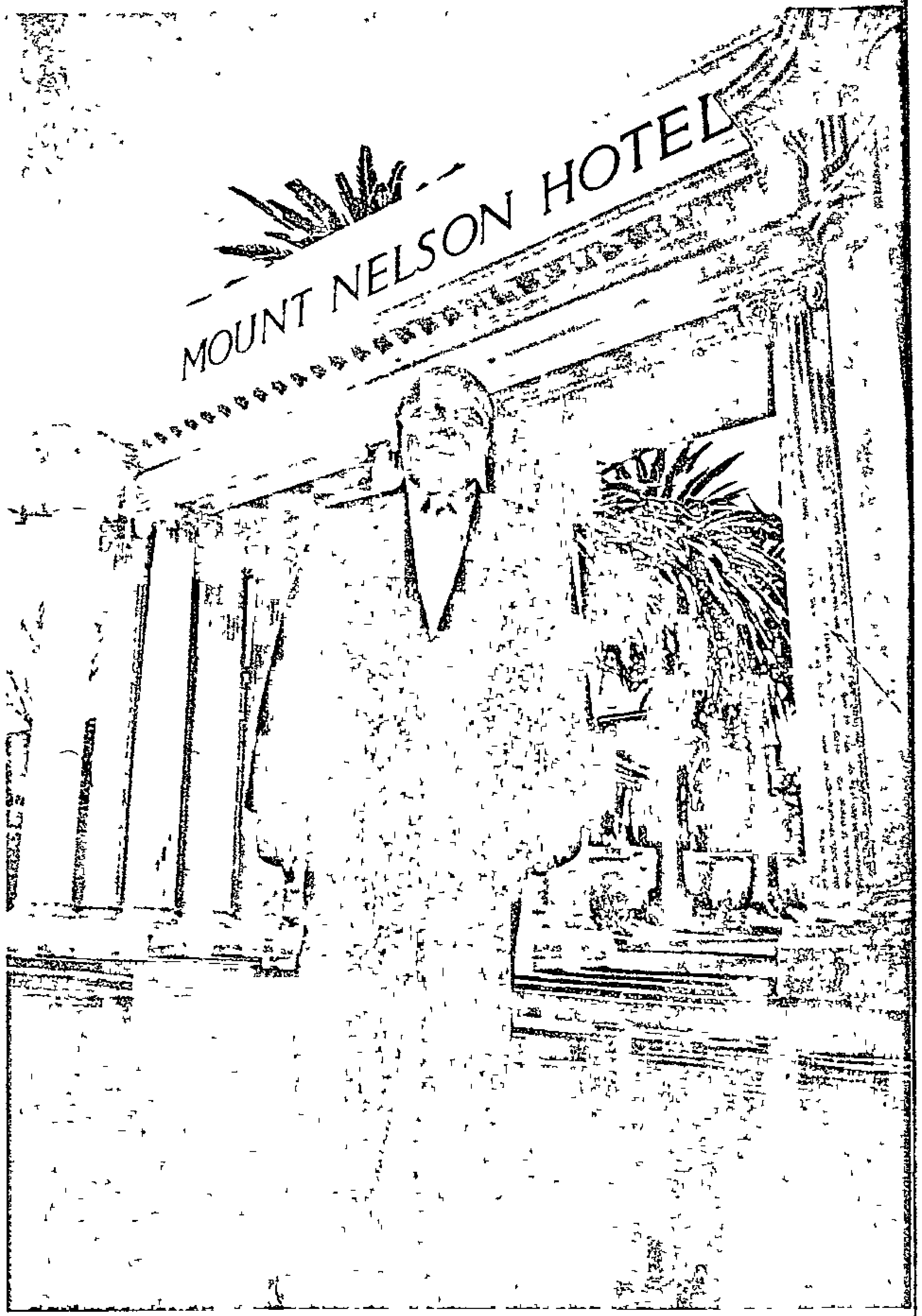
Sherwood now eyes Blue Train

THE Bermuda-based consortium Sea Containers also has its sights set on the South Africa's world-renowned Blue Train

The group has has a major share-holding in Orient Express, the company that runs the de luxe trans-European train made famous by the Agatha Christie murder mystery

"Based on our experience in running the Orient Express we will approach the South African government on the possibility of managing the Blue Train," said Mr Sherwood yesterday

"We approached the government a couple of years ago on the possibility but were turned down However, there appears to have been a change of heart and we hope we can add the Blue Train to our operation"



NEW OWNER . . . Mr James Sherwood outside the Mount Nelson, the hotel he is hoping will become the focus of an international tourism drive

Picture GLENN SHERRATT

From page 1

Cape Times 14/8/88 232

two companies was £6 million in an "off-shore deal" between the British firms

The planned second phase in the process of once again making the Mount Nelson one of the world's top hotels was to offer South African investors a shareholding of "up to 50%" equity in the hotel, he said

"There will be no dramatic changes to the hotel. The changes will be slow in coming and only made after we have taken a good look at the needs of the marketplace," he said

Mr Sherwood said that about 70% of visitors to the Mount Nelson came from abroad and added that Sea Containers' network of travel-related subsidiaries would strongly promote Cape Town as a destination

"We have 75 people in London, as well as offices in Paris, Dusseldorf, Milan, Tokyo, New York, San Francisco, Dallas and Rio de Janeiro."

He said the success of marketing Cape Town and Southern Africa as a tourist destination could prompt the company into buying more five-star hotels in the sub-continent.

"People in Europe want to see wild animals and they want to see natural beauty What we could do is first take tourists to Kenya before bringing them to Cape Town"

There was "plenty of room to expand the Mount Nelson", and Sea Containers had "already been virtually convinced of the need to add another 50 rooms" to the 150 rooms at the hotel

"I don't believe that a de luxe hotel can provide an extremely high level of service with more than 200 rooms

"The hotel facade will not change, it is part of the Mount Nelson tradition and we do not want the hotel to become another Southern Sun-style hotel.

"If the Mount Nelson changes its image, it will go down," he maintained, adding that Sea Containers did not anticipate any short-term staff changes

"Our personnel policies will be dictated by local considerations We have got to be responsive to requirements on a local level," said Mr Sherwood.

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20/8/88

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NEWS

Privatisation of the Blue Train is now in the offing

JEREMY DOWSON

CAPE TOWN — The Blue Train could become part of an international railway empire that includes the Orient Express, if the new owners of the Mount Nelson Hotel have their way.

Sea Containers Ltd and its subsidiary, Orient-Express Hotels, own the two historic Orient Express trains, which operate between London and Venice

And recently they were given the go-ahead by the governments of Malaysia and Thailand to run a luxury rail service between Singapore and Bangkok

Sea Containers president Mr James Sherwood said this week his company would approach the Government about taking over management of the Blue Train

The company approached the Government a few years ago but was turned down

However there seemed to have been a "change of heart" and it was hoped the company could add the Blue Train to its operation, he said

Department of Transport spokesman Mr Leon Els said yesterday· "We are looking at the possibility of privatising aspects of the operations of South African Transport Services (Sats) However no decisions have been taken yet"

Mr Els said he was not aware of any talks between Sea Containers and Sats officials

Orient-Express Hotels Inc owns six deluxe hotels in North America and Europe and manages the Turnberry Hotel and golf courses in Scotland and the Hotel Quinta do Lago, a golfing resort near Faro in Portugal

The company owns the two historic trains of the Venice Simplon-Orient-Express, which operate twice weekly between London and Venice

Its train division operates three Lake Windermere, England, cruisers and retails train-related gifts through its Collection Venice Simplon-Orient-Express subsidiary

It also holds a half-interest in Harry's Bar, a private dining club in London, and owns a travel agency and tour operator, Fairways & Swinford (Travel) Ltd, also based in London.

Sea Containers, based in London, has total assets of about R3,5 billion. It is listed on the New York and London stock exchanges and at current share prices the group is valued at about R700 million

Its main business is leasing marine containers, container ships and cranes and it has operations in 95 countries

It also runs ferry services between Britain, Ireland and Europe with a fleet of 44 ships and hovercraft

Last year the group acquired a 42 percent stake in Orient-Express Hotels

Mr Sherwood, who is chairman of Orient-Express, said in the hotel group's annual report in June that the company's proposed luxury tourist train service had been approved by the railways of Malaysia and Thailand

"We are seeking to complement this investment with small super-deluxe hotels in Singapore and Bangkok"

He added that there could be opportunities for investment in South America — "a region largely devoid of small, deluxe hotels"

21/8/88 STimes

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Unisys for Sankorp in R132m deal

Nic Frangos . . . victor after a long battle

SANLAM has scored a disinvestment triumph, buying Unisys SA for R132-million.

By Ian Smith

Sanlam's 100%-held subsidiary, Sankorp, has put Unisys into Datakor

The transaction elevates Datakor founder Nic Frangos from a typewriter importer a few years ago to the second-biggest computer man in SA After two weeks of secret negotiations, Datakor will acquire 100% of Unisys for R82-million in cash plus R50-million, which will be paid out over five years, depending on product supply

Datakor becomes undisputed No 2 in SA's R2,5-billion-a-year information technology market

Buttress

Sanlam industrial investment arm Sankorp becomes controlling shareholder of Datakor, buttressing its strong position in the high-tech and computer industry with the acquisition of a major mainframe and systems supplier

Unisys, the last computer major to be totally controlled by a foreign parent, gains a powerful partner reaching back to Sanlam and close family links with the national Datakor group

The company will be one of 30 Unisys distributors operating worldwide, and it will have the full support of the former parent, says managing director Jack Horton The initial distribution contract runs for 10 years

When the US parent decided to sell, approaches were made to seven SA companies, but the suitors were quickly reduced to a short-list of three

Mr Frangos says "The deal was hotly contested all the way But this irreplaceable asset of a strong customer base, superb technology and committed people is now entirely in South African hands"

Mercedes Datakor, listed on the JSE's electronics board a year ago, will change its name to Datakor The Unisys operations will be merged with Datakor's networking interests to form a new company, Unidata

The listed Datakor will have turnover of more than R400-million a year

Confidence

The company says that if it had owned Unisys through the year to last March 31 normal trading earnings would have improved from 15,4c to 15,9c a share Net asset value would have improved 12,2%, from 45c a share to 50,5c

Mr Frangos, who is chairman and chief executive of Datakor, says "In the medium and long term there will be a material improvement in our earnings as a result of the Unisys acquisition"

Sankorp general manager, investments, Attie du Plessis says the group's provision of the funds for the Unisys takeover will increase its shareholding in Datakor's holding company, Mercedes Information Technologies (MIT), from 26% to 71% Mr du Plessis becomes chairman of MIT

Restructuring

He says Sankorp's injection of R30-million in cash for its original stake in Datakor earlier this year reflected confidence in its management

"The acquisition of Unisys SA confirms Sankorp's commitment to our long-range strategy of playing a leading role in the electronics industry"

The two-phase purchase agreement guarantees that the US company will provide technological and service support for at least five years

The initial payment of R82-million will go out in financial rands Another R50-million will go into a trust in Europe, with annual tranches to the US over five years They will be linked to Unisys's "ability to maintain a relationship with the SA operation in terms of access to technology, customer support, training and all the normal support functions for a Unisys distributorship"

Mr Frangos says "It is a well-priced deal, and the dual approach to the purchase makes it even more attractive"

Once the restructuring is complete Datakor will have three operating arms

- Unidata, which will have an installed computer base of more than R600-million A major part of current revenue comes from field support services for existing Unidata installations and supplied by more than 430 service engineers in 22 centres
- Joffe Associates, Datakor's retail arm with 25 outlets and revenue of R80-million a year
- Associated companies, which include Datakor's 26% stake in Dimension Data, 20% holding in Jasco and slightly more than 40% each in Don Gray and Mast The four companies are listed on the JSE

Mr Horton, who becomes managing director of Unidata and a director of Datakor, says the deal and the continuity of supply will help to eliminate any nagging concern about Unisys' commitment to the SA market

It will also be good for the morale of staff, who also went through the

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From Page 1

Unisys

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trauma of the merging of Sperry and Burroughs to form Unisys in October 1986

The deal is the culmination of a seven-year dream for Mr Frangos He first discussed some kind of link-up with the companies which formed Unisys in 1981

Three years ago the proposal came up again at a lunch with Mr Horton

His strategy for sound, profitable development in his chosen field needed four requisites strong representation in the office automation sector, a strong presence in data processing, a presence in telecommunications and a strong financial partner

"Three of those are in place, and a move into telecommunications lies some time ahead"

21/8/88 232 S Times

Gourkov: Don't blame me

MYSTERIOUS Bulgarian Javor Gourkov broke his silence over the Swiftsure debacle this week — and claimed he was being unfairly blamed for the company's ills.

The high-living former managing director of the controversial venture capital company is facing theft charges for removing his office furniture from Swiftsure's Parktown offices after resigning a week ago

The police are investigating the charges, brought by the man who now claims to be at the company's helm Mr Edmund van der Merwe, jun

But Mr Gourkov, 32, said on Friday "I will fight this all the way This is pure slander I have receipts to prove the furniture is mine

"I'm being made the scapegoat for something I haven't done They are trying to intimidate me

The company which claimed it would set up a multi-million rand luxury boat-building yard in Cape Town by selling eight-million 50c shares to the public is now under provisional liquidation

Mr Gourkov's ties were severed just days before the Sunday Times revealed Swiftsure owed more than R8 5-million in sports sponsorships and other deals made locally and abroad

Mr Gourkov said Edmund never had the authority to make those deals He wasn't even officially employed by Swiftsure at the time and he had no authorisation to sign contracts"

Mr van der Merwe — who claimed Mr Gourkov had been sacked two weeks before he resigned — has refused to take or return Sunday Times calls

GOOD TIMES . Javor Gourkov and blonde at Grand Prix

The Walter Mitty life of mystery Bulgarian as he says: I'm just being made scapegoat

Problem

However, his father, Mr 'Fingers" van der Merwe, was quoted in one report this week as saying "We are having a temporary cash flow problem which should have turned around by the end of the week"

Mr van der Merwe also said the company had confirmed orders of R55-million and "we are going to build boats"

By MARLENE BURGER and ALAN DUGGAN

various venture capital schemes

Some R13 000 of the money was to buy 52 000 Swiftsure shares — but although the cheque was banked two months ago, the man has still have not yet been paid but were told on Monday to "come back next week' to collect their money

However, the company's offices on the ground floor of SPB House, Sherborne Road

perience in international finance

But former business associates, who have known him since he came to SA in 1975, tell a different story

One said "I don't really know WHAT he's qualified for He tells so many stories to so many people I've never knows what the truth is"

Mr Gourkov apparently qualified as a boilermaker in Bulgaria before moving to Austria with his mother and brother Alexander in 1972

He worked as a woodworking assistant in Vienna for about six months before arriving in SA, where his em-

and, eventually, he was fired on a set"

Another long-standing acquaintance said 'Javor is a strange person He tends to latch onto one particular person and, for as long as the relationship lasts, there's no getting rid of him

"But as soon as he started he's never turned down a lunch invitation that I know of'

Mr Gourkov and his South African wife, Cheryl, live in a fairly modest house in Westcliff, Johannesburg

Records

tors Potted plants — leased from a local firm — were removed because of overdue bills and a car rental firm said it had just taken back 'the last of our four cars"

When Swiftsure's Johannesburg offices were also visited by Mr Rennie and his attorney, Mr Malcolm Doug-

SURROUNDED by Grand Prix groupies Swiftsure's former MD, Javor Gourkov, in Miami earlier this year i ore ie uncav mes revealed Swiftsure owed more than R8 5-million in sports sponsorships and other deals made locally and abroad

Mr Gourkov said 'Edmund never had the authority to make those deals He wasn't even officially employed by Swiftsure at the time and he had no authorisation to sign contracts

Mr van der Merwe — who claimed Mr Gourkov had been sacked two weeks before he resigned — has refused to take or return Sunday Times calls

Problem

However his father Mr Fingers van der Merwe, was quoted in one report this week as saying 'We are having a temporary cash flow problem which should have turned around by the end of the week'

Mr van der Merwe also said the company had confirmed orders of R55 million and we are going to build boats'

He denied Swiftsure owed close on R9 million He said Our debts are perhaps R1 5-million no more

Meanwhile, angry investors are trying to find out where their money has gone

An East Rand businessman who did not want to be named showed the Sunday Times a receipt this week for R35 500 he invested in various venture capital schemes

Some R13 000 of the money was to buy 52 000 Swiftsure shares — but although the cheque was banked two months ago the man has still not received any share certificates

He said 'I was told this week they were in the post but so far I haven t received them

I m holding the broker who sold me the shares personally responsible for my money"

Swiftsure employees, given notice two weeks ago, have not yet been paid but were told on Monday to "come back next week to collect their money

However the company s offices on the ground floor of SPB House, Sherborne Road Parktown were deserted and empty on Friday

GOOD TIMES .. Javor Gourkov and blonde at Grand Prix

The Walter Mitty life of mystery Bulgarian as he says: I'm just being made scapegoat

By MARLENE BURGER and ALAN DUGGAN

Stories

Mr Gourkov, meanwhile remains as much of a mystery as he was when he launched the company less than a year ago

The Swiftsure prospectus claims he has 13 years of experience in international finance

But former business associates who have known him since he came to SA in 1975 tell a different story

One said I don t really know WHAT he s qualified for He tells so many stories to so many people I ve never found out"

And another said 'Javor lives in a Walter Mitty world

'It s difficult to know what to believe He tells so many stories that he swam the Volga to escape from Bulgaria that his father is a KGB officer, that he married a high-ranking party official s daughter in Bulgaria Who knows what the truth is'

Mr Gourkov apparently qualified as a boilermaker in Bulgaria before moving to Austria with his mother and brother Alexander in 1972

He worked as a woodworking assistant in Vienna for about six months before arriving in SA where his employment record is sketchy

Stunt man

An industry source said He likes to tell people he was a stunt man for about seven years but his career in the movie industry was shortlived

He was pretty hopeless — he just couldn t do the stunts and, eventually, he was fired on a set"

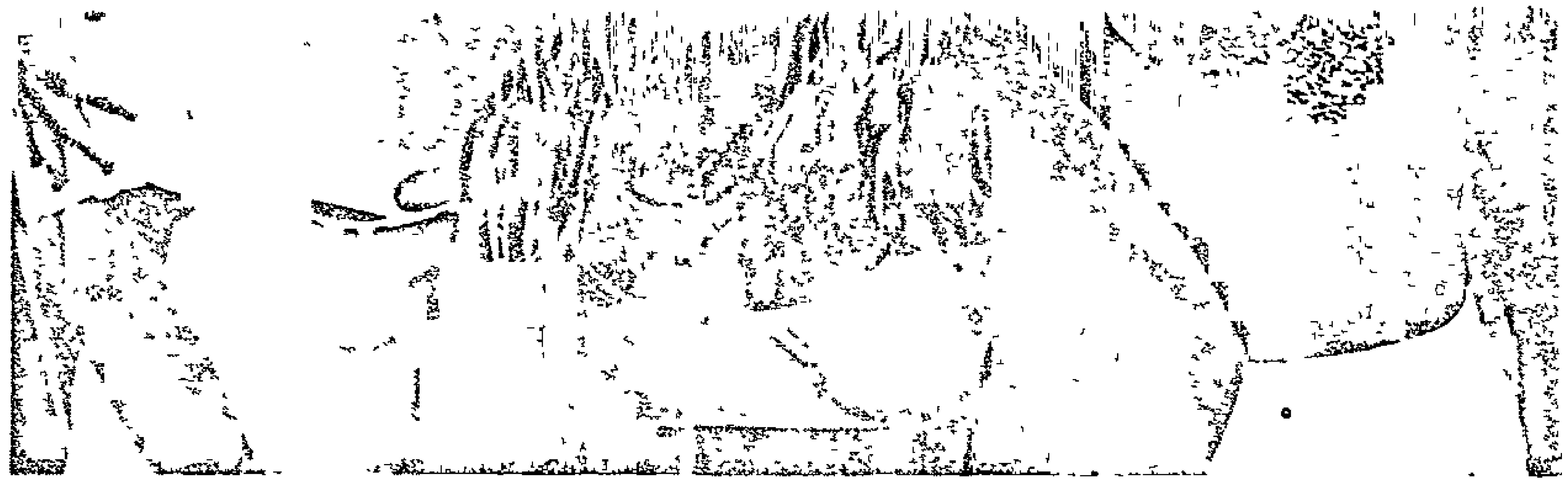
Another long standing acquaintance said Javor is a strange person He tends to latch onto one particular person and for as long as the relationship lasts there s no getting rid of him

'But as soon as he started making it big with Swiftsure he shunned all the people he had known before

A non-smoker and occasional drinker Mr Gourkov's great weakness appears to be food

A former employee said 'He loves the stuff — I ve seen him down two or three hamburgers at a sitting and he s never turned down a lunch invitation that I know of

Mr Gourkov and his South African wife Cheryl live in a fairly modest house in Westcliff Johannesburg



SURROUNDED by Grand Prix groupies . Swiftsure's former MD, Javor Gourkov, in Miami earlier this year

Records

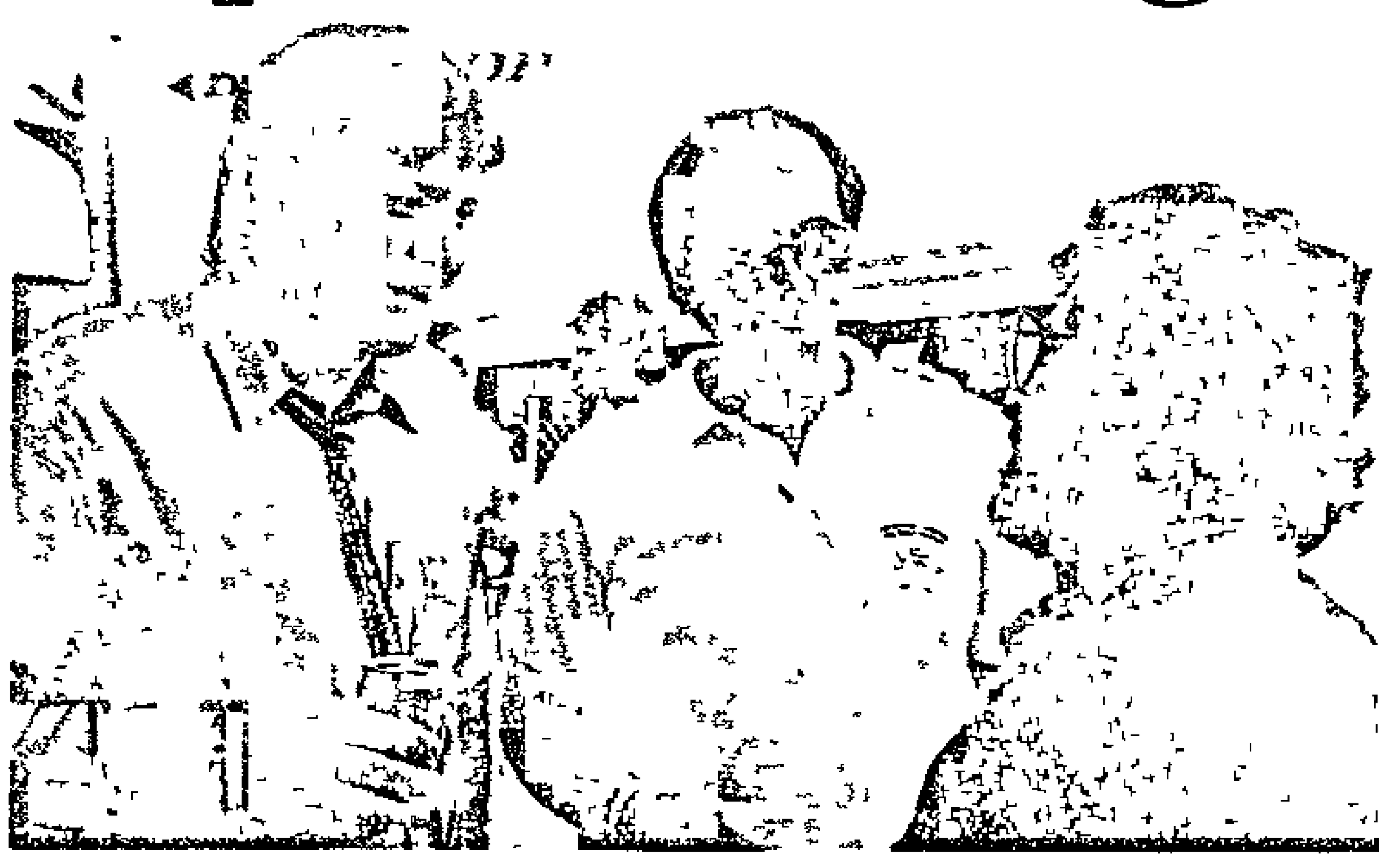
In Cape Town Mr Alan Rennie, of Syfrets Trust provisional liquidator of Swiftsure Limited, said creditors from all over SA were coming forward to lodge claims against the company

This week Swiftsure's Cape Town offices were besieged by worried creditors Potted plants — leased from a local firm — were removed because of overdue bills and a car rental firm said it had just taken back 'the last of our four cars'

When Swiftsure's Johannesburg offices were also visited by Mr Rennie and his attorney Mr Malcolm Douglas there were signs that someone had tampered with the company records

Asked to comment, Mr Douglas said The offices were locked when we got there and we later discovered files strewn over the floor Some filing cabinets had been removed altogether

Taped — the anger of Swiftsure's American creditors



Gourkov with George Schilling and sports promoter Roger Berkon (right)

AMERICAN creditors of Swiftsure have sent the Sunday Times an extraordinary videotape detailing their frustrating experiences in dealing with the controversial venture capital company

They also sent a series of pictures taken of enigmatic Bulgarian Javor Gourkov — until a week ago MD of the company

On the videotape, sports promoter Mr Roger Berkon says "Let it be noted — we are not going to roll over and play dead here in the colonies And that's a guarantee"

Two other Americans — Swiftsure's former representative in Miami, Mr George Schilling, and Miss Sonia Fornoni of Miami Racing Style Design — also appear

The 20-minute tape opens with footage of the Miami Grand Prix, which Swiftsure sponsored

The R30 000 prize money which Swiftsure promised the winner, Tom Walkenshaw, was paid by Mr Ralph Sanchez, president of Miami Motor Sports, who says he has been unable to recover his money so far

By MARLENE BURGER

Swiftsure's name was prominently displayed around the race track — but the R16 000 allegedly owed for the signage could put the Miami company, which produced it, out of business

Broke

On the tape, Miss Fornoni says "This is a small concern and, in eight years, we've never had this kind of problem

"It might not sound like a lot of money but, frankly, I might have to close down if I don't get it," the attractive brunette says

Mr Berkon says "I first got involved with Swiftsure last December, when they talked to me about the best ways to establish the Swiftsure name in motor racing in the US

"They decided to commission a car in the Daytona 24 hour race, and I was engaged to put together a full-scale TV production on their behalf

"We shot the tape, spending a great deal of time, money and effort in the process, for a $20 000 (about R49 000) production authorised by Edmund van der Merwe

"He was so excited by the results that he said 'Let's go to Miami next'"

Mr Berkon said Mr van der Merwe had paid $10 000 (R24 500) for the Daytona coverage — half of the contract price — but that no money had been received for any work done since then

"I have contracts for everything he authorised me to do Legally, they are still in effect, and I plan to hold him to them"

The Miami deal he said, had been agreed at a Sunday barbecue

"We were all at George Schilling's home — Ralph Sanchez and his deputy, Bob Wild, Edmund his father, Tom Adams, all of us

"We always believed Edmund had the authority of the company He made agreements both verbal and written in his capacity as president of Swiftsure

Parties

"Now we have Gourkov saying Ed wasn't authorised to sign anything

"If the company is over-extended, if there's confusion about who's running the show, let's talk about it

"I had a call the other day from a man in Paris He said these people must have spent something like 300 000 dollars (R735 000) on parties, helicopters and champagne at Le Mans," Mr Berkon said

10 SUNDAY TIMES, Business Times, August 21, 1988

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MANPOWER MIRROR by ROBYN CHALMERS

Staff cuts likely as bank scene changes

MORE rationalisation in banking and building societies after the Nedbank-SA Perm merger will almost certainly result in staff cutbacks

Speculation is also rife on further shake-outs in the financial services

Authorities have said for some time that SA is overbanked, too many institutions competing for a limited market

The Nedbank-Perm deal caused renewed speculation that First National Bank and the NBS would link up But there was a swift denial from First National

CULTURE

However, analysts believe NBS would fit into the culture of First National well The size of its home-loan book is similar to First National's, which already has the maximum permitted stake of 10% in NBS

Mergers between United and Volkskas and Trust and Saambou are talked about

Nedbank group chief executive Piet Liebenberg has assured the newly merged Nedperm that there are unlikely to be any lay-offs, although "there will be rationalisation and some people could be asked to move to other positions"

Considering that Nedbank's branch network is not extensive and there will be little overlap with Perm outlets, there probably will not be major retrenchments

This, however, is not the case with other banks, especially First National and Standard

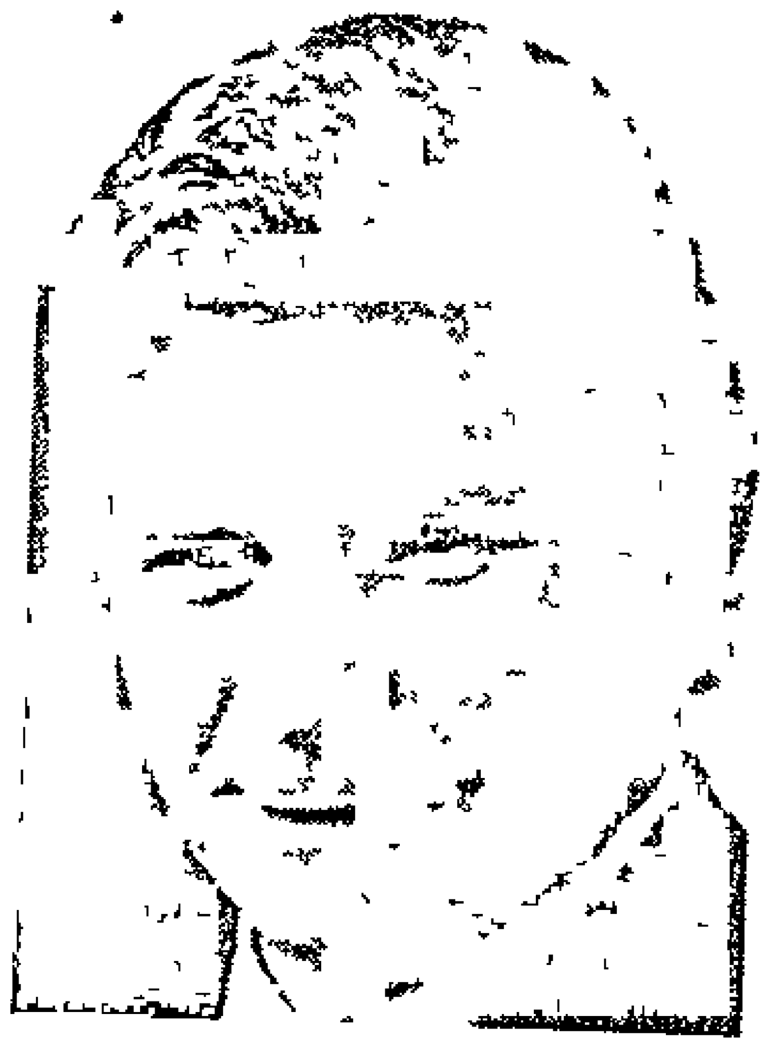
TECHNOLOGY

Corbank executive chairman Laurie Korsten agrees that the Nedperm is unlikely to have surplus staff, but says that if "First National or Standard begin merging with other institutions, it will be an altogether different story"

"Rationalisation at the moment is good, especially because of the rising cost of high-technology systems In the past 12 months we have spent R400-million on hardware alone"

The first sign of the rationalisation scenario affecting staff members comes possibly from the two unions representing bank and the building society workers

The SA Society of Bank Officials (Sasbo) decided this year to merge with the Building Society Officials Association (BSOA) This has paved the way for one of the most powerful white-collar unions in SA, representing more than 50 000 employees



Laurie Korsten ... staff rationalisation inevitable

BSOA general secretary designate Angus McCallum-Brown says the amalgamation is not yet final, but "it has been tentatively approved by the Department of Manpower"

"We have drawn up a constitution to be put to BSOA's executive council in September Much discussion is needed before the merger is accomplished"

Mr McCallum-Brown says the merger is proposed because "we forecast further amalgamations in line with Nedperm"

DWINDLED

"The whole banking game is changing This can be seen from the fact that there were 74 building societies in the mid-1920's This number has dwindled to eight, and two of the societies are small.

"Although it is difficult to predict things such as staff cut-backs, there will be some sort of shake-up"

In five to 10 years, the growth of people employed in financial institutions has been about 70% compared with 8% to 10% for industry

Amalgamation between financial institutions could leave a huge surplus of staff Mr McCallum-Brown says retraining is part of the solution

"We have approached several building societies to retrain staff rather than retrench It would also solve many problems caused by automation"

Hansard

HOUSE OF ASSEMBLY

† Indicates translated version

For written reply

General Affairs

Special constables: training

816 Mrs H SUZMAN asked the Minister of Law and Order

(1) (a) What is the duration of the basic training course for special constables, (b) where are the training centres situated and (c) how many lectures do special constables receive during training on the (i) procedures relating to arrest and detention and (ii) powers and procedures relating to (aa) entry, search and seizure, (bb) the use of physical force, (cc) crowd dispersal and (dd) the use of fire-arms against unarmed civilians,

(2) whether any follow-up courses are provided for special constables, if not, why not, if so, (a) what specified courses, (b) what is the duration of these courses and (c) where are they offered,

(3) whether these follow-up courses are compulsory, if not, (a) why not and (b) how are candidates selected to attend these courses, if so, at what stage after the completion of their initial training do special constables attend these courses?

The MINISTER OF LAW AND ORDER

(1) (a) 6 weeks

(b) Koeberg in the Western Cape

(c) It is not in the interests of safety or in the public interest to furnish this information However, I am prepared to furnish this information to the honourable member on a confidential basis if she approaches me in this regard

(2) Special follow-up courses are not presented, but continuous in-service training is presented at the various centres where special constables are stationed This training is not restricted to any particular time schedule It is conducted by experienced members of the Force on a continuous basis under strict supervision and is compulsory for all special constables They are taught, inter alia, how to put into practice those aspects of policing in which they were trained Furthermore, the in-service training is aimed at further impressing on them their statutory authority and responsibilities

(a) to (c) Fall away

(3) Falls away

Advertisement concerning church funded by SAP

1002 Mr D J N MALCOMESS asked the Minister of Law and Order

(1) Whether, with reference to information furnished to the South African Police for the purpose of the Minister's reply, (a) the Police or (b) he, from any moneys under his control, has provided any funds towards placing in a Sunday newspaper dated 17 April 1988 an advertisement concerning a certain church, if so, (i) what was the (aa) purpose and (bb) purport of the advertisement, (ii) what was the amount involved and (iii) what is the name of the (aa) newspaper and (bb) church in question, if not,

(2) whether he or the Police gave any financial support to any persons or group of persons responsible for placing this advertisment, if so, (a) why, (b) what was the amount involved and (c) by whom was it placed?

The MINISTER OF LAW AND ORDER

(1) (a) and (b) No

(i) to (iii) Fall away

(2) No

(a) to (c) Fall away

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Privatisation

1110 Mr C J DERBY-LEWIS asked the Minister for Administration and Privatisaton

(1) Whether any aspects of any departments and organizational components referred to in section 6 (1) of the Public Service Act, No 111 of 1984, were privatised over

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the past 10 years, if so, (a) what aspects in respect of each such department and organizational component and (b) when in each case,

(2) whether such privatisation has resulted in financial gain to the State, if so, what steps were taken in respect of the funds so gained?

The MINISTER FOR ADMINISTRATION AND PRIVATISATIONL

(1) Privatisation in the form of farming out of work has been taking place for many years over a wide spectrum of government functions Complete details are not available Since the Government's privatisation program was launched during December 1985, the following activities have been privatised in full

(a) (i) The grading of butter and cheese by the Department of Agricultural Economics and Marketing was ceased and is at present being undertaken by the dairy industry

(ii) The regulating of cotton standards by the Department of Agricultural Economics and Marketing was handed over to the Cotton Board

(iii) The Department of Transport entered into agreements with two consortiums for the construction and maintenance of certain roads for a period of 25 years and to run these as toll roads

(b) (i) 1 January 1987

(ii) 1 November 1987

(iii) 22 and 25 March 1988

(2) As no assets have been alienated, there was no financial gain However, there was a reduction in operational costs and consequently a saving in expenditure to the State

Debt. long-term/short-term

1116 Mr C J DERBY-LEWIS asked the Minister of Communications

(1) What was the total long-term and/or short-term debt of his Department as at the end of the (a) (i) 1982-83 and (ii) 1984-85 financial years and (b) latest specified financial year for which figures are available,

(2) How much of this debt in each such financial year was attributable to foreign exchange losses?

The MINISTER OF COMMUNICATIONS

(1) The total long-term and short-term debt of the Department at book value at the end of the financial years indicated was as follows

		Long-term debt (Foreign and Domestic loans)	Short-term debt (Savings Bank Investments)
(a)	(i) 1982/83	R 756 444 497	R1 781 994 617
	(ii) 1984/85	R1 908 067 849	R2 129 003 713
(b)	1986/87	R2 971 527 041	R3 442 895 403

(2) None, since foreign exchange losses in the financial years in question were not financed from borrowed funds but from revenue and accounted for as financing costs

Public Service· salary levels

1131 Dr P W A MULDER asked the Minister for Administration and Privatisation †

(1) (a) (i) How many persons in the Public Service, including all statutory institutions which directly or indirectly follow the salary guidelines of the Public Service, are remunerated at the salary level of (aa) ministers and (bb) deputy ministers and (ii) in respect of what date is this information furnished and (b) what was the total expenditure on salaries and fringe benefits of persons remunerated at each of these two levels in the 1987-88 financial year,

(2) whether he will furnish particulars of the persons, excluding present ministers and deputy ministers, who are at present remunerated at the said two levels, if not, why not, if so, (a) what are their names and (b) what posts are occupied by each of them?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

(1) (a) (i) (aa) and (bb) None

(ii) 1 May 1988

(b) Falls away

(2) (a) and (b) Fall away

Public relationsadvertising: consultantsagencies

1132 Dr P W A MULDER asked the Minister of Home Affairs †

Whether any division or directorate of his Department made use of external (a) public relations consultants, (b) public relations agencies, (c) advertising consultants and/or (d) advertising agencies in the 1987-88 financial year, if so, (i) for what projects, (ii) what total amount was spent on each project, (iii) what consultants and/or agencies were involved in each project and (iv) what procedure was followed in allocating these projects to agencies and/or consultants?

The MINISTER OF HOME AFFAIRS

(a) to (d) No

Regional magistrates change to conditions of service

1178 Mr C J DERBY-LEWIS asked the Minister of Justice

(1) Whether his Department has permitted a change to be effected to the conditions of service of regional magistrates, if so, (a) what change, (b) when and (c) why,

(2) whether any (a) (i) complaints and/or (ii) charges have been laid, and/or (b) other steps have been taken, against his Department for permitting this change to be effected, if so, what are the relevant details,

(3) whether he has at any stage given an undertaking to the regional magistrates in question if so, what undertaking,

(4) whether he has honoured this undertaking, if not why not?

The MINISTER OF JUSTICE

(1) to (4) It is the function of the Commission for Administration to make recommendations or give directions concerning the conditions of service of regional magistrates There is however (and always has been) an ongoing exchange of communication between the Department, the officials for whom it is responsible and the Commission on conditions of service The Department is not in a position to permit or not to permit changes in conditions of service It is not possible to identify any issues to which the Honourable Member may be referring If he can be more specific in his question, I will attempt to give him the information he requires

Tugela Ferry police station· convictions of offences

1186 Mr P C CRONJE asked the Minister of Justice †

(1) How many convictions were obtained in each of the latest specified five calendar years for which information is available, in respect of persons charged at the Tugela Ferry police station with (a) murder, (b) culpable homicide and (c) assault with intent to do grievous bodily harm,

(2) (a) how many persons convicted of offences in each of these three categories, received heavier sentences than five years' imprisonment and (b) what were the sentences in each such case?

The MINISTER OF JUSTICE

The required information is not readily available To obtain the information all court records pertaining to the crimes concerned will have to be examined

KTC area progress in upgrading

1214 Mr K M ANDREW asked the Minister of Constitutional Development and Planning

Whether, with reference to his reply to Question No 120 on 23 February 1987, any further progress has been made in the upgrading of the KTC area, if not, why not, if so, what aspects of this upgrading (a) has been and (b) remained to be completed as at the latest specified date for which information is available?

Datakor ties up US link

ROBERT GENTLE

22/8/88

MERCEDES Datakor, which has acquired the SA assets of American computer giant Unisys, appears to have covered itself well against the likelihood of further sanctions

Details released today show the purchase consideration is actually a two-legged agreement involving immediate payment of R82m with a further R50m placed in trust. The latter sum is linked over a five-year period to Unisys's ability to "maintain a relationship with the SA operation in terms of access to technology, customer support, training and all the normal support functions".

In terms of the deal, Unisys is restructured from a wholly owned subsidiary of the US mother company to one of 30 Unisys distributors operating worldwide The SA distribution agreement runs for 10 years

The acquisition also sees Mercedes Datakor changing its name to Datakor, while a new company called Unidata will be formed by the merger of Datakor's newtworking interests with Unisys SA

Control of Mercedes Information

B/Day

2232

To Page 2

Details of Datakor, Unisys deal revealed

22/8/88

B/Day

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From Page 1

Technologies (MIT), the holding company of JSE-listed Datakor, will change from Nic Frangos Investments to Sanlam Investment Corporation (Sankorp) Sankorp is the industrial arm of Sanlam, which earlier this year injected R30m into MIT in exchange for a 26% stake

The listed company Datakor will have an annualised turnover in excess of R400m a year, putting it second in line behind ISM in the R2,5bn-a-year SA market place

The new operating arm, Unidata, now has an installed computer base in excess of R600m, and its products will span the full range of information systems requirements.

Both Datakor chairman Nic Frangos and ex-Unisys MD Jack Horton — now MD of Unidata — believe the new enlarged operation has excellent potential for future growth

"In the medium to long term, there will be a material improvement in our earnings as a result of the Unisys acquisition," Frangos says.

Datakor says that had it owned Unisys throughout its last financial year, earnings and net asset value would have improved

Syria	—	1	—	—	—
Thailand	—	1	—	—	1
Turkey	7	4	12	12	3
United Arab Emirates	—	—	—	2	—
Total	333	218	480	559	447
America					
Argentina	46	51	76	106	68
Bahamas	1	1	2	—	2
Barbados	—	—	—	—	3
Bermuda	4	—	4	—	—
Bolivia	1	4	11	11	5
Brazil	21	24	64	87	51
Canada	58	64	189	262	231
Chile	14	9	16	29	8
Columbia	1	5	—	8	2
Costa Rica	—	—	—	1	—
Cuba	—	—	—	—	1
Dominican Republic	—	1	—	—	—
Ecuador	—	—	—	2	—
French Guiana	—	—	—	1	—
Grenada	—	—	—	—	1
Guatemala	1	—	—	—	—
Jamaica	1	—	—	—	—
Mexico	2	—	2	—	5
Paraguay	—	7	19	—	6
Peru	4	2	4	5	1
Surinam	—	—	—	1	—
USA	202	170	279	389	305
Uruguay	6	4	7	12	3
Venezuela	13	15	11	12	3
West Indies	—	—	—	—	2
Total	375	357	684	926	697
Oceania					
Australia	101	78	198	354	298
Christmas Islands	—	—	—	—	2
Fiji	—	—	—	1	—
New Hebrides	—	—	—	1	—
New Zealand	45	39	97	113	107
Total	146	117	295	469	407
Unspecified	28	46	—	—	1
Grand Total	7 459	6 947	17 195	28 691	30 385

(b) (ii) to (iv) Statistics according to country of origin in the case of Coloureds, Indians and Blacks are due to the small numbers involved not being maintained on this basis Such statistics are therefore not readily available

Pavement vendors policy of deregulation

1330 Mr C J DERBY-LEWIS asked the Minister for Administration and Privatisation

(1) Whether the Government s policy of deregulation applies to pavement vendors, if so, to what extent,

(2) whether the activities of these vendors are monitored in terms of (a) general sales tax payments and (b) health requirements, if so, in what manner,

(3) whether this type of deregulation is applicable to vendors of all race groups, if not, (a) why not and (b) to which race groups does it apply,

(4) whether there are any restrictions on the areas in which this type of deregulation is applicable, if so, what restrictions,

(5) whether there are any restrictions on the items which can be purchased through these vendors, if so, what restrictions?

The MINISTER FOR ADMINISTRATION AND PRIVATISATION

(1) Yes to the extent that commercial activities of vendors are reconcilable with the existing statutory regulations

(2) (a) Yes, in so far as it is practically implementable,

(b) Yes, in so far as it is practically implementable

(3) Yes

(4) Yes, those restrictions normally imposed by the licensing and local authority concerned

(5) Yes, those restrictions normally imposed by the licensing authority concerned

Income tax paid.

Income tax paid. Orange Free State

1338 Mr S S VAN DER MERWE asked the Minister of Finance

(a) How many (i) Whites (ii) Blacks, (iii) Indians and (iv) Coloureds paid personal income tax in the Orange Free State in 1986 and 1987, respectively and (b) what was the total amount paid by each of these race groups in this province in each such year?

The MINISTER OF FINANCE

1987 FINANCIAL YEAR

Population Group	Number of Taxpayers	Collections
		R
Whites	107 374	500 002 548
Asians	24	27 938
Coloureds	2 998	2 803 397
Blacks	18 143	11 783 807
Total	128 539	514 617 690

1988 FINANCIAL YEAR

Population Group	Number of Taxpayers	Collections
		R
Whites	105 117	592 135 848
Asians	21	61 842
Coloureds	3 081	3 772 354
Blacks	19 634	22 448 597
Total	127 853	618 418 641

Notes

(1) The analysis of the collections for the 1986/87 and 1987/88 financial years was done on the basis of the value of assessments issued in respect of the 1986 and 1987 years of assessment

(2) The amounts reflected in respect of Asians do not necessarily mean that they were resident in the OFS It would appear that some Asians residing in an adjoining province find it more convenient to conduct their tax affairs at the nearest Revenue Office which happens to be in the OFS

(3) The above analysis does not take into account taxpayers who fall under the final deduction system

Marburg/Margate industrial areas

1340 Mr C J DERBY-LEWIS asked the Minister of Constitutional Development and Planning

(1) To what extent have sites in the Marburg industrial area in Natal been allocated

(2) whether consideration has been given or is to be given to declaring the Margate industrial area to be a decentralized area, if not why not, if so when is it anticipated that the area will be so declared?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) Plots in the *Marburg industrial area* have been allocated as follows

Interleisure earnings up 45% in first year

B|Day 23/8/88 (232)

LINDA ENSOR

A BUOYANT leisure market enabled Kersaf's entertainment group, Interleisure, to notch up a 45% increase in earnings a share in its first year of existence, with a large acquisition drive and soaring cinema attendances in particular contributing to the strong growth.

A final dividend of 4c was declared, bringing the total for the year to end June to 7,25c on 1,8 times cover

All divisions — cinema, food, film, services and sports — contributed to the 69,4% rise in turnover to R263,6m (1987 *pro forma* R155,6m) but chairman Ian Heron says Ster Kinekor put in an exceptional performance as a result of the 13% increase in cinema attendances during 1987

He says the concept of entertainment centres has extended the life of films as they can be moved from high-capacity cinemas to low-capacity ones as attendances decline

"Buoyant trading conditions were also enjoyed in the services and sports divisions," Heron says

The change in the business mix meant margins showed a slight decline to 14,4% (14,8%) and with higher interest paid, pre-tax income increased by 63,4% to R37m (R22,7m)

A hike in the tax rate to 34,6% (29,1%) — due to the adoption of a more conservative policy on the amortisation of investments in films which are being written off over a shorter period — meant an after-tax income rise of 50,6% to R24,2m (R16,1m).

Attributable earnings after an increased outside shareholders' interest climbed 47,5% to R22,8m (R15,5m) to give earnings a share on an expanded capital base of 13,5c — 45,2% higher than the previous 9,3c

The value of acquisitions made during the year totalled about R100m, Heron said They included Combined Caterers, Porterhouse, Bimbo's, Cattleman, The Pro Shop, the Sweat Shop and Cobie le Grange retail golf outlets, Treger and Opal sports wholesalers. Interleisure also merged its television production facilities, Toron Television, with CNA's Video Lab

Heron is cautious about prospects saying the economy is cooling down rapidly and is likely to have a negative impact on business activity in the year ahead A decline in consumer spending in the second half is anticipated

"However, the contribution from certain recent acquistions for the full financial year together with growth arising from the planned opening of cinemas, restaurants and expansion of the sports division, should result in a reasonable growth in earnings for the year ahead"

A total amount of R24,5m was spent in capex in 1988 and an additional R12,3m in film investments In the current year R29,2m is earmarked for capex and R14,6m for film investments Debt-equity on a revised shareholders' funds is 43%.

Cement industry cartel to stay

23/8/88

The competitions board has granted the request of the cement industry (Anglo Alpha, Blue Circle and Pretoria Portland Cement) for exemption from the prohibition regarding horizontal price collusion and horizontal collusion on conditions of sale and market sharing

The board's recommendation follows an extensive and prolonged investigation which included a comprehensive study abroad

Dr PE Brooks of the Ministery for Administration and Privatisation said the industry had, over the past two years, taken concerted steps in consultation with the board to increase the degree of competition in the industry "In view of this and other factors I am of the opinion that the termination of the cartel will, on balance, not be in the public interest"

In March 1984 the board found that the restrictive practices were not, on balance, against the public interest at that stage — Sapa

In the public interest, says Competition Board

Cement industry gets exemption as a cartel

B Day 23/8/88

BRUCE ANDERSON

THE cement industry cartel was yesterday granted exemption as a cartel by Competition Board chairman Pierre Brooks.

He said, in his opinion, the termination of the cartel would not be in the public interest.

Brooks said the exemption he granted to the cartel — consisting of Pretoria Portland Cement, Anglo Alpha and Blue Circle — came after the board unanimously recommended granting it

The board considered an application from the cartel on August 10, in which the board was asked to exempt the cartel from the prohibition regarding horizontal price collusion, horizontal collusion on conditions of sale and market sharing

Brooks said the board had investigated certain aspects of the cement industry on two previous occasions.

"In September 1981 the board found no reason for government action against the cement industry and recommended that price control be abolished

"In March 1984 it was found that the restrictive practices were not, on balance, against the public interest at that stage," he said

Brooks said the cement industry had, over the past two years, taken concerted steps to increase the degree of competition in the industry

Any termination of the cement cartel could not be viewed in isolation from a number of aspects, he said

These aspects were "the existence of spatial monopolies, vertical integration, such as the producers' interests in cement distributors, joint ventures such as Natal Portland Cement, the production of slagment and the purchase of fly-ash, the location of raw materials and the most important markets, and the long distances cement has to be transported, together with the disadvantageous volume/value ratio of cement"

COMPUTER SCHOOL

For fifth successive year . . .

Trencor hits record profits

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Cape Times 23/8/88

By AUDREY D'ANGELO
Financial Editor

Neil Jowell

CAPE TOWN-based Trencor, the transport, tyre and manufacturing company which did well even in the recession, has achieved record profits for the fifth successive year.

Turnover for the year to June 30 is up by 29% to R514m, and attributable income has risen by an impressive 64% to R36m (R22m).

Earnings rose to 253,7c (154,3c) a share and the final dividend is 40c (22c) a share. This makes a total of 50c (30c) for the year, an increase of 67%, with the cover an unchanged 5,1 times.

Chairman Neil Jowell, whose comments are always cautious, said that what he had identified a year ago as "a modest upturn" in the economy had proved much stronger

And although he warned that domestic prospects were uncertain he said that the international container market, which made a larger contribution than expected to export earnings, "is expected to remain buoyant in the year ahead"

Jowell said that although the dividend cover remained high "the board feels it is appropriate bearing in mind the large increase in dividend this year and the stage we are at in the business cycle."

He said the ratio of interest bearing debt to equity had increased to 33% from 24% the previous year, largely as a result of increased working capital requirements and expenditure on fixed assets But it was nevertheless at a satisfactory level.

"Our strong financial position will enable us to capitalize on growth opportunities likely to occur in the present financial year."

● Mobile, which owns 48% of Trencor, has also achieved record results

The directors say its 74% subsidiary Mobile Acceptances, which is engaged in financial and leasing activities, "had a good year in the face of strong competition".

Mobile lifted pre-tax income to R4,7m (R3,3m) and after-tax income to R4,1m (R2,8m)

Its share of Trencor profits rose to R14m (R8,5m) and attributable income to shareholders was R17,9m (R11,1m).

The final dividend was 11,40c (6,70c) a share, making a total of 13,75c (8,57c) with a slightly higher cover of 4,6 times (4,5 times)

New trend in property development

Closing gold

AECI, Sasol boost market share

25/8/88

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Sentrachem sells Fedmis for R175m

B/Day

CHEMICAL giant Sentrachem has sold off the assets of its fertiliser subsidiary Fedmis for about R175m to AECI, Sasol and Omnia in what constitutes a further rationalisation of the industry.

LINDA ENSOR

In terms of the deal, finalised yesterday, AECI is to take over and run Fedmis's Milnerton operation, Sasol Fertilisers is to take over the Sasolburg complex and AECI and Sasol will take over the Phalaborwa phosphate plant in a joint venture that will secure supplies of raw material used in the manufacture of fertiliser for both

The Phalaborwa plant will be run by AECI's fertiliser arm, Kynoch

Omnia is to take over Fedmis's share of the ammonia terminal in Richards Bay while Fedmis is to retain the Kuils River operation as a property

Sentrachem MD Johan van der Walt said the R175m deal was based on the book value of assets plus the recovery of working capital

He stressed while the three fertiliser companies were involved in the deal, competition in the industry would not be dramatically affected and thus Competition Board approval had been granted As far as production of fertiliser for purchase by farmers was concerned, all three would operate independently

"The deal allows the industry to rationalise capacity, production and transport and should provide the farmer with a more cost-effective product and service," he said He added some operations may be curtailed

As a consequence of the deal, AECI's and Sasol's market share increases — Sasol's substantially

Fedmis suffered losses in 1986 but achieved a major turnaround in the year to end March after radical restructuring and internal cost-cutting The number of

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Sentrachem sells Fedmis for R175m

● From Page 1

employees was slashed from about 3 800 to about 2 100

Since the early '80s, the depressed fertiliser industry has been bedevilled by drought, low prices, price wars and overcapacity About 2-million tons were sold in 1987 on a total industry capacity of about 4-million tons

Although 1988 has seen some upturn, says Van der Walt, the market continues to be fragile

The cash injection strengthens Sentrachem's balance sheet, reducing gearing to 30% — well below the target of 60% — at a time when interest rates are rising The funds are to be used for a restructuring of the group's portfolio which has to date been unbalanced in favour of rubber and agriculture

Van der Walt said the disposal of Fedmis was part of a long-term refocusing of Sentrachem's activities Other schemes, including fairly major capex projects, would be implemented in the next few years

He said Sentrachem would expand in those areas in which it was strong, namely industrial chemicals, plastics, rubber and agricultural chemicals, either through increasing capacity or by means of acquisition

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FINANCE

Scramble for slice of privatisation pie

LINDA ENSOR

MERCHANT banks and auditing firms are scrambling to secure a foothold in the privatisation market which, while low-key at present in terms of fee income, has the potential of large rewards once the initiatives get underway.

State bodies have put out tenders to merchant bankers and auditing firms to assess the feasibility of their being privatised and if not, what should be done to become so

Contacts

Competition is fairly tough in terms of rates quoted and while the work may not be lucrative at this stage, banks are hoping to cash in on the high-income implementation phase to provide the bulk of the revenue.

It is a case of building up contacts, establishing relationships and developing expertise Management and tax consultants and accountants are also involved

These tenders, usually of two merchant banks jointly, will strengthen the banks' position when implementation gets underway.

Standard Merchant Bank (SMB) and Finansbank have emerged as leaders in the field and have established specialised departments, or sub-sections of their corporate finance divisions, to handle the task.

SMB GM privatisation Johan Smit says the merchant banks' involvement is limited to providing assistance to the legal, accounting and financial teams of experts internal to the larger corporations such as Eskom, Sats, Iscor, Foskor and the Post Office, which are working on assessing the possibility of privatisation

In addition, there are a myriad of smaller state departments being investigated

Smit says as the field is a relatively new one for SA, a great deal of innovative and creative thinking is required to meet the country's particular circumstances.

Finansbank corporate services GM Willy Ross says "We are involved in initial feasibility studies of several parastatals and state corporations, and are assessing whether they are privatisable"

Finansbank, he says, is involved in three issues relating to privatisation — one of them the tollroad between Springs and Krugersdorp

After completion of the feasibility study — undertaken together with management — the approval of the board has to be obtained before the report is submitted to the Privatisation Unit, which forwards it to the Cabinet committe on privatisation, headed by Dawie de Villiers

Secondment

Finansbank was the co-ordinating merchant bank for the Sasol issue and its GM Peter van Huysteen, who headed the bank's privatisation thrust, has been seconded for three years to chair the unit

But Smit said because of the enormity of the Sasol issue, almost all merchant banks were involved in it

A unit spokesman said no major developments were expected before the end of the year It is likely the first report submitted will be one for Iscor.

As others come to fruition, so the merchant banks' activity will get into full swing

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BUSINESS DAY, Thursday, August 25 1988

Sats faces a twisty track before viability

DISTORTIONS in the government-dominated transport industry could only be corrected though deregulation and privatisation, Standard Bank GM André Hamersma said at the Privatising Privatisation conference this week.

Speaking on the privatisation of transport services, he said distortions had occurred because government had used the transport network for reasons other than transport. It had been used as a way of implementing social policy, for strategic reasons and to win political credibility.

SA Transport Services (Sats) had recently adopted a more businesslike approach and was working towards making a profit and increasing its return on capital, but a remaining problem was the considerable losses it incurred in providing rail passenger services.

Total losses on these operations in 1986/87 were R923m To alleviate Sats' burden, government paid R751m in compensation, leaving a cost of R172m for Sats' own account. Before Sats could be privatised, its future commitments in "this highly politicised area" would have to be clarified.

Another sensitive issue was government's responsibility for the solvency of Sats' pension fund. When the fund was last evaluated on an actuarial basis in 1979, there was a shortfall of R2 097m, which in current rands was more than R6bn. A further actuarial evaluation was under way and there was reason to believe a "grave situation" would again be indicated

Sats' forex losses also posed a problem, and responsibility for them would also have to be clarified before privatisation.

Realistic

Much had already been achieved in "levelling the playing field" in transport, said Hamersma. More realistic road user charges were being introduced, wharfage charges were now being based on tonnages rather than on an ad valorem basis, and although they were still high, the change would enable coastal shipping to play a more meaningful role The deregulation of domestic air routes was also being investigated.

One important issue which had not been resolved was whether Sats should be privatised as one big conglomerate providing services in all transport modes, or whether it should be broken up.

"From a competitive point of view, it seems sensible to break Sats up along modal lines and privatise its parts separately Only then will all the transport modes be seen to compete openly, and users be able to choose between the modes on the basis of true relative costs and efficiency," he said.

NEWS FOCUS

Privatisation not an event, but a process

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HELOISE HENNING reports on the Privatising Privatisation conference

PRIVATISATION was not a quick-fix for budgetary problems, but the replacing of a State monopoly with a private one was favoured because it would bring about more efficiency, several speakers said at the Privatising Privatisation conference held at RAU this week.

Regulating privatised monopolies, it was agreed, was better than leaving the monopolies in government control.

Competitive avenues had to be energetically sought and the "natural monopolies" challenged But in any event, privatisation of a corporation would better serve the country

Most speakers called on government for a firm timetable of privatisation and said the issues facing politicians, managment, labour, consumers or investors were not insurmountable.

Pioneering

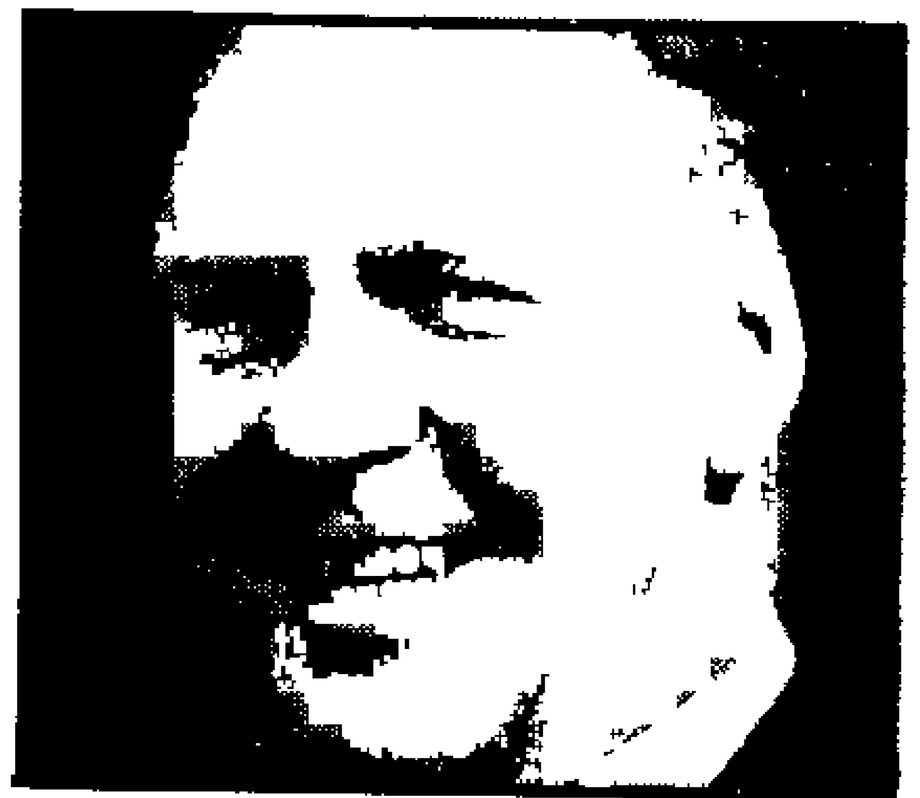
They pointed out that privatisation was not an event, but a process. Although it had become a world phenomenon, SA would be pioneering several political and economic changes.

The concept was so new it was not yet defined in the Oxford dictionary. Relying on the strengths and weaknesses of the British examples was not enough because, in some sectors, there were no forerunners.

The lack of commitment from government to the creation of small business development was "regretted".

GM of Standard Bank André Hamersma, speaking on the privatisation of transport services, said government had always used the transport industry for reasons other than mere transport, and this had led to distortions in the industry.

Government needed to give a clear commitment to making the transport services financially sound before they could be sold off.



☐ McRAE ... analysis completed

Eskom CE Ian McRae said fragmentation of the electricity giant was not the only way that competition could be introduced. Eskom, which had completed its analysis phase, had found in the several countries studied that no electricity supplier operated in a substantially competitive environment.

JSE President Tony Norton said it was common cause that the economy was in a mess which needed urgent attention The JSE perceived the process of privatisation to be a slower process than was felt by State President P W Botha who, at the beginning of the year, thought Eskom could be privatised this year.

The JSE, limited in its involvement in privatisation, was in particular the agent interested in the listing process. It required adequate disclosure of financial histories and efficiency of resource utilisation before floating a company.

"It seems obvious there are very few State-owned corporations outside of Iscor, Foskor and Alusaf which are in a shape where they could easily be offered to the public as a commercial corporate investment," he said.

Small Business Development Corporation MD Ben Vosloo said small business interests should be considered before divestment "from one giant to another" took place.

Small business created employment and harnassed large numbers of entrepreneurs. But the restrictions in licensing requirements and on mobility of entrepreneurs contained in the Land Act and Group Areas Act created unnecessary financial and administrative burdens.

Economics Professor at Vista University Mihkel Truu said that, without a commitment to small business, the chances of rejuvenating the weak South African economy looked bleak.

☐ NORTON ... adequate disclosure

Local authority consultant Werner Zybrands said the failure of local authorities to attend the conference was regretted. Outside of municipalities such as Johannesburg, Cape Town and Durban, none were involved in or seeking to understand privatisation

Finansbank MD Henne van der Merwe, after outlining the steps needed in privatising a government monopoly, said if done in an orderly way the task was not daunting. Each discipline involved should not consider the task a burden to be dealt with "in any old way" but should approach it with the view that privatisation was a beneficial process

Chairman of the privatisation unit in the office of Minister Dawie de Villiers, Pieter van Huysteen, said government had accepted that distortions in the market should be corrected by means of privatisation. The practicalities of freeing the economy from bureaucratic forces, however, needed to be addressed.

Objectives among the various stakeholders in privatisation differed and could lead to conflict. The intense process leading to privatisation should aim at achieving a realistic balance between government, management, consumers, labour, investors, suppliers and critics

Sensitive

"But any particular process of privatisation must not be deferred or stopped until all the sensitive exercises have been completed," said Van Huysteen.

Short-term fears of most stakeholders, such as increased tariffs, should be cancelled out in the long-run because privatisation leads to greater efficiency.

More public participation in the economy would lead to a healthier business climate and expanded financial markets Privatisation would in fact address the current constraints on the South African economy.

These included the balance of payments constraint, sanctions, skills shortages, capital market size, monoplies, over-concentration of political power, government corporations' poor profitability records and statutory constraints.

The longer-term interests of the total community would ultimately have to override other considerations

More liquidations likely next year

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GERALD REILLY

PRETORIA — The big decrease in liquidations and insolvencies in the first half of the year is likely to be reversed next year when government's cooling-off measures begin to bite

That is the view of economists on Central Statistical Service figures which show that, in the three months to end-July, liquidations dropped by 27,8% to 377, compared with April-June last year

And in the three months to end-June, liquidations fell by 39% to 605, compared with April-June last year

Information Trust Corporation chairman Paul Edwards said the figures reflected the vigour of the economy in the first six months of the year.

The braking measures designed to slow the economy would take some time to impact and would manifest themselves in a rising number of liquidations and insolvencies.

However, the substantially higher interest rates and HP conditions would bring the consumer splurge to an end.

"We don't expect any big increase in company and individual failures this year

"The impact will come in the first half of next year," Edwards said

But he did not see a return "to the disastrous situation of large numbers of companies and individuals going to the wall"

Privatisation: Not quite so easy in practice

By HILARY JOFFE

NOW the shouting is over business and government officials are getting down to the practicalities of privatisation

And at a conference in Johannesburg this week some of the central questions were what the objectives of privatisation would be and what methods would best achieve them.

Some of the speakers suggested there was no guarantee privatisation would necessarily boost competition, efficiency or economic growth

While some moves to turn over public sector functions to private sector entrepreneurs are happening, the selling of large public corporations — such as the Post Office, South African Transport Services and Eskom — appears to be a long way off

Speakers at the conference, presented by Rand Afrikaans University's Centre for Banking Law and Finansbank, delved into some of the complexities.

Privatisation is not as simple as selling off whole corporations and the danger of turning public sector monopolies into private ones was adressed by some of the speakers.

It was also clear privatisation and deregulation should not always go together If public utilities are to become privately owned or controlled, they may have to be regulated to protect consumer interests

Eskom chief executive Ian McRae identified three key factors in any privatisation issue: competition, regulation and economic efficiency.

But these, he said, were inherently conflicting. A balance between them would have to be achieved, "to avoid the traps of a fully competitive industry which has no efficiency advantages, an overbearingly regulated monstrosity or a private monolith which nobody can control", he said.

McRae said privatisation could come about either through change in ownership from public to private, or through a change in control or both.

However, he said, private control would paradoxically require more formal regulation in order to "ensure the creation of competitive-like forces in the absence of true price competition in the private sector".

McRae said power utility companies such as Eskom tend to be monopolies and "monopolies, public or private, must be subjected to private sector competitive forces to maximise performance".

There were a variety of forms this could take — such as fragmenting the enterprise, opening up participation, regulating prices or return on investment, customer and investor representation in the enterprise, and competition between suppliers.

He pointed to some of the problems encountered in privatisation experience in Britain, such as deterioration in service levels Objectives had thus changed from simply reducing the state's involvement in the economy and raising income for the state.

A steering committee and task forces are investigating the privatisation of Eskom; so far they have not reported on their findings.

Johannesburg Stock Exchange president Tony Norton said Eskom was a difficult case and the market had never seen its privatisation as urgent.

Privatisation was a long process rather than an event, he said, but it was one of the important initiatives necessary for economic reform in South Africa.

Norton said the JSE was gearing up for future privatisation issues, phasing its capacity up from the present 12 000 deals a day to 33 000 over three years. It would not be swamped by new issues resulting from privatisation. The JSE would accept privatisation listings only on the basis of adequate disclosure and quality of earnings, he said.

Jacques Sellschop of the Altron group of companies urged the government not to try to privatise a post office which had fallen behind technologically in telecommunications

"Present cutbacks in capital expenditure on the national network are a cause for grave concern," he said "National security and economic growth are dependent on a state-of-the-art network."

He said South Africa had 150 000 manual lines and 2,25-million automatic exchange connections, of which 400 000 were digital and the rest, electro-mechanical Because it had installed digital telecommunications early, South Africa was among the top five in efficiency in the world

He suggested it would be in the public interest for the Post Office to be privatised as a whole — rather than separating profit-making sectors and selling them, leaving the taxpayer to subsidise the rest

Telecommunications in 1986 provided 89 percent of the revenue and made a profit of R261-million while the postal services — which absorb a significant share of the assets — provided only 11 percent of revenue and made a loss of R94-million, Sellschop said

Britain was the only country which had transferred ownership of telecommunications network into private hands (although in the US it always was competitive and private) and privatisation had not necessarily increased productivity, improved the service or reduced costs, he said

Most European countries were concentrating on privatising equipment (such as telephone instruments) rather than networks He pointed out in South Africa there already was competition in equipment such as fax machines.

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This information is monitored continuous-. With the model, both the bank and the client company are able to carry out "what if" analyses to determine the likely effects of various changes in the company or its market In addition, the company's management is able to check whether the business is on track

Trust Bank assistant GM, credit control, Danie de Lange, says confrontation is eliminated and the company becomes the bank's partner in ensuring that the information is complete and accurate

However, while computer assessment is a useful tool, bank clients should be aware of the limitations Information being monitored should be subject to human assessment. This is necessary as, historically, even some of the best bank customers would, in their fledgling years, probably not have qualified under a totally mechanical rating system

The bank is charging from R100 to more than R500 for the service, depending on the amount of work required ■

JACK HORTON · FACE TO FACE

'Clients will see no change'

Jack Horton is the CE of Unidata, the new division of the Datakor group formed as a result of the Sancorp purchase of Unisys SA.

FM. **How long have negotiations to buy Unisys SA been in progress, how many organisations did they involve and when does the deal take effect?**

Horton They started in mid-June between the Unisys Corporation vice-president responsible for divestments, a British merchant bank, and seven SA firms which were selected as possible partners This number was quickly whittled down to three While I cannot name the three I can say the competition was keen, which lays to rest any doubts some people may have expressed about Unisys, and I have to reinforce that the company is still an extremely strong financially sound organisation As Unidata we have become the largest Unisys distributor worldwide

The deal takes immediate effect although the contract back-dates it to July 1

How many people are employed in the new Unidata organisation and will there be any rationalisation?

In excess of 850 people In June we assured our people that it was the end of that particular process when Unisys SA trimmed its staff by 78 people (*Technology* June 24) in line with the continuing rationalisation programme which was instituted after the US$4,8bn merger of Burroughs and Sperry annnounced in November 1986 We are now very concerned regarding our people and very sensitive to that issue Both organisations (Mercedes Datakor and Unisys) have run extremely efficiently and I have assured our people when I made the acquisition announcement that every one of them — that is everybody within the Mercedes Datakor group and Unisys — is assured of a future with the organisation and a continued career so there will be no rationalisation of people

The issue of capital assets and property still has to be looked at but I guess if there is no rationalisation of people there is little likelihood of property being disposed of We definitely won't be moving out of this building (Unisys House, Rosebank)

The implication of the contract involving an initial payment of R82m and another R50m to go into a trust in Europe with annual transfers to the US over the next five years, implies that there are long-term technology commitments tied into the agreement. Is this so?

Yes, from the point of view of the contractual agreement we have a 10-year distributor agreement with Unisys Corporation — traditionally distributor agreements are renewed annually This is particularly significant and highlights the corporation's desire to continue servicing its customer base and protect its people, after all they are a fine asset So, US law permitting, we are assured of supplies In the event of Unisys being unable to meet its commitment it will forfeit whatever remains of the R50m

How will customers be affected by the takeover in the next year?

There will be absolutely no change as far as customers are concerned We see no changes in the way we service and support installations other than the fact that we will now be able to offer considerably enhanced capabilities to those already offered by Unisys, in terms of networking, R&D, and local manufacture

As far as internal structure is concerned it can be said that the management of Unidata is well practised in merger capabilities and therefore we are in a position to put the two organisations together and we believe it will be much easier than the previous situation (Sperry & Burroughs) We are sensitive to the different cultures, Mercedes Datakor people were entrepreneurial in their approach whereas Unisys had a more formal structure.

We will retain the structure as is for the present with perhaps a few changes allowing the final shape of the organisation to evolve slowly

There is no significant need for sudden change

Was there any temptation for you or any of your executives to join Unisys rather than stay with the new Unidata organisation?

No To show its commitment to its customers and its people the strong desire of the SA management team was to remain part and parcel of this operation so as to ensure continuity and service and support to the customers

What assurances can Unisys customers derive from the deal?

For the past 20 months or so, since the IBM disinvestment, focus has been on Unisys as the next largest computer company. To that extent there has been that uncertainty among customers and employees and I think one of the key areas was to ensure that we became involved with a SA partner with significant economic clout

That has more than amply been done with Mercedes Datakor and, in turn, Sanlam subsidiary Sankorp

To that extent I believe the sword of Damocles which caused the uncertainty has been removed and we can continue to concentrate on the business at hand knowing that we are in SA hands and totally committed to the social, economic and political environment in which we find ourselves

I have obviously put the CEs of our major customers in the picture and in every instance all I have had is support and their desire that we continue on our successful path and that is the key to the whole issue

Was there ever any question of a Unisys SA management buyout?

Unisys Corporation ruled it out from the start because it felt one of the keys to continued success in SA would be the selection of a strong economic partner in the country and that's the way it went

What is the value of your installed base in SA?

It is close to R1bn.

There have been doubts expressed at the profitability of Unisys, just how profitable is the organisation?

I cannot divulge past turnover, but we believe the total turnover of the new Datakor group will be about R400m As far as profitability is concerned I can assure you we will continue to be a profitable organisation and those financial capabilities have been highlighted in our advertisement published over the weekend — other than that I don't think I can go any further

Will Unidata be in a position to distribute non-Unisys (perhaps competitive) products?

No, part of the contract stipulates that we will distribute Unisys products exclusively Only products that Unisys doesn't have which are needed for customer service can be either design manufactured by Unidata or sourced elsewhere, so there is a bit of flexibility for us where it is needed (*See Fox*).

Privatisation on line

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Dawie de Villiers is Minister of Administration and Privatisation.

***FM.* What are the priorities and what basic strategy are you applying to privatisation?**

De Villiers: The priorities will be determined by various preliminary studies under way. Experts are investigating Iscor, Foskor, Eskom, Posts & Telecommunications, and Sats. It is impossible at this stage to identify any particular enterprise as *the* priority. That will be determined as we receive the reports, and for various other reasons as well.

In what time frame will the study teams make preliminary reports?

The exercises within the large public corporations are, of course, complex However, I expect preliminary reports by the year-end

These companies are large. Are you looking at services and perhaps smaller companies?

Yes. The Commission for Administration is scrutinising all government activities to identify which can be privatised, including services which can be undertaken by outside companies. For example, cleaning.

Merchant bankers often stress that it is important to take it very slowly.

Given the size and complexity of many of these enterprises we must make haste slowly We don't want to delay unnecessarily but there are many uncertainties. We would like clarity as soon as possible on what we intend to do and how we intend to do it. So yes, given the size and nature of many of the enterprises it will take time; but our approach is to move as quickly as we can. The results of our studies will tell us how quickly.

Do you feel that once a significant project is privatised, momentum will be added?

If it's successful, yes

Do you find people are sceptical that progress will be made?

No, on the contrary, I find understanding and enthusiasm for the whole concept both in enterprises that can be regarded as possible candidates as well as in the private sector.

Have you come up against any resistance or political pressure?

No, I can't say that I have. We will have to take the public and employees along You may never find 100% agreement on such an important action but I think it is possible to satisfy the demands of most of the players in privatising a particular enterprise.

The British seem the most visible leaders in privatisation. Do you find it helpful to have their success ahead of us?

The situation in SA is quite different to that of the UK For example, Britain has a long history of nationalisation which brought many industries and economic enterprises within the ambit of the State They have now returned many of these to the private sector. We haven't had such a period of nationalisation There are relatively few economic or business enterprises run by government. I've mentioned a few. If you look at the list in the UK, it runs into tens and twenties — far more than we have. That's one major difference. Also, the market differs, and the potential for privatisation is completely different.

But the fact that the UK and many other countries have engaged in programmes of privatisation, with a successful influence on the economy, is certainly a plus point Even developing countries like Turkey and Singapore have privatised with great success, with many benefits to their economies.

Along with privatisation, do you see deregulation as important?

Yes, very important, given that SA is partly a developing country.

To make it easy for the developing communities to move into the market economy we must remove as many unnecessary regulations as possible. Deregulating, of course, does not mean just scrapping all regulations. It is really reforming them, streamlining them, doing away with unnecessary hassles and red tape and introducing simple basic rules That is my responsibility and I am strongly committed to it The two go hand in hand.

An objective of privatisation is to provide more scope for the private sector, reduce the role of government. Equally, deregulation creates the framework for small businessmen or women to operate in.

One aspect of deregulation is to allow private companies to compete with government monopolies such as the Post Office.

Yes, in the broader sense you are right: deregulation opens and contributes to competition Therefore the competitive aspect of privatisation is constantly in our minds. The beneficiaries of deregulation will not only be the smaller business community and informal sector, but also larger competitors in markets such as road transport, air travel and communications

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DATAKOR/UNISYS

Better than rumoured

After all the rumours about the Datakor takeover of Unisys, the actual terms must be a relief for shareholders At this stage some analysts still express reservations about the impact on Datakor minorities and suggest that, despite some of the purchase consideration being withheld to ensure continued supply, Datakor may be paying a high price

But the terms are much more favourable than suggested The total price of R132m is lower than originally rumoured and only R82m of this will be paid immediately, the balance to be placed in a trust overseas and paid over five years, provided Unisys honours its supply contracts in that period The supply agreement is for a total of 10 years

Profit figures must be notional, as treatment of a subsidiary is very different from that of a distributor Nic Frangos, CE of Datakor (previously Mercedes Datakor) and chairman of the new combined company Unidata (see ***technology***) says Unisys was profitable last year He maintains Unisys showed sustained growth prior to the Sperry merger and though Sperry had a more volatile profit history it did always make a profit.

Using figures given in the announcement (EPS would have risen from 15,4c to 15,9c had the deal been done a year earlier), taxed profit for Unisys was R12,8m, which makes the p.e 9,7 based upon the full price. This seems fair without taking sanctions into account, especially as some of the payment is being withheld. Adding R12,8m to Datakor's announced profit of R7,7m for the year to end-March, total taxed profit amounts to R20,5m, which Frangos expects to maintain for the year to March 1989, taking Unisys in for nine months. Frangos says this is net of substantial conversion costs.

But what are Sankorp and Datakor buying?

Unisys is the second- or third-largest computer company in the world, and, apart from mainframe strength, is well placed in other activities. The multinational ran into problems after acquiring Sperry, resulting in a loss of US$92m in 1986, but 1987 saw a turnaround to a profit of $948m. Unisys is emphasising "open" systems and Frangos says that Unidata will stay at the fore in technology.

Very important in SA is the customer base. Frangos says that he and Sankorp looked at possible scenarios under sanctions and Datakor would enjoy substantial short-term benefits, with cash flowing from service income Sales of new equipment contribute 40% of profits and some of these would be maintained even in a worst-case situation. If sales were reduced to one-third, in a year's time, R92m would have been paid for earnings of R9,37m — still a p.e of less than 10

Datakor's Frangos . . . talking for two years

But Sankorp must have faith in Unisys's ability to supply SA It may be suggested that Datakor has set up a good supply network in case of sanctions, but an industry source points out that mainframes sold from the US need an end-user certificate This would then mean involving a third party to act as a front.

If sanctions are less severe than the proposed Dellums amendment indicates, the deal must be good in the long term Even in the current year, fully diluted EPS should increase and net worth has climbed 12% Stock is currently being audited, and, if this falls short of the warranted figure, the difference has to be made up by Unisys. Attie du Plessis, GM, investments, of Sankorp, says the company is well stocked and there are extensive warranties from the sellers.

An interesting point is the loss of control by Frangos to Sankorp Frangos previously controlled Datakor via a 74% holding of its pyramid MIT, of which Sankorp will now take 71,6%. The transaction will involve Datakor issuing 80m additional shares, taking its issued share capital up to 136,5m

Du Plessis' argument — used not for the first time by Sanlam — is that there has simply been a change of control within a control situation, as MIT has always controlled Datakor and the JSE approved the transaction in its totality, without demanding an offer to minorities But for investors there is a difference Previously they held shares in a small company controlled by Frangos, but they are now invested in a large company controlled by Sankorp

Du Plessis, meanwhile, feels it is in everyone's interest that the uncertainty overhanging Unisys is now out of the way Sankorp decided some time ago to expand in electronics, according to Du Plessis, and this included gaining control of a company in the computer industry Frangos approached Sankorp and mentioned, when they took a 26% stake earlier this year, that he wanted to acquire Unisys

Frangos says he began talking to Unisys MD Jack Horton (who will now be CE of Unidata) two years ago and was aware that he would lose control if Unisys was injected into Datakor He chose his partner carefully on the basis that Sankorp encourages independence of companies it controls and Frangos seems happy to exchange control for being in charge of a company which is number two in the country.

Sankorp has interests in a number of other electronics companies, including Plessey and Siemens, but Du Plessis says the other companies are very different and it is not Sankorp's policy to put all companies in the same industry under the same umbrella The merger must also settle before further acquisitions are made

For the investor it is a matter of guessing how severe sanctions will be and what impact they will have Apart from that consideration, the deal is positive, especially in the long term *Pat Kenney*

FERTILISER

Shake-up expected

The fertiliser industry seems set to undergo its next major shake-up When the *FM* went to press, it was widely believed that Sentrachem was on the verge of selling all or part of its wholly-owned fertiliser arm, Fedmis

Sentrachem MD Johan van der Walt declined to make any comment ahead of a press conference which the group was due to hold on Wednesday afternoon However, market speculation was that AECI's Kynoch and Sasol Kunsmis had negotiated to buy Fedmis, which would be held through a jointly-owned company.

If so, this would further reduce the number of significant players in the fertiliser industry, following the rationalisation of a couple of years ago when Kynoch bought Louis Luyt's Triomf operations At present

FM 26/8/88

DEREGULATION

A limited scorecard so far

■ There has been progress. More could follow. Yet more is needed

Locked into economic growth of below 3% for the foreseeable future — and compelled to remain a capital exporter for years to come — SA now faces some stark realities A soaring birthrate, increasing impoverishment, unemployment and socio-political unrest top the list — unless drastic changes take place This is where many see deregulation as offering a glimmer of hope

The dimensions of the demographic problem need to be considered By 2010 — 22 years away — the PWV might have to house, feed and employ more than 20m in a vast urban sprawl equal to the Mexico City of today The country's total population could quadruple to 120m by 2035 Current projections put the number of jobless at 4m — 25%-30% of the country's active population Where will the jobs come from?

Small Business Development Corporation (SBDC) CE Ben Vosloo notes· "If present trends continue, our population can be expected to double in 25-30 years and an estimated 1 500-2 000 jobs *per working day* will have to be created if we are to avert a major unemployment crisis "

Urbanisation is taking place on a massive scale (see ***Leaders* August 19**) Durban is today SA's "squatter capital" — and one of the fastest-growing cities in the world with 1,7m living on its outskirts, in backyards and on vacant plots Black migration to Cape Town is taking place on such a scale that the city's total population should reach 2,9m by 1990 — 10 years earlier than projected

The 1986 scrapping of the notorious pass laws was one of government's major reforms of apartheid A political move — bowing to the inevitable — it was also an acknowledgement that laws and regulations cannot control or restrict certain social and economic realities It was a start

But SA needs more than new political structures It urgently requires structural economic adjustments to unlock the entrepreneurial talents of all its people Otherwise the country might well sink into a permanent state of Third World torpor, mass unemployment, impoverishment and social regression.

Deregulating SA's economy is of vital importance

"Research conducted in high-growth economies such as Japan, Taiwan, Singapore and South Korea reveals that small business is by far the most effective job creator in a free enterprise economy The number of jobs per unit of capital invested is generally far higher than in larger firms," says Vosloo.

"Black consumers already account for over 40% of total retail sales By the year 2000, black personal income will be in excess of 40% of the national total The black consumer market is also steadily becoming more sophisticated Rapid urbanisation anticipated over the next 15 years is likely to accelerate the rate at which blacks assume Westernised values and become integrated into the modern economy "

The redistribution of spending power is marked — with the black, coloured and Indian share of total disposable income rising from 12,2% in 1972 to 44,5% in 1985 "Real average household incomes in Soweto have more than doubled over the past 20 years," Vosloo comments "The dismantling of apartheid laws can also be expected to contribute towards a substantial narrowing of the wage gap between blacks and whites "

Today blacks are the largest consumers of food, clothing, footwear, alcohol, detergents, dry cleaning and laundry services, while education, furniture and household appliances, tobacco and cigarettes, and personal care items will follow suit over the next 15 years So, with 50% of SA's estimated 1m businesses operating in the unrecorded sector (providing income for about 3,5m people), the informal sector is already playing a vital role in our economic life

Along with privatisation, a *dedicated* process of removing legal overregulation and bureaucracy — as well as deregulating the informal and small business sectors — could create the real spark to set the economy on a growth trend The Far East "miracle economies" have grown for decades — why not SA?

What has been achieved so far — since government first officially announced its support for a policy of deregulation? Some progress has been made, although in most areas talk is more evident than action A quick scoreboard of what has been achieved so far shows

- ☐ Black taxis legalised,

Free Market's Louw .. hope for 1989

(24)

□ Urban leasehold, property and business rights for blacks, the selling of township homes and "orderly" urbanisation as official policy,
□ Multi-use zoning of black residential property,
□ "Grey areas" in terms of the Group Areas Act, as well as the opening of more than 100 CBDs for non-racial occupational rights,
□ The Kew industrial centre deregulation as a model for further centres,
□ Extended shopping and trading hours,
□ Relief of overstrict food handling hygiene requirements,
□ Deregulation of fixed or minimum fees for land and quantity surveyors, town and regional planners, valuers and architects,
□ Revised national building regulations,
□ Amended hotel star grading and quality requirements,
□ Market-related interest rates for farmers, allowing the market to determine some food commodity prices, changing the structure and administration of various agricultural control boards,
□ Effective deregulation of the banking sector, following the De Kock reports, and
□ Substantial deregulation of licensing requirements for hawkers and informal traders in Johannesburg, Cape Town and Durban

Trouble is that this list looks of more substance than it is, considering an official commitment that dates back at least four years Promises are still the stuff on which advocates of deregulation feed their anticipation

"I used to feel that talk about deregulation was about as far as we were getting, but I now believe that major changes are in the pipeline and planned for 1989," says Free Market Foundation (FMF) CE Leon Louw Perhaps

There are problems, as SBDC spokesman Johan Naudé admits "It seems that obstacles to deregulation exist at provincial level, especially as far as the new uniform licensing ordinance is concerned Political will is the crucial factor at this stage "

The recent appointment of Dawie de Villiers as Minister for Administration and Privatisation in the Office of the State President could be a catalyst for further positive movement But the looming October municipal elections may well cast a political shadow over the prospects for further, quick, essential deregulation

A strong swing to the Right may well retard essential change at local government level for some time

Nonetheless, important legal changes are said to be in the offing

Topping the list is proposed provincial legislation to drastically reduce the licensing requirements (and cost) of setting up about 75 categories of new businesses, following a Competition Board (CB) report in January 1987 A new uniform licensing ordinance, applicable in all four provinces, is set to drastically lower entry barriers to economic activity

Other deregulation projects include

□ Proposed new road and rail transport legislation (seen as a "massive breakthrough" by the Public Carriers' Association) This will simplify the current transport maze and improve productivity by about 30%,
□ A new liquor law which will simplify application procedures and cut costs,
□ The deregulation of 24 "industry hives" by late 1988,
□ The CB's investigation into multi-purpose uses of land, zoning and the greater availability of space for black business,
□ Streamlining township development and eliminating costly bureaucratic delays,
□ Airline deregulation, creating a competitive element in the skies, and
□ A new, single minerals law for SA

There is no alternative — either the economy opens up and provides freedom of entry to the millions of unemployed and the hundreds of thousands reaching the job market each year, or SA faces an unmanageable future of deprivation, mass unemployment, increasing unrest and plunging living standards for all

The chaotic impact of overregulation that must be stripped away is typified by the experience of the Durban City Council which — since 1954 — has been attempting to have parts of Clairwood declared an industrial area In a memorandum to the State President, the SA Property Owners Association noted "In the 33 years that this has been going on, innumerable houses have been declared slums with owners being obliged to destroy them

"In the main, many hundreds of owners concerned have been unable to develop their properties either as housing or for industrial or other purposes "

While politicians and bureaucrats often delay unpopular changes to the status quo, private-sector vested interests are also to blame for fighting the removal of laws and regulations that protect them against competition Hotdog stands in the vicinity of fast food outlets have been moved along

Deregulation looks more difficult than it is in reality, especially to an administration to which coercion is second nature But, fortunately, leading local authorities like those in Cape Town, Durban and Johannesburg have made major changes to restrictive regulations to permit free trade

Informal sector . . . making the market work

And there are powerful private-sector deregulation lobbies at work — including the SBDC, the FMF, the Sunnyside Group (representing about 150 000 small enterprises), the African Council of Hawkers and Informal Traders, the Urban Foundation, with its remarkable work on housing and group areas, and the Law Review Project, a private-sector funded legal body All are involved in important work preparing the way for increased deregulation Trouble is that laws and regulations are still being made faster than outdated ones are being removed

Some progress notwithstanding, the remaining task of freeing the economy is huge — and aggravated by intensive lobbying by vested interests, bureaucrats and politicians Essential legal change — less law, that is — is now a question of political will That places the ball squarely in Pretoria's court Is it too much to hope that commonsense will eventually prevail in time? The outcome of the Group Areas amendments currently before Parliament may hold out a clue ■

Healthy forecasts for current year

Grinaker, Globe turn in strong results

Gm Times 26/8/88

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By AUDREY D'ANGELO
Financial Editor

CAPE Town-based Globe Engineering and construction and electronics group Grinaker — both in the Anglovaal stable — have turned in improved results for the year to June And both make optimistic forecasts for the current year

Grinaker has lifted earnings by 83% to R23m, equivalent to 71,4c (39,2c) a share The dividend has risen to 22c (14c) a share with cover increased to 3,2 times (2,8 times)

This was achieved in spite of a higher tax bill, which more than doubled to R31,9m (R15,3m)

Turnover rose by 41% for the second successive year to R886,3m (R629,3m) Operating profit was up by 81% to R66,8m (R37m), showing margins have improved, and pretax profit was 103% higher at R67,9m (R33,4m)

Investment income was higher at R5,3m (R1,8m)

The directors say the amount of work in hand "bodes well for the current year Not only is it at a higher level than at any time during the past four years, but the margins are also better"

Globe Engineering lifted after-tax profits for the year to June by 54% to a record R6m (R3,9m), equivalent to earnings of 172c (112c) a share The annual dividend is 10c higher at 70c a share with increased cover of 2,5 (1,9) times

Operating profit rose by 74% to R2,3m (R1,3m) Investment income also rose, resulting in a pre-tax profit of R3,2m (R2,1m)

But lower export incentive allowances and timing differences almost tripled the tax rate And although the marine repair division reported higher profits than last year — due mainly to a large casualty repair — its margins were tighter

The electrical division also had lower profit margins so that in spite of a higher turnover the directors say its profits remained static

However, the industrial division and Cape Diving and Salvage reported higher profit margins, the shipwright division had an almost full order book throughout the year and the Walvis Bay operation returned to profitability

The directors disclose that Globe has entered into a joint venture agreement to provide fabrication services for some portions of off-shore contracts

They say the marine engineering industry is still highly competitive because of an international over-supply of services But prospects for general engineering work "seem positive"

They forecast profits for the current year "much in line" with those announced yesterday

Privatisation: Not quite so easy in practice

By HILARY JOFFE

NOW the shouting is over business and government officials are getting down to the practicalities of privatisation.

And at a conference in Johannesburg this week some of the central questions were what the objectives of privatisation would be and what methods would best achieve them

Some of the speakers suggested there was no guarantee privatisation would necessarily boost competition, efficiency or economic growth

While some moves to turn over public sector functions to private sector entrepreneurs are happening, the selling of large public corporations — such as the Post Office, South African Transport Services and Eskom — appears to be a long way off

Speakers at the conference, presented by Rand Afrikaans University's Centre for Banking Law and Finansbank, delved into some of the complexities

Privatisation is not as simple as selling off whole corporations and the danger of turning public sector monopolies into private ones was adressed by some of the speakers.

It was also clear privatisation and deregulation should not always go together. If public utilities are to become privately owned or controlled, they may have to be regulated to protect consumer interests.

Eskom chief executive Ian McRae identified three key factors in any privatisation issue: competition, regulation and economic efficiency.

But these, he said, were inherently conflicting. A balance between them would have to be achieved, "to avoid the traps of a fully competitive industry which has no efficiency advantages, an overbearingly regulated monstrosity or a private monolith which nobody can control", he said.

McRae said privatisation could come about either through change in ownership from public to private, or through a change in control or both.

However, he said, private control would paradoxically require more formal regulation in order to "ensure the creation of competitive-like forces in the absence of true price competition in the private sector"

McRae said power utility companies such as Eskom tend to be monopolies and "monopolies, public or private, must be subjected to private sector competitive forces to maximise performance".

There were a variety of forms this could take — such as fragmenting the enterprise, opening up participation, regulating prices or return on investment, customer and investor representation in the enterprise, and competition between suppliers.

He pointed to some of the problems encountered in privatisation experience in Britain, such as deterioration in service levels. Objectives had thus changed from simply reducing the state's involvement in the economy and raising income for the state

A steering committee and task forces are investigating the privatisation of Eskom; so far they have not reported on their findings.

Johannesburg Stock Exchange president Tony Norton said Eskom was a difficult case and the market had never seen its privatisation as urgent.

Privatisation was a long process rather than an event, he said, but it was one of the important initiatives necessary for economic reform in South Africa.

Norton said the JSE was gearing up for future privatisation issues, phasing its capacity up from the present 12 000 deals a day to 33 000 over three years. It would not be swamped by new issues resulting from privatisation. The JSE would accept privatisation listings only on the basis of adequate disclosure and quality of earnings, he said

Jacques Sellschop of the Altron group of companies urged the government not to try to privatise a post office which had fallen behind technologically in telecommunications.

"Present cutbacks in capital expenditure on the national network are a cause for grave concern," he said. "National security and economic growth are dependent on a state-of-the-art network"

He said South Africa had 150 000 manual lines and 2,25-million automatic exchange connections, of which 400 000 were digital and the rest, electro-mechanical Because it had installed digital telecommunications early, South Africa was among the top five in efficiency in the world

He suggested it would be in the public interest for the Post Office to be privatised as a whole — rather than separating profit-making sectors and selling them, leaving the taxpayer to subsidise the rest

Telecommunications in 1986 provided 89 percent of the revenue and made a profit of R261-million while the postal services — which absorb a significant share of the assets — provided only 11 percent of revenue and made a loss of R94-million, Sellschop said

Britain was the only country which had transferred ownership of telecommunications network into private hands (although in the US it always was competitive and private) and privatisation had not necessarily increased productivity, improved the service or reduced costs, he said

Most European countries were concentrating on privatising equipment (such as telephone instruments) rather than networks He pointed out in South Africa there already was competition in equipment such as fax machines

26/8 – 1/9/88 W/Mail 232

THE battle lines are drawn between AECI and Sasol in the R750-million-a-year fertiliser market after the sale of Fedmis this week.

AECI, Sasol and Omnia are dividing the assets of Fedmis for R175-million Sentrachem is the seller Fedmis was No 2 in fertiliser

AECI and Sasol emerge as the main players in fertiliser — as they are in explosives

Omnia says it will not chase the slice of the market left by Fedmis But far from a cosy market-sharing arrangement, a free-for-all is expected

Joint venture

AECI will acquire the Fedmis ammonia and fertiliser plant in Milnerton, Cape Town, and in a joint venture with Sasol the phosphate plant at Phalaborwa

Sasol Fertilizer will take over the complex at Sasolburg, and Omnia gets the Fedmis share of the ammonia terminal at Richards Bay

Shareholders in AECI, Sasol and Omnia are entitled to feel short changed on information. Nobody is dislosing who pays how much for what and what the effect of the transactions will be on profits — or market share

Market information is closely guarded, but it is thought that Kynoch has the largest stake, followed by Omnia and Sasol

The question is, who will get the Fedmis share of the market which is estimated at about 600 000 tons?

The name of the fertiliser game is volume and Kynoch and Sasol will be eager to grab as much of the market as possible.

Albie de Waal, deputy general manager of the Sasol group, says that because fertiliser deals are conducted between the salesman and

By Don Robertson

the farmer, the winner will be the company which acquires most of the Fedmis sales team

Rationalisation in the industry in the past few years has resulted in the Potchefstroom plant of Triomf Fertilizer being absorbed by AECI Triomf's Richards Bay plant was acquired by Indian Ocean Enterprises

Benefits

Oliver Hill's Swaziland operation dropped out of the market, leaving AECI's Kynoch, Fedmis, Sasol and Omnia

But the four had to share a market which plunged to 2-million tons last year — the lowest in many years Production capacity is about 4-million tons a year and several plants have been mothballed

John Skeen, managing director of Kynoch, says further rationalisation was necessary Fedmis took advantage of the marginal improvement in the market to shed its interests

Dr Skeen says benefits of rationalisation include improved capacity use, savings on expensive transport, a more stable market, a better supply balance and the ability to close old plants

He says that although Kynoch is profitable, the returns would not be please shareholders However, he expects the more stable market to rectify the position

Neville Cross, managing director of Omnia, says his company's access to ammonia through Richards Bay will end a strategic problem it had

The company is operating at near capacity, but Mr Cross says any increase production will be for more profitable customers

Mr Cross believes the market will rise by about 10% this year

STimes 232 28/8/88

Riddle of missing millions

AS much as R10-million may have left South Africa during the brief heyday of Swiftsure.

Investigations into the affairs of the now-defunct venture capital firm have uncovered amazing details of abandoned deals — some said to be worth millions — with companies all over the world

And as desperate investors tried this week to trace money they said they had put into Swiftsure the commercial branch of the SAP opened a dossier on the company that claimed it would set up a multimillion rand boat-building industry in Cape Town.

A spokesman for the commercial branch in Johannesburg confirmed that the case had been reported by the Registrar of Companies and said detectives were investigating

An inquiry to assess Swiftsure's assets and liabilities begins in Cape Town tomorrow

The commissioner — appointed by the Master of the Supreme Court in terms of Sections 417 and 418 of the Companies Act — is Mr Johan van den Berg, a Cape Town advocate

It is likely that attempts will also be made to find out why at least R5 million, and possibly as much as R10-million, left the country — and whether the transfers had the approval of exchange control authorities

Stupid

Swiftsure Ltd was placed under provisional liquidation on August 12 after representations by the managing director of Murray & Roberts (Cape), Mr Robert Pomario, who said his company was owed R34 000 for arrears in rent on it s Cape Town boat yard

Meanwhile, brokers are still trying to sell Swiftsure shares to the public ' to save the company '

The Sunday Times has been inundated with calls from investors who parted with massive sums of money in exchange for hundreds of thousands of shares at 25c each

SAP opens dossier on Swiftsure as investors fear they've been duped

By ALAN DUGGAN and MARLENE BURGER

Without exception, they have asked not to be named

One elderly woman said I realise I've been extremely stupid but there s no way I want my friends and family to know just how stupid "

At the age of 67 the woman says she faces a bleak future if she cannot recover her money

"I put everything I had into Swiftsure I m a widow and I sold my family home in England hoping to use the proceeds to buy a retirement home here

' In commercial rand terms I ve given them more than R200 000 — and the broker had the cheek to tell me last week that I could help save the company if I bought more shares'

He wanted me to put in 10 percent of my original investment six months ago, despite the fact that I ve never received a single share certificate'

The bulk of the woman s money — £27 000 — was paid into bank accounts in London

Two Zululand investors had their cheques paid into accounts in Johannesburg and Mtubatuba

The men — who invested R50 000 each on the advice of a broker — were also asked this week to make an additional investment of 10 per cent.

Worry

'The broker keeps on telling me there s nothing to worry about — that our money is safe said one of the men

"But where the hell is it then?

He said his broker — whom he had known and trusted for several years — had resigned from an auditing firm to sell shares in venture capital schemes

"He said he was working for Share & Property Brokerage and that I should make my cheque out to the SPB Trust Account.

'That sounded fine — but now I find the cheque was deposited in an account held by Snyman Portfolio Beleggings Trust '

The managing director of Share & Property Brokerage Mr Coen Wium said his company had never been directly involved with Swiftsure

"We are consultants who look at venture capital schemes in the early stages

"We did this for Swiftsure but it has never been an SPB-approved project

Agreement

'The shares were marketed by independent brokers — who also sell shares for schemes that we are involved in — but they had no authorisation to use the SPB name in connection with Swiftsure he said

One of the Zululand businessmen who bought shares at the end of June has a memorandum of agreement in which Swiftsure undertakes to issue him with 200 000 shares within 12 months in exchange for a loan" of R50 000

Should he require an earlier return on his investment, he could exercise an option to buy shares any time before July 1 1989 at 25c each

By that time the guaranteed value of the shares would be not less than 49c each

The document is signed on behalf of Aristocorp cc — a close corporation with Mr Javor Gourkov as sole director — which also signed a R600 000 purchase agreement in January for a house and two adjoining plots in Llandudno

The agreement has not been honoured

● Attorneys for Mr Javor Gourkov formerly managing director of Swiftsure issued a Press statement this week in which their client said he was suing one Sunday newspaper for R1 million and that he also intended issuing summons against the Sunday Times

The Sunday Times has received no formal legal communication from Mr Gourkov and would vigorously defend any action brought by him

Shares could be listed on JSE

30/8/88

Govt yes to Sats being split into five

B/Day 23

CHRIS CAIRNCROSS

CAPE TOWN — Legislation would be introduced next year to make Sats into a statutory company operating five separate business units, each of which could have the potential of eventually being listed on the JSE, Transport Minister Eli Louw said yesterday

He said that decision was made by the Cabinet last Wednesday and was in line with previous announcements concerning the eventual privatisation of Sats and the steps being taken to deregulate the transport sector.

● LOUW

The new company, which would strive to operate on profit-making lines and would be taxed on the basis of any ordinary company, would have assets of R19bn (R50bn on a replacement basis) and liabilities, including long-term debt, of about R10bn.

The Cabinet decision flowed from the report and recommendations made by Wim de Villiers, government's main adviser on privatisation, which were accepted in their entirety A condensed version of the De Villiers report was made public for the first time yesterday

That report was first submitted to government two years ago and steps have already been taken to implement several of its recommendations. They relate to the splitting up of Sats into five separate business units

Louw said the decision to transform Sats into a statutory body would create the sort of structure that would facilitate the possible privatisation of all or only parts of the transport utility through the sale of shares to the public

● See Page 3

The Transport Affairs Minister would retain his role as co-ordinator of all transport modes in SA But the Sats new board of directors — to be appointed by government — would comprise private sector as well as government representatives with Sats' general manager controlling its strategies and financial results

Supplementary to government's powers to exercise control as a shareholder over Sats, more parliamentary

● To Page 2

Govt yes to Sats being split into five

● From Page 1

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control over the company would comprise the tabling of its annual statements in Parliament for debate, with the Minister further provided with powers to ensure the company did not act contrary to the strategic and economic interests of the country

Louw said Sats employees would not be worse off as a result of the new arrangements They would be fairly treated, pension funds would continue and the creation of a statutory company would not lead to any personnel dismissals Salary claims would, in future, be dealt with according to a negotiation process in terms of the Service Conditions Act of 1988

As the privatisation process developed and shareholding became a reality, provision would be made for employees possibly to acquire shares

As regards the financial consequences of the creation of a statutory company profit and loss accounts would be compiled in accordance with the Companies Act, the company would handle its own investments, it would pay taxes, tariffs would be negotiated, cross-subsidisation would be phased out, and investments would be made only in assets which would render a reasonable return

SATS into new plan

25/8/88

Sowetan

SOUTH African Transport Services will be transformed from a State business undertaking to a statutory company soon, the Minister of Transport, Mr Eli Louw, announced yesterday

He said the Cabinet had decided on this step which was the culmination of long and intensive investigations over a number of years

In Parliament a report of a study by Dr W J de Villiers on the Strategic Planning, Management Practices and Systems of Sats was tabled

Mr Louw said the step was in line with announcements that were made regarding privatisation of Sats separate business units.

This made provision for members of the private sector and personnel to obtain participation on a shareholding basis in a possible future privatisation action

232

Explaining the top management structure of the new company, Mr Louw said that a board of directors comprising Government and private sector members and the general manager of SATS would control the strategies and financial results of the company.

Unions welcome Sats restructuring

2.32

B Day 30/8/88

ALAN FINE

THE Federal Council of Sats Trade Unions yesterday welcomed the announcement on the restructuring of Sats as a move towards privatisation.

Council general secretary Abraham Koekemoer said the unions' positive approach was made possible by a written assurance received yesterday from Transport Minister Eli Louw that no employees would be retrenched and that the pension fund would remain in operation.

He said the council had been kept informed of developments since the original report was issued

Koekemoer said members, presently involved in a bitter wage dispute with Sats, "can only benefit" from privatisation

Privatisation would mean employees would be covered by the Labour Relations Act which would extend to them many collective bargaining benefits from which they are now excluded.

These included the right to take allegations of unfair labour practices to the industrial court and, although it was not yet clear, possibly the right to strike

Cape Times 31/8/88 232

Speculation after Liberty group suspension

From HAROLD FRIDJHON

JOHANNESBURG — Intense speculation has been triggered off in financial circles by yesterday's surprise suspension — in Johannesburg and London — of the major shares in the Liberty Life Group

In Johannesburg Liberty Life, Liberty Holdings, Liberty Investors and Fugit are affected and on the International Stock Exchange in London both Liberty Life and Fugit have been suspended

The usual laconic announcement says that negotiations are taking place, "which if successful could have a material effect on the shares of the companies".

All that one could get from chairman Donald Gordon's aides was "no comment"

The immediate reaction in stock exchange circles was that chairman Donald Gordon might be following a path similar to that taken by the Rembrandt Group

That it would list an offshore-based holding company which would acquire Liberty's foreign investments, probably giving participation rights to Liberty's SA investors

Credence to this view is hardened by the presence on the Libvest board of Johann Rupert who played a key role in the Rembrandt restructuring

The Liberty Group has, according to the latest accounts to December 31 1987, a 48,7% stake in the £751m (R3,09bn) TransAtlantic Holdings

TransAtlantic owns 77,5% in London-listed property company Capital & Counties, 25,7% in Sun Life Assurance and 41% of the listed Continental and Industrial Trust.

Last year TransAtlantic's profits rose to £39,1m from £24,4m

Gordon's plans to list TransAtlantic in London have been thwarted by the reluctance of the stock exchange to list TransAtlantic because its main business is holding large blocks of shares in other companies

Last year its shares were listed in Luxembourg, a poor second.

The London Stock Exchange, however, does list investment trusts and this suggests where Fugit comes into the scheme of things It is an investment trust, listed in both London and Johannesburg and would appear to be a perfect vehicle for a Rembrandt-type operation

About 90% of Fugit's 79 246 917 shares are held by Liberty Group companies

An offer to buy out the minorities as part of a reconstruction would involve about R60m and as a wholly-owned subsidiary, Liberty companies could acquire the R600m Fugit portfolio which could be paid for by the sale of shares in TransAtlantic, before reversing TransAtlantic into Fugit.

And to compensate SA shareholders in the Liberty Group, the new-look Fugit could make a rights offer to them — a la Rupert

This is all conjecture but it has the ring of probability

OWNERSHIP & CONTROL

1988

SEPT — ~~[illegible]~~ DEC.

Liberty hives off offshore interests

CMG Times 2/9/88 232

From KAY TURVEY and HAROLD FRIDJHON

JOHANNESBURG — Liberty Life Group shareholders will participate in a R475m rights issue to finance the acquisition by Fugit (First Union General Investment Trust) of the group's offshore interests valued in excess of R1bn

To fund the deal Fugit will sell for cash its widespread portfolio of SA shares to Liberty Life (Liblife) for about R609m The balance, to be paid in cash, will be raised in a 75-for-100 rights issue

Liblife will renounce 83% of its entitlement to the holders of ordinary, preferred ordinary and convertible preference shares and option holders in the executive option scheme, in the ratio of 200 Fugit shares for every 100 held at about R8 a share

Liberty Holdings (Libhold) which has a 52% interest in Liblife, will in turn make a rights issue to its shareholders, including holders of options to take up shares in the executive option scheme, in the ratio of 50 new Fugit shares for every 100, at the same price Liberty Asset Management (LAM) will renounce its rights to Libhold shareholders

Terms of the rights offers will be announced before Fugit and Liblife shareholders meetings in October 1988

Liblife's off-shore investments are held through wholly owned subsidiary Conduit Insurance Holdings and comprise the Luxembourg-listed TransAtlantic, which, with total assets exceeding £843m, is among the 48 largest listed companies in the UK.

TransAtlantic, in which the Rembrandt group has 20%, has a 26% holding in Sun Life Assurance, 64,4% in London-listed Capital and Counties and 41% in the London-listed Continental & Industrial Trust in which Conduit has a further 29% share

Capital & Counties is a property owning and development company

Continental & Industrial at June 1988 held 89% of its £169m investments in gilt edged stocks "pending more favourable opportunities for equity investment".

Reserve Bank approval has been obtained for these transactions, which are based on the commercial rand equivalent of the net asset value of Conduit.

Provided they all follow their rights Liblife's direct stake in Fugit will be reduced from 84,9% to 55%, Liberty Investors (Libvest) will hold 5,7% of the enlarged Fugit, Standard Bank Investment Corporation 4,3%, Guardian Insurance 2,3%, Guardbank Management Corporation 0,8% and LAM 1,6%

The rights issues will be underwritten by Liberty Life and the first dividend will be paid in respect of the 1989 financial year in April 1990

At yesterday's press conference chairman Donald Gordon said the prime motivation for the reconstuction was to correct an imbalance in the apportionment of Liblife's shareholders funds because of the organic growth in its offshore portfolio At June 1988 these investments constituted 68% of Liblife's shareholders funds of R1,55bn This will be reduced to 37% calculated on the basis of the commercial rand exchange rate to the British pound

The path was cleared for the reconstruction by the "stamp duty holiday" wich enabled the Fugit portfolio to be transferred to Liberty saving about R9m.

As Fugit had never traded the shares in its portfolio this one-off deal would be unlikely to attract tax.

Fugit's name will be changed to First International Trust and its London listing will be ended because its investment portfolio will have an insufficient spread to satisfy London's rules which are opposed to the listing of pyramid companies A listing, however, will be sought on a Continental bourse

The reconstruction will result in a "significant reduction" in Fugit's dividends with earnings down to about 22c from last year's 31,7c But Gordon said shareholders would ultimately be compensated from the potential benefits resulting from a direct participation in its international investments

Fugit shares will be a prime rand hedge investment because its profits will accrue from offshore interests earned in sterling.

This will make the R59m rights accruing to Liberty Group shareholders highly tradeable and shareholders who do not follow their rights can be assured of earning a handsome premium But those who have the patience and the prescience and have followed the growth of Liberty's offshore investment should take up their rights and sit back and reap the harvest.

Gold edges up

An announcement will be made as soon as possible

FM. (232)

Sharing privatisation benefits

Small Business Development Corporation (SBDC) MD Ben Vosloo recently spoke at a Privatisation Conference in Johannesburg. This is a precis of his address.

2/9/88

Privatisation could contribute significantly to economic growth if certain conditions are met — and if small business is allowed to share substantially in the realignment of control of the nation's productive capacity

Small business — the seedbed of entrepreneurship — is a cost-effective job creator, a source of innovation and creativity, contributes to stability in developing communities and, most important for privatisation, spreads business ownership widely

It would be naive in the SA context to ignore the stabilising influence of small business Entrepreneurial citizens of our society are self-supporting, value the resources they own and the opportunities they have and contribute to the upliftment of the communities in which they operate

The accusation that privatisation merely implies the transfer of State monopolies to private monopolies and does not facilitate a reasonable distribution of business opportunities, could be addressed by the role small business is allowed to play in the process

The apparent opportunities for small business in privatisation are in the creation of partnerships with government, the contracting out of services as well as the discontinuation of services or activities by the authorities

It is at local government level that these methods could be most useful, bearing in mind the typical functions that are the responsibility of local governments, such as garbage collection, transport, vehicle towing, street repair work, maintenance and cleaning services, health and welfare programmes, parks landscaping and administration, cemeteries and refuse dumps

A number of examples of the privatisation of such functions already exist in SA, notably bus companies and ambulance services, while refuse removal, recycling of rubbish and "trash for cash" schemes also operate

But a number of factors must be clarified to spell out the role of local government

☐ The responsibility and accountability for certain services,

☐ The system linking salary and pension benefits to the grade or size of the municipality must be reformed; and

☐ The importance of increasing economic participation and the interdependence between the First and Third World sectors of the economy.

What of the sale of public assets? There are two distinct issues here What should government do with the revenue generated? And how best can the sales maximise economic and social benefits? The revenue generated is a once-off bonus and it would be shortsighted to use this for current expenditure It is encouraging to note that government intends creating capital funds for small business promotion from the proceeds of privatisation

Maximising the benefits of asset sales requires a composite strategy. The capital market determines the most efficient allocation of ownership in the private sector Privatisation should not be seen as an outcome arrived at by secret negotiations between governmment and a number of large companies.

The danger is that a public monopoly will be replaced by a private one. This danger is real because the marketability of an asset increases if it is sold as an entrenched monopoly Government needs to market assets effectively, but should not tie its hands as far as promoting competition is concerned

The successful implementation of any privatisation policy requires an appropriate institutional and legislative environment. And the benefits of privatisation can only come about if it is accompanied by meaningful reforms in a number of areas

☐ Competition Privatised concerns can dominate markets because of legal protection or the creation of artificial entry barriers, such as cartels with suppliers and customers Fair practice laws are difficult to enforce, but a strong role needs to be played by the Competition Board or even the Committee on Harmful Business Practices,

☐ Procurement assistance In the US, government agencies are compelled by law to award a percentage of government contracts to small business Such a mechanism is essential in SA and the State Tender Board can play a role; and

☐ Small business deregulation Governments in Europe and Britain realise that the loss of some 2m jobs during the past decade contrasts sharply with a considerable growth in new employment in the US

In the US, individuals are far less restricted if they wish to work for themselves, start a new busines or employ people Freedom from regulation is rather foreign to most Europeans

SA authorities have now also come to the realisation that less regulation is necessary. Restrictions on access to business opportunity such as licensing requirements and on the mobility of entrepreneurs such as the Land and Group Areas Acts can be singled out And there are unnecessary controls that create financial and administrative burdens on small businesses.

The priority now is to implement legislative change, and this calls for political will on the part of government A leading role must be played by the Ministry for Administration and Privatisation. For example, a Competition Board report on amendments of Licensing Ordinances and the scrapping of the Shop Hours Ordinances was completed towards the end of 1986 and we are still waiting for the acceptance of these proposals.

A deregulated environment can lead to success stories such as the establishment of the minibus taxi industry Estimates are that R3bn has been invested in the industry over the past eight years, creating 300 000 job opportunities in a direct and indirect way

Privatisation is a worthwhile objective But its implementation requires careful consideration of all the interests affected by this reallocation of resources within the economy The interests of small business are vital to the successful implementation of privatisation Properly structured, privatisation will give a great boost to small business and help further unlock this source of economic prosperity

Gengold not performing as expected

Gold mine Gengold has not performed according to expectations and quarterly results will be poor.

A company statement explained that although both Nestor and Malieveld mines have significant potential, ore reserves are insufficiently developed, limiting production capabilities.

Production at both these mines has been stopped and only under-ground development is continuing

Some workers have been retrenched although it is expected that production will be resumed in about six months Meanwhile opening-up work continues at Malieveld East where better values in stoping are expected

Problems with grade and gold recoveries have been experienced at Elandshoogte Remedial action has been implemented with residue mining now being practised and modifications have been made to the plant.

The Bonanza mine has performed well over the past six months but is running into difficulties with faulting The production rate has been reduced but this operation is expected to remain profitable albeit at a lower level.

The forthcoming six months are seen as a consolidation period prior to reverting to full production. — Sapa

Altron to expand offshore operations

CAPE TIMES 7/9/88 232

By AUDREY D'ANGELO
Financial Editor

SA electronics giant the Altron Group is using its British-based subsidiary Telemetrix (PLC), a computer graphics group, as a platform for rapid international growth

Announcing this yesterday, Altron executive chairman Bill Venter said "It is our intention to create an international electronics group with sales of more than R250m within the next 18 months"

A statement issued by Altron said that in a R44m deal Telemetrix was acquiring from Altron a 49,2% interest in GTI Inc, a US electronic components group which achieved sales of R92m and pre-tax profit of R5,2m in the year to December 1987

Altron sold its European interests in Components Trading and Carhena Finance to Telemetrix in August for a nominal sum

In the same month, Telemetrix incorporated a European company, Rasterex International, which has strengthened its position in the European computer graphics market and now complements its existing operations in Britain and West Germany

It has also announced its intention of acquiring a majority stake in GTI when circumstances permit This will lead to Telemetrix having annual sales of more than R140m

The deal will be by way of the issue of 23m additional shares to Altron

The statement said "As a result of these activities, Altron has come a long way to establishing itself as a presence in the European electronics industry"

Altron's deputy chairman, Don Sneddon, who has been seconded to Telemetrix, confirmed that "several more large acquisitions are under negotiation and these will be made public in due course".

Yesterday's statement said "The significant technology development of the Altron group, now totalling around R90m a year, will support the growth of its overseas investments

"Already several senior management executives have taken up positions within the Telemetrix structure although it is envisaged that top management of both the British and US operations will be in the hands of British and American nationals"

Venter said the importance of Altron's international activities was "underscored by the fact that they report at deputy chairman level in the Altron group"

Shock premium demand by AA Mutual liquidators

7/9/88

Star (232)

By Derek Tommey

Thousands of people who were insured with the now-defunct AA Mutual short-term insurance division, as well as hundreds of insurance agents and brokers who delayed payment to the company because they believed it was going bust, could be in for a shock in the next few months

The liquidators of the AA Mutual short-term life insurance company were hoping to collect an estimated R70 million in unpaid premiums from hundreds of brokers and insurance agents, one of the liquidators, David Rennie of Syfrets, said last night

The move could set off a chain reaction with members of the public, who also delayed payment to brokers, being called on to pay their outstanding AA Mutual premiums in full, plus interest at 20 percent.

This means many people who were "on cover" with the AA Mutual for even just a few days could have to pay the annual premiums due in 1986, plus interest

However, they would become concurrent creditors of the AA Mutual and have a chance of getting some of this money back if the company ever paid a dividend to creditors

In mid-1986, the AA Mutual was South Africa's biggest short-term motor insurer Its rates were the lowest in the country and this helped it capture a major portion of the motor insurance business But in June 1986 the business world was already alive with rumours the company was insolvent

This led many people to adopt a "wait-and-see attitude" and delay any payment due to the company or to their brokers

It also led a large number of brokers who had been paid, to retain the premiums in the belief they were acting in the interest of their clients However, in a test case recently against brokers Price Forbes Federale Volkskas and their client, Premier Milling, the court ruled that once premiums had been paid to a broker, they belonged to the insurer

Therefore all the AA Mutual premiums received by brokers had to be paid to it, even if the client had instructed the broker to hold onto the funds, as Premier Milling had done

Premier Milling is appealing against the judgment But some people in the insurance industry see it as the writing on the wall

Now the liquidators have taken an additional step in recovering what they believe is AA Mutual money

They have summonsed a number of brokers to pay premiums, which they say are due to the AA Mutual — even if the brokers did not receive payment from their clients

This action will also be in the nature of a test case and could go on appeal

Clearly, if the liquidators were to win this case, many insurance agents and brokers could face serious financial problems

This, is turn, could trigger a number of actions by brokers against clients But much would depend on the size of the premium due, the client's ability to pay and the broker-client relationship, a senior insurance official said

Earlier this year, it was estimated AA Mutual had assets of R210 million The figure included R74 million the liquidators said was still owed to it

Because many claims are still outstanding, no figure for liabilities has been published But it was estimated at one time that they could exceed assets by as much as R70 million

2332

PRIVATISATION

Opportunities lost

A great deal has been said about property privatisation, but in reality little has or is being done.

Ironically, property is one area in which it would be relatively easy for the State to convince the private sector of its commitment to the principle of privatisation

Developers have for some time urged government to stop erecting new buildings for its own use Now pressure is beginning to mount for it to privatise its large land and commercial property holdings.

In terms of new legislation, these are all already rateable, but in most cases only at a percentage of commercial rates The State claims exemption from full rates because, it says, many of its buildings house public services and much of its land could be allocated for urgent social needs

In June, Constitutional and Development Planning Minister Chris Heunis announced that land would be made available for housing to the north-west of Johannesburg and to the west of Soweto But apart from the ensuing rows the announcement caused with ratepayers in adjacent areas, little has actually been done since then

In any case, the Group Areas Amendment Bill and the Prevention of Illegal Squatting Amendment Bill have made it even clearer that government intends exercising a rigid control over where people live

Its argument against privatising service buildings is equally good — its central thesis is who would want a whole portfolio of post offices, schools or hospitals? And would privatisation of these services not mean cost increases, putting them beyond the reach of those who most need them?

In reality, though, it's not necessary to privatise the service to privatise the building in which it is housed. There are private sector investors who are well aware of the advantages of having government as a tenant. Incentives could also be created for the new owners, such as the rates rebates the State itself enjoys.

As for commercial and industrial buildings, these could become fully rateable if privatised. It is unlikely that they would be less than completely tenanted — even if the government departments they presently house were to fall into new, "privatised" operations

Earlier this year (*Property* March 18), Eskom became the first quasi-State organisation to investigate the possibility of selling off or syndicating its 200 000 m² of office space. Private sector consultants were called in and a report on the options was presented in May Now, according to Eskom's properties manager Ross Hatton, these plans have been "put on the back burner" because of other problems with the privatisation of Eskom's industrial operations.

Last week Sats announced it is to privatise its five divisions. The business development department, set up to sell off or lease huge tracts of under or unutilised Sats land, has in fact been operating in private sector mode for almost two years. But, in that time, it has been considerably hampered by the organisation's statutory bureaucracy

The major projects under way at present are the formulation of a development plan for Cape Town's Foreshore and a transport study which will precede the redevelopment of Johannesburg station. In both cases, the business development department has made it clear that private sector developers will have to find the finance.

However, two years of talk about the Foreshore scheme, and the fact that Transport Minister Eli Louw took more than a year to acept the Burgraaff proposals for the harbour area, mean that the impetus has been lost Will major financiers be keen to commit funds to such a scheme in the present economic climate? As Sats business development manager Fuzz Loubser says "The market must determine that Our development strategy will be ready shortly."

No doubt the market will determine what it wants The trouble is that Sats, like many a State organisation, may have already lost the game to hard-headed, fast moving entrepreneurs. ■

RETAIL RENTALS

Strange but true

If anything frightens off potential developers, it's news that rentals in a specific property sector have not risen for some time and are not likely to in the foreseeable future

A recent survey conducted by property economist Erwin Rode reveals that shop rentals across SA did not rise in the first half of this year This, he says, indicates that the economic upswing has not been as strong as was thought

Certainly, despite spending sprees to beat import surcharges, it is not sustainable in the face of higher interest rates and a higher CPI inflation rate And would-be developers should remember that the CPI indicator usually lags problems with State spending and credit overdemand, so it is likely to rise even higher next year

Since retail rents are highly sensitive to location, the survey's results were interpreted from sample lettings of 100 m² in specific shopping areas around the country It found, for example, that average rentals for a shop this size were:

- R43/m² to R50/m² in Johannesburg's CBD,
- R52/m² in central Rosebank,
- R30/m² to R37/m² in Pretoria's CBD,
- R27/m² in Sunnyside and Arcadia,
- R36/m² underground in Cape Town's main shopping area,
- R66/m² in Durban's central shopping area, and
- R17/m² in Port Elizabeth's Main Street

Rode says it is significant that many developers in the retail field tend to rely on studies commissioned by retailers themselves, or go into rental negotiations with no viability studies at all

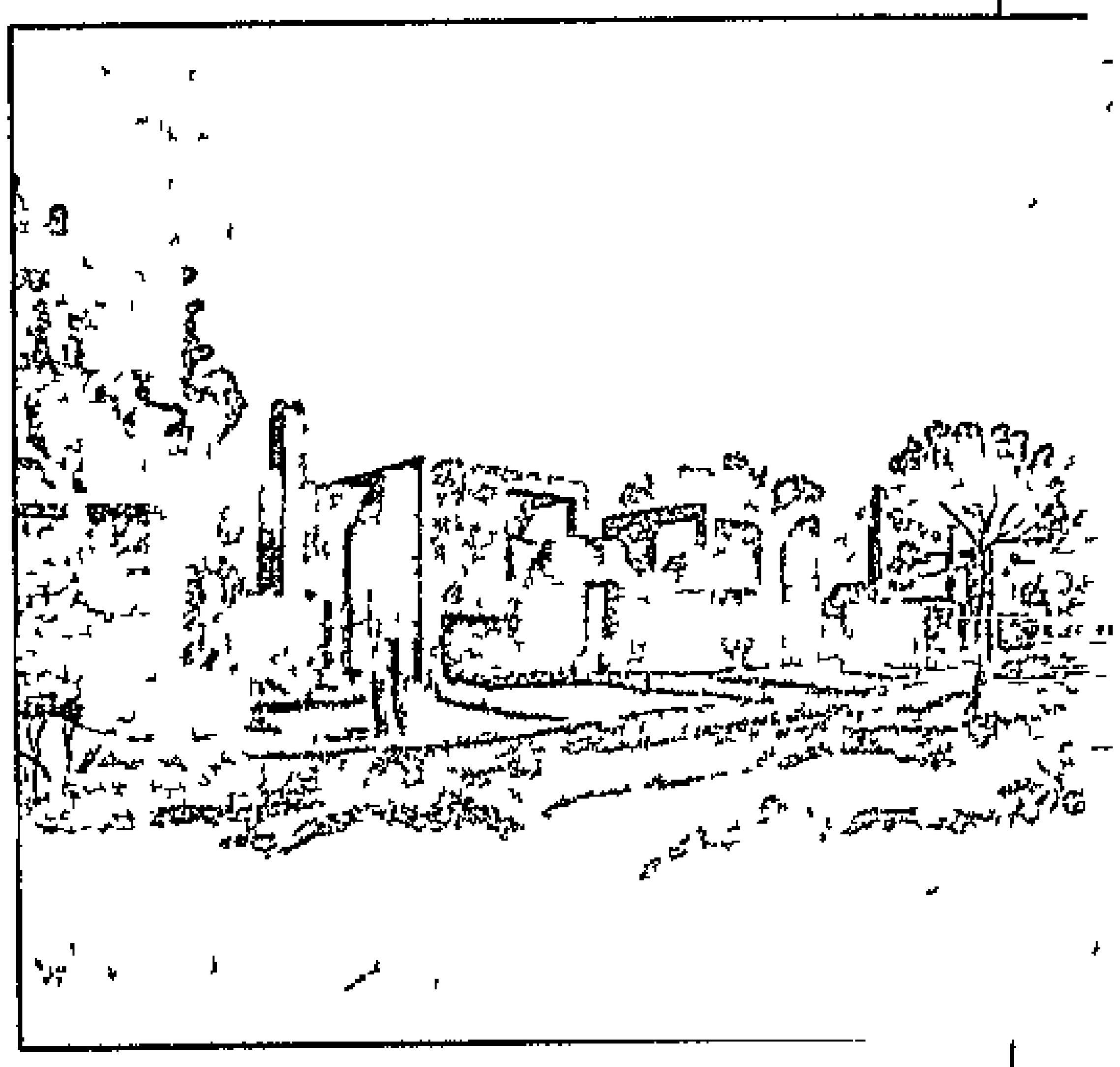
This, he says, leads to threshold turnover, at which turnover-linked rentals are to kick in, being set too high. This means that in times of low consumer spending, the developer is only getting basic rentals

Rode agrees that prime market rentals tend to rise with inflation, but says that in practice, the lag can be considerable

"We have had up to seven years of stag-

GREENING THE VALLEY

Artist's impression of Valley Farm Villas, a R25m cluster development being developed in the eastern suburbs of Pretoria by Saambou Nationaal and SJA Construction. The villas will vary in size from 120 m² to 150 m² and will be marketed to high earners without children All 132 are expected to be complete by end-1989. Owners will pay a levy towards the running of the estate, although sites will be sold freehold



FM 9/9/88

ALLIED GROUP 232

Second National?

Rationalisation in the financial services industry can be seen not only in the recent merging of the second largest building society, the Perm, with Nedbank, internal stress is evident, too, as individual organisations restructure

Most radically changed of the five major building societies since deregulation in August 1986, is the Allied In January 1987, it became the first society to open a bank — under MD Kevin de Villiers It went on, after a listing in June 1987, to merge bank and building society in October in preparation for single legislation which is expected to eventually replace the existing Bank and Building Society Acts

The Allied Group — divided into consumer, corporate, treasury, administration and informations systems divisions — is now run by De Villiers as group MD responsible for day-to-day operations Allan Tindall, MD of Allied Building Society in pre-listing days, is executive deputy chairman Says De Villiers. "Acting with the board, Allan formulates the broad strategies within which the management team operates "

Formerly group treasurer of First National Bank (FNB), De Villiers brought with him from FNB Don Hunter as senior GM in charge of Allied's treasury and Fritz Rieseberg, senior GM (administration) He has since been joined by two other ex-First National men Mike Henderson, who has become senior GM in charge of the corporate division, and Andre Latre, responsible for the consumer division which comprises the former building society and the retail business of the bank

Apparently not all staff have been happy with the rearrangement and growing influence of De Villiers' ex-FNB cabal Three senior people have resigned in recent months Senior GM (marketing) William Wolke left in April and is now GM (marketing) at FPS, financial planning services company in the Sage group. He was followed last month by group accountant John Bayliss, who will shortly join another financial institution, and executive director Ian Fraser, who leaves at the end of September


Tindall

It has been suggested that the emergence of De Villiers' team has in practice removed much of Tindall's responsibilities but there are no signs yet that he is joining the exodus However, a straw in the wind may lie in the fact that when Allied, which moved to a costly new head office in Sandton less than three years ago, moves back to town, avowedly to get back closer to the banking centre, Tindall will stay in Sandton This will house various subsidiary activities, the internal inspectorate and the computer centre.


De Villiers

De Villiers, however, denies that Tindall has been sidelined "Allan and I have worked closely together for the past 12 months on all changes of importance and executed them together It was at his behest and that of the board that the team I originally brought in to run the Allied Bank took on a greater group role. The senior management in the regional head offices is almost entirely made up of Allied Building Society staff." ■

SATS PRIVATISATION

232

Later rather than sooner

Don't hold your breath, waiting for South African Transport Services (Sats) to be privatised. Government sources say it will take at least five years for any of its major operations to fall into private hands — if it happens at all

For, as GM Anton Moolman points out, this week's announcement of the intended transformation of Sats into a statutory company controlling five profit-motivated divisions, is no more than a first step in trying to establish if privatisation is feasible.

Rail commuter passenger services have already been virtually ruled out as a candidate by Transport Affairs Minister Eli Louw — as if anyone would want to buy a social service losing millions of rands a year. However, Louw says rail freight services, like Sats' other four main divisions — harbours, airways, road transport and pipelines — has potential

Most government officials agree that if privatisation does take place, the likely first candidate is SA Airways (SAA) Even that is years down the line

Moolman explains "Nothing can happen before the statutory company is formed and that won't be until next year. Then the minister must decide on air transport deregulation. If he says yes, deregulation has to be introduced Once that happens, SAA must be seen to operate in the new environment for a couple of years, so people can judge whether it is able to compete Only then can you float the airline and offer it to investors."

The same is true of all Sats' operations They must measure up in the "real" world before Sats can even think of putting them on the market.

A brochure to be distributed to Sats employees and other interested parties, comments· "Privatisation is a long-term process which can take as long as 10 years to complete It is possible that certain large units may never be privatised."

That's not to say Louw's announcement this week of the intended creation of a statutory company, is not a significant one. It is. After years of talking about privatisation, government has created a structure to actively assess it

The latest activity is the result of the Wim de Villiers report on privatising Sats. Fears had been expressed that the report, presented to government in 1986, was being left to gather dust Instead, Louw says Cabinet has accepted all the report's main recommendations, bar two contrary to De Villiers' suggestion, the statutory company will pay company tax and the Transport Affairs Minister will not become chairman of the control board

Assuming the plan passes safely through parliament, Sats' five divisions will be separated into autonomous units under the umbrella of the statutory company Current management of the divisions will remain in place, reporting to a board of management made up of Sats officials.

They, in turn, will report to a government-appointed board of directors comprising government and private sector members The chairman will also come from the private sector

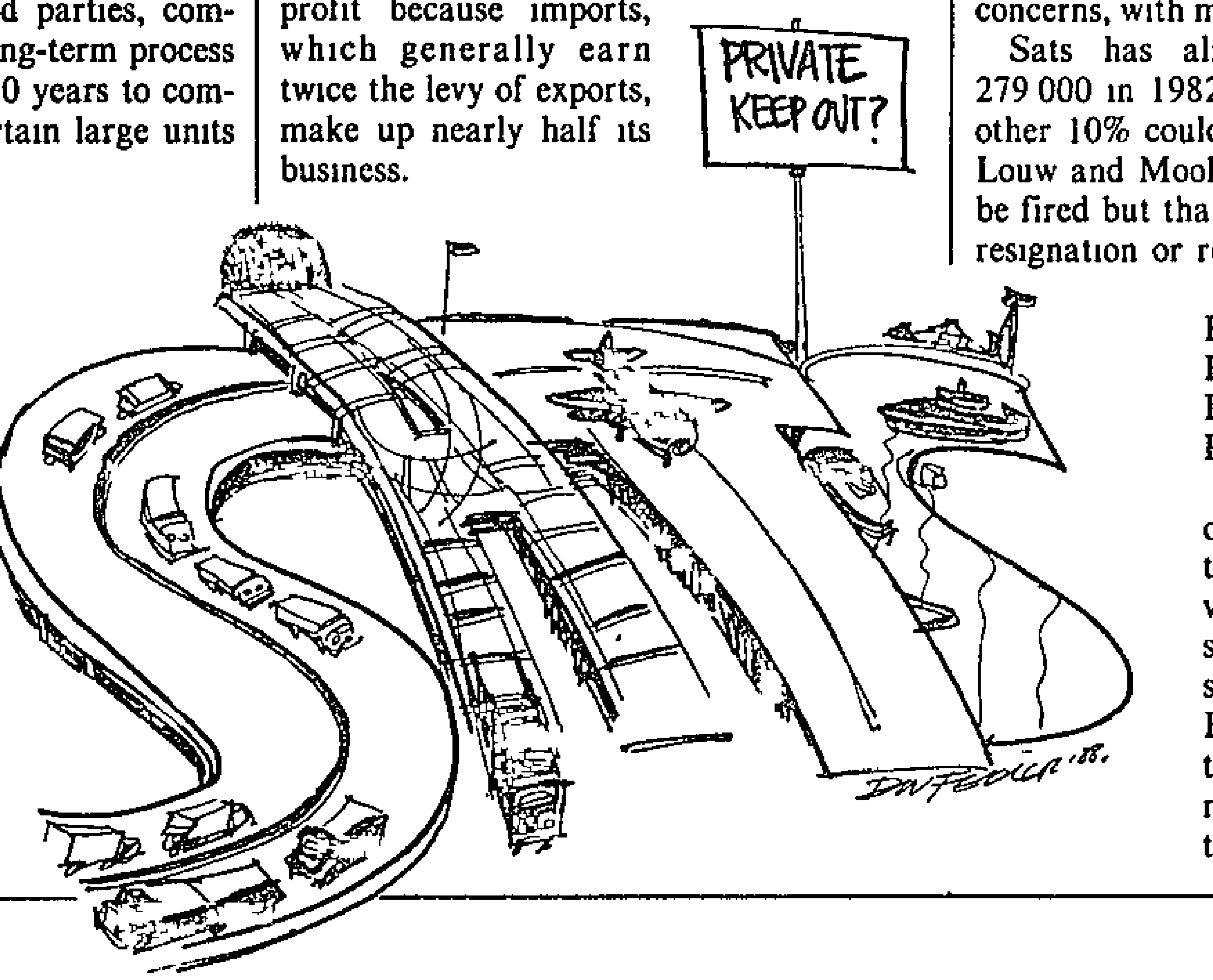
No one has been sounded out for the job yet, although Louw says he is looking for "a man with good business experience"

Each division will be charged with maximising existing profit centres and tightening up on loss-making activities

The profitable harbours division, for instance — it cleared more than R134m in 1983-1984 — makes most of its money on import wharfage fees but suffers losses on other services

Wharfage levies on expensive imported goods earn far more than bulk exports, which is why SA's busiest port, Richards Bay, loses money nearly every year while Durban makes profits

In 1983-1984, says the De Villiers report, 97,5% of cargo handled at Richards Bay, was high-volume, low-value exports and the harbour lost R10m, Durban, with a fraction of Richards Bay's cargo, made a R224m profit because imports, which generally earn twice the levy of exports, make up nearly half its business.



Under the new Sats dispensation, says Louw, divisions must try to eliminate losses in all operations In the case of harbours, this will include freeing individual ports to compete with one another on rates and services

Other divisions will also be required to maximise profits In the case of the railways, current regulations forbidding freight services from refusing contracts — even uneconomic ones — will be scrapped Published freight tariffs for rail and road, allowing competitors to see what they can undercut, will disappear and rates will become negotiable

Sats promises its rail and road operations will both compete flat-out against private transport operators

Changes like these will enable the statutory company's board of directors to see how each division will shape up in a competitive world Only then will a decision be made on what can feasibly be privatised

No decision has been made yet on what stake government will retain in privatised Sats undertakings, although Louw says "To make a proper privatisation, the private sector must have a majority shareholding"

A fundamental change under the new dispensation is that each division will retain profits Cross-subsidisation, by which profitable ventures help pay for loss-makers, will disappear.

Commuter rail services, Sats' biggest loss-maker and major beneficiary of cross-subsidisation, will in future be subsidised direct by government The services will still be managed by Sats, but only on a contractual basis

Where operations can be privatised, says Louw, they will be made available as going concerns, with management and staff intact

Sats has already pruned staff from 279 000 in 1982 to 185 000 today and another 10% could go in the next two years Louw and Moolman both insist no one will be fired but that reductions will be through resignation or retirement

Sats has current assets of R18,8bn at book value and R50bn at replacement value Liabilities total about R10bn

It's a huge enterprise and one that can't lightly be tossed on to the market Privatisation may not be an instant process but neither should it be an endless one Having surprised us all by taking the first step, government can't afford to be sidetracked any longer

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DEREGULATION

What's in the pipeline?

SA's tightening economic climate does not augur well for much-needed further deregulation of the economy

Little enough progress has been made on the deregulation front as it is (*Leaders* August 26)

But a contracting economy, higher interest rates and the sanctions squeeze indicate that, if anything, the State's grip on the economy is likely to be tightened rather than loosened The corollary to that is more State intervention and more direct controls

Such are the fruits of sanctions and disinvestment

"Internationally, resounding successes have been achieved in the balancing of budgets, reducing inflation, limiting foreign exchange and trade restrictions and controlling the money supply Unfortunately, SA seems to be heading in the opposite direction," laments Free Market Foundation executive director Leon Louw

Moves to restrict imports, tighten exchange control and "promote" exports, while simultaneously allowing the money supply to grow excessively and not curbing State spending sufficiently to balance the budget, means SA is falling further and further behind its trading partners, says Louw

"Not only are the EEC, Britain, the US and the Far East beating us hands down in the economic stakes — many African countries today also have lower inflation and higher economic growth than SA"

These include Botswana, Zimbabwe, Kenya, Guinea, the Ivory Coast, Malawi and Senegal among others. While SA tightens control over its economy and allows inflation to destroy capital, these countries are increasingly following the successful free market route to economic growth and prosperity.

"The sanctions we impose on ourselves are worse than those implemented by the US and Europe," argues Louw. "We should rather free our economy by offering tax breaks and creating free trade areas and free ports Declare the whole of SA a free trade zone and foreign capital will flow into the country, as is happening in Hong Kong and many other overseas countries."

But, the longer we wait with implementation of true free market policies, the harder it will be to catch up, he asserts.

On the micro level there is hope — and some progress towards deregulation. The best example is the success of the black taxi industry, which today represents a capital investment of close on R3bn.

"The same could result if current barriers to entry on road freight transport is removed Small business entrepreneurs could also prosper in air transport, once this sector is deregulated," says Small Business Development Corp senior manager, development services, Johan Naude

The Group Areas Act, which retards the mobility of people, freedom of choice, competition and access to secure tenure, is also a major restriction on free trade. Procedures for the proclamation of free trading areas in terms of Section 19, for example, are cumbersome, restrictive and imperfect

An immediate improvement would be to declare all business and industrial areas throughout the country, including the residential premises which fall within them, open to all, as both tenants and property owners In effect, making all premises in SA used for trading, commercial, professional, religious and educational purposes, free trade areas.

The Land Act, which only allows blacks to own and obtain property inside the 13% of the country allocated as "homelands," as well as in certain designated urban areas, must also be changed

Naude says priorities for further deregulation include

- Health regulations in terms of the 1977 Health Act must be changed to reduce high, costly standards of compliance Manufacture and distribution of food is restricted, adding to high overhead costs which are paid by the consumer,
- Costly regulations relating to manufacturing should be liberalised,
- Industrial Council Agreements in terms of the Labour Relations Act are too restrictive and should not automatically apply to small business They pertain mainly to agreements entered into between major employers and large unions Smaller concerns should be exempt from these provisions,
- Provincial licensing ordinances, which restrict entry to entrepreneurs and stultify economic growth, competition and job creation should be done away with, and
- Land use and zoning provisions in terms of central and local government legislation should be amended to allow for freer, multiple use of premises

"Anyone should be able to do what they like on their property, as long as they do not harm others Neighbourhood and nuisance law should apply — then we can also start growing as they do in Japan and Taiwan," says Louw

RAIL TRAVEL

Steaming in luxury

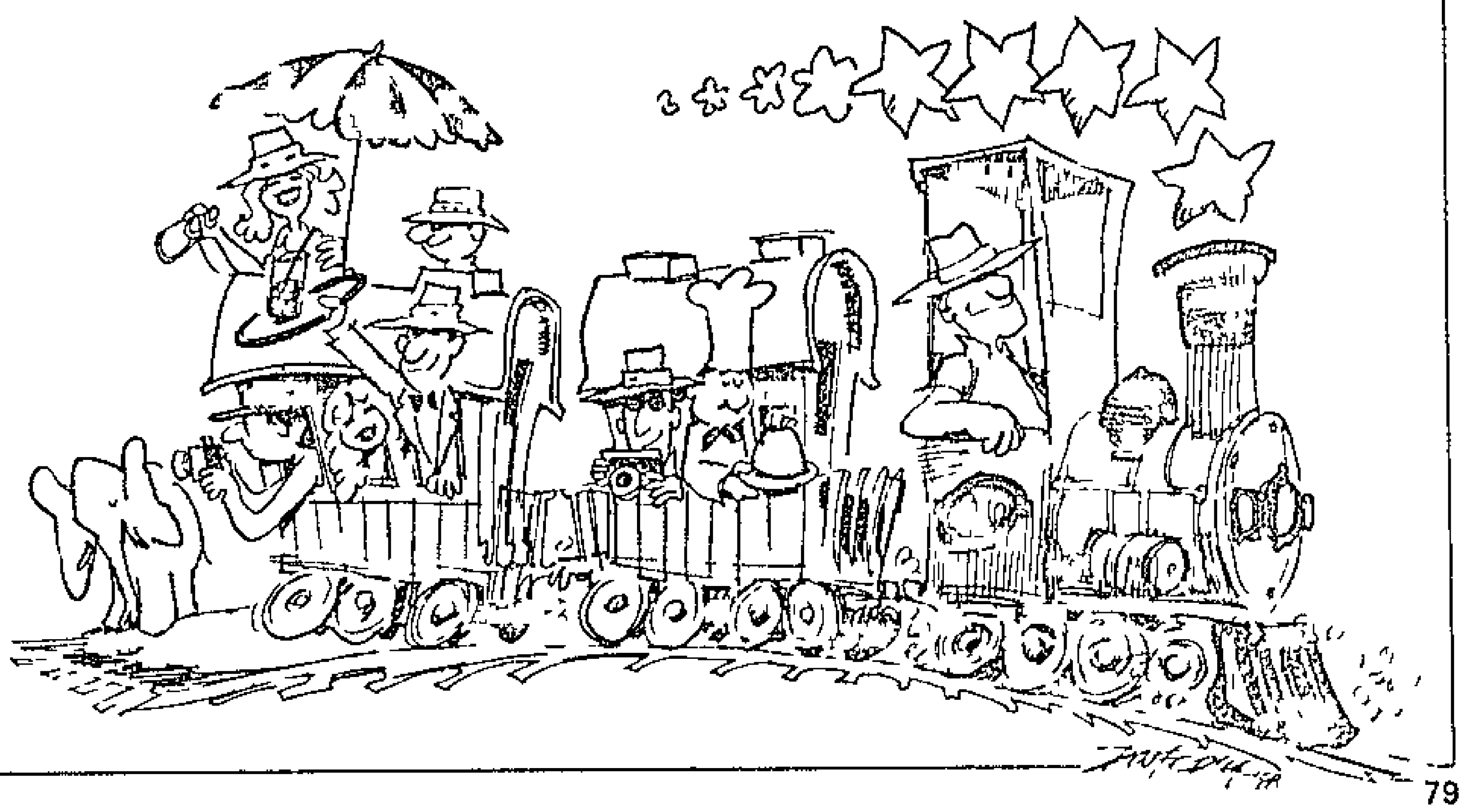
Wealthy steam train buffs and others who like rail travel are not yet falling over each other to get seats on Rovos Rail's steam train, due to start operating in February next year between Pretoria and Graskop

The service, to be marketed as "Steam Safaris," will operate the first privately owned train on a regular basis on SA Transport Services' (Sats) tracks

Marketing manager Joyce Haward is undaunted by the abundance of space she still has to sell She has been marketing "part-time" since May and already has 15 firm bookings, mainly from overseas Meanwhile, a Johannesburg firm has hired the train for a day and a night and she is negotiating block bookings with two groups of 20

Haward says the idea is completely new, so it is logical to expect market resistance And there are still five months to go before the first train puffs out of Pretoria station But daily inquiries from local tourists and foreigners fuels expectations that booking volumes will grow

The safaris are the brainchild of Witbank train enthusiast and entrepreneur Rohan Vos, who bought and restored a carriage to

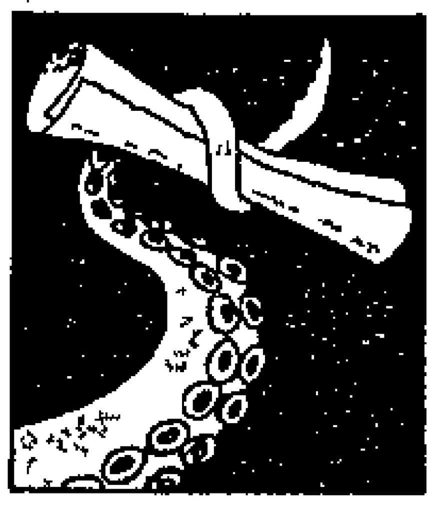


MINORCO/CONSOLIDATED GOLD FIELDS

Time of the predator

232

■ The deal, successful or not, has major ramifications for SA gold mining



It's been a long time since the Anglo/De Beers family surprised the market with a really big foreign deal. Since De Beers' purchase of an initial 25%-odd in Consolidated Gold Fields (Cons Gold) in February 1980, these groups — with their foreign associate Minorco — have for the most part concentrated on building up existing assets

The results, until recently, have been less than scintillating. Minorco has made few acquisitions bar the 48% interest in oil and gas producer Adobe, bought roughly at the time oil prices collapsed. Thanks to sales of interests in Anamint and Salomon near the height of the bull market, the then Bermuda-based Minorco built up a war chest of nearly US$1bn but failed to pick up any major natural resource companies in the wake of last year's stock market crash

Now it has initiated what must rank as the biggest international leap ever by SA interests — one which, if successful, will almost certainly presage the largest disinvestment yet from SA So 44 Main Street has not lost its sense of the dramatic.

But what do Minorco's controlling shareholders hope to gain from the expensive and emotive bid for 100% of Cons Gold? Many analysts had long thought (wrongly) that the present 29,4% was effective control anyway.

Officially, this is a step in changing Minorco, now domiciled in Luxembourg, from a passive investment company to a hands-on management concern with control over its own destiny. As new deputy chairman and CE Sir Michael Edwardes puts it: "We will redeploy and manage new assets whether we get Cons Gold or not The strategy is in place, our bid is one component of it."

Not surprisingly, cries of "asset stripping" were unleashed by Minorco's announcement that, if successful, it would sell Cons Gold's SA interests and review its 49,3% in Newmont, regarded as a passive investment.

Tony Lea, Minorco's new group financial director, says GFSA would be sold because the intention is to keep Minorco free of SA investments and because the "fiercely independent" GFSA is also regarded as a passive investment The Newmont stake, yielding only 2% after funds were poured in last year, is to be reviewed and lightened — but not necessarily sold entirely — because when Cons Gold upped its stake from 26% to 49,7% to fight off T Boone Pickens last year, it undertook not to go over 50% for 10 years

Both groups' portfolios would be reviewed — with "no sacred cows." Minorco's only majority stake is in Inspiration Resources (56%), so everything else is apparently under review Engelhard (30%), Charter (36%) — with its own "passive" holding in Johnson Matthey — and Adobe (48%)

As Lea puts it. "The whole thrust is to control cash flows To the extent that this needs 100% of any operation, we will try and secure it The two jewels in Cons Gold which we will not in any circumstances sell are Gold Fields Mining Corp (GFMC) and ARC, whose activities in the US and the UK are 100%-owned, core businesses "

Ironically, increased control over cash flow has for some time been the stated direction in which Cons Gold was aiming under CE Rudolph Agnew But Edwardes claims Cons Gold would not have considered selling out of GFSA or Newmont, even though Agnew has always said all options are open

Redeployment of resources and control over cash flow will need depth of operational management — a resource that Minorco, befitting its nature until now, has lacked Analysts describe the appointment of the highly-regarded Edwardes as a masterstroke that should be of inestimable value during the takeover battle and the subsequent restructuring Supporting him are three full-time executive directors Lea, Hank Slack, responsible for North American affairs, and commercial director Roger Phillimore, responsible for group strategy

They clearly won't be enough Edwardes aside, there is hardly a wealth of top-level operational experience So Cons Gold's management pool may be one of its more compelling attractions Lea describes the management of ARC and GFMC as "first-rate" and hopes they will stay on board, becoming more participatory at top level

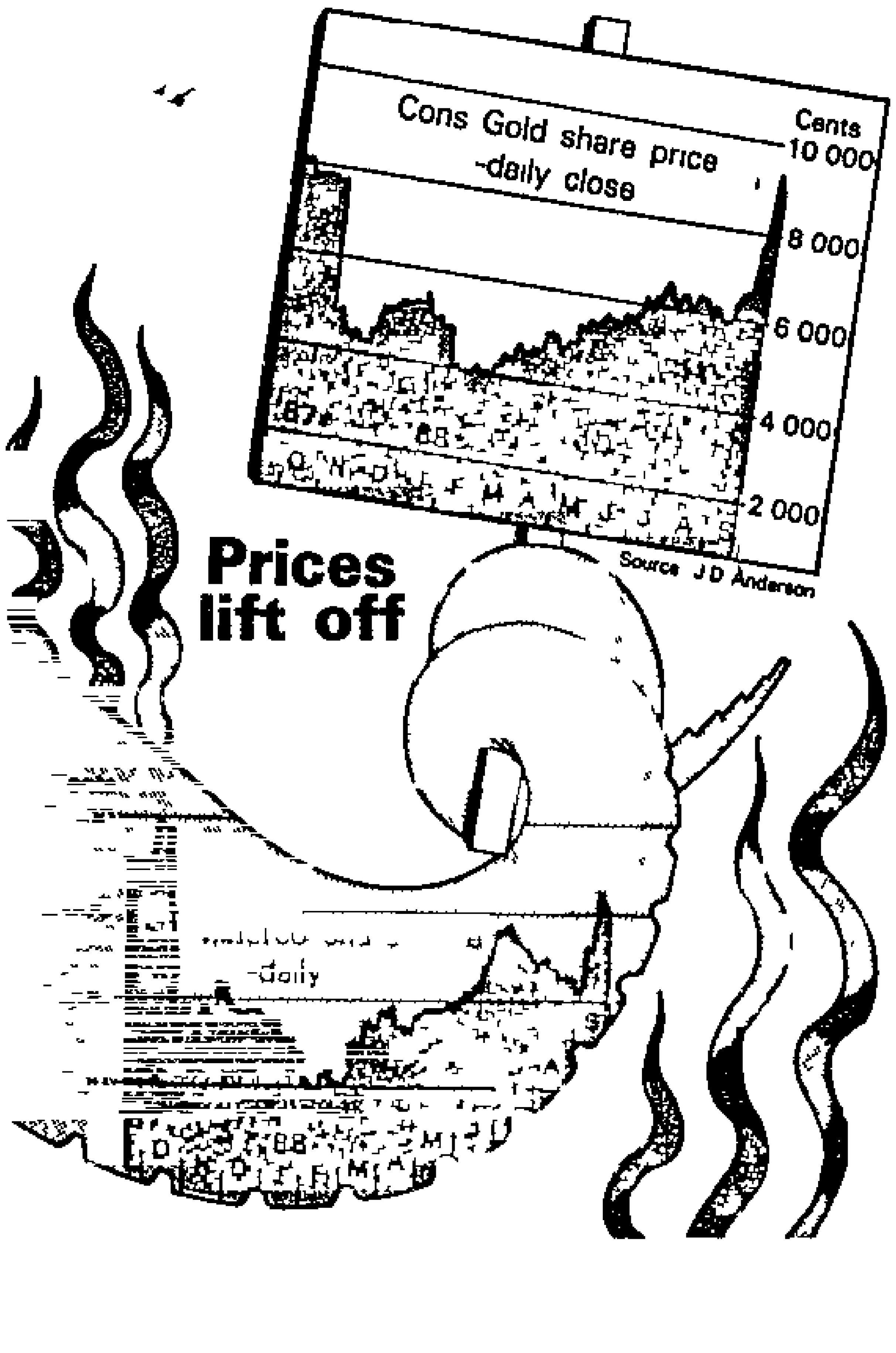
It also has a profitable spread of assets. The UK group announced substantial profits in its year to end-June, with only about 15% coming from SA Of total attributable earnings of £212,5m, nearly £80m came from ARC UK, £27,3m from ARC US and £48,4m from GFMC Of associates, Newmont contributed £40m, GFSA £34,4m and Renison (in Australia) £14,6m

But, while Minorco would be greatly enlarged by the takeover — its market capitalisation of R8,5bn compares with R18,5bn for Cons Gold — it is an open question whether future international growth would be made easier, even with the combined Anglo/De Beers stake reduced from the present 60,1% to 40,9% Agnew's argument, which is hard to dismiss out of hand, is that the SA connection will impede expansion

Edwardes rebuts the "pariah" argument, insisting that Minorco is making a "trans-European bid " He claims that pressure by governments, interest groups and others is on "companies with investments in SA — and we won't have any" and is adamant that the new Minorco will be autonomous "All decisions will be taken in Luxembourg If it was any other way, I would not be here."

Lea says Minorco would expect to expand Cons Gold's two core businesses, GFMC and the ARC companies The other emphasis would initially be on portfolio rationalisation Asked how funds raised from the sale of SA interests would be redeployed, Edwardes simply says "There are more interesting developments in the UK, US and South America "

London investment opinion of Cons Gold is generally favourable With expansion in North America and the steadily shrinking importance of SA interests, a number of analysts have argued the share deserved rerating Recent bearish opinions were based on



the outlook for bullion rather than group direction and management

Some local analysts take a harsher view Favourable as the profit figures seem, they point out that Cons Gold often includes items such as asset realisations in pre-tax profit (£41,3m in 1987 and £97m in 1988) if these are excluded, 1988 profit fell Added to that is the sinking gold price

The quality of earnings could feature in the battle Local analysts feel that, on earnings considerations, the effective £13,06 offer carries an attractive premium and Cons Gold would be hard placed to defend on these grounds Instead, the major points expected in its formal defence, due on October 19, are the "pariah argument" and that the offer substantially undervalues assets

Talk in London is that Cons Gold will claim its true value is £20 a share (£4,5bn), though brokers there think a case can be made for £17, which would total around £3,8bn or £900m more than the Minorco bid. The £17 is derived from

☐ Newmont at its market price of £675m. Newmont is selling assets to reduce debt incurred in beating off T Boone Pickens but stands at a discount. Its market capitalisation is $2,3bn but the biggest asset, the expanding, 90%-owned Newmont Gold, has a value of $3,5bn;

☐ GFMC, whose two US gold mines, Chimney Creek in Nevada and Mesquite in California, produce 350 000 oz/year, at £740m This is based on the market rating of Newmont Gold,

☐ SA interests (38% GFSA and other direct holdings) at £430m,

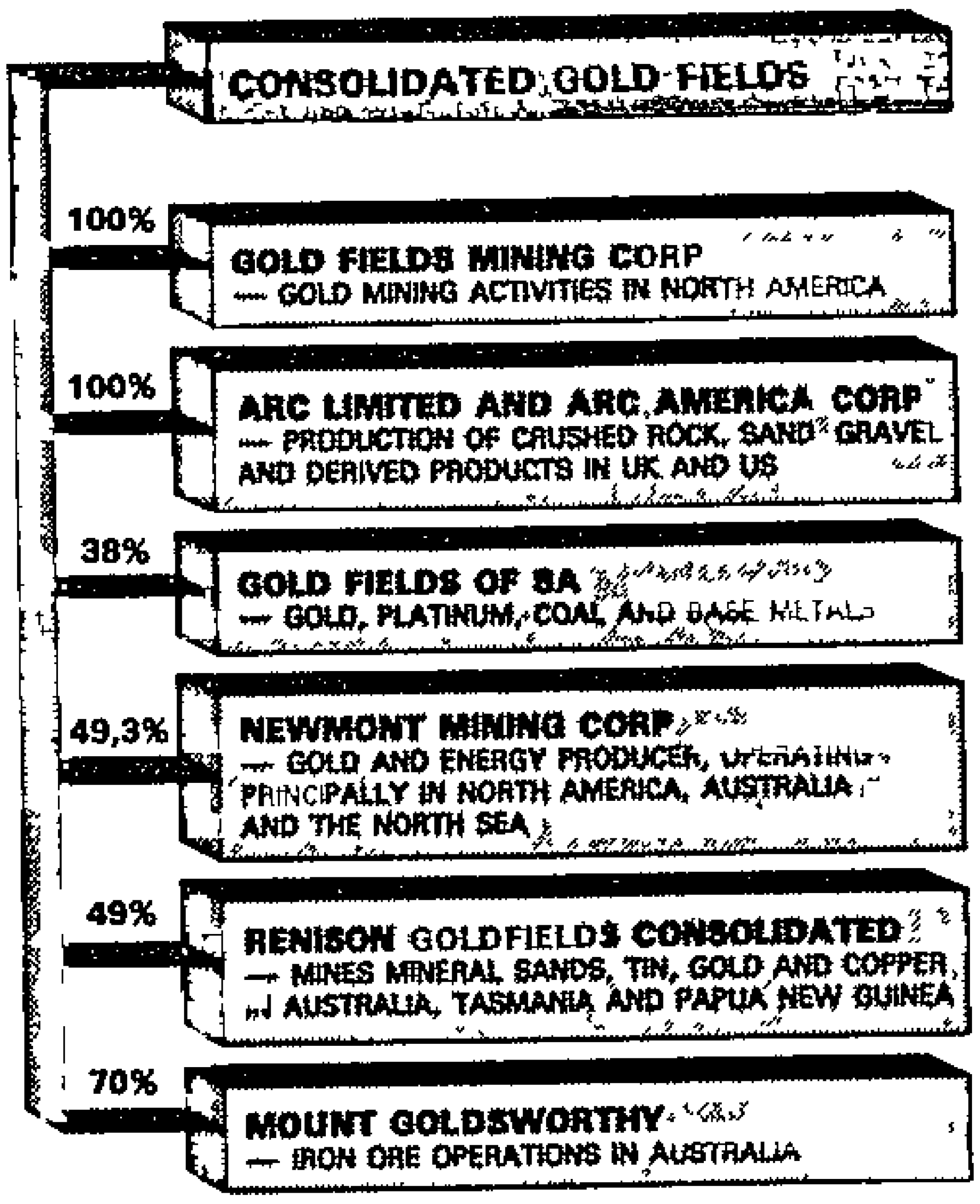
☐ Renison at market price of £241m,

☐ ARC at £1,5bn, capitalising its pre-tax earnings of £104m plus valuable properties in the south of England and at least 2bn t stone reserves, and

☐ Others, including Mount Goldsworthy, at £200m-£220m

There are at least two problems with these figures. One is the gold price. Newmont Gold is expected to raise production from

Minorco's target



786 000 oz in 1987 to 930 000 oz this year, but the valuation — on a prospective p e, with gold averaging $450/oz, of 36 — is looking at 1991 and target ouput of 1,6m oz.

Secondly, much depends on the p.e accorded wholly-owned operations, which could be put in at anything from eight to 20 times Some analysts reckon the former more realistic and calculate a net worth for Cons Gold of only £12 per share Michael Coulson, of London broker Kitcat & Aitken, for example, gave this as the break-up value after Cons Gold's results a fortnight ago, Anderson Wilson's James Picton agrees.

Minorco calls its offer "full and fair" but will surely be prepared to raise the ante — if not as much as many think Even at £13,06 it could need asset sales to avoid substantial earnings dilution The consensus in London is that, while Minorco will have to sweeten its price, there is no reason why the bid will not go through, barring a counter offer

The obvious saviour is RTZ, capitalised at £3,4bn The other possible contender (unless an Australian conglomerate steps in) might be British Petroleum, but it has just put off flotation of BP Gold because of the bullion price and is unlikely to want to pay a premium for Cons Gold's production.

A condition of the bid is that Minorco may withdraw if it is referred to the Monopolies & Mergers Commission As no monopoly is being established (ARC only has about 20% of the UK aggregates market), the only grounds could be that it was against the national interest, which is hard to prove

Cons Gold's contention that the SA connection would damage business — contracts with Labour-controlled authorities in the UK and liberal states and municipalities in the US, where ARC is the fifth biggest in the market — is not a valid claim in the UK. Minorco, incidentally, retorts that direct and indirect SA interests in Cons Gold are probably close to 40% anyway.

There is a lot of guessing who owns sizeable blocks of shares — and either side could emerge with a trump card. Cons Gold seems less worried about who holds how much than is suggested by outside estimates. Last week, the number of outstanding call options was equal to 8m shares (3,6%) On latest published estimates big holders include. Minorco 29%, Bank of Bermuda 5%, Anglo/De Beers collectively 5%, Rembrandt 4,9%, GFSA/Driefontein 7,6%, Barrick Resources 1,7% and speculators 5%.

GFSA chairman Robin Plumbridge says he is standing by Cons Gold. It is assumed that Bank of Bermuda, Barrick and the pre-bid speculators are in the bag to give Minorco 45,7%. So Rembrandt, which has so far remained silent, could tip the scales

Should the bid succeed, Rembrandt's stance could have major ramifications for SA mining It has a right of first refusal rather than an option on Cons Gold's 38% of GFSA, so the price offered could determine the buyer. Given that the timing hardly looks ideal for Rembrandt, a strong bid from, say, Gencor, might succeed Or the shares could go to a consortium of institutions Least likely is a buyer outside SA, so if Minorco gets Cons Gold that must presage intense pressure on the financial rand

In any event, analysts believe that regardless of whether this bid succeeds, Cons Gold is "in play." Someone will take it over, or merge with it. Minorco wins either way.

☐ See *Fox* *Andrew McNulty and John Cavill*

IMF/WORLD BANK MEETINGS

Credit where it's due

■ *FM* Editor Nigel Bruce reports from the annual general meetings of the International Monetary Fund and World Bank in West Berlin

There is a smugness among the rich at this year's meetings, and it suggests a lull before a storm After six years of unrequited prosperity — and the failure of even the October equity crash to provoke a recession — they are nothing if not satisfied

Indeed, latest IMF forecasts are that growth in some of these economies will be much higher this year than expected only five months ago Who in these circumstances would wish to be reminded that important destabilising realities remain — and could yet provoke crises similar to the October crash? If that were to happen the consequences could be serious and sustained.

It would be churlish not to give credit for the prosperity of the past 18 months. Inflation — the containment of which enabled

Star

Swiftsure yacht firm liquidated

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1/9/88

Staff Reporter

Swiftsure, the investment company that planned to turn Cape Town into a luxury yacht-building centre, was liquidated in the Supreme Court in Cape Town yesterday

The ruling was handed down while a judicial commission of inquiry into Swiftsure was being held It is closed to the press and public in terms of the Insolvency Act

Mr Justice R M Marais granted a final liquidation order following an application by Murray & Roberts Properties South managing director Mr Robert Pomario, who said Swiftsure owed the company R35 175

A construction company, Gransteel, had stopped converting the Island Centre into a boat yard because of non-payment of a contract by Swiftsure Mr Pomario said he understood the unpaid amount to be in excess of R100 000

Swiftsure at one stage had claimed in the media to have "jet set" yacht orders worth more than R70 million

"Not a single yacht or boat of any description has been built either at Paardeneiland or, as far as I am aware, anywhere else," Mr Pomario said

Cons Gold to hang on awhile

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STimes 11/9/88.

By RICHARD ROLFE in London

MINING analysts are convinced Cons Gold will sell its remaining stake in Gold Fields of SA — and Rembrandt has a pre-emptive right to buy.

But Cons Gold watchers are less than certain that such a step is imminent even though the GFSA share price rose sharply this week on speculation of a bid from Rembrandt

"The timing is all wrong," says Shearson Lehman's John Phizackerley He reasons that with SA golds in a bear market and GFSA hitting new lows, now is not the time to sell

"Selling GFSA is a major strategic decision But it is going to happen one day"

Core holdings

Analysts believe that the US, not SA, is now the location of Cons Gold's core gold holdings

In addition to large mines of its own, Cons Gold has a 49% stake in Newmont, the biggest US gold miner

When it sold an interest in GFSA to Rembrandt, Cons Gold also set up a mechanism under which Anton Rupert's company would have pre-emptive rights over the rest of its GFSA holding That was done at a time when disinvestment proposals in the US Congress were nearing a peak

Cons Gold appeared to be lining up a buyer for its GFSA stake in the event that it was forced to choose between its US and SA arms

However, with Republican candidate George Bush showing more strongly in the US polls, the chances of punitive disinvestment legislation have receded

Given a breathing space, Cons Gold might see no need to sell GFSA immediately and might hang on for an upturn

Part of the interest in Cons Gold shares — firm this week in spite of the slack gold price — may be due to the preliminary results, due on Tuesday

Shearson Lehman forecasts earnings a share of 101p, up from 82p

"That could account for some of the interest," says Mr Phizackerley "Everything else is rumour-mongering"

But he adds "The options market has gone bananas — people are piling into the October calls at 1 100p Many people really think something is going to happen"

Jack Jones, mining specialist at Phillips & Drew, also believes that "at some stage, the rumours (of Cons Gold selling GFSA) will be proved right"

Both Shearson Lehman and Phillips & Drew think the sale of GFSA would trigger an advance in Cons Gold shares

"There would be an outstanding rise", Mr Jones says

He lists three main reasons First, there are worries in London that Cons Gold is financially stretched and may need a rights issue Sale of the GFSA stake would refinance the balance sheet

Second, several institutions do not hold Cons Gold because of its SA links But it is a core holding for many others, accounting for 0,6 % of the Financial Times all-share index

If Cons Gold became universally acceptable, institutions would rush to top up their holdings

Third, because of the SA connection,

☐ To Page 3

☐ From Page 1

Cons Gold hangs on

Cons Gold has been inhibited in promoting itself in the US

Stripped of GFSA, it could do so aggressively It is a cheap international gold stock

Cons Gold is reluctant to comment on what it regards as market rumours "These questions are constantly being raised", says a spokesman The house has no intention of disinvesting from SA unless forced to do so by external events

It reserves the right to adjust its portfolio as and when prudent Sources at Cons Gold's London headquarters say it can be up or down For example, last year it increased its interest in Kloof

"Nobody remembers that we sold part of our GFSA holding to Old Mutual 12 years ago to fund participation in Deelkraal," says a Cons Gold spokesman The GFSA stake was rebuilt It remained at 48% before the sale to Rembrandt last year

Questioned about the benefits to the share price of SA withdrawal, Cons Gold accuses analysts of "short termism"

The house view is that GFSA is one of the world's best mining groups and SA one of the world's most important mining provinces

"It would be a brave board of directors who would consciously disinvest"

This is especially so because of the fall in the GFSA share price since the sale to Rembrandt Cons Gold says it would be "loath to sell assets cheap"

However, the house adds it may consider reducing its stake in GFSA and increasing its interest in the underlying mines

What emerges is that Cons Gold appears determined to stay in SA unless forced out by US disinvestment measures, but does not feel under particular pressure at present

It may also make adjustments, possibly substantial, to its SA holdings

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Public sector set to shrink

Cape Times 13/9/88

EAST LONDON. — Public servants were warned yesterday that changes which lay ahead could result in shrinking of personnel in government service.

Speaking at the congress of the Public Servants' Association, Minister of Administration Dr Dawie de Villiers said necessary political and constitutional changes lay ahead.

Civil servants warned of changes

Govt service will shrink: De Villiers

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8/04
13/9/88

PRETORIA — Public servants were warned yesterday that changes ahead could result in a shrinking of personnel in government service.

Speaking at the biennial congress of the Public Servants' Association in East London, Administration and Privatisation Minister Dawie de Villiers said the past few years had been marked by a comprehensivee reorganisation of the public service with the aim of establishing the new dispensation

There were further initiatives on issues such as privatisation and deregulation which could have resulted in a feeling of uncertainty among state employees

Necessary political and constitutional changes lay ahead which would demand big adjustments with drastic implications for government institutions

The public service corps had already had its baptism when it came to changes and adjustments, particularly in the implementation of the constitutional dispensation in 1984, new constitutional structures at provincial level in 1986 and the take-over of development board personnel

"I am convinced you are well equipped to efficiently handle any administrative consequences the further extension of democracy might involve," he said

GERALD REILLY

It was reasonable to accept that necessary adjustment programmes and the possible privatisation of functions could result in a shrinking of personnel

Government gave an assurance that all personnel aspects associated with the coming developments would be handled with circumspection and understanding.

Limitations

De Villiers said government was doing its utmost within the framework of certain limitations to solve the serious problems facing its workers.

He said a general salary increase in the public sector in the new financial year was a high priority "if economic conditions make this possible" But, he said, government had to weigh up the claims of public servants against the implications of a general increase for the whole economy.

He rejected the linking of government pay with the consumer price index, which, he said, would mean inflation being built into the economic system

He asked for understanding and patience to "give us the opportunity to handle the issue in a responsible and realistic manner"

Jaguar posts healthy earnings rise

By Sven Lunsche

Following hard on the heels of the merger with Budget, Jaguar Holdings says interim earnings for the first six months of 1988 rose by 34 percent to R3,6 million

Figures do not take into account the trading results of recently acquired Coastal Clothing and were achieved on the back of increased consumer demand for footwear and improved operating margins

Sales were up 16 percent to R27,2 million, while pre-tax income rose by 45 percent to R4,1 million Earnings per share improved by 30 percent to 8,4c, but in order to retain funds in light of the recent acquisitions, no interim is being paid

Chief executive, Mr Roy Eckstein, said yesterday "All divisions are trading well and our order books are full for the remainder of the year"

Assessing prospects for the second half, he pointed to the protection afforded to local manufacturers through the recent imposition of heavier import surcharges.

Further growth should arise from the recent acquisitions. "We expect a significant contribution from Coastal Clothing's Puma line of clothing Since the production of Budget and Jaguar does not overlap by more than 25 percent, and given both companies' position among the top four footwear manufacturers in the country, the future looks bright," Mr Eckstein said

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AL and CAPE 80c (71c + 9c tax)

ConsGold profits from sale of GFSA stake

MIKE ROBERTSON

LONDON — Consolidated Goldfields (ConsGold) yesterday disclosed pre-tax profits up 24% to £302,4m, of which more than 26% came from the sale of a 10% stake in Gold Fields SA (GFSA)

But with the disclosure by chairman Rudolph Agnew that SA had contributed only 15% of profits (30% just two years ago) in the year to June 30, it was clear ConsGold's investments in SA would play an ever-diminishing role in the development of the group

Agnew said if opportunities arose for new business in the US and other areas, "we are going to finance it in a number of ways, one of which will be to sell assets which we regard as inferior to the ones we want" ConsGold would not lightly take a decision to depart from SA, but had set up mechanisms to do so

Agnew said ConsGold's stake in SA represented just more than 10% of the company's total assets

The company was monitoring the passage of the US "Dellums" Bill, but had concluded it would not directly impact

He believed there would be some "good sentiment" in the market if ConsGold severed links with SA However, the problem with short-term sentiment was that it did not coincide with good long-term corporate planning

"SA is the greatest mineral province in the world and a serious producer does not lightly depart from such a province. But if the world's governments tell us to depart, we will do so"

ConsGold's profits from its natural

232 B/day To Page 2 14/9/88

ConsGold profits boosted by GFSA sale

14/9/88 From Page 1 232 B/day

resource subsidiaries rose by 27% to £142,6m Its share of profits from associates was down 35% to £89,5m, largely owing to the contribution from Newmont Mining slumping from £84,8m to £39,7m as a result of having to fend off a takeover bid

GFSA's contribution was down 8% to £34,4m, reflecting the reduced stake and a fall in the value of the rand

Financial income, including the sale of the GFSA stake, was up 230% to £129,1m

Earnings per share were up 22% to 100,2p, while the company announced a final dividend of 22p, bringing the total for the year to 32p (27,5p)

Agnew said the company was making more money out of gold than its competitors "We have got success breaking out everywhere and now have the task of managing it"

Retco shows 102% earnings growth

15/9/88

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JOHANNESBURG — The highest after-tax profit in 20 years and a total dividend up 86% ~~are re~~flected in Retco's results for the year to end-June

In spite of an increase in issued shares, earnings were up 102% at 18,28c (9,05c)

A final dividend of 4c brings the total to 6,50c compared with the previous year's 3,5c

At R8,043m, net profit after tax is the highest since the company's formation in 1968

After-tax income totalled R4,719m, while the share of associated companies earnings contributed R3,839m, less outside shareholders' interest of R515 000

Key contributions to earnings came from

- The 23% stake in Frasers which reported revised audited attributable profits up 60% on 1987
- Attributable earnings a share of 9,78c and a maiden dividend 3,25c, as announced on Tuesday by Premier Consolidated
- Interest from the holding in Retprop debentures

In line with the strategy of moving away from fixed property to become an industrial holding company, the Salmon Grove building has been sold for cash, with the surplus of R526 000 from the sale transferred to non-distributable reserves

Looking ahead chairman Cedric Walton and MD David Chapman note that Retco's interest in Retprop debentures is to be realized to provide finds for re-investment in terms of the group's new strategy.

They also note that Fraser's investment is expected to yield further growth since the completion of the Frasers-Metro-Jazz and Rusfurn rationalization

Premcom is also expected to show improved earnings in the year to June 1989 — Sapa

Rembrandt continues on growth path

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CAPE TIMES 16/9/88

By AUDREY D'ANGELO
Financial Editor

TOBACCO and liquor are still the main sources of profit for the Rembrandt group, which invested R790,5m in SA and R288m overseas in the last financial year, executive chairman Anton Rupert disclosed at the 40th annual meeting in Stellenbosch yesterday

Rupert forecast an after-tax profit of at least R500m in the current financial year

"The company has virtually no debts and has the ability to finance developments, which must necessarily take place in Southern Africa, from its own resources "

He said in his annual report "The continued growth in the profits of your group was mainly due to increases in income derived from.

- Tobacco and liquor including certain international trademark products, up by R104,8m to R346m,
- Mining, up by R22,5m to R118,3m,
- Banking, insurance and financial services up by R33m to R61m,
- Other sources, up by a total of R21,9m

Rupert said that at the end of March about 38% of the group's interests were in diversified investments including forestry and timber processing, printing and packaging, engineering, medical services and the petrochemical and chemical industries.

About 25% were in tobacco, liquor and certain international trademark products, about 19% in mining and about 18% in banking, insurance and financial services

He said that "subsequent to the financial year-end new investments and additions to existing investments totalling R53,1m have been made "

Rupert said that in addition to acquiring a 10% stake in the Standard Bank Corporation and a 10% stake in Gold Fields of SA the group had taken an additional 14% of Total (SA) at a cost of R33,5m, an additional 25% in Bonuskor at a cost of R40m later exchanged for shares in Hunt Leuchars & Hepburn, and an additional investment of R67,5m in Volkskas Group

The overseas investments were long-term and mainly additions to existing interests

Emphasizing that the group's foreign investments had "placed no unnecessary pressure on local capital resources" Rupert continued "On the contrary, over the years almost R1 000m was brought back to SA from overseas as opposed to the R1,5m initially taken out All the other overseas assets were generated abroad

"In the last financial year your group has sold foreign assets to the value of R635m to help finance investments totalling more than R790m in SA."

Con Gold decision out soon on sale of SA stake?

Bday 19/9/88 (232)

MERVYN HARRIS

AN announcement is expected early this week on the sale by Consolidated Goldfields (Con Gold) of its interests in SA.

Speculation that negotiations are already taking place was intense on Friday with heavy trading in Con Gold shares in London and Johannesburg.

The shares surged more than 5% to a high of R72 on the JSE before easing slightly with nearly 170 000 shares worth just under R12m changing hands. This brought its gains over the week to 9%.

Deal

The Rembrandt group, which has a 10% stake in Con Gold subsidiary Gold Fields of SA (GFSA), is expected to exercise its option to acquire a further 20% holding. Remgro shares attracted big demand and the price closed at R17,46, 30c off its peak of R17,75 earlier last week.

However, Anglos has a 29% holding in Con Gold and some analysts did not rule out the possibility that Minorco, Anglo's overseas arm, might be involved in a deal.

The strength of Minorco shares, which rose more than 12% on the week to R47,75, gave some credence to this view.

Con Gold chairman Rudolph Agnew said last week SA was playing an ever-diminishing role in the development of the group, and mechanisms had been set up for the group to disinvest from SA.

● Market report: Page 8

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● Market report: Page 8

Details of the Minorco offer

By Ann Crotty

Yesterday's announcement by Anglo-American's international arm, Minorco, that it was offering £13,06 a share for the 71 percent of Consgold which it does not already hold, values the whole of Consgold at about £2,9 billion

At this stage the most significant aspects of the deal are the prosposed sale of Consgold's 38 percent stake in Gold Fields SA, and the likely increase in Consgold's stake in Newmont to above 50 percent

Minorco is offering £19 in cash and one new Minorco share for every two Consgold shares held According to Minorco management the offer gives Consgold shareholders substantial benefits as it represents an increase in capital value of 20,4 percent over the middle market quotation of Consgold shares at the close of business on September 20

In Minorco's opinion this level already reflects a significant speculative premium

The deal represents a major change in the operating strategy of Minorco Previously the group operated as an investment manager, it is now set to become a hands-on operational group

According to an official statement "Minorco will apply its principles of lean central staff and decisive asset management to the management of Consgold and the remainder of its own portfolio, redeploying low-yielding or passive investments to maximise shareholder value"

Management has stated that in future Minorco will not normally hold minority stakes unless they have strategic relevance or unless Minorco is able to participate actively in management For this reason management has planned changes in Consgold's holding in GFSA and Newmont

Referring to the former, the statement notes On conclusion of a successful bid, Minorco will immediately start negotiations to dispose of GFSA's assets Consgold' 38 percent passive investment in GFSA will be sold in accordance with agreements between Consgold and the Rembrandt Group which give the Rembrandt Group certain rights of first refusal over some 80 percent of these shares and which could well facilitate the continued independence of GFSA within South Africa"

"Minorco will review Consgold's 49,3 percent passive investment in Newmont with Newmont's Board and management and will consider whether to reduce the holding and re-deploy such proceeds more effectively within the enlarged group

"While Newmont is the largest North American gold producer and its long term prospects are considered to be attractive, it is effectively a portfolio investment and Consgold is constrained by a long-term standstill agreement from exercising any reasonable degree of control over it for many years"

In order to implement Minorco's more active polic', the management of the Minorco group has been strengthened "Sir Michael Edwardes, a director of Minorco since 1984, has been appointed deputy chairman and chief executive of Minorco and also succeeds Julian Ogilvie Thompson as chairman of its executive committee"

Sir Michael will be supported by three full-time executive directors one responsible for North American affairs, a group financial director and a commercial director

Minorco has stated that it will immediately reduce Consgold's central overheads so that the overheads of the enlarged group will be significantly less than Consgold's current overheads

Minorco is confident that the enlarged group will have both the management and financial resources to improve the quality of its earnings, enhance its growth prospects and put into effect Minorco's strategic changes in direction

In addition, it is expected that following the acquisition, which is being financed partly by the issue of new shares, there will be a broader international market in the shares of Minorco

Controlling shareholders Anglo-American and De Beers have stated that "in today's climate Minorco can best grow and prosper as an international company if it is properly independent Anglo-American and De Beers will not therefore seek to play any role in the day to day affairs of Minorco

If the offer is accepted, the interests of Anglo American and De Beers in the enlarged voting share capital of Minorco will be reduced from the current levels of 39,1 percent and 21 percent to 26,6 percent and 14,3 percent respectively

In September 1987 Minorco announced that its policy was to expand, progressively, the range of its activities into the ownership and operation of resource-based assets and to move away from acquiring minority passive investments

In accordance with this policy, Minorco disposed of its holdings in Salomon and Anglo American Investment Trust for more than $950 million of which some $890 million is currently held in liquid form pending investment

Star 22/9/88

232

Hostile £2,9-bn bid for Consgold

Minorco gets rebuffed but the fight is on

2-32

22/9/88 Star

By Ann Crotty

The Minorco bid for the 71 percent of Consolidated Goldfields that it does not already hold looks set to become one of the most controversial take-over battles yet seen in London

Within hours of the announcement of the deal, Consgold management stated that it was opposed to the bid and, suggestions of insider-trading were emerging in London on the back of the massive trade seen in Consgold shares and options over the past week

Minorco is valuing a Consgold share at £13,06 and is offering £19 in cash and one new Minorco share for every two Consgold shares held On the LSE the share reached a high of £15,05 reflecting the market's belief that Minorco would have to sweeten its offer if it wants to succeed

This sentiment was mirrored on the JSE where Consgold gained R17,75 to close at R93 which is the financial rand conversion of the peak London price But significantly, before London's close Consgold had eased back to £13,83

While Anglo American and De Beers appear to be trying to reduce the perception of Minorco as a South African controlled group (their combined holdings in the enlarged Minorco will drop from 60,1 percent to 40,9 percent), overseas analysts and media seem to be stressing the SA link This link is likely to be used extensively in the Consgold management fight against the bid

Local analysts seem confident that this time around Minorco will be successful — in 1981 Minorco launched an unsuccessful attack on Consgold Success for Minorco appears to be all the more crucial this time in view of market talk that the decision led to some dissension within the Anglo camp

Analysts report that Minorco has access to an additional 5 percent of Consgold through the earlier purchase of Consgold options In addition feeling is that Minorco would have canvassed other major shareholders and attempted to ensure sufficient tacit support for their move

Minorco has stated that it will sell off Consgold's 38 percent stake in Gold Fields SA which is estimated to be worth around R1,8 billion This will help to fund the deal and will also avoid possible political problems stemming from Anglo's otherwise major dominance in the SA gold industry

At present it looks as though Rembrandt will be picking up the bulk of this disinvestment which seems set to put major downward pressure on the financial rand

There is considerable uncertainty as to Minorco's plans for Newmont Overseas analysts believe that US-based Newmont will have to be sold off because of political pressures but local analysts feel that Newmont is the major attraction in the deal and that Consgold stake will be increased to above 50 percent in order to give it operational control

Consgold management has opposed the deal on the grounds that it is "devoid of commercial logic" This may be the case if anti-SA sentiment prevented a Minorco controlled Consgold from implementing its new aggressive operating strategy But at this stage local analysts see considerable benefits in the deal and believe that it will significantly enhance both Consgold and Minorco's earnings capacity

Minorco's American interests could be combined within Cons gold and Newmont's interests to form a dominant American gold and base metal group. There would be similar synergistic scope in the enlarged Minorco's interests in South America and Australia

Anglo in row over bid for Consolidated Gold

22/9/88

Star (232)

By Sven Lünsche and Neil Behrmann

Anglo American's battle for control of UK-based Consolidated Gold Fields has sparked a political and financial row that could lead to a long and bitter battle over Britain's biggest mining company

After leaks that began in Johannesburg and Switzerland, and could set British regulators on to the track of insider traders, Anglo, through its international investment arm Minorco, launched a record UK bid of nearly ³ billion (R12 billion) for Britain's leading mining company

Yet the real political flak is expected to come from the US and UK, because of Minorco's South African connections.

The Minorco bid, spearheaded by the company's South African-born deputy chairman and chief executive, Sir Michael Edwardes, is aimed at buying up the 71 percent of Consgold which it does not already own

Consgold, which has been the subject of take-over rumours in recent years, immediately snubbed the bid, saying it "lacked financial justification and is devoid of commercial logic"

London analysts believe the bid is the first step in a grand strategy of Anglo American and the Oppenheimer dynasty to build up an international empire that could ultimately involve De Beers' huge operation controlled from London

The company is also endeavouring to counter sanctions, they said.

Sixty percent of the world's gold is mined in South Africa. The acquisition would raise South African control to about 70 percent of the non-communist world's production, analysts said

The *Evening Standard* in London said yesterday that the Minorco move had started a row over ²0 million (R80 million) profits made by speculators in early share trading on Consgold It said Minorco had already made a formal request for a full London Stock Exchange (LSE) inquiry into recent share dealings in Consgold shares

At a press conference, Sir Michael Edwardes insisted that Minorco, a Luxembourg-based company, would be independent of Anglo American.

Sir Michael also said Minorco planned to dispose of Consgold's extensive interests in South Africa if the bid succeeded He said it would negotiate to sell its 38 percent stake in Gold Fields of South Africa to the Rembrandt Group

● See Pages 11, 12 and 13.

Cape Times 22/9/88

ConsGold snubs £2,9bn Minorco bid

SA-born Sir Michael Edwardes, new CE of Minorco ponders a question at yesterday's press conference.

From MIKE ROBERTSON

LONDON — Minorco's £2,9bn bid for Consolidated Goldfields (ConsGold) was promptly snubbed yesterday as "unwelcome" and "devoid of commercial logic"

The bid — Britain's biggest ever — was accompanied by the announcement that the SA-born former Chloride chairman, Sir Michael Edwardes, was taking over as deputy chairman and CE of Minorco

The offer of 1 306p for each Goldfields share involves a consideration of £19 in cash and one new Minorco share for every two ConsGold shares It values ConsGold at about £2,9bn

London brokers dismissed the bid as "derisory" and "a sighting shot" saying Minorco will have to pay up to £16 a share if they are to succeed

At a press conference in London yesterday Sir Michael said that if the bid was successful Minorco intended having no investments in SA This would involve selling ConsGold's 38% stake in GFSA and its holdings in SA gold mines, resulting in the largest ever divestment from SA, some R2,6bn

If the offer was accepted Anglo American and De Beers' joint stakes in Minorco would be reduced from 60% to 40%

Sir Michael said the offer would give ConsGold shareholders a 20,4% increase in capital value and a 143,3% increase in income

He said it was Minorco's intention to redeploy ConsGold assets so the borrowings would be rapidly reduced The 49% stake in Newmont Mining Corporation would also be reduced

Responding to the bid offer, ConsGold chairman Rudolph Agnew said the offer was unwelcome He said Minorco's proposals envisaged the dismembering of the company which would effectively damage it.

The board, he said, strongly recommended shareholders take no action in relation to the offer which would be strongly resisted

● The LSE is investigating possible insider trading following yesterday's bid The market has been rife with speculation (emanating from Johannesburg) of a bid and on the first two days of this week alone some 4,5m shares were traded on the exchange City sources say the Minorco bid could erupt into one of the biggest dealing scandals ever They point out that at the beginning of the month ConsGold shares were 990p This was 410p below the £14 which the share closed at yesterday

COMPANIES

Gold's fall cushioned by hedging

ROBERT GENTLE

SA GOLD mines that routinely hedge their production by engaging in forward sales and/or option contracts are not expected to be hit all that hard in the short-term by the plunging gold price.

Anglovaal, the SA mining house most actively involved in hedging operations, said yesterday its September quarterly results, due to be released shortly, should be be significantly above the industry average.

Ian Benfield, prominently involved in the group's hedging strategy, said that Anglovaal had always considered the "very real possibility" that the gold price could fall to below $400 and had taken certain pre-emptive hedging measures.

Results for the June 1988 quarter showed that four of its mines — Hartebeestfontein Loraine, Eastern Transvaal Consolidated and Village Main Reef — had hedged significant portions of their future production.

Average price

In the case of Eastern Transvaal Consolidated this involved the sale of 587kg of gold for the September quarter and another 504kg for the December quarter, at average prices per kg of R32 728 and R34 170 respectively. This compares with the present price of around R31 800 per kg.

In addition, it entered into certain option contracts so as to enhance gold revenue should the price remain below $470/oz during the September quarter. The call and put options purchased cover 1 008 kg of gold.

Rand Mines also said that the fact that two of its mines — ERPM and Durban Deep — had entered into certain forward contracts would "help a bit".

At JCI, which at present has no open contracts on future gold production, a spokesman said that no-one could have foreseen that gold would drop the way it has. Asked if JCI regretted not having hedged, he said that hindsight was an exact science.

At Anglo American, which in principle does not hedge, a spokesman said that despite the gold price being lower, it was nowhere near the point at which it might threaten profit margins. "Our mines are not marginal mines," he added.

Despite bearish gold sentiment, most of the above quoted mining houses feel the metal price will bottom out before the year end, and do not think a long-term slump is on the cards.

'Apartheid link may hurt takeover bid'

ROBERT GENTLE

CONSOLIDATED Goldfields (Consgold) might well use the apartheid argument as an excuse for not accepting Minorco's £2,9bn takeover bid, Anglo American director Michael King suggested yesterday.

Minorco's indirect links with two such prominent SA giants as Anglo American and De Beers have already been the subject of speculation by analysts in London, where talk has been heard of a British political row which may worry the US anti-apartheid lobby.

King admitted that the anti-SA feeling had been "at the back of our minds", but said it was ultimately up to the shareholders of Consgold to decide on the financial merits of the Minorco offer, which he described as generous.

Shareholders had to decide whether to accept the offer of £13,06 a share, or possibly see the value of their shares fall back to around £10, he said.

Asked whether Minorco would increase its offer to counter the Consgold rejection, he said that insofar as he only represented Anglo American, he could only speculate. However, he hinted that new factors "may come to light" which could lead Minorco to re-value its initial offer.

And if the deal still did not come off? "We will just have to look at other opportunities," he said, alluding to the $&0m liquid reserves Minorco has following the recent disposal of its holdings in Salomon Inc and Anglo American Investment Trust.

Although a successful bid would in all probability see Minorco dispose of its 38% stake in Gold Fields of SA — with Rembrandt getting first option — King said Anglo would be perfectly happy with such an agreement.

Wide ramifications to Minorco's ConsGold bid

22/9/88 232

LONDON — Minorco's rejected assault on the West's No 2 gold producer signalled what may be the start of possibly the biggest takeover bid ever in Britain.

● EDWARDES

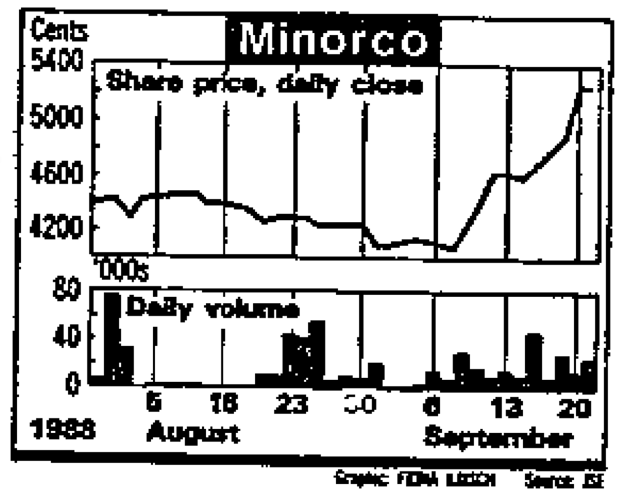
Analysts added that it threatened a British political row and might even worry the US anti-apartheid lobby.

If successful, it would change the face of the world mining industry. ConsGold owns half of America's Newmont Mining, which has the biggest gold mine in the US.

Minorco, already holds 29% of ConsGold and is now bidding for the remainder.

Stockbroker Phillips & Drew analyst Mike Crawshaw said ConsGold had successfully fought off several unwelcome bids in recent years and Minorco was likely to have to sweeten its bid to have a chance of winning.

"Minorco will have to raise it to £16 or £17 because ConsGold will have a very well prepared defence," he added.



ConsGold faced a dawn raid in 1981 by the same Minorco interests backed by Anglo and De Beers. The SA giants, which are inter-linked, have held about 29% of it through Minorco ever since.

Last year ConsGold defeated a bid by US businessman T Boone Pickens, who tried to take over Newmont Mining.

"They certainly have something planned," Crawshaw said.

"It could be along the lines of selling their SA business to pre-empt Minorco."

ConsGold chairman Rudolph Agnew said that if Minorco did win control "it will have to begin dismembering Gold Fields, both to help finance the bid and in recognition of the regulatory and commercial problems associated with SA control".

He added that his company was the non-communist world's second biggest producer of gold, after Anglo, and one of the two leading producers of crushed stone products in Britain and the fifth largest in the US.

Minorco, announcing its bid, named SA-born Sir Michael Edwardes, 57, a dynamic former chairman of car giant British Leyland, as its new CE and deputy chairman to signal a change in global strategy.

Edwardes said. "We're a company with strong assets. We now have the management ability to create a natural resources company, with the financial resources for expansion."

He added. "Minorco is ready for a quantum leap forward."

With net assets a little below those of its target, at $3bn, it had the cash to absorb ConsGold.

"We're a company which has trebled our asset base in five years. We have $900m in cash and a debt-free balance sheet." — Sapa-Reuter

Meritex lifts profits 28%

KAY TURVEY

CAPE textile and clothing group Meritex lifted attributable income 22% to R1 9m on a 16% hike in turnover for the six months to end-July.

Operating profit increased 18% to R2,9m and pre-tax profits, benefitting from lower interest charges, surged 28% to R3m. On an enlarged share base earnings a share at 12c are 2c up over the comparative period.

Chairman and MD Ed Gordon foresees earnings for the year of not less than 25c. This puts the share, currently trading at 80c, on a forward p e of 3,2 against the 4,2 sector average.

Gordon says the forward order book for the rest of the year is encouraging and government efforts to reduce imports should also have a favourable effect.

However, he says the results do not reflect benefits that are expected to flow from a major group rationalisation programme. This restructuring included the acquisition of the entire equity capital of a non-SA garment manufacturer in July to expand garment export business.

Gordon says this manufacturing facility will be substantially enlarged by early 1989 and the expansion funded internally.

DIAGONAL STREET

Gold shares produce whirl of activity

MINORCO'S £2,9bn bid for CON GOLD sparked off hefty dealing in Con Gold shares and active trade in related Anglo and Con Gold stocks.

Turnover in Con Gold was a massive 313 209 shares worth R29,13m in 267 deals, boosted by active dealing from London. Turnover in DE BEERS, GFSA, DRIES, MINORCO and ANGLOS added another 320 800 shares worth R13,37m.

In fact, the Minorco bid (spurned by Con Gold) lifted the JSE all gold and mining house indices in earlier trade in the face of a falling gold price. Later, the indices reflected the drift in golds and mining houses as the gold price dipped below $400 at one stage and the rand price of gold slid to R991.

At this level prospects for marginal mines become dicey. Sentiment remains bearish on gold in the short-term.

However, there are a few mavericks who are ignoring the dollar gold price and looking at the yen, mark and Swiss franc as benchmark prices for the metal. In these currencies the gold price has been steady.

A gold analyst says that these currencies are calling the tune more and more as the dollar gyrates ahead of the November election.

The Minorco/Con Gold announcement — expected by market observers, although denied by everyone until yesterday morning's sudden bid — played ducks and drakes with indices. The all-gold index, up 18 points at 1 254 in earlier trade, was down 27 points to 1 209 at the close.

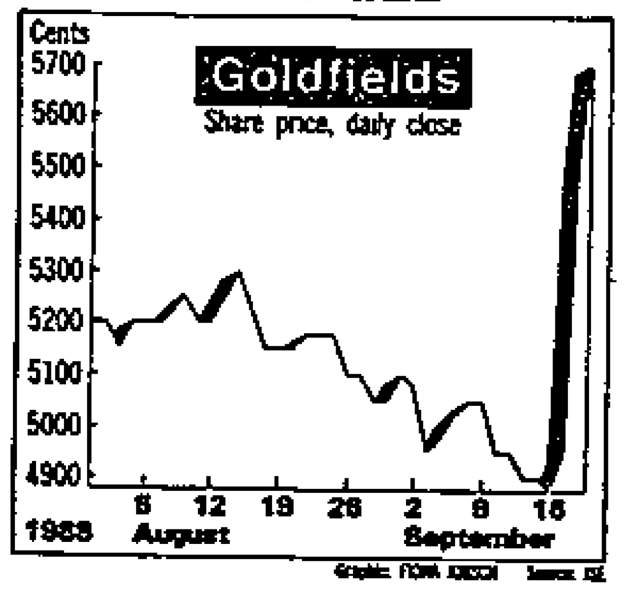
The diamond index, up 153 points to 7 388, finished 63 up at 7 298. The mining house index, up 75 to 2 207, closed only 8 points higher at 2 140.

The result was that the overall market index, 18 points higher at 1 787 in earlier trade, lost 6 points to 1 763 at the close.

The industrial index was unchanged at 1 664. Brokers said industrials seemed to be underpinned at the moment, but a sharp decline in the gold price could have a backlash.

The finrand recovered to R4,02/10 after weakening sharply at the opening, providing no help for gold shares.

Con Gold firmed R17,25 (22,8%) to a year's peak of R93, dealing between a high of R98 and a low of R90 during the day. The previous peak was R80,25 before the October crash.



The question now is: will the share go higher on expectations of a bid from another source and will it decline as the group fights back against a takeover? The stock has topped the biggest volume list on the JSE over the past week.

Minorco, which rose 350c on Tuesday, was unchanged at R52,50 on a relatively low volume of 24 600 shares worth R1,3m in 35 deals.

DE BEERS hit a day's high of R41,25, closing 35c firmer at R40,50 on a turnover of 118 700 shares worth R4,8m in 93 deals. GFSA firmed 200c (3,6%) to R57 in a turnover of 78 500 shares worth R4,5m in 52 deals.

DRIES finished 25c (3,6%) higher at R33,25 after a high of R35,75 on a volume of 77 500 shares worth R2,6m in 65 deals. ANGLOS closed unchanged at R53,50, after a high R55,25, on a turnover of 24 000 shares.

LIZ ROUSE

RACEHORSE TRANSPORT NOW IN SUPERTRANS STABLE

LIZ ROUSE

SUPERTRANS now controls racehorse transport in SA after its R3,3m acquisition of Natal-based Cross Country Movers and its wholly-owned subsidiary Medwood Furniture Removers.

Supertrans MD Ken Hall says the acquisition, coupled with the recent purchase of Thoroughbred Carriers of Port Elizabeth, has placed the company in a position where it controls transport in major horse-racing centres.

It is, therefore, well placed to take full advantage of the healthy state of the racing industry.

In the area of furniture removals, Supertrans' subsidiary RTS will now be in a position to concentrate on market penetration and improved customer service while deriving considerable benefits in terms of operating efficiencies and goodwill associated with the Medwood name.

The deal will increase the company fleet by boosting truck tractors from 38 to 57 and trailers from 65 to 115.

Previously the company did not have a substantial presence in Natal and the board decided to take over a going concern with a considerable reputation rather than start from scratch.

Medwood will continue to operate as an independent subsidiary under its own name, in line with Supertrans policy.

The deal is expected to make a significant impact on profits, resulting in an estimated improvement in earnings of 5c a share for the year ending June 1989.

Eurevest prospects spelt out

LINDA ENSOR

EUREFIN is forecasting earnings of 37,6c in the year to end February, 1989, and an annualised dividend of 18,8c for its subsidiary, Eurevest, which comes on to the JSE board today.

At the 200c the share is being offered to Eurefin shareholders, this translates into a price-earnings ratio of 5,3 and an annualised dividend yield of 9,4%, compared with averages of 8,1 and 4,3% respectively in the industrial holding sector. Tangible net asset value at February 28 was 205,2c.

Eurevest will consist of subsidiaries Atlas-Utas, involved in distributing automotive reconditioning machine tools, Durafurn, a manufacturer and distributor of PVC plastic outdoor and leisure furniture, and Utas Investments which has a portfolio of investments.

Consol believed to have called off Clegg deal

LINDA ENSOR

CONSOL'S packaging division is believed to have called off its R12,5m acquisition of Clegg Holdings because it failed to meet the guaranteed profits — one of the conditions for the deal going through.

Clegg's shares were suspended yesterday until a formal announcement is made a step believed necessary in the light of the heavy volume of trade which took place on Tuesday (25 000) and Wednesday (50 000 in a bookover deal). The closing price before suspension was 53c.

Consol was to acquire 75% of the shares from the controlling shareholders and another 20% from other major shareholders at 40c a share.

Minorities were to be offered 60c — the issue price at the time of its listing in November last year — on publication of the company's results to end-June. The conditions apparently stated that earnings had to be about two-thirds of the forecast figure of 6,3c a share.

Clegg MD Gerd Egger could not be contacted for comment last night.

Britain's pocket tycoon back in big business news

The Star Bureau

South African born and educated Sir Michael Edwardes, famous for putting British Leyland back on its feet, is back in the big business news again

South African-born Sir Michael Edwardes, who has launched Minorco's bid to take over Consolidated Goldfields, is arguably Britain's best known business tycoon

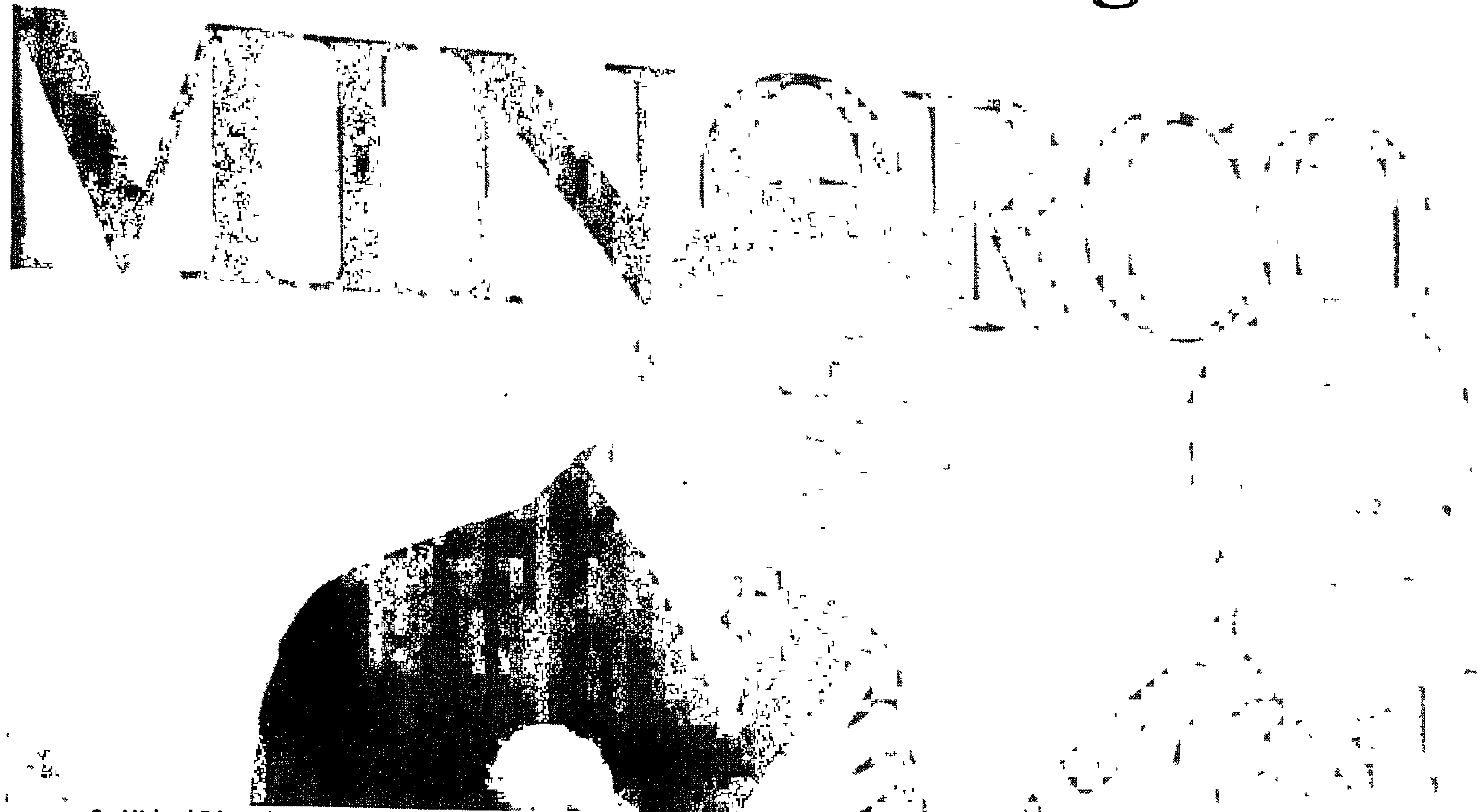
His gruelling five-year stint as chairman of British Leyland (BL), when he battled with union militants to turn that ailing car giant from an inveterate loss-maker into something approaching viability, brought him to national prominence, and he has seldom been out of the headlines since then He was knighted for his services to industry in 1979

Captain Energy

He has been nicknamed "Captain Energy" by some papers for his ferocious work capacity, as well as a "pocket tycoon" by others because of his small stature (he is 1,56 m tall)

Sir Michael, born in Port Elizabeth and educated at St Andrew's College, Grahamstown and Rhodes University, has been absorbed in business all his life

His father was a successful businessman — he owned a service station in Port Elizabeth — and by the age of 20 Sir Michael was in business himself 'I formed my own company leasing out land It was very successful," he says



Sir Michael Edwardes announcing the takeover bid with the company's North American director, Mr Hank Slack, Mr Harry Oppenheimer's son-in-law.

He was soon spotted by Chloride, the battery group — and his rise with them was meteoric He was a director by 1969, chief executive in 1972, and chairman in 1974 When he stepped down from the top position with the group in July this year, it had been transformed into one of the biggest corporations in its field in the world

He was named Businessman of the Year by *The Guardian* in 1975

But it was as British Leyland boss, from 1977 to 1982, that he really grew in stature as he struggled to deal with the strikes and and stoppages and disruptions which brought the firm close to the brink and gave it its reputation as a graveyard of managerial talent

Unlike his predecessors, who brought salesmanship, financial expertise and engineering talent to BL, Sir Michael was an organisational man deliberately chosen to give a radical change of emphasis to BL

Always one to speak his mind, he was blunt about the car giant's troubles

"It is sheer bloody-mindedness with some of these people," he said of the men — they included a communist shop steward known as "Red Robbo" — who tried to hamper his efforts to turn around the loss-maker "They're bloody-minded, just like children are"

During his stewardship BL's workforce was cut from an overblown 196 000 to just 100 000 and 19 factories were closed New models were introduced and a new spirit brought in

But, as he made plain in his memoirs, "Back from the Brink", published in 1983, he sees himself as a moderate, not a "union basher" Strangely, for a private enterprise man, he found he got along well with the Labour Government headed by Mr James Callaghan, but not so well with the Tories when they came in

Sir Michael and Mrs Thatcher seem to have held each other in wary regard He says she was more prickly than Mr Callaghan, and didn't delegate He describes her as being "in full cry" at one meeting, and another meeting was "like the Spanish Inquisition", where he and his colleagues were given "a real work-over"

Action's his game

After his stint with British Leyland, he held a string of other top jobs such as chairman of Mercury Communications, chairman and chief executive of Dunlop Holdings, chairman of ICL and non-executive chairman of the Hill Samuel Group

Earlier this year he joined the Delta Motor Company (formerly General Motors South Africa) as a non-executive director

What makes Sir Michael tick? "I love business, that's what makes me tick," he says "It is exciting And I'm a believer in firm action — if you don't take it, you've had it"

And he seems to have taken it once again

7.22 Star 23/9/88

2,0 87 A S O N D J F M A M J J A

This ... first eight months of 1988 to ...

Allegations of insider trading rife

232 8/day

LSE probes SA dealings in ConsGold

23/9/88

MIKE ROBERTSON

LONDON — The London Stock Exchange (LSE) unit investigating possible insider trading in Consolidated Goldfields (ConsGold) shares is set to focus its attention on SA clients of a well-known London broking firm.

The announcement of Minorco's £2,9bn bid for ConsGold has sparked off allegations of insider dealing and suspicions that an illicit party of investors has been in operation

Minorco chief executive Sir Michael Edwardes made a formal request to the LSE to launch an inquiry into recent dealings which have led to a 40% increase in the price of ConsGold shares in the past three weeks

However, the LSE unit is understood to have already decided to investigate prior to the Minorco request. When Edwardes announced the bid he denied Minorco was in any way responsible for the speculative trading.

More than 4,5-million ConsGold shares (more than 2% of equity) were traded on the LSE on the two days prior to the bid announcement. LSE sources said that was highly unusual

But the probe is likely to focus on the trading in options, especially by clients of a London broking firm

Broking sources, quoted by the Financial Times, said since August there had been a persistent placing of buy call options on ConsGold shares These had been placed through the international desk of the British broking firm either by one client or a group acting in concert.

● See Pages 3, 8 and 12

This was confirmed by several London brokers who suggested the orders had emanated from SA via Switzerland.

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JSE to look at big leap in trading

LSE probes SA dealings in ConsGold

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A spokesman for the broking firm said. "We have been doing some client business on an agency basis. We will co-operate with the investigation 100%."

City sources said the interest was directed at call options to buy ConsGold at £11 expiring on October 26. With exchange control limitations, those options would be attractive to SA investors anticipating a bid. It would allow an investor to maximise profits with the smallest possible outlay in foreign currency.

Foreign orders to buy October calls have been running at several hundred contracts a day for the past seven weeks. Every 1 000 option contracts gives the holder the right to buy 1-million ConsGold shares. By Tuesday last week, their calls had been pushed to twice their correct price in relation to the underlying share. However, heavy buying continued.

Brokers estimate that the night before the Minorco bid, holders of call options had the right to buy more than 3% of Goldfields shares

ConsGold holding needed to raise funds

(232)

B/day

23/9/88

Likely sale of SA investment may hit finrand

CHERILYN IRETON and MIKE ROBERTSON

THE inevitable sale of Consolidated Goldfields' (ConsGold) SA investment of R2,6bn could seriously undermine the long-term performance of the financial rand, analysts say.

However, the currency could benefit in the short term from offshore demand for SA-held ConsGold shares

ConsGold has significant holdings in SA, including a 38% stake in Gold Fields of SA, a 7% holding in Driefontein Consolidated, 12% of Kloof and 15% of Deelkraal Gold Mine It also has a direct holding in Northam Platinum.

Analysts, commenting on the implications of Minorco's £2bn hostile takeover bid for the UK mining giant, say there is little doubt ConsGold's holdings will be sold — either to raise funds to avert Minorco's assault or by Minorco, should it eventually succeed in its bid.

Minorco has already indicated it would sell ConsGold's SA interests — probably to Rembrandt — to reduce borrowings if its bid were successful It also said Anglo and DeBeers' holding would be reduced from 60% to 40%.

"With that sort of disinvestment overhanging the market the medium to long-term implications for the financial rand look bleak," says one analyst.

Meanwhile, Minorco has denied the possible dilution of the Anglo/De Beers holding was a deliberate strategy to distance itself from SA interests

Newly appointed Minorco CE, Sir Michael Edwardes, said in London this week — before the offer was rejected — that Minorco had no investments in SA *per se*

"After this deal is done we still intend to have no investments there Having said that we have no trouble whatsoever with having shareholders in SA investing in us."

Edwardes said Minorco's position was that opposition to SA — particularly at government and political level — had been directed at investments into that country.

"Minorco took some business decisions which happened to reduce our investments in SA to nil We are going to do the same on ConsGold. So I would argue that the new Minorco/ConsGold is going to be freer of that particular problem than the present ConsGold."

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23/9/88 Star

Fate of Minorco's bid rests on political front

By Ann Crotty

On day two of Minorco's battle for control of Consolidated Gold Fields, it appeared that only political considerations would prevent the South African backed Minorco team from winning control

Before the close of trade on Wednesday, the Consgold share price had already eased back from its high of £15,05 to a close of £13,46 Yesterday the share was trading between £13,50 and £14 This relative sluggishness, in the face of what was expected to be one of the biggest takeover battles ever to hit the London Stock Exchange, suggests that investors are expecting a quick resolution, although talk of a possible inquiry into insider trading charges also contributed to the slip-back.

And, given that Minorco appears to have entered the fray with the cards stacked in its favour, the feeling is that on financial considerations Minorco has probably already sewn up the deal However, political considerations could un-do this situation.

Analysts feel confident that Minorco entered the fray with around 40 percent made up of its own 29 percent holding, a further 5 percent in options and the backing of the Oppenheimer family and other "friendly investors", leaving only another 11 percent to win

At this stage analysis of the deal is complicated by confusion surrounding Minorco's plans for American-based Newmont Analysts in London seem confident that Minorco intends to sell off Consgold's 49 percent stake but local analysts are adamant that Newmont is the jewel in the Consgold crown and without it the deal would make little sense.

Minorco's statement, announcing the deal, was unclear: "Minorco will review Consgold's 49,3 percent passive investment in Newmont with Newmont's board and management and will consider whether to reduce the holding and re-deploy such proceeds more effectively within the enlarged group."

The London interpretation is that Minorco intends to sell off the debt-ridden Newmont in order to help finance the Consgold deal and avoid major political battles with the strong anti-SA lobby in the US

Local analysts believe that the only reason Minorco went for Consgold was to get Newmont and that it would increase its holding to above 50 percent Newmont is currently suffering debt and production problems, but has excellent long-term prospects

It is the largest North American mining operation so a group with aspirations to become a leading player in the world's natural resources industry is unlikely to let go of it

There are excellent synergistic opportunities between some of Consgold's existing interests and Newmonts' and there is scope to sell off some Newmont assets and realise cash

Other reasons for not selling off the Newmont stake is that there is unlikely to be an active buyer in the market although the New York share price is currently a low $36 Consgold paid an effective $80 a share for almost half of its holding last year

In addition, without Newmont, Consgold has only three other significant assets ARC, Renison and Gold Fields If the political argument was applied to these then much of ARC's assets would have to be sold off as well as Renison's big New Guinea project

Agnew's R1-m job hangs in balance

By Derek Tommey

The concern that South Africans are showing over the drop in gold is probably slight compared with that felt by Mr Rudolph Agnew, chairman of Consgold The slide could cost him his R1 million-a-year job and hand Consgold to Minorco

Minorco, an associate company of Anglo American made a takeover bid on Wednesday for Consgold which Mr Agnew immediately rejected

But he will not find it easy to stop Minorco, say market sources

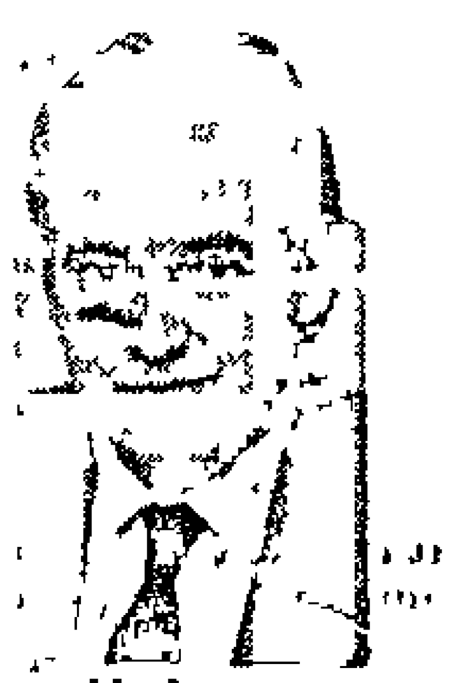
He has to convince shareholders hey will be better off holding Consgold shares than accepting the offer.

Almost half of Consgold's profits come from gold And with the gold price sliding downwards, Consgold is going to a tough time maintaining profits and shareholder loyalty

Luck is obviously still with the Oppenheimers because Minorco, in fortuitously making its bid the day the gold price fell below $400, could not have timed it better

It is felt that the Minorco offer, roughly equal to £13,50 a share and almost £3,50 above Consgold's share price on Monday, will seem attractive to shareholders

If the take-over goes through Minorco will get a mixed holding of mining and quarry companies But Sir Michael Edwardes, newly appointed chairman of Minorco, said on Wednesday the intention was [illegible] to consider selling all the holdings of Consgold, other than ARC, which runs its British and US aggregate operations, and Gold Fields Mining in the US



Mr Agnew

This suggests he is planning to make a quick profit by selling Consgold's stake in Gold Fields of SA to the Rembrandt Group, which has had its eyes on what is acknowledged the lowest-cost and most profitable gold mining group in South Africa

It also means he is probably planning to sell Newmont Mining, Consgold's troubled and indebted US investment Newmont wants to become one of America's biggest producers But it is in deep trouble in the wake of buying off a $6 billion takeover raid last year

Its $1,6 billion debt exceeds its assets, despite sales of major holdings Its profits are squeezed by interest payments and its shares are shunned by investors, the *Financial Times* reported this week

So a major question is who would want to buy Newmont at the present gold price?

A sale of Consgold's assets could probably include its shares in Renison, which operates in Australia and mines mineral sand and has small gold-mining operations in the Northern Territory and Papua New Guinea

Gold Fields Mining, which Mr Edwardes wants to retain, is a small but profitable producer with mines in California and Nevada

ARC contributes the biggest proportion of group profit, making £83,6 million after tax in 1986-87 Consgold has a fairly extensive portfolio of precious metal and natural resource stocks

In a bid to cast Minorco in a bad light, much has been made in London of its South African connections But Consgold also has strong South African links and if Britons are happy holding shares in Consgold they cannot have much objection to doing business with Minorco

Needless hoo-ha, says Relly

25/9/88

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S/Times

ANGLO American chairman Gavin Relly is undeterred by Cons Gold's attempts to mobilise anti-South African opinion to thwart Minorco's dramatic takeover bid.

He told Business Times on his return to Johannesburg this week that there should be no political repercussions

Mr Relly said. "Minorco is based in Luxembourg and Cons Gold in London. Both are foreign companies with every possible legitimacy. Anglo and De Beers are reducing their holdings in Minorco well below control, so there's no need for a hoo-ha"

If the bid succeeded, Cons Gold would sell its 38% holding in Gold Fields of SA, "to avoid the regrettable odium of a SA connection".

Fight for life

Cons Gold chairman Rudolf Agnew is fighting for his £250 000-a-year job and will do anything, including enlisting the aid of SA's political foes.

Britain's Labour Party has rallied to Mr Agnew's side. The Cons Gold board is expected to appeal to the British

Business Times Reporters

Government, to the European Economic Community and to US legislators in the battle to fend off Minorco

Minorco's bid for Cons Gold shook the financial world. It was the biggest raid yet in the UK and the greatest strategic move by an SA-linked company.

Defeat for Minorco and Anglo would mean a loss of face If Anglo won, heads would roll at Cons Gold

The takeover attempt is the first hostile bid by an Anglo group member since the days of Sir Ernest Oppenheimer Anglo and Minorco have been at pains for years to be gentlemen — but the fighting could get dirty.

Mr Agnew was quoted in Friday's London Financial Times as saying that only Mr Harry Oppenheimer could make decisions at Anglo. In all his years on the Anglo board he had never been a party to a significant decision

"How any red-livered man could work for that lot beats me," he said.

Asked if Mr Agnew had a future with Cons Gold if Minorco's bid succeeded, Mr Relly said "Ask him"

UK brokers reckon the political problem cannot be shrugged off Jeff Ware of broker County NatWest-WoodMac warns "Anglo cannot assume that it is acceptable merely because it is anti-apartheid It has drawn attention to itself at the wrong time SA companies are not welcome controllers of US or UK companies"

City of London analysts believe that if Minorco succeeds, it will be forced to sell large parts of the Cons Gold empire

"They will inherit the ruins of a business," says Mr Ware "Minorco stands no chance of acquiring Cons Gold's Newmont Gold or other North American assets"

Minorco has stated that Cons Gold's 38% stake in Gold Fields of SA — worth £400-million — would be sold

Cons Gold director Humphrey Wood expects the UK authorities to scrutinise the bid "Whether they will conclude that there is public interest in the destruction of a great British company, I don't know"

Cons Gold says that in addition to GFSA, Minorco would have to sell other Cons Gold assets if it wins control

"We do not want it to be seen as a

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P.T.O

☐ From Page 1

Cons Gold rumpus

carve-up," says Tony Lea, financial director of Minorco

Terms of the offer say the new Minorco team would "critically review all investments dispassionately, uninhibited by historic attitudes and decisions"

Minorco would consider selling Cons Gold's 49% of Newmont, which it regards as "passively managed" and yields less than 2% There are also question marks over Charter Consolidated and Engelhard Minerals

Mr Ware thinks the sale of Newmont would be inevitable any way — "There's no way the Americans will let Minorco take control of the US gold-mining industry"

Minorco might also sell Cons Gold interests in Australia and Papua New Guinea where, Cons Gold believes, SA control is politically unacceptable These would include two of the largest and lowest-cost gold deposits in Australasia, Porgera and Telfer

Mr Relly explained the strategic motivation for the raid "Minorco has been seen as a dull undynamic investment company It has traded at a discount to assets To remedy the position, we want to convert it into a hands-on operating company, to let it do its own thing independently all over the world"

To enable the transformation of Minorco from a passive investment company to one which actively manages its own assets, Sir Michael Edwardes has been appointed deputy chairman and chief executive

Under Sir Michael, three Anglo men previously associated mainly with Minorco will take on new executive jobs

First right

They are Mr Lea, finance director, Roger Phillimore, business development director, and Hank Slack, director responsible for North American affairs Mr Slack is Harry Oppenheimer's son-in-law

Rembrandt has first right of refusal to the GFSA shares, but has not indicated whether it will be a buyer or at what price

A Johannesburg analyst says it is an inconvenient time for Remgro to have to buy more of GFSA He says that GFSA and Driefontein have a paper profit of more than R1-billion in Cons Gold shares They could be useful allies of Remgro, Liberty, et al, in any buy-out of GFSA

If the deal goes through, the financial rand could benefit, and SA holders of Cons Gold — and successful insider traders — could bring home pounds and buy finrands If GFSA passed to SA hands, the finrand should decline

Another stick that Cons Gold management will use to beat off Minorco is strong evidence that insider trading emanated from SA

It will claim the insider traders were in Johannesburg Insider traders are thought to have made as much as £20-million Inquiries are under way, but proving guilt will be as difficult as pressing charges because Swiss banks were used and culprits appear to be safe from English law

In its official response, Cons Gold says the bid is devoid of commercial sense Minorco would be forced to dismember Cons Gold, both to finance the takeover and to meet "regulatory and commercial problems associated with SA control"

Minorco is offering one of its own shares plus £19 in cash for every two Cons Gold shares It already owns 29% of Cons Gold

If the bid is successful, the shareholdings of Anglo and De Beers in Minorco would fall from 39,1% and 21% to 26,6% and 14,3% respectively The Oppenheimer family stake in Minorco would fall from 7% to 4%

Although Minorco has cash resources of £540-million, it would need to borrow about another £1-billion to finance the bid It would also take on Cons Gold's net debt of £638-million

Most wounding to Cons Gold directors is Minorco's threat to implement major head office cost savings, applying "its principles of lean central staff and decisive asset management to the management of Cons Gold"

Mr Ware says "Minorco doesn't know anything about management. It is laughable for Anglo to talk about a lean head office"

Minorco believes, however, that the head office can be pared

Mr Lea says "The essential thing is to get control of the operating cash flow, You don't do that by clipping dividend coupons"

Cons Gold shares soared to £15 in early dealings this week before falling to a small premium over the £13,06 a share bid at £13,50

Analysts at Shearson Lehman believe the price is too low and that Minorco will have to pay up to £17 to convince Cons Gold shareholders to accept But a Johannesburg analyst says the shares are worth at most £10

Mr Relly said the price offered was very fair, hinting there would be no improvement in the offer

Minorco has timed its offer astutely because the the gold price is hovering about $400 Shareholders will need to consider carefully what price Cons Gold shares would be in the absence of the Minorco bid

GFSA rejects Anglo control

SUNDAY TIMES

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25/9/88

By JEREMY BROOKS and DAVID CARTE

THE chairman of Gold Fields of South Africa, Mr Robin Plumbridge, has sided with the British management of Cons Gold in the bitter takeover struggle that was launched this week by Minorco, offshore arm of the Anglo American Corporation

Speaking from London's Hyde Park hotel yesterday, Mr Plumbridge confirmed that GFSA, which owns 7,5 percent of its parent company, would "stand by its sister company", but would not be drawn on the reasons

"Our position is that we are supporting our major shareholder," he said.

"If that's GFSA's choice, I'm sorry," said Gavin Relly, chairman of Anglo, which has the biggest single stake in Minorco "The offer is a very fair one"

Minorco's bid makes GFSA's stake in its parent worth about R1,2-billion through the financial rand

Stake

In terms of Minorco's proposals, once it has acquired control of Cons Gold, Cons Gold will sell its stake in Gold Fields of SA

Rembrandt Group has a pre-emptive right to buy Cons Gold's shares in GFSA, but has so far refused to indicate whether it would be a buyer

Rembrandt has 10 percent of GFSA already Liberty Life, its close partner, also has about 10 percent of GFSA, while Standard Bank has a strategic holding

Gold Fields' management under Robin Plumbridge has long been fiercely independent It has resented taking orders from Cons Gold in London and has always been at pains to keep Anglo at arm's length.

If Cons Gold sells its stake in GFSA to Rembrandt or any other buyer, Anglo would ostensibly lose any say over its affairs But Mr Plumbridge and his board want a say in the choice of a future partner

Meanwhile the hunt for the mystery dealer in options on Cons Gold shares has led to Lichtenstein.

● See Business Times

Price tag of over R500m . . .

Rand Mines gets 72,6% control of Lefkochryson

Cit Times 26/9/88 232

JOHANNESBURG — The Rand Mines group acquired a 72,6% controlling interest in listed platinum venture Lefkochryson — in a deal with an effective price tag of over R500m

The acquisition was made by the group's platinum arm, Barplats Investments, after negotiations which lasted for three weeks, in which time the listing of Barplats and Lefko were suspended

Agreement

An agreement was signed early on Friday, Clive Knobbs, head of the gold, platinum and uranium division of Rand Mines and the man who headed the negotiations for Barplats, said

Key elements of the acquisition are

- Barplats acquires from Salene Mining its entire holding of 30,6m shares in Lefko at a price of 450c — 100c below the suspension price Of these, 22,2m shares will be retained by Barplats, while the balance will be taken up by the nominees,
- The Barplats mine, Rhodium Reefs, will be reversed into Lefko in exchange for just under 38m (8%) compulsorily convertible unsecured debentures at a price of 490c and 39,8m new ordinary Lefko shares at 450c, and
- The existing management contract between Lefko and Golden Dumps is terminated and a new management agreement entered into with Rand Mines (Mining and Services)

In terms of JSE requirements, Barplats will make an offer to Lefko minorities — also at 450c

Rand Mines estimates that Lefko needs another R350m to bring its mine to production

At least R215m of this will come from the injection of Rhodium Reefs into Lefko — enough to finance the mine to a level of 160 000 tons of ore a month — while the balance will be made up by loan finance Mining assets (including mineral rights) worth R150m will also be injected into Lefko.

"We plan to have Lefko in production early next year and deliver platinum group metals to its Springs refinery by May," said Knobbs

Lefko will, therefore, start producing working profits in the 1990 financial year, with the expectation that dividends will start to flow by not later than the 1992 financial year, he added

In its prospectus Barplats indicated that its first dividend would be paid for the year ending December 1993

Knobbs said Rand Mines will concentrate its efforts on bringing Lefko into production — but work will continue at Rhodium Reefs on a curtailed basis to meet contractual commitments

"A big benefit is that Rhodium Reefs no longer needs to build a refinery — which means a considerable saving in capital," said Knobbs

Investigation

Rand Mines is undertaking an investigation to determine whether the next phase of expansion should take place at Lefko or at Rhodium Reefs

Knobbs said the deal would have no material effect on the Lefko labour force, nor on firm Lefko commitments to suppliers

In terms of the agreement, Lefko's directors will resign and be replaced by Barplats appointees, while the listings of both Barplats and Lefko will be reinstated today — following their three-week suspension

Circulars will be sent to the relevant shareholders, who have still to approve the deal — Sapa

Insider deals: SA firms may be named

232 SM Finance Staff 26/9/88.

A number of South African firms could be named in connection with alleged insider trading involving Minorco's Consolidated Goldfields bid, if Consgold succeeds in forcing a Liechtenstein bank to disclose their identities

The outcry at the surge in dealings in Consgold options shortly before the offer, has overshadowed the financial aspects of the £2,9 billion (about R52 billion) bid

The allegations have centred on Consgold option orders, which allegedly emanated from South Africa through Swiss Banking Corporation subsidiary SBCI Savory Milln

Evoking the Swiss Companies Act, Consgold chairman Mr Rudolph Agnew established that SBCI Savory Milln itself received the orders from a Liechtenstein-based bank, which is now under pressure to reveal its clients

Consgold chairman Mr Rudolph Agnew alleges speculators could have made profits of up to £25 million (about R600 million) on advance knowledge of the deal and asks for inspectors to be appointed The London Stock Exchange is launching a similar inquiry

● See Page 14

been inevitable, because there was seven days of the month."

JSE meets on heavy trading in Con Gold

Bday 27/9/88 (232)

MERVYN HARRIS

THE JSE general committee will decide at a meeting today whether to take any action on dealings in Con Gold shares.

This follows the unusually heavy daily turnover in the shares in the weeks before last Wednesday's bid by Minorco for control of the UK-based company.

JSE vice-chairman Peter Redman said yesterday: "By Thursday, Press comment indicated the London stock market was looking at possible insider trading in Con Gold shares and we decided to look at turnover figures on the JSE over the last six weeks to determine whether there was any unusual activity.

"We discovered there was unusually heavy trading in the shares. Consequently, the committee will decide whether to call for returns from brokers."

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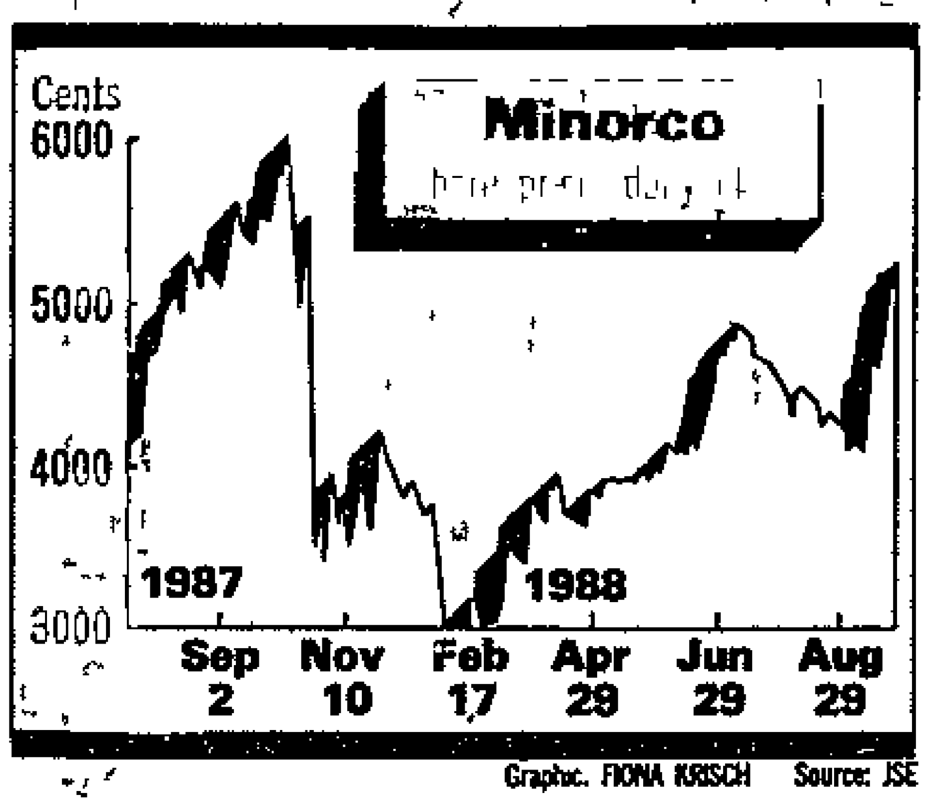
Harms Comr



Graphic: FIONA KRISCH Source: JSE

Record earnings set to change Minorco dealings

(232) B|day 27|9|88
LIZ ROUSE

MINORCO has taken a giant step, with record earnings and a multi-million cash kitty now enabling it to move away from being a passive investor to becoming a major participator in development of resources

A 58% jump in earnings from operations in the year to June, significant increases in contributions by all major investments, plus the timely sale of investments in US bankers Salomon Inc and Anglo American Investment Trust, lifted total earnings to $775m in the year from $122m.

Earnings from Minorco's operations jumped to $104m ($65,6m), while earnings before extraordinary items trebled to $262m (($87,7m). Extraordinary gains of $513m lifted net earnings to $775m, following the sale of the remaining 14% stake in Salomon and the 10% holding in Amanint

Dividends for the year increased by a further 4 US cents to better than expected 30 US cents Chairman Julian Ogilvie Thompson forecast a dividend total of not less than 25 US cents at the interim stage.

Despite the stock market crash, net asset value at June 30 was virtually unchanged at $3,024bn ($3,073m), with net asset value a share of $17,75 only marginally below $18,05 a year ago.

Current net asset value has risen to $3,1bn or $18,19 a share. The stock firmed 350c to a year's high of R52,50 on

● To Page 2

Minorco is set to develop its resources

the JSE yesterday; being in a strong uptrend

(232) B|day ● From Page 1 27|9|88

Cash holdings are $890m, earmarked to implement Minorco's strategy from being a passive investor into the ownership and operation of, and direct participation in, resource-based assets

Minorco's dividend income increased only marginally to $61,5m However, the increase in dividend income is 40% when the dividend paid by Salomon and Anamint, sold in the first quarter of the year, are excluded for both 1987 and 1988

Interest received from the cash kitty rose by $34,8m

Minorco's share of undistributed earnings of investments accounted for by equity method of $159,6m was $136,4m higher than in 1987, of which $21,8m relates to the change to co-terminous accounting for investees with December year-ends

Local clothing firms form new company

Cape Times 28/9/88

732

By AUDREY D'ANGELO
Financial Editor

A NEW company to be formed jointly by two Cape Town clothing firms — Meritex and Polo — will aim at the export market as well as selling men's and women's knitted outerwear to SA retailers.

Meritex chairman and MD Ed Gordon and Polo MD Gordon Joffe announced yesterday that it had been agreed in principle to form the still unnamed company.

It will operate independently from both parent companies although Joffe will be MD. Brian Hadyn of Meritex will be marketing director. Other directors and senior staff will be appointed in the next few months.

The new company will buy the Meritex outerwear garment manufacturing division in Parow Valley for R1m.

Joffe said that although the joint venture would officially come into being on February 1 the new relationship would start immediately because it would be necessary to start taking orders within the next few weeks for delivery next year.

"The company will be of a fairly substantial size from the outset and both Polo and Meritex feel that the benefits of synergy will flow at an early stage.

"It will be possible to switch production from lines yielding marginal profits to more profitable branded products."

Polo manufactures shirts but buys in other clothing for distribution. Some of this has been made by Meritex and other local manufacturers and some imported.

Joffe said the new venture would mean that it could all be made by the new company. This would be an advantage with the rand so unstable that forward planning involving imports was virtually impossible. It would also reduce delivery times.

Both Polo and Meritex have been in the export market for about 10 years and have contacts through which garments produced by the new company can be sold overseas. Polo and Meritex, who do not compete since they are in different markets, may also be able to increase their exports through each other's contacts.

Ed Gordon said the new venture would not be subject to foreign exchange or import problems because it would be part of Meritex's vertical chain which started with the manufacture of high quality fabric. All raw materials were sourced locally.

"In addition, with the highly unfavourable long-term trend for the rand, we see significant potential in the export market."

Deregulation dogfight looms for private airlines

FEUDING private airlines have been warned to join forces in preparation for the deregulation of South Africa's air routes

And a leading academic says that if major carriers don't get their act together soon an interloper may snatch the opportunity of big profits from them

By Roger Makings

The rivalry and suspicion between the airlines, stems from their hard-won and jealously protected routes

However, recently Comair, the biggest private passenger airline in the country, and Air Cape, now renamed Safair Lines, agreed at the often acrimonious National Transport Commission hearings on allocation of routes to co-operate rather than compete for the sought after Bloemfontein-Kimberley-Port Elizabeth service

Although airline chiefs guardedly agree that a consortium may be beneficial in competing against the might of SAA, not all are prepared to make a commitment.

Welcome

The two biggest airlines, Comair and Safair, say they already have the necessary finance and infrastructure to establish a potentially competitive service to the national carrier

And SAA, in a reply this week, welcomed the opposition, vowing to remain competitive

But, Professor Jackie Walters of the department of transport economics at Rand Afrikaans University, says the private airlines would be hard-pressed to match SAA

"On the higher density routes you have to pit jet against jet if you aim to be competitive No-one is going to fly from Johannesburg to Cape Town in a 50-odd seater prop aircraft when they can do the flight in half the time in a big jet

"These jets cost millions and acquiring them is going to strain private airlines to breaking point"

All the contenders have their own support systems — managements, maintenance, bookings and equipment — but if these were rationalised the enormous savings would allow expansion and generate greater profits, said Professor Walters

He expected the report from the steering panel advising Transport Minister Eli Louw to make its findings on deregulation known sometime next year — recommendations which could be implemented as early as 1990

"And to be ready the private airlines should stop their bickering, put their pride in their pockets and get on with the task at hand — forming a single private carrrier that is powerful enough to purchase the bigger aircraft necessary for the higher density routes

"Not only will they be offering a viable and organised service to the public, but they will also generate greater profits than if they remain in competition, each supporting its own infrastructure'

Professor Walters said he favoured a system whereby, after deregulation, surplus growth was passed from SAA to the private sector

"Fantastic growth is projected for air transport By the year 2010 we could have 12-million people a year flying, with research indicating that blacks may move from cars to aircraft, missing out on the natural progression to buses and trains, when going on holidays

"The internal market by this time could be in the region of 3-million people and growing annually by between 8%-9%, all of which would be passed on to the private sector

"So instead of chopping up SAA and letting it bleed all over the place, the national carrier's growth is merely stunted Retained, however, will be existing staff and morale, while the private sector airline grows"

PIETER VAN HOVEN
Reticent

JACKIE WALTERS
Get together

PIET VAN ASWEGEN
Go it alone

The benefits to the country would mean bigger and better aircraft, more modern equipment, bringing with it advanced technology, job security, greater profits, and healthy competition which will benefit passengers.

All of which will leave SAA in a more favourable position for privatisation

Capital

The consortium would be a multi-million rand organisation which would probably need the backing of finance houses and have to be floated on the JSE for additional capital

Professor Walters said of the proposed new airline that each member of the consortium should be allocated shares according to their investment, be given board representation and would retain their exisiting low-density route allocations in their present liveries and with existing aircraft

"This means a new and jointly managed airline, with a new identity, for the high-density routes which will generate greater profits that will benefit our air transport system that is so vital," he said

"Aviation is just too important to be left where it is The private sector and not the South African Transport Services, should be dominating the market

"Privatisation and deregulation go hand-in hand — you can't have one and not the other," he said

But airline chiefs are hesitant to be drawn on the matter

Says Comair managing director, Mr Pieter van Hoven "We have never looked at rationalisation seriously, because we don't know how the Government plans to go about deregulation A consortium is feasible and could be beneficial, once the concept has been explored"

He felt however that the Competitions Board might reject a merger between the airlines

Mr Van Hoven agreed that to be competitive an airline would have to operate jets, which Comair was prepared to purchase

"A lead in time of a year after the Government's decision would be sufficient to establish a service that would be competitive We already have the infrastructure It would merely be a question of broadening it," he said

He disagreed that there was bickering between the private airlines, "what we have is healthy commercial competition"

Trust

Less supportive of rationalisation was Dr Piet van Aswegen, recently appointed chief executive of Safair Holdings with control of Safair Freighters and the newly established Safair Lines

"Consortiums tend to be slow decision makers You can't have between five and 10 people all trying to get their own way in a company that is operating in a highly competitive environment"

A managing director and board would overcome this, but would the other investors entrust their financial input to someone else without having their say?

He agreed that a consortium was worth investigation and could be financially viable, but not that it would necessarily generate bigger profits "It would depend on what sort of animal you end up riding ' he said

"Frankly we don't need someone else's money to buy bigger and faster aircraft Safair has all the financial muscle it needs, through its parent Safmarine, to go it alone

"What we do need is the right to fly and a clearer vision of what the final deregulation picture will look like so that we can plan for the future

"We already have the finance technology and expertise to expand our operations All we need is the go-ahead

"We have made some assumptions and based on those, things look good for us"

He added however, that Safair did not want to appear aloof and arrogant. "Should a company want to join us, we would certainly consider a pooling of forces"

Replying to the suggestion that an outside organisation could step in and seize the initiative Dr van Aswegen agreed this was possible

"It's always the companies outside an industry that walk in and shake-up everything Those within the industry are blinkered to new ideas and innovations They wake up to find the rug pulled from under them — but we are watching out for this"

More supportive of rationalisation was Mr John Morrison chairman of Magnum Airlines, the third player in the game

"I m all for the private carriers getting together There is no necessity to retain corporate identities — what we need is a completely new outfit sharing the enormous overheads that go with running a modern airline"

Whatever happens, it seems that Comair and Safair will go it alone, leaving the smaller operators to join forces with them or face being pushed out of the picture

9/10/88 · (232) S Times

Strategic minerals at risk, says ConsGold

Successful bid 'will mean SA domination'

BDay 11/10/88. 232

LONDON — SA would dominate the world supply of strategic minerals and metals if Minorco's £2,9bn bid for Consolidated Goldfields (ConsGold) succeeded, the company told the Office of Fair Trading

It suggested in a submission to the office (details of which were released yesterday) that if the bid succeeded SA, and Anglo American in particular, would dominate, and by implication threaten, supplies of gold, platinum, zircon and titanium

But the feeling among analysts was that even if the suggestion of domination was true, it was highly questionable whether SA would or could threaten supplies

ConsGold said a successful bid by Minorco would give Anglo American control of 32% of the Western world's gold supply, equivalent to the combined production of the US, Canada, Australia and Brazil It said "The unprecedented share which an enlarged Anglo American grouping would control should be of critical concern to all national governments"

Anglo American already controlled 54% of the Western world's mine production of platinum and 60% of refining capacity

"Gold Fields is developing a new mine in SA which will introduce much needed competition to the industry If the bid succeeds, the sources of supply will be yet further concentrated into the hands of Anglo American, stifling any hope of more competitive market conditions"

MIKE ROBERTSON

SA control of zircon and titanium was a matter of national interest for Britain Titanium was used in jet aircraft wings while zircon was critical to the nuclear industry and advanced ceramics

However, ConsGold has assumed collusion between two SA companies — as Gencor, not Anglo American, controls SA production of the two minerals Gencor produces 29% of the Western world's titanium and 26% of its zircon

The office has until October 25 to decide whether to refer the bid to the Monopolies and Mergers Commission.

□ Sapa-Reuter reports that Minorco said in London yesterday it would sell ConsGold's 49,3% stake in the US firm, Newmont Mining, if its bid succeeded

Newmont, which owns the biggest US gold mine, has protested to President Ronald Reagan over Minorco's bid for ConsGold

232 Bday 13/10/88

Privatisation: lessons SA can learn from UK

MADSEN PIRIE, a key advisor in Margaret Thatcher's privatisation programme, outlines some of the lessons for SA in the British experience. This is an edited extract from an article in the current issue of the Southern African Freedom Review

DELEGATIONS visit Britain at an average of one a week to learn how to introduce the vital elements of enterprise and initiative into stagnant public sector economics.

SA will be successful with its own privatisation programme if it pays sufficient heed to the lessons which have already been learned elsewhere in practice. A close study of the British experience can be used to acquire the expertise which might otherwise have to be learned the hard way by making mistakes.

Britain did make some mistakes, but taken as a whole the programme was a success of astonishing proportions In 1979, Britain was the sick man of Europe, and other nations talked sadly of the "English disease". In less than nine years Britain has achieved a growth rate higher than most other countries.

It has the lowest inflation in 20 years, the lowest strike record in 40 years and the lowest income taxes in 50 years A huge deficit has been turned into a surplus over this period.

Privatisation took place at increasing speed. From the first and rather tentative privatisation — that of British Petroleum (BP) in 1979 — the pace has accelerated. In June 1988, Chancellor of the Exchequer Nigel Lawson told an international conference that most of what remained in the public sector would also go.

BP already had some shares in the private sector. A loan to Britain from the International Monetary Fund in 1976 had been conditional upon the sale of some shares. When the new Thatcher government sold a further batch in 1979, the government holding dropped from 55% to 48%.

The difference was crucial. With prime responsibility no longer in government hands, BP was able to borrow money in the market without it being part of government borrowing or subject to the same controls. The company ceased to be a political entity and became a commercial one.

Instead of placing its operations where politicians wanted them to go, it placed them where commercial sense decreed BP rapidly became more successful, more competitive and more profitable. Government decided it could do this again, and proceeded to sell British Aerospace and Amersham International, a radionics firm in public ownership

One trick that was learned rapidly in Britain was that of a partial sale.

When more than 50% of the shares are sold, privatisation takes place and the firm receives benefits of incentive and competition. It rises in value and the rest of government's holding can then be sold for even more money Thus we do not have to get the price right first time. If it is undershot, it can be made up on the sale of the residual holdings later on.

The 1981 sale of Cable and Wireless, a huge telecommunications firm, might hold lessons for SA. In this case the sale was only 49,4% of the shares, and was not privatisation. The point is that when Cable and Wireless made a subsequent rights issue, government declined to take up its option and saw its holding drop to 45%, taking the firm into the private sector

Whenever a government wants to ease a company into the private sector in stages, this gives a viable procedure. The British government has since happily sold its remaining shares.

Because British Aerospace (BAe) is of strategic importance to Britain's defence, there was some reluctance to risk it falling into foreign ownership and control. Government kept one "golden" share, which will be activated to give it voting control in the event of a foreign takeover The same device was used with other industries of strategic importance.

The tricky question of monopolies has led to a variety of answers coming forward This applies particularly to utilities, such as energy sources and telecommunication services

The approach in Britain was fairly relaxed, because the view was taken that even if a private monopoly is effectively created this is still less harmful and easier to control than a public monopoly

In practice, however, monopolies have rarely survived intact.

The privatisation of the British electricity industry will be into several groups Two competing firms will split production between them, with one at 30% and one, including nuclear power, at 70%. This is in addition to small private suppliers

The electricity grid will be in separate hands, with 12 distribution boards participating. The break-up is being achieved despite considerable pressure to privatise British electricity in one piece.

There is a pattern to explain the British success. It is that all possible objections are identified in advance and dealt with by special provisions before the actual privatisation goes ahead. All the lobbies are assuaged by measures to calm their fears. By the time of the sale there are few left to object to it.

The support of the workforce is also gained by this technique. In the first place, they are given the opportunity to buy shares at an attractive price They thus become part owners of their own firm.

The average take-up rate among workers is above 90%, despite calls for their opposition from militant union leaders.

Union leaders have interests which diverge from those of their members. The offers made in privatisation issues have exposed this. While the union leaders say one thing, their members do another.

When Britain's National Freight Corporation (NFC) was sold in 1982, it went to a management and worker buy-out. Many workers mortgaged their homes and borrowed money to buy the shares

Some 900 workers and 1 300 pensioners took up shares, with the average subscription being for 700 £1 shares. Many took more Those shares are today worth 55 times what they were at the time of purchase.

This success has been enjoyed by nearly all privatised companies. Productivity went up 30% at NFC, and turned losses into profits on the first day

The same can be expected in SA.

Although government has promised to put the proceeds into infrastructure, capital funds or into paying off national debt instead of current spending, they need not do so.

The British government now makes more in taxation from the privatised firms than it previously made when it took their entire earnings That is how much more successful and profitable they have become.

Fortunately, privatisation is addictive. When you do a little, the success makes you want to do more. The best justification for it is that it works This will be found in SA, just as others have found it elsewhere.

True, it is the key to economic progress and the door to opportunity. But it is more; it can also act as a lever to move a people towards new confidence in themselves and in their ability to improve their own lives.

☐ **Dr Pirie is president of the Adam Smith Institute in London. He was formerly professor of philosophy at Hillside College, Michigan.**

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Potwa's big NO

JOHANNESBURG. — More than 68 000 workers in Post and Telecommunications and in South African Transport and Services will soon campaign intensively, nationally and internationally, to fight privatisation of public sectors.

Two unions, the 23 000-strong Postal and Telecommunication Workers Association (Potwa) and the 45 000-strong South African Railways and Harbours Workers Union of South Africa, held successful national congresses here at the weekend and have decided to oppose any attempt to privatise the Post Office and railways

In a statement after a three-day congress, Potwa general-secretary Vusi Khumalo told a press conference "We are opposed to the Post Office selling assets that belong to the people to the private sector"

Khumalo said Potwa believed the takeover of the Post Office by monopoly companies would threaten jobs and produce tariff increases which would put communications out of the financial reach of many people

Unbanned

"Tariffs will shoot up and ordinary people will not be able to use basic communication like writing letters," said Khumalo, who was recently unbanned

Potwa would join other public sector unions — including organisations at Sats, Escom and the health services — in a campaign against privatisation

"We are going to embark upon campaigns nationally and internationaly to fight the Post Office against privatisation of postal and telecommunication services We believe the Post Office belongs to the working class"

Khumalo, until the weekend the association's president, said the campaign should produce fruits especially "when we have a joint campaign with our international allies"

Some 460 000 postal and telecommunication workers in West Germany were facing the same problem

Both Potwa and Sarhwu would be joining forces in fighting "this monster called privatisation"

Early this year the government announced that

Vusi Khumalo

the Post Office would soon be a private company and that it was to be divided into three divisions postal, technical and telebank divisions

The transition period would be over three years and each sector would have its own management

In a reply to a department task group report on negotiating mechanisms which the congress ratified, Potwa stressed that it was "totally wrong that this national asset should be sold off to private financial interests in order to pay debts which the government has incurred through incompetence"

In a report circulated to the 320 delegates, a Post Office "task group" has recommended the establishment of a collective bargaining structure to replace the advisory Staff Relations Council on salaries and employment

Potwa supported the principle of establishing a negotiating forum but raised objections to various specific proposals It objected to the formula of employee representation saying that with 23 000 members it was entitled to a much greater representation than smaller associations

The union in its report strongly criticised racial discrimination in service conditions and Post Office management's failure to object to the detentions of Potwa officials

In August last year Potwa was engaged in a fierce national strike over the dismantling of disparity and inequality in the Post Office

Meanwhile, world labour federations representing more than 50 million members pledged their solidarity with Potwa and demanded the immediate release of its three officials now in detention for more than three months

The call was made during the Potwa congress Among those who called for the release of Kgabisi Mosunkutu, Jonathan Hlongwane and Mandla Mahlangu were repreprensentatives from the 38 million-strong Trade Union International of Public Employees, Postal Telegraph and Telephone International (PTTI), Post and Telecommunications Trade Union of West Germany, the nine-million strong Trade Union Council of Great Britain and the Congress of South African Trade Unions (Cosatu)

Solidarity

Mr Frank Bovlin, of the Trade Union International of Public Employees, told more than 300 delegates that "in your struggle for your liberties, equality, better living wages and better working conditions and rights, you can always count on our strong support and solidarity"

Cosatu president Elijah Barayi said worker struggles in the public sector were an indictment against the Nationalist government's "misrule and economic mismanagement"

Khumalo and vice-president Bob Mabaso declined to say whether the congress subsequently adopted a resolution on affiliation to Cosatu

The congress unanimously elected the detained Kgabisi Mosunkutu, a senior electrician at the Post Office telephone division, as its new president

'Privatise industrial relations'

ALAN FINE

B/day 232

MORE and more employers and unions would come to realise that the only effective industrial relations strucures were bilateral ones, independent of the state, SAB beer division human resources director Rob Childs told the IPM conference at Sun City yesterday.

Alluding to the Labour Relations Amendment Act (LRAA) and emergency restrictions placed on Cosatu's political activities, Childs said attempts to curb legitimate union activity destroyed the ability of capital and labour to resolve industrial conflict, channeling it into areas where it could not be dealt with properly.

Thus, Childs believed, more individual employers would contemplate "privatising" their relationships with recognised unions. This would mean the avoidance of official structures and a greater use of private mediation and arbitration.

14/10/88

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Hawke asks Thatcher to stop Minorco bid

CANBERRA — Australian Prime Minister Bob Hawke has written to British Prime Minister Margaret Thatcher asking her to intervene in the bid by Minorco to acquire Consolidated Gold Fields (ConsGold) of Britain.

Hawke has also asked US Secretary of State George Shultz to consider helping stop the takeover.

Minorco, 60,1% owned by Anglo American and De Beers Consolidated Mines, is bidding £2,09bn for the 70,6% of ConsGold it does not already own.

Among other interests, the British company owns 49% of Renison Goldfields Consolidated, an Australian mining concern

Hawke's aides released the contents of the letters yesterday.

The letter to Thatcher said that if the bid succeeded, SA interests would control a large part of world production of strategic minerals such as zircon and rutile Renison is the world's biggest producer of these minerals.

It also said Renison's exploration activities in the South Pacific would be at risk if the company was acquired by SA interests Renison probably would have to sell those interests

Hawke asked Thatcher to carefully examine the bid for ConsGold in light of these concerns His letter to Shultz expressed similar concerns

☐ It was reported in London that ConsGold planned to oppose Minorco's bid. In response to a question on Wednesday about future anti-takeover strategies, a company spokesman said "We are not going quietly, all means available to us will be explored and employed against the bid" — AP-DJ, Reuter

Harry O's colossus in biggest deal yet

CNT Times 15/10/88 232

By CHRISTOPHER WILSON

JOHANNESBURG — From his heavily-guarded estate in Johannesburg, Harry Oppenheimer, former chairman of the Anglo American and De Beers Corporations, oversees a family empire whose interests extend far beyond South Africa's borders.

For 50 years that empire has made the Oppenheimers one of the 20th century's wealthiest families, giving them control of 80% of the world's diamonds and a global pre-eminence among gold and platinum producers

"Almost every wedding ring that is sold shows a profit for Harry," an Anglo executive commented nonchalantly.

Through Anglo, De Beers and a host of affiliates, associates and subsidiaries woven into a complex web, Oppenheimer interests form the backbone of the South African economy and extend to dozens of other countries

When Anglo-controlled Minorco last month launched a £2,9 bn bid for Consolidated Gold Fields, the world's number two gold producer, nobody doubted the secretive hand of Harry Oppenheimer was directing operations

Although officially retired since 1984, 80-year-old Oppenheimer's position as guardian of the dynasty guarantees his involvement in a deal as important as the Consgold takeover.

In true Anglo fashion, however, none will shed light on the deal or

Behind-the-scenes look at the Consgold affair

HARRY OPPENHEIMER: Hand still on corporate helm.

its objectives All inquiries at all levels of Anglo's ever-courteous management met with a bland "no comment"

The bid, the biggest takeover attempt in British history, has sparked a battle royal between Oppenheimer interests and Consgold's management, led by chairman Rudolf Agnew

It is a fight with political and financial dimensions, stirring anti-apartheid emotions and rekindling old rivalries

One South African mining analyst remarked: "Agnew's grandfather used to run Consgold so he sees himself in a dynastic role, but there are all sorts of other considerations "

A successful takeover would give the Oppenheimers control of about 33% of the West's gold production

This roused Consgold to urge the governments of Britain, America, Australia and Papua New Guinea to block the bid and prevent its operations from falling into South African hands

Some observers, including Agnew, believe Oppenheimer wants to distance the group from its South African identity to shield it from anti-apartheid sanctions

Pervasive secrecy

Insiders contend that South Africa's limited, gold-dependent economy has grown too small and too isolated for the man they call "Multinational Harry".

Stockbrokers estimate that Anglo has shareholdings in about about 70% of the companies listed on the Johannesburg Stock Exchange Such is the pervasive secrecy surrounding the company's complex business interests it is impossible to establish precise figures

So great is Anglo's power that Johannesburg stock market analysts are wary of being quoted on the subject of Anglo and De Beers, fearing that careless remarks could cost them important business

"He (Oppenheimer) is an old man in a hurry who recognises

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The Oppenheimer empire

From Page 13

that there must be a danger for his SA empire," Agnew said in an interview with the Financial Times

Harry has already greatly expanded the empire founded in 1917 by his father, Sir Ernest Oppenheimer.

Through corporate vehicles such as the Luxembourg-registered Minorco, he has widened the company's operating base and extended its interests, particularly in America

For years Anglo was ranked by Forbes magazine as the biggest corporate investor in America and the Oppenheimers' financial strength is reinforced by an impressive list of friends among the rich and powerful

They have included the American Charles Engelhard, who inspired Ian Fleming's "Goldfinger", and the Rothschild banking family

Educated at Charterhouse and Oxford, Oppenheimer's admiration for the qualities of English life pervade Anglo's discreet Johannesburg headquarters, 44 Main Street. The Oxford connection remains strong. Both Anglo's chairman, Gavin Relly, and De Beers chairman Julian Ogilvie Thompson, were educated there and, although South African-born, have a quintessentially English air

"We did have occasionally the odd itinerant Cambridge man," Relly once remarked, half-seriously.

"They didn't stay for long"

Relly and Ogilvie Thompson both served as personal assistants to Harry Oppenheimer in their early years Both are now considered part of the family

Yet few Anglo-watchers doubt that the chairmanship of Anglo and De Beers will pass to Harry's only son Nicholas (or Nicky) Oppenheimer, currently head of De Beers' London-based diamond marketing arm, the Central Selling Organization

The private company E Oppenheimer & Son remains at the apex of the Anglo American-De Beers pyramid, ensuring the family's unassailable control of the empire

Within SA, Anglo is a colossus It has holdings in an estimated 600 companies and interests in property, chemicals, food, motor vehicles, engineering and construction

The company controls both the major English-language newspaper groups, the Argus Printing and Publishing Company and Times Media

Relations with the government have often been strained

Ultimately, however, the government is aware that tax revenues from the Anglo empire drive SA's economy and help provide its white minority with one of the highest standards of living in the world.

Oppenheimer has long opposed the ruling National Party, fighting apartheid and serving as an Opposition parliamentarian before inheriting Anglo and De Beers in 1957

Though it projects an image of a benign, liberal employer, Anglo's management last year gave a glimpse of the steel behind its courteous facade when it smashed a nationwide strike by black gold miners by dismissing nearly 50 000 workers. — Reuter

Blacked out on privatisation

232 B/day 19/10/88

LETTERS

PO Box 1138
Jo'burg 2000

Dear Sir,

A LEADING professional marketing association is organising a major conference on privatisation. The speakers include a fair selection of the great and the good from South African business, and a number of overseas speakers There is not a single black speaker and, according to the programme, none of the papers to be presented will cover the way in which black people are to benefit from privatisation

If this format is typical of the attitude of business to the subject, then privatisation will come to be seen by black people as yet another example of how government and big business intend to use the changes in ownership policy to reinforce their joint hold on the country's economy.

A recent survey by the SA Foundation revealed great scepticism amongst black people about the intentions of business in regard to emerging black entrepreneurs. It concluded that attempts to convince blacks of the merits of the free market by intellectual argument alone "were doomed to expensive failure".

The privatisation debate, as exemplified by the planned conference, shows why this is so Government will propose policies, big business will decide how it wishes to involve itself — and then they will, in due course, explain to black entrepreneurs the part which they will be allowed to play. All this shows how far both government and business has to go to understand the real requirements of the economic changes in SA. Unless the leaders of black enterprise are brought in *right at the start*, the moves towards change will eventually founder on black suspicion and mistrust.

GODFREY NTLATLENG
Executive Vice-President
Southern Africa Black Taxi Association, Pretoria

232 BDay 20/10/88

A new financial leadership needed before privatisation

Former Sanlam chairman ANDREAS WASSENAAR (left) believes privatisation and deregulation in SA will be impeded by bureaucratic obstruction, lack of capital and a dearth of financial leadership in government. This is an edited extract from his address to the Assocom congress in Durban yesterday

THOUSANDS of regul[illegible] — labour regulations, [illegible] control boards, etc — [illegible] created vested inte[illegible]. Resistance must be expec[illegible] to the scrapping of a large rang[illegible] of regulations

Secondly, control by regulation has become an ideology. The m[illegible]ds of the regulators will have to change before they can be expected to undo their work of 40 years. Thirdly, to do the job well the regulators will have to deregulate thousands of themselves out of jobs. Can this be expected?

Deregulation is on paper the easiest way to bring about great improvements to the economy — literally by a stroke of the pen. In practice it will not be that easy.

Let us turn to the mechan[illegible] and implementation of privatisation.

A very important difference between privatisation in the UK and in SA which should not be overlooked is this. In the UK a Conservative government came into power and started to privatise industries which had been nationalised by the Labour Party. In SA a government now dedicated to privatise the economy h[illegible] to undo its own work and to dereg[illegible] the regulations imposed by itself.

Government in SA is in step with most of the socialist countries in the world in its pursuit of privatisation. However, we are not in the same happy situation as most other c[illegible]ntries in that we are, for pol[illegible] reasons, virtually cut off from international capital sources.

The fortunate years when pri[illegible]sation in SA could have attra[illegible]d capital from abroad to participa[illegible] in the investment opportunities [illegible] now of the past. South Africans [illegible] therefore, have to rely entirel[illegible] on their own capital or on ca[illegible] sources available in SA.

Capital formation in SA is unfo[illegible]nately also under pressure — ur[illegible]cessary pressure. We have been h[illegible] blessed with ministers of fin[illegible] who have a "thing" about all capital-generating institutions.

The life insurance industry [illegible] been compelled since 1943 to ke[illegible] a large percentage of its investm[illegible] in government stock or similar s[illegible]rities.

The result is a definite discour[illegible]ment of saving through life assurance. Because savings are not encouraged in SA, the savings rate has dropped heavily. The overall result is that capital formation in SA is at a low rate. Apart from capital formation in the life insurance industry and building societies, the savings rate in SA has dropped to virtually nothing.

These two factors — the absence of overseas investment in SA and our own lack of capital generation — cast a very great doubt on the availability of the required capital to support any meaningful privatisation of any of the large State corporations.

This point has also been made strongly by Marius de Waal, chairman of the IDC. In a speech in July, he said:

"Will there be enough capital available in the SA capital market for buying these State assets? And is this a good thing to do in times of scarcity of capital? In other words, should available capital not rather be used for new fixed investments to productive assets instead of buying script?"

I fully agree with De Waal. But there is more to it than available capital.

The large State corporations have enjoyed the advantage of operating under monopolistic protection. They have also not been taxed as companies in the private sector. Their profit record is therefore not a reliable guide on which to base the price of their shares.

It seems advisable, as a first step to ultimate privatisation, to subject them to competition, where possible, by removing their monopolistic protective shield. This cannot be done in sectors like harbours, the main railway network and pipelines. Secondly, they should be subjected to corporate taxes on the same basis as companies in the private sector.

They can then come up for privatisation after having built up a profit record under the financial conditions which will apply after privatisation.

An important field of disinvestment by central and local government is the field of fixed property.

Any reference in the 1987 White Paper on privatisation and deregulation to property as an important field for disinvestment is almost conspicuous by its absence.

As part of the privatisation process, central and local government should be instructed to produce a record of all properties owned. Such a record could open up a new, important field of disinvestment by central government, provinces and municipalities.

A key issue in the White Paper is the question of personnel considerations. The White Paper states "... government is aware of the fact that the attitude of personnel involved in privatisation is of vital importance to the successful implementation of the process." This may be the outstanding understatement in the entire document.

One specific process of privatisation referred to is the transfer of the activity from the public sector to the personnel who can then "manage it as their own business".

As the personnel would be the buyers, they should obviously not be permitted to have a decisive influence in the process by which the purchase price is determined.

The same problem will arise in the determination of the price of the shares of large corporations. Public servants should not be allowed preferential treatment in the allocation of shares, and the taxpayer (i.e., the State) should not subsidise public servants with advances from public funds to subscribe for shares.

The Government Service Pension Fund contains very costly regulations which have been adopted in other public pension funds.

The pension funds of the large State corporations could therefore be a stumbling block in the process of privatisation. Since regulations which apply to the Government Service Pension Fund will be completely unacceptable in the private sector, this could cause personnel resistance to privatisation plans. All pension funds should be fully investigated as part of the privatisation process.

The White Paper nominates the Minister of Finance as the Minister responsible for "the implimentation of centralised financial control". The financial aspects of privatisation is so important that it raises the question of financial leadership.

The quality of financial leadership in SA has in the last couple of decades — particularly since the late Seventies — not been what SA needed under the circumstances of perpetual crises.

That a complete change in financial leadership is imminently necessary can hardly be disputed. The state of SA's finances, and the demands which privatisation will place on it, are such that only the very strongest financial leadership available in the private sector should be co-opted.

In an overview of the privatisation possibilities I must say that I'm not entirely optimistic. The privatisation of small operations will, I think, proceed to an appreciable extent — probably above expectations.

Privatisation of the major corporations is not likely to go full steam ahead. I see lack of capital, as well as personnel and bureaucratic resistance, as possible stumbling blocks. In any case, the subjects of taxation and monopolistic protection should receive attention before — not after — privatisation of major State corporations takes place.

Above all, strong, capable and inspired financial leadership is lacking. I can therefore not see a determined driving force behind the proclaimed intentions.

The financial impact of privatisation will, for those reasons, not be as heavy as it might have been.

I come to the conclusion that it would in some ways be financially fortunate if the privatisation of major public corporations did not materialise as rapidly as one might have expected.

Govt told to co-opt private sector leaders

232 B/day 20/10/88.

BRUCE ANDERSON

THE strongest financial leadership available from the private sector should be co-opted if government was to push ahead with its privatisation plans, former Sanlam chairman Andries Wassenaar told the Assocom conference in Durban yesterday

He said "That a complete change in financial leadership is imminently necessary, can hardly be disputed. The quality of financial leadship in SA has, in the last couple of decades and particularly since the late '70s, not been what SA needed under the circumstances of perpetual crises

"The state of the economy and the financial management stand so effectively condemned in the White Paper that no more proof is required of the fact that SA lacked financial leadership."

Wassenaar said Finance Minister Barend du Plessis relied on civil servants for advice and this placed him "in a desperate position"

He said "He has to act on their advice or sack them. The way out of this dilemma is to have a Finance Minister who has such a thorough knowledge of financial affairs that he can meet the bureaucrats on level terms This is not the case in SA."

Wassenaar pointed out that foreign debt in SA had increased — in rand terms — from R9,50bn in 1975 to R65,80bn at the end of 1985.

● See Pages 8 and 15

Wassenaar questions prospects of privatisation

Star 29/10/84

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By Sven Forssman

DURBAN — The absence of overseas investment and South Africa's own lack of capital generation raises serious doubts over privatisation of any of the large state corporations, says the honorary president of Sanlam, Dr Andreas Wassenaar

He told Assocom's annual congress in Durban yesterday there was more to privatisation than the availability of capital

"The large state corporations have enjoyed the advantage of operating under monopolistic protection

"The profit record is therefore not a reliable guide on which to base the price of their shares

"It seems advisable, as a first step to ultimate privatisation, to subject them to competition, where possible, by removing the monopolistic shield

"This cannot be done in sectors such as harbours, the main railway network and the pipelines Secondly, they should be subjected to corporate taxes on the same basis as companies in the private sector"

Dr Wassenaar said the Government was in step with other countries in the world in its pursuit of privatisation

However, it was not in the happy situation of most other countries in that it was, for political reasons, virtually cut off from international capital sources

Dr Wassenaar said the Industrial Development Corporation (IDC), Iscor and Foskor were candidates for privatisation

"Iscor is, and has been, a candidate for many years, but I question its track record as an acceptable guide of Iscor's profitability

"The IDC is, in the manner in which it is managed, so close to a private enterprise that privatisation in the normal sense can hardly be given a high priority"

Dr Wassenaar said the quality of financial leadership had, in the last couple of decades and particulary in the late 70s, not been what South Africa had needed

He said that the need for a complete change in financial leadership could hardly be disputed

"The state of South Africa's finances and the demands privatisation will place on it are such that only the very strongest financial leadership available in the private sector should be coopted"

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Privatisation may hinge on savings

KAY TURVEY

UNLESS government freed institutional money by reducing prescribed asset requirements, economists believe SA's dismal savings performance could inhibit significant privatisation

Life assurers are required to invest 33% of their total portfolio in prescribed government and public-sector bonds, while for pension funds the requirement is 53%.

Domestic monetary and fiscal policies have retarded savings, the building blocks of capital formation, and now without access to foreign capital markets, the consequences of these policies are likely to hinder the privatisation initiative

"The absence of overseas investment and SA's own lack of capital generation cast a great doubt on the availability of the required capital to support any meaningful privatisation of the large state corporations," former Sanlam chairman Andreas Wassenaar told the Assocom congress in Durban last week

Old Mutual chief economist David Moore agreed He said the low pool of domestic savings was already under pressure with the need to repay foreign debt, service existing capital and invest in new capital stock without having to finance privatisation.

Indeed with the scarcity of capital, it is questioned whether available capital should not rather be used for new fixed investments and the productive buying of assets instead of buying scrip.

Trust Bank economist Ulrich Joubert warns against privatisation that involves merely the change of ownership from public to private hands.

He said large-scale privatisation could put severe pressure on the capital markets

Economists believed government policy of keeping nominal interest rates at low levels relative to inflation, and taxation on savings, discouraged capital formation. In the short-term, perceptions of a depreciating rand, import controls and inflationary expectations conspired to encourage spending.

Moore points out substantial privatisation may only be possible in an environment that favours savings over borrowings SA's domestic savings performance can only be improved by ensuring relatively stable and positive real interest rates

He said growth of disposable incomes had been negative in real terms for more than a decade and individuals had responded to this attack on their incomes by spending.

Anglo American consulting economist Aubrey Dickman confirms this. He told the Assocom conference that the story of the '70s and '80s had been consumers trying to maintain a standard of living that had become increasingly less affordable

Real consumer spending had exceeded the rise in real personal disposable income (PDI) in all expansionary cycles since 1972

Since the third quarter of 1986 until the second quarter of 1988, PDI has shown an annualised growth of 3% whereas private consumption expenditure has risen by 4%, contributing to 7,5% growth in gross domestic expenditure, Reserve Bank figures in the latest annual report show.

"That all this was possible in terms of available bank credit and at interest rates that did not deter the borrower is part of the wider policy setting," Dickman said

Economists warned that institutional funds, which had harnessed savings and which were expected to provide the bulk of privatisation finances might not be sufficient for buying big-ticket state-owned enterprises

Simpson Mckie economist John Banos said the availability of local capital depended, among other factors, on foreign disinvestment

"If there is further large scale disinvestment, institutions won't have sufficient cash flow to absorb state assets," he said In addition, the state of the stock market and the pricing of the assets would have to be considered

Banos said how the possible candidates for privatisation were priced would affect the take-up

Traditionally state corporations have made small profits relative to their capital base If prices are to be determined on asset value, private capital could well be inadequate.

This situation would be eased if prices were to be worked out on historic profits However, prices based on profits would be difficult to determine, as these corporations have enjoyed tax benefits and monoplistic protection

If prescribed assets held by pension and insurance funds were to be reduced or abolished as recommended by the Jacobs report, Banos said there should be adequate funds for privatisation.

Fedlife MD Arnold Basserabie said it was unlikely privatisation could be financed without alleviating prescribed assests

He estimates the total assets of the life and pension industry at between R70bn to R80bn of which about R30bn to R35bn is held in government or semi-government stock

If prescribed asset requirements were to be abolished, he said the industry should be able to apply part of the amount invested in prescribed assets towards privatisation However, this would depend on the relative attraction of the property and equity markets at the time and whether adequate would depend on the privatisation price-tag.

However, Nedbank economist Edward Osborn said raising funds to privatise state assests should be no problem.

R600m transaction

Privatisation: IDC takes up Iscor shares

CM-Times 28/10/88

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JOHANNESBURG — The Industrial Development Corporation has taken over R600m of state shares in Iscor as a first step in the privatisation of the steel corporation, the Minister of Finance, Barend du Plessis, announced last night

Addressing the Afrikaanse Sakekamer at the Carlton Hotel he said it was not in the interest of the final privatisation proposals for Iscor to make more details of the transaction public now

"This will be done when the privatisation of Iscor has been finally considered"

The R600m will be paid into the Treasury during the current book year

The minister also announced that the R600m would be spent on

● R371m for the Development Bank of South Africa, the Treasury's capital commitment,

● R100m on the Local Authority Loan Fund,

● R34m for basic infrastructure to help solve the squatter problem, and

● R50m on share capital for the Small Business Development Corporation, which, it was hoped, the private sector, as equal partner, would match, and

● R40m to the South African Housing Trust, created as part of the government's stimulation package in June 1986

It was also agreed that from next year the Industrial Development Corporation would contribute from its own funds annually, on behalf of the state, a considerable amount to the SBDC's share capital and that this amount would be made public after consultation and planning with interested parties

Should any of these contributions exceed this amount the state would match it rand for rand

The shareholding acquired for R600m represented in principle the purchase of a relatively considerable portion of the shares held by the State in Iscor but it was not in the interest of the eventual privatisation proposals to be made with regard to the corporation to disclose more details at present. This transaction also in no way anticipated the final decision on the privatisation of Iscor or implied the IDC would have a permanent holding in Iscor.

Du Plessis said the government hadd tackled a number of praiseworthy projects and applied policy measures in the past 10 years, all aimed at the single most important factor in the economy, ensuring continued economic growth — "something which has unfortunately to a great extent been proved to be an elusive target," he said

Without economic growth the material needs necessary for security, social and constitutional goals could simply not be supplied

Other countries had international facilities available to make structural adjustments such as those required by South Africa, but South Africa had to rely on itself

When a country's growth potential was hampered by local and international factors, from sanctions to internal unrest, which restricted its ability to generate capital, it became even more important to make the best use of what was available

Du Plessis appealed to businessmen to support the initiatives of the State President, particularly the opening of contacts in Africa

He called on businessmen to firmly support the bridges Botha had created through diplomatic initiatives

The IDC has traditionally served as a financier of important and strategic projects (such as the iron and steel industry)

The IDC said its total (nominal) financing has reached almost R2,7bn and nominal net operating income around R200m

Main purpose of the IDC, according to its latest statement on the subject is "to make finance available for the establishment of new industries or the expansion or modernisation of existing ones"

The corporation says its financial participation is by way of loan finance "But other specialised facilities such as leased buildings and plant leases are also available

In addition "The corporation will consider the provision of ordinary and preference share capital in certain cases"

The main financing criteria is that new projects or expansion plans for which finance is required must show reasonable prospects of profitability

Privatisation needs the right managerial stuff

232 B/day 28/10/88

HELOISE HENNING

PRIVATISATION needed to begin with appointing executives who were able to maintain managerial responsibility to shareholders, British privatisation specialist John Stansby said yesterday.

Stansby, credited with making London's inner transport system profitable, is one of six international speakers who will address the Institute of Marketing Management congress on Privatisation: the Strategy for Success, at the CSIR next week.

● STANSBY

"The choice in privatisation does not rest on a politician's shopping basket or clever merchant bankers who can structure the deal, but executives who are capable of maintaining a responsibility to shareholders," he said.

Stansby is chairman of the French off-shore oil and gas company UIE (UK) looking after the privately owned water interests of the group in England.

At £25bn these two utilities together represent a larger flotation than all the corporations floated in Britain to date.

Privatising public utilities like water and electricity had been more complex than corporations with clear asset structures like British Airways, BP or British Telecom, Stansby said.

232 B/Day 31/10/88

SA deregulation 'much more important'

BRUCE ANDERSON

THE process of deregulation in SA was more meaningful, more complicated, far reaching and much more important than deregulation in other parts of the world, Wits University professor Louise Tager said

Writing in a paper for the Law Review Project — a legal resource funded by the private sector — Tager said that deregulation in SA was a means whereby socio-economic apartheid could be dismantled and fundamental rights restored to the black community

She said "Deregulation in SA, therefore, has another dimension Our laws and regulations with their heavy racial content regulate and control the activities of the black community to the extreme"

Tager said, however, that "the main resistance to deregulation did not come from government but from those groups who had vested interests

"Everyone supports deregulation as long as it does not affect his interests"

Tager said recent legislation had restored some important rights to black people and, as a result, some progress had been made in breaking down the integrity of the socio-economic apartheid system

After sketching in the background to government's programme of deregulation — which, Tager said, began in 1985 with a document published by the President's Council — she said two years ago all government departments were charged with the task of reviewing their legislation for the purpose of identifying all discriminatory and over-regulatory provisions ssis statement 'misleading'

Iscor deal: no bearing on privatisation

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B/day 31/10/88

HELOISE HENNING

THE R600m transaction in which government would sell Iscor shares to the Industrial Development Corporation (IDC), announced by Finance Minister Barend du Plessis, had no bearing on the possible privatisation of Iscor, an Iscor spokesman said at the weekend.

Analysts said Du Plessis' announcement, couched in the language it was, was misleading as it did not represent privatisation but merely a change of ownership of shares in the government sector. Besides, they did not believe Iscor was ready to be first in government's diary for privatisation

Iscor public relations GM Piet du Plessis said the transaction was a separate deal between two public-sector bodies — the government and IDC.

He said: "As the Minister explained, the transaction does not anticipate government's final decision on whether to sell its shareholding in Iscor, or imply that the IDC will eventually have a permanent share in Iscor "

A report on the feasibility of privatising Iscor had just been completed by the corporation's management and outside consultants It was submitted to Iscor's board last week and would be referred to the Cabinet Piet du Plessis said Iscor expected the Cabinet to make a final decision early next year.

It is believed the report did not anticipate the transaction between IDC and Iscor. It even appeared Iscor management was taken by surprise when the announcement was made

Iscor CE Willem van Wyk, who is overseas, could not be reached for comment.

Earlier, he had said talk of privatising

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Iscor deal: no bearing on privatisation

From Page 1

Iscor was premature He expected the 1988 results, which are due next week, were necessary for a better historical profit review of the corporation However, he did not want to pre-empt government's action

IDC MD Koos van Rooy also said the transaction did not constitute privatisation, but that "it added momentum to the privatisation programme".

IDC has no investment in Iscor and the proportion of share capital to be acquired in the R600m transaction is still to be determined Van Rooy said the transaction would result in a minority holding which played no role in the control of Iscor.

The transaction had not yet been finalised, but payment would be made before the end of March. It would be financed from retained earnings and did not require IDC going to the capital market

Van Rooy said the common chairmanship of Marius de Waal at IDC and Iscor posed no conflict of interests given that Iscor could be poised for privatisation and the new share-ownership of IDC represented statutory interests in the corporation.

Analysts, however, said the transaction was seen as positive in that government indicated it would use the capital for infrastructural and small business development and not in the current account — to meet civil servants' salary hikes, for example

Simpson McKie chief economist John Banos, in an analysis earlier this year, said Iscor's profit in 1987 was R93m on shareholders' funds of R3,6bn, representing a return on equity of 2,6%.

He said "If government aims to get paid at least book value of Iscor's assets, the corporation's profits need to increase by a factor of at least six — something which cannot be achieved overnight

"Furthermore, Iscor has a patchy track record which could prevent the company from commanding a good rating in the marketplace "

Banos said privatising Iscor would take at least three to four years He believed government had target companies which were far more available for privatisation, such as Foskor, Richard Bay Minerals and Alusaf.

(23) B/day 2/9/88

Political factors could hold back privatisation

JANE COOKE

PRIVATISATION, like a grin without a cat, is a policy as yet without legislation or structure. It's a buzzword in financial circles, economist reports and certain government departments, but although much has been said about the subject, and government has now moved to facilitate the restructuring of SA Transport Services next year, it means very little to the man in the street or even to the people who would be most affected by it — the public servants.

According to spokesmen of such trade union organisations as the Johannesburg Municipal Transport Workers' Union and the Johannesburg Municipal Combined Employees' Union, the possible side effects of privatisation — redundancy, reduced remuneration and perks, and different working conditions — are not seen as a threat to their workers simply because privatisation is viewed as something likely to occur only in the far distant future, if at all.

Although government has adopted a privatisation policy and appointed a Minister of Privatisation — Dr Dawie de Villiers — to substantiate its professed determination to pursue the policy, it is in government's interests, strange as it may seem, if the majority of public servants fail to be convinced

Judging by the strong reaction to the suggested amendments to The Remuneration of Town Clerks Act No 115 of 1984 (whereby government placed restrictions on the salaries, leave and housing of workers in the public sector), should the National Party attempt to privatise any municipal activities there could be tremendous unhappiness among employees And if they are sufficiently disenchanted, government could well lose their voting support to a party promising to look after their — white — interests

Unfortunately, the public sector is a haven for hundreds of thousands of government supporters, most of whom are content to live under the protective wing of the bureaucracy and who could find it difficult to adjust to working in any other environment

Considering the present circumstances, the NP cannot afford to lose the support of the approximate 1,7-million employees in the public sector, or even of the 250 000 local authority workers But, on the other hand, SA cannot afford to finance this growing bureaucracy, and thus privatisation is a practical necessity

Although it will be like walking a tightrope, if the NP treads very carefully it should be possible to implement a privatisation strategy which will not create opposition among the public sector employees.

In a document on privatisation published by the Provincial Administration of the Cape, it was stressed that the basic premise of any strategy should be to avoid retrenchment as far as possible.

☐ DE VILLIERS ... in charge

From the British experience, it seems inevitable that job losses would indeed occur, especially as the public sector in SA is so overstaffed. But unlike those in Britain, retrenched public servants in SA cannot rely on unemployment and social security benefits to provide sufficient compensation

The one safeguard South African public servants do have is their pension fund For example, in terms of the Johannesburg Municipal Pension Fund, if a job becomes redundant the employee has the option to go on early pension

It is questionable, however, whether adequate funds exist should a vast number of public servants elect to take this option, and whether in fact this would be a viable alternative for those who have worked in the public sector for a short period only, and hence will not have built up a sufficient reserve

There are, nevertheless, other methods that government could use to prevent dissatisfaction and loss of support

Firstly, natural reduction can be implemented, whereby an activity as well as the staff members concerned are phased out gradually by posts not being filled as they become vacant

Secondly, the redundant personnel could be appointed to other positions within the public sector

Thirdly, it is possible to share the benefits of privatisation with the public servants through some type of share scheme

These methods may help ease the process, but there will obviously be some measure of opposition

Although speaking in a different context, John Maree, CE of Eskom, summed up the problem when he said "You can't make omelettes without breaking eggs, but the eggs don't necessarily like it People's lives are affected I have sympathy for that It's a cultural shift and people are not always comfortable with a new culture"

Thus, in terms of maintaining political support, privatisation is not going to be a simple task for the NP. The public sector, however, is not made up solely of white NP supporters

It is believed that a large number of black employees of the local authorities are supporters of black organisations espousing the Freedom Charter, which advocates nationalising key sectors of the economy Government will also have to consider their opposition to privatisation

Successful privatisation in SA will be dependent on the correct timing and consideration of the issues mentioned here Government will surely time its actions so as not to affect detrimentally the outcome of any election But it cannot afford to wait too long

The present bureaucracy is costly and unproductive Further, government is committed to increased expenditure on black education and services needed to improve the quality of life in the townships With the status quo, the necessary funds will be hard to find Privatisation could, at least, provide funds to facilitate change

☐ **JANE COOKE is a manager with Arthur Andersen & Co.**

De Villiers says sell-off only way to growth

(232) B/day 5/9/88.

Privatisation takes on a new urgency

CAPE TOWN — Privatisation was the only way SA might be able to override serious structural problems in the economy and eventually achieve the sort of growth the country needed, said Wim de Villiers, government's main adviser on privatisation, at the weekend.

He told Assocom's western Cape regional congress he believed the process should be embarked on with greater urgency.

De Villiers maintained the fundamental basis of SA's long-term strategy on economic priorities should be the transition of Escom, Sats and Posts & Telecommunication services into private companies

In addition the whole or part privatisation of Iscor, Foskor, the Mint, Alluvial State diggings and forestry should be considered.

Spelling out his philosophy on privatisation, De Villiers identified two structural trends that had emerged over the past 15 years and which underlined the need to privatise major elements of the public sector

CHRIS CAIRNCROSS

□ Since 1973, 63,7% of all net fixed investment was made in the public sector;□ The efficiency of capital employment, measured by the capital/output ratio for the period, was less than half the efficiency maintained between 1946 and 1972.

De Villiers said these trends placed the fundamental problems of the economy into perspective

Prescribed

The consequences were·

□ A reduction of the tax base;

□ Surplus capacity in the case of Escom, Sats, the Abattoir Commission and hospitals for whites.

At the same time a continued high-quality and expensive surplus capacity was still being created by Posts & Telecommunications;

□ Part financing of this net fixed investment by means of domestic loans, obtained through the private sector, had also further disrupted the investment pattern of capital markets.

The system of prescribed investment had a dislocating effect on private-sector investment patterns.

De Villiers said this was characterised by·

□ The nature of CBD development, where institutions competed against each other to put up prestige buildings that should, in inflationary periods, render a high return at low risk over a long period,

□ Takeovers of successful businesses and investments on the JSE rather than starting new ventures.

De Villiers observed that these patterns did not encourage entrepreneurship and job-creation.

Exacerbating the situation were the problems the parastatals and state institutions had in financing ever-increasing capital programmes. This caused them to resort to inflation accounting and increase their dependence on borrowings and accelerating tariff adjustments.

De Villiers said what had become of vital importance was that these undertakings should be made to compete in the capital markets on the basis of their economic performance, reflected in their profit-and-loss statements in the manner applied to the private sector, without state guarantees.

● Comment Page 4

De Villiers details privatisation programme

B/day 5/4/88 2327

Business Day Reporter

GOVERNMENT'S main privatisation adviser Wim de Villiers has detailed a programme of privatisation which, he said, was the only way to overcome serious structural flaws in the economy

He told Assocom's Western Cape regional congress last week that the fundamental basis of SA's long-term economic strategy should be the transition of Eskom, Sats and Posts and Telecommunication services into private-sector companies

In addition, the whole or part privatisation of Iscor, Foskor, the SA Mint, alluvial state diggings and forestry should be considered

Every function of every state department should be examined to determine whether there was any reason why it should still exist, whether it should be privatised and, if the service was continued, the level at which it should be maintained

De Villiers said the transitional steps now needed were a reduction in state expenditure to reduce the deficit before borrowing, the mobilisation of realisable state assets to increase income to reduce the interest burden, and the making of as many products and services subject to market forces

● See Page 3

Govt moves to split operation

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Bday

P & T may be first to go private

7/9/88

CHRIS CAIRNCROSS

CAPE TOWN — Posts and Telecommunications (P & T) was in the process of being broken into two separate operations and seemed destined to be the first public sector body to go the privatisation route and seek a listing on the JSE

In an interview yesterday P & T Minister Stoffel Botha said steps had been taken to implement government's privatisation consultant Wim de Villiers's recommendations De Villiers's final report was expected to be submitted to government next month

● BOTHA

Measures were being taken to rearrange the P & T structure and align its accounting practices to those of the private sector — with the ultimate purpose of going to the JSE to fund further capital requirements on a similar basis as private-sector corporations

Part of this involved the separation of P & T into two separate operations with their own management structures. These would be overseen by a board of management — with the P & T minister as its titular head — which would still be responsible to Parliament

JSE new listings GM Doug Gair said the investment community had already forecast this possibility in view of P & T's recent financial track record and had placed it at the top of the list of those public-sector bodies earmarked for "privatisation".

Although no discussions had been held between the JSE or government on any form of the eventual listings, Gair said a more flexible approach would have to be adopted towards state corporations which sought to go to the JSE boards The five-year track record would not be used, primarily, to determine the acceptability of a particular application.

Botha said the De Villiers recommendations — some of which were detailed in a preliminary report submitted last year — were not dissimilar from those presented for Sats, contained in a condensed report released last week by Transport Minister Eli Louw

That report called for the creation of a statutory tax-paying corporation, initially responsible to Parliament, as a preliminary step to the eventual privatisation (sale) of some or all of its separate entities

De Villiers has looked at a time scale of between three and five years for the implementation of his recommendations — interim steps being the reduction of state expenditure, the mobilisa-

● To Page 2

P & T may be first to take private road

Bday 7/9/88

● From Page 1

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tion of the realisable assets of state corporations, and to make provision for as many of the products and services provided by those operations to be subjected to market forces

Botha promised that the De Villiers report would not be allowed gather dust

He also promised that P & T staff and the public would be kept fully informed as executive decisions were made

Deputy Postmaster General Jimmy Taylor cautioned yesterday the privatisation of P & T was unlikely to result in a massive sale of state assets

Unlike Sats, which does have the facility to sell off its separate operations, P & T had an integrated structure which could not easily or practically follow a similar route

At this stage, it is apparent P & T management will be at odds with any recommendations De Villiers is likely to make over its capital expenditure programme

Taylor said he did not accept De Villiers's contention that P & T was maintaining a policy of investing in "high quality and expensive surplus capacity", adding that it certainly was not a view supported by its technical advisers

Cape Times 7/9/88

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P & T in process of privatization

By CHRIS CAIRNCROSS

POSTS & TELECOMMUNICATIONS (P & T), which has current assets of more than R8bn, is now in the process of being split into two separate operational parts. And seems destined to be the very first of the public sector bodies going the ultimate privatization route of seeking a listing on the Johannesburg Stock Exchange (JSE)

This is in sharp contrast to those indications provided by President P W Botha earlier this year that Eskom will spearhead the privatization trail.

P & T Minister Stoffel Botha confirmed yesterday that steps are already in train to implement recommendations of government's privatization consultant Wim de Villiers, whose final report is expected to be submitted to government before the end of next month.

Botha said measures are being taken to rearrange the P & T structure and allign its accounting practices to those of the private sector — with the ultimate purpose of eventually going to the JSE to seek public financial support for its further capital requirements on a similar basis as any other private sector corporation.

Botha promised that the De Villiers report would not be allowed gather dust.

P W Botha and the Cabinet have been kept informed of the progress of the investigation and every effort will be spent to expedite the privatization process within P & T.

He also promised that P & T staff and the general public will be kept fully informed as executive decisions are made.

The privatization of P & T is unlikely to result in a massive sale of State assets, Deputy Postmaster General Jimmy Taylor cautioned yesterday.

Unlike Sats, which does have the facility to sell off its separate operations, like SAA or harbours, P & T has an integrated structure which could not easily or practically follow a similar route.

232 Bday 7/9/88

esday, September 7 1988

Soweto plans to privatise 14 services

SIPHO NGCOBO

FACED with a prolonged labour strike, the Soweto Council plans to privatise 14 of its departments' services, says an eight-page proposal from the council to the SA Municipal Workers Union (Samwu)

However, union officials said yesterday the proposal was unacceptable to the striking workers

"The workers demand 100% re-engagement or 100% retrenchment and nothing else," said Sandile Mthongana, a union official

The privatisation plan is intended to save money and also to re-employ at least 70% of the council's more-than-5 000 striking workforce, represented by Samwu

The document says the council has been unable to increase pay as demanded by workers.

It says the privatisation of council services will cut costs.

The 14 departments to be contracted out to private firms are cleansing services (refuse and streets), mechanical workshops, office cleansing services, training section, time keeping and salaries, creches, grave digging, property sales, architectural services, town planning, meter reading, cafeteria, computer services and Soweto Tours

The proposal states that the remaining 70% of the labour force has until today to apply for re-engagement and that their salaries will be based on grade 12 Transvaal Industrial Council salary structure.

(232) STAR 12/9/88.

Letters

Privatising roads means exploitation

The Ennerdale Toll on the N1 South makes my blood boil. The first toll ever built was in the Cape along the Tsitsikama mountains where a special road had to be constructed which saved some 10 km of dangerous passes through three of our deepest gorges.

This new road had to span these gorges with bridges rivalling anything in the southern hemisphere. When the toll opened it was R1,50 for a car (and trailer). This has recently been increased to R2,50.

The Ennerdale Toll is being built on an old road which has already been paid for. The only expense to Tolcon is the plaza — built for the benefit of its staff, not the motorist.

From the Orange Free State the toll road is a little over 1 km shorter than the old Golden Highway. From the Vaal Triangle the toll road is actually "longer" than the Golden Highway.

Surely this means that motorists who come from Vanderbijlpark cannot be expected to pay toll — and those travelling between the Reef and the Orange Free State no more than 20c? The report suggesting R1,50 or R2,00 was obviously a mistake.

Is the Golden Highway going to be upgraded into a double carriage highway before the toll is opened? I see no evidence of this and it would not be in Tolcon's interests to do so! "Keep it in as poor a condition as possible to force motorists to use the toll!" would make business sense.

It would appear that the word "privatisation" is beginning to sound more and more like "exploitation".

W M Smith
Vanderbijlpark

Ennerdale not a squatter's place

I refer to the report in The Star of August 23 ... But I would like to rectify the statement made ... nerdale for a number of years ...

Cape Town studies privatisation

CHRIS CAIRNCROSS 14/9/88

CAPE TOWN — The City Council is taking the privatisation issue extremely seriously, and is to appoint private consultants to study the feasibility of hiving off certain of its activities.

About 400 council operations are now being investigated, from which a shortlist of about 60 to 70 activities will form potential areas for selling off or contracting out to the private sector.

In all cases no action will be contemplated until the relevant issues have been fully discussed with the unions or other employee bodies concerned

Areas that appear to be prime targets for partial or total privatisation include the abattoir and the fresh produce market Others are the council's vehicle fleet and its maintenance

(922) STAR 29/9/88

Harry told: Reveal Consgold shares

The Star Bureau

LONDON — Consolidated Gold Fields, the British mining house with major South African interests which is contesting a take-over bid by Minorco, struck back yesterday by serving a notice on Mr Harry Oppenheimer, retired chairman of the giant Anglo American/De Beers group, calling on him to give details of his shareholdings in Consgold

Minorco, which is in the Anglo American group, launched a take-over bid for Consgold last week

Consgold is also seeking similar information from Minorco

Mr Oppenheimer, one of the world's richest men, is in Britain on a private visit

A spokesman for Consgold said the notices served under the Companies Act called for a response within 24 hours

Minorco's bid values Consgold at £2,9 billion (R12 billion), making it the biggest takeover offer in British business history

The Times reports that Consgold and Department of Trade and Industry (DTI) officials are to meet to discuss the Minorco bid Consgold asked the Government last week to inquire into movements in its stock

British banks are reported to have refused to help finance the Minorco bid for Consgold

● See Page 12.

Mr Harry Oppenheimer — notice served calling for details

Cit Times 30/9/88

Minorco: Consgold's Agnew resigns over bid

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From MIKE ROBERTSON

LONDON — Consolidated Goldfields (ConsGold) chairman Rudolph Agnew has resigned from the board of Anglo American as a result of Minorco's £2,9bn bid for his company

And, in the latest development in the insider trading scandal that has accompanied the bid, Department of Trade and Industry (DTI) inspectors met with ConsGold officials A ConsGold spokesman said it had been a very useful meeting and they were pleased with the outcome Agnew has asked Trade and Industry Secretary Lord Young to appoint a team to investigate insider trading

According to ConsGold, Harry Oppenheimer, who was yesterday served with a Section 212 notice instructing him to disclose his ownership of ConsGold shares has not yet replied

The spokesman said it was still early and the reply was expected today

He added that from replies received on Section 212 notices served on Minorco or people who could be connected with Minorco no information had emerged to give the company cause for concern about a possible concert party

In his letter to Anglo American chairman Gavin Relly, Agnew is believed to have said the Minorco bid for ConsGold went contrary to an earlier undertaking by Anglo and De Beers in which the companies expressed great faith in the management of the British mining financial house The undertaking was entered into after Anglo and De Beers' dawn raid on ConsGold eight years ago

Agnew is also understood to have written that Relly's representatives in the UK, meaning Minorco, have been saying that they in the past have urged ConsGold to sell its stake in GFSA and Newmont. He is said to have pointed out that Anglo had maintained that ConsGold should retain control of GFSA and that De Beers and Minorco chairman Julian Ogilvie Thompson had supported the rescue bid for Newmont after an attempted takeover by T Boone-Pickens last year

RICHARD ROLFE AT THE RINGSIDE OF THE HEAVYWEIGHT CONS GOLD SCRAP

Gloves off for a fight to the death in takeover bid

ROUND ONE of the Minorco-Cons Gold heavyweight bout for control of the best assets in the world gold mining industry is over

But the fight looks set to go the whole distance, unless the referee blows the whistle

So let us have a look at the style and prospects of the two contestants

Cons Gold's chairman, the irascible Rudolph Agnew has come out punching verbally with the roughest language I have heard in a takeover battle

He has attacked the Minorco proposal on the grounds that Cons Gold's US and UK aggregates businesses and its US and Australasian gold mines would be unable to flourish under SA ownership and might have to be divested

The SA control implicit if Minorco wins Cons Gold, he believes, is a taint far greater than Cons Gold's 38 percent association with GFSA

Power

"You can deny your bastard children, but not your parents," Mr Agnew sums up

Then he had a go at Anglo's methods of operation and the lack of decision-making powers on the Anglo board, which Mr Agnew is about to leave

All power can ultimately be traced to Harry Oppenheimer and says Mr Agnew "How any red-livered man can work for that lot beats me"

He is also deeply annoyed that Minorco wants to review Cons Gold's hard-won 49 percent stake in Newmont, the biggest US gold producer

Mr Agnew claims that Julian Ogilvie Thompson, De Beers and Minorco's head and a Cons Gold director, had favoured stepping up the Cons Gold stake in Newmont last year, despite the financial strains this would cause, and told Mr Agnew to go for it with the phrase "bugger the balance sheet"

He says Minorco's plan to sell GFSA is inconsistent with what he has been told at meetings with Mr Ogilvie Thompson and with Anglo chief Gavin Relly

Mr Agnew says "I saw them at an Anglo board meeting in June and they reiterated what they have said on countless occasions that they wanted us to retain our effective control of Cons Gold For control to pass elsewhere would raise issues they would rather not face"

"These people speak with forked tongues, subconsciously at any rate"

Finally, he is scornful of Minorco's wandering past and tax haven domicile In the past 20 years, Minorco has moved from Zambia to Bermuda to Luxembourg

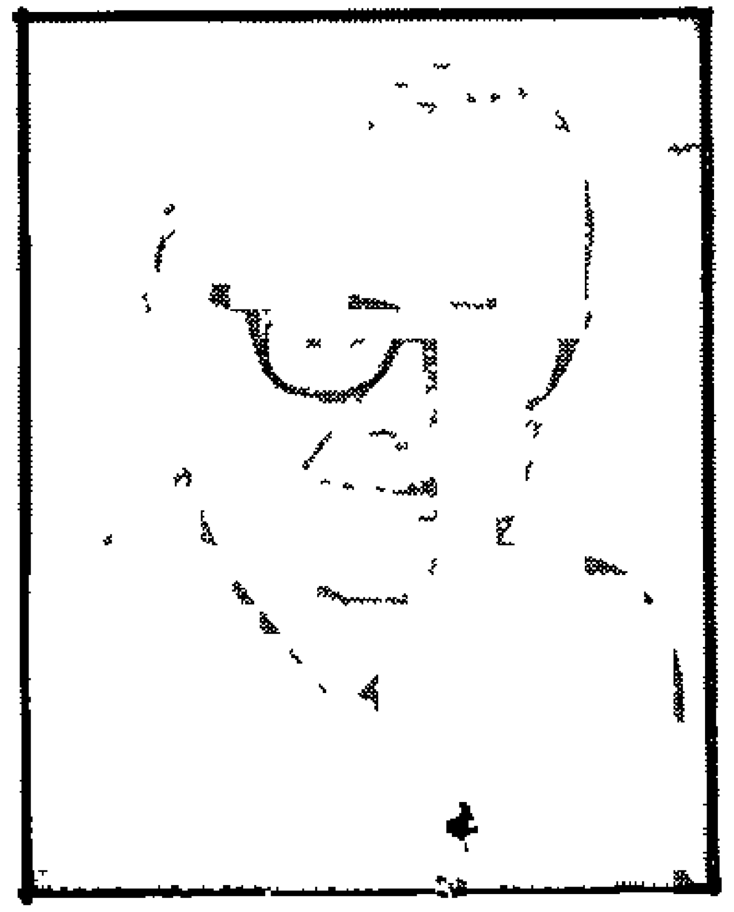
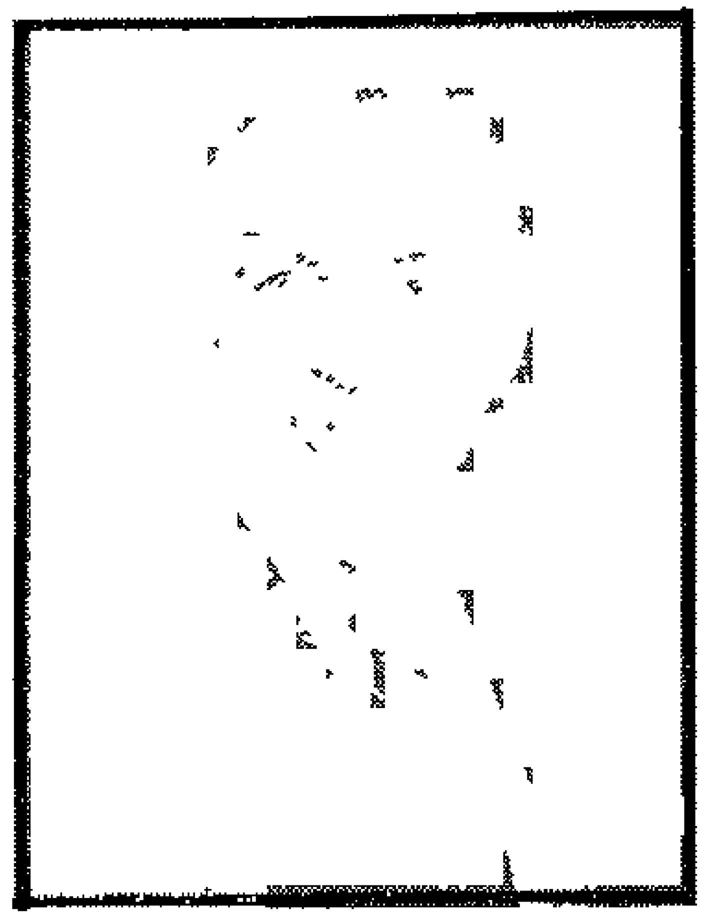
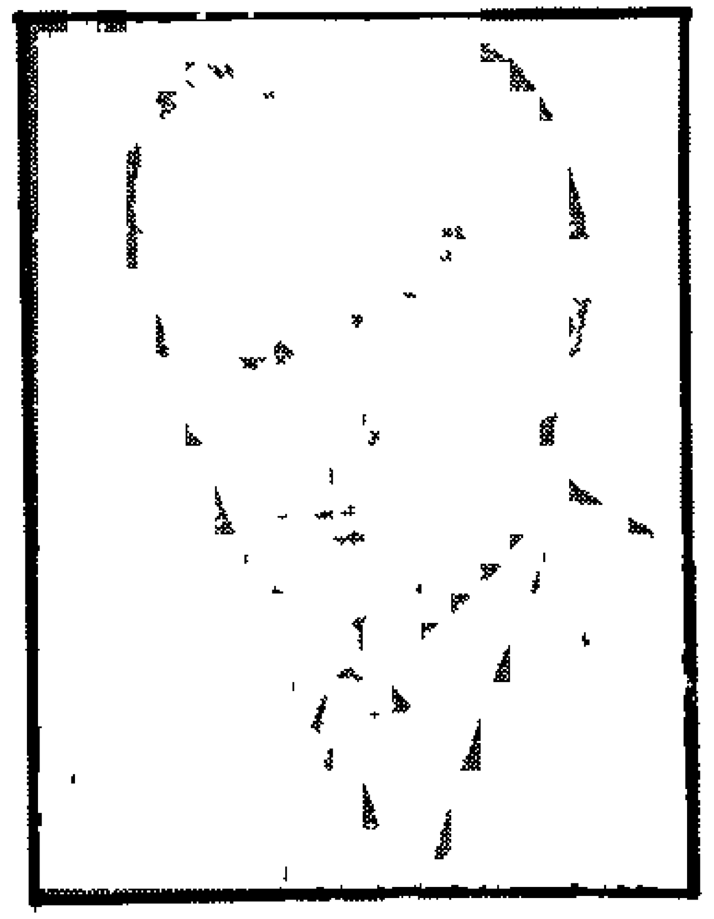
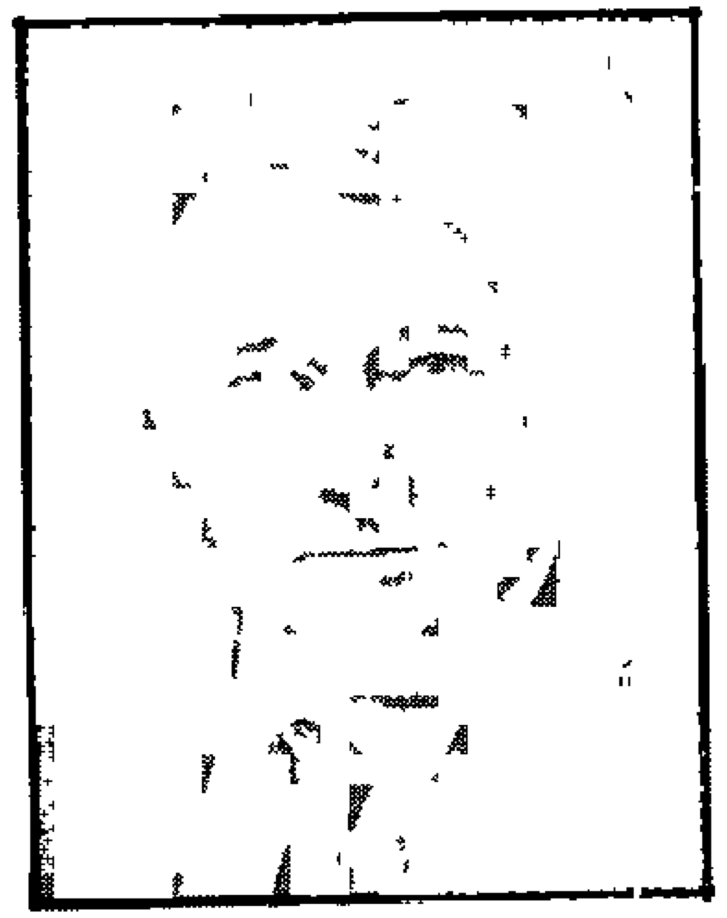
"They say they are good Europeans, based in Luxembourg, but if things get hot there, they will be off to a brass plate in Zug — of that I am convinced," Mr Agnew says

He has expressed the view that "serious businesses should be in serious cities"

His outspoken approach may surprise many SA readers, who will be accustomed to a more reserved type of mining house executive

But there is a greater tradition of no-holds-barred debate over here On top of that, Mr Agnew claims to be Irish and enjoys a good scrap

The high salaries which business leaders command in the UK also tends to increase their independence

THE OPPONENTS . squaring up for a fight are Julian Ogilvie Thompson, Gavin Relly Rudolph Agnew and Michael Edwardes

Claim

Mr Agnew earns nearly £250 000 a year He also has share options over 150 000 Cons Gold shares So he will net about £1-million if the bid goes through

Over at Minorco's London HQ, chief executive Sir Michael Edwardes disagrees with Mr Agnew's claim that substantial Cons Gold assets will have to be divested because Minorco is an unacceptable owner of the business

"We think the whole of the bid will depend on commercial and financial issues, despite the reluctance of the other side to address them," he says

If Cons Gold damages its own business, Sir Michael says, Minorco will want to know why

"We have taken legal advice and it is clear we have redress against the board in their personal capacity"

Roger Phillimore, Minorco's commercial director, reiterates that if the bid goes through, Anglo American and De Beers will hold 40 percent of the merged Minorco-Cons Gold

"But at present, Minorco owns 29 percent and the GFSA group 8 percent, so the existing SA control is already close to 40 percent," Mr Phillimore points out "What's the problem?"

"We are unimpressed with the sight of Mr Agnew in the uniform of Kitchener, adopting a scorched earth policy"

Debate

If Cons Gold persists with raising the question of SA control, Minorco believes it will boomerang on them

"I'm sorry for the cliche," Mr Phillimore says "But people in glass houses really mustn't throw stones

"We would like to have a serious debate with them on the issues," adds Sir Michael Edwardes "So far, there has been only background noise from the other side"

On the Anglo/De Beers camp's alleged inconsistency towards Cons Gold's Newmont and GFSA stakes, Sir Michael says it is quite possible for Mr Ogilvie Thompson to hold one view on behalf of Anglo and a different view on behalf of Minorco

"All the boards involved have got to act in the interests of all their shareholders," he says "They are not all poured into one swimming pool to thrash around"

Mr Phillimore adds "At Newmont board meetings, Mr Agnew must look at what is best for Newmont But he expressly reserves Cons Gold's position and when he gets back to the Cons Gold's board, he too may take a different view

"I must add that in grown-up circumstances, all this is usually resolved by prior consultation"

However, Sir Michael and Mr Phillimore believe that what they are saying applies to the UK and the US, not to SA

"It is a cosy world there," Mr Phillimore adds "The concept of minority stakes is fine But there is a different attitude in the US and the UK and it doesn't work"

By way of illustration, he points to Johnson Matthey, a passive investment of Minorco's associate Charter until four years ago, when its banking subsidiary, Johnson Matthey Bankers, went belly up

"JM kept Charter, its largest shareholder, at arm's length," says Mr Phillimore "But when, what I will politely call, the egg hit the fan, everyone turned round and said to us, 'how could you let this happen?'"

Dealing with Minorco's wandering past, finance director Tony Lea says "We regard Luxembourg as a serious city — we're surprised Mr Agnew thinks otherwise of an EEC member state"

But he adds "There is no reason to import Minorco into the UK for chauvinist reasons It would be directly to the benefit of the UK tax authorities and to the detriment of our shareholders

Control

"If Mr Agnew thinks serious companies should be in serious cities, why did he agree to Newmont moving from New York to Denver?"

On the idea of moving on to Zug, Mr Phillimore says "We rebut it with all force

"Why, after so many years, has Minorco decided to go for hands-on control of its interests? It did very well as a passive investor in Salomon, where it sold out in stages for $1,6-billion — 10 times what it paid

"Over the same period, some actual hands-on investments have been disasters — like Selibe-Phikwe in Botswana

"Passive investments are bad because we don't have control of costs, we don't control the discretionary cash flow and we're dependent — consistent with what we've said about directors' responsibilities — on the decisions of other boards," Mr Phillimore says

"The result is that your shares trade at a thumping discount as Minorco's have and you're regarded as sleepy and boring That is what we want to change"

US duo enter the titanic struggle for Cons Gold

w/e news 11/10/88

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From JOHN SPIRA

JOHANNESBURG. — A powerful new force has emerged in the titanic struggle for control of Consolidated Gold Fields

"Masters of the Never-Never" Bruce Wasserstein and Joseph Perella have been lined up to fight off Mincorco's takeover bid for Cons Gold and, judging from the "Wasserella" duo's outstanding success record, Anglo American's "Young Turks" are facing opposition stiffer than bargained for

Oppenheimer

Already the Wasserella touch is in evidence in the form of an instruction to Harry Oppenheimer, Anglo's retired chairman, to divulge his holdings in Cons Gold

At week's end, London sources reveal that Mr Oppenheimer had made the requested disclosure, though its contents have not been released.

Mr Oppenheimer is currently on a private visit to London. Anglo American's London office said yesterday that Mr Oppenheimer could not be contacted as he wished his privacy to be respected

Observers who have been following the progress of Messrs Wasserstein and Perella predict that their next move will be to ascertain the identity of Everal key shareholders (who have been hiding behind nominees) in Cons Gold

The idea prompting such a strategy is to discredit Anglo group company Minorco's bid for Cons Gold in the light of strong suspicions of insider trading in the shares, whose price began moving strongly higher weeks before the bid was announced

In the space of 10 years to February 1988, Bruce Wasserstein, 40, and Joseph Perella, 46, built — from nothing — a lucrative takeover business at New York investment bank, First Boston

First Boston advised on more than 200 mergers and acquisitions in 1987, generating $365-million in fees and $200-million in profits from bridging loans.

The pair then left First Boston as accredited inventors of the double-barrelled two-step, whereby a raider tenders for only a portion of the target company's shares, paying for the balance with its own shares

When they left First Boston, the bank's stock market value plunged by $127 million, 16 of its mergers specialists went to Wasserstein, Perella & Co, which received commitments totalling $1-billion from investors seeking equity in Wasserella takeovers.

Retained by 55 companies, it now has offices in New York, Chicago, Los Angeles, Houston and London

The British magazine, Business, quotes Mr Perella as saying "What happened in America over the past 10 years will happen in Europe in spades"

Transformation

Business explains "What happened was complete transformation of the corporate environment from a quiet golf course filled with sleepy conglomerate vice-presidents, to a jungle teeming with predators, poison pills, greenmail, golden parachutes, golden handcuffs, bootstrapping bidders, two-tiered tender offers, proxy fights, white knights, crown jewels, midnight raids and leverage, leverage, leverage

"Sleepy vice-presidents are now regularly devoured

"Like it or not, every company is 'in play', yet among the advisers, according to Wasserstein, 'maybe five people know what they are doing'. Each enjoys an aerial view of the jungle and thinks in terms of the treetops 300 carnivorous chief executives and four other master practitioners."

Elcentre doubles earnings, lifts div

(181) (232) STAR 4/10/88

Despite a higher tax rate of 15 percent, electrical distributor Elcentre has reported taxed income up 105 percent to R20,8 million (R10,2 million) in the six months to August.

The interim dividend has been raised to 15c (11c) out of earnings a share of 35,1c (25,1c).

The directors foresee earning per share of not less than 70c (58,6c) for the year. The forecast at the beginning of the year was 48c

Sales grew 94 percent to R252,6 million (R129,9 million), of which "not less than" 41 percent was from organic growth

The group has bought Multitech, Springbok Electric, Club Electrical and Audino Electrical for R5,4 million The directors say the acquisitions are "in line with group policy of acquiring electrical distribution companies with dedicated management, good growth potential and distinctive marketing capabilities".

TAX RATE

Although assessed tax losses are now less significant than before, chairman and managing director Mr Reuben Mowszowski does not expect the tax rate to rise above 30 percent

The interim dividend of parent Elcentre Group Holdings, which has 55 percent of Elcentre, is 7,5c (4,75c) — Sapa.

Assocom and FCI commission merger study

(232) Star 5/10/88

By Sven Forssman

Assocom and the Federated Chamber of Industries (FCI) have jointly commissioned an investigation into the possibilities of forming a new business organisation.

Professor Joe Poolman, vice rector of Rand Afrikaans University, has been asked to undertake the task

Both organisations believe that an independent in-depth study is needed to ascertain whether an alternative structure might best serve the future needs of industry and commerce

Assuming all the deadlines are met and if the decision is positive, it is expected Assocom and FCI will merge into a single organisation by next January

"We want to know whether a single body will be a able to do a better job than two bodies operating individually," Assocom chief executive Raymond Parsons said yesterday

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280/12

Malbak in bid to set up overseas

Star 5/10/88

(232)

By Ann Crotty

Malbak said yesterday that a Malbak/Abercom company had launched a £43 million bid for control of London-listed MY Holdings, which would give it a significant footing in the UK packaging industry.

Although the acquisition would initially have the effect of reducing the net asset value and earnings of Abercom, the news could boost the Abercom share price above the 400c level to which it rose on investor perception that Abercom would be used as Malbak's overseas arm It also seems likely to lift the Malbak share price.

Malbak has often been compared with Anglo's industrial arm, Amic, and has tended to be rated negatively on only one consideration. Malbak does not have enough assets generating foreign income. This seems set to change to a major degree Malbak chief executive Grant Thomas has said "The board of Malbak is strategically committed to the expansion of overseas activities and it is intended that Abercom, listed on the LSE, will be the vehicle. We see this as a first step and we are being cautious"

MY's main business is the manufacture and marketing of packaging and consumer products. Its acquisition is being effected via Tawneydown, owned 53 47 percent by Abercom/Malbak, and apparently established to effect the acquisition

Tawneydown's assets consist of funds of £18 million Some £13 million represents cash (including Abercom's £9,5 million cash from the sale of Davidson Fan) and the rest is borrowings

Tawneydown is offering 100p per MY share, payable in cash with a loan-note alternative The offer puts a value of £43 million on MY, compared with a tangible net asset value of £14,2 million It is as a result of the immediate write-off of the goodwill that Abercom and, in turn, Malbak, see a reduction in net asset value It should be noted that the £14,2 million is at book value and not replacement cost

The offer price is 31,6 percent above Monday's closing price and represents an historic P/E rating of 17 times This may seem expensive in SA terms. But as Malbak executive director Peter Beningfield points out, while normal London trading sees P/Es of 11 to 12 times, when it comes to taking control this has to be increased by around 50 percent He says that MY is not particularly expensive, compared with similar groups on the LSE and adds that on a prospective P/E the price is closer to 14,5 times

There certainly does seem to be profitable scope for the Malbak touch at MY where operating margins are currently in the region of 7,4 percent Some months ago Malbak executives said they were looking for margins of around 10 percent from their packaging and paper interests

Mr Beningfield said yesterday they were hoping to pick up a maximum 70 percent of the group (with a minimum acceptance level of 50 percent) It seems that the Malbak team is keen for MY to retain a strong listing on the LSE If it receives 100 percent acceptance, it will attempt to sell off some of the shares to UK financial institutions

A stake of 70 percent will cost Tawneydown £29 million, which means it will have to gear up its £18 million with additional borrowings Mr Beningfield, who stressed that Tawneydown could fund the entire deal, said the borrowings would be at at the Libor rate plus a margin

● Abercom earned a net income from its only income, Abertech Industries of R9,3 million for the 14 months to end-August Earnings per share were 50c and a total dividend of 15c was maintained.

NM645 5/10/88 (232)

MINING

ConsGold: Top banks back Minorco's bid

From NEIL BEHRMANN

LONDON. — Minorco is receiving a R5,81-billion loan facility from several banks to ensure that it is successful in acquiring Consolidated Gold Fields

The lenders are Swiss Bank Corporation, The Bank of Novia Scotia, Chemical Bank and Dresdner Bank, according to the offer document

The facility will enable Minorco to raise its offer if necessary, London analysts say

Minorco which also has around $900-million (R2,3-billion) available for the bid is offering Consolidated shareholders £13 (R88) a share partly in cash partly in Minorco shares.

The cash element of the offer will cost Minorco pds £1,4-billion (R5,8-billion).

ConsGold shares were £12,80, yesterday, while Minorco's shares were £11,15.

"It is a sighting shot, Minorco must pay over £15 a share to achieve any success," says Tom Freeman, mining analyst at SBCI Savory Milln, London brokers

ConsGold's assets are worth more, he says, and the company is the largest gold producer outside South Africa

"Chances of success would be improved if they increase the cash offer," says David Ridley, a director of Williams de Broe Hill Chaplin & Co.

Consolidated Gold Fields, with interests mainly in the US, Britain, Australia and South Africa is vigorously advising shareholders to reject the offer.

It has asked the UK government to prevent Minorco from bidding and to institute an inquiry into share trading ahead of the takeover announcement on September 21.

Minorco is a Luxembourg company, effectively controlled by Anglo American Corporation of South African, so there would be political ramifications, Consolidated directors say.

Sanctions and opposition to apartheid could adversely affect contracts of Consolidated's construction businesses in the UK and US, they say

"The South African issue needs to be put into perspective," says Sir Michael Edwardes, Minorco's chief executive

Minorco is independent and hasn't any South African assets, he says "We are committed unequivocally to sell all (Consolidated 's) South African assets," he says.

If successful, Minorco intends lowering Consolidated's 49,3 percent stake in Newmont and to reduce top heavy senior management at Consolidated

"Tight financial controls will be implemented," Sir Michael says "We will give operational managers greater autonomy and allow them to participate in decisions"

FM 7/10/88

MINORCO

Revealing document

Minorco's formal offer document for Consolidated Gold Fields (CGF) discloses financing arrangements that leave ample space to increase its bid above £13 (R19 cash and one Minorco for every two CGF) It has obtained a three-year £1,4bn revolving dual currency facility from Swiss Bank Corp, Bank of Nova Scotia, Chemical Bank of the US and Dresdner Bank of West Germany

The rate will be 0,375 points over the London Interbank Offered Rate for six-month US dollars, now 8,69%. With US$890m cash, Minorco needs to raise just under £1bn to fund the £1,52bn non-share element of its bid With an extra £400m or so it could pay an additional £2,50 per share — and London analysts have been saying that, without external intervention, a successful offer will have to be close to £16

The document also indicates that the main focus of attack on the management of chairman Rudolph Agnew and his board will be the quality of earnings Minorco says its offer values CGF at 18,5 times attributable 1987-1988 earnings

On CGF's reported earnings per share of £1 the historic multiple is 13

But, in a footnote, Minorco says it has adjusted the reported attributable earnings of £212,5m "This includes an estimated £63,2m (from the sale of 10% of GFSA to Rembrandt and of a Chilean property) after tax non-recurring gains on asset sales . Earnings, deducting such gains, were £149,3m "

Minorco points out it has *not* adjusted for other share dealings or profits on asset sales by Newmont In the year to June 1987, it says "Pre-tax share dealing profits and the group's attributable share of asset sales by Newmont (when it floated Newmont Gold) totalled £108,8m "

CGF's response was not available as the *FM* went to press Agnew, however, has always insisted that dealing in investments is one of CGF's operations, so such profits cannot be judged as one-off

Of equal interest, however, is evidence in the appendices of how Minorco was increasing its interest in CGF in October 1987 Before the October crash, Minorco was a heavy buyer of CGF convertible bonds (convertible into ordinaries at £10,80)

Between October 2-October 22, Minorco bought £50m of bonds for £66,8m — an average price of £133,7% The last purchase of £10m after the slump was at £128% Thus the effective conversion price of the underlying 4,63m CGF shares was £14,44

On October 29, Minorco resumed buying CGF shares directly Between then and April 22 it accumulated 2m at an average of £7,90 The holding was topped up when Minorco opted for nearly 709 000 CGF stock (at £8,50) in lieu of the interim dividend Both these shares and the bonds are included in Minorco's 29,4% of CGF's fully diluted equity (after conversion of the £110m bond issue into 10,2m shares).

Southern deals

More titillating, however, were the share trades of Southern Life immediately before the bid was announced on September 21 Southern, along with other Anglo associates Charter and New Central Wits, is classified as acting "in concert" with Minorco and shown as holding 118 100 CGF shares.

This, however, is after some active trading in Johannesburg Between mid-April and June 20 Southern sold 80 400 shares between R47,50-R58,25

On September 16, when bid rumours were hotting up, Southern went heavily into the market That Friday, it accumulated 115 000 CGF Monday it returned for another 4 100, paying R73 for most of them. The average in-price was R69

Two days later, Southern started taking profits, selling 30 000 at an average of R92,63 after the bid was announced Further sales to September 29 took the total to 85 000, at a mean of R90,50, to give a quick dealing profit of R1,8m

This is peanuts compared with the buyers, via Liechtenstein nominees, who are being hunted by CGF and others They made an estimated £25m Nonetheless, Southern's little coup, undoubtedly shared by others who believed the rumours, may have embarrassing aspects

John Cavill

STERLING DRUG 232

What's in a name?

The names have changed, but little else Andrew's Liver Salts has become Drew's Sparkling Salts and Phillip's Milk of Magnesia, Phipp's Milk of Magnesia

These are just two of the brand-name changes consumers will have to get used to now that the final details of Sterling Drug's divestment from SA have been settled

Adcock-Ingram (AI), which bought the company from its US parents this year, has re-named it Saphai-Med — the name of a dormant AI company The Chemical Workers Industrial Union (CWIU) says that's all that's new. The union is still in dispute with the company over the terms of the buy-out.

Saphar-Med MD Chris Rose says a condition of sale was that the company had to tamper with the names of some of its best-known products "Sterling head office in the US insisted name changes had to be phonetically different. We insisted they should be as closely aligned as possible to the previous brand names "

Certain pharmaceutical brands have also changed their names, though not much. For instance, Beserol is now Besenol But brand names unique to SA, such as Panado and Compral, remain unaffected.

Saphar-Med will have to obtain its raw materials from different sources, as all links with Sterling have ceased But the registration numbers of drugs registered with the Medicines Control Council remain the same

Only two products will disappear altogether: Lysol disinfectant and the drug Ladogar. In both cases Sterling was the only source for raw materials.

Rose says now that Saphar-Med is a wholly-owned SA company, there will be new investment. "After the passing of the Comprehensive Anti-Apartheid Act, Sterling was unable to invest in plant expansion and some of our brands were under-exploited."

He says a new marketing campaign will concentrate on high-potential brands including Wet Wipes (previously Wet Ones), Stearn's Pine Tar Syrup and Panado. It is also free to seek manufacturing licences for products outside the Sterling fold

7/10/88 FM

Agnew agreed to merger in 1986

Star 7/10/88

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By Ann Crotty

The directors of Consgold agreed to a merger plan with Minorco in December 1986

It was almost identical to the current bid the Consgold board has dismissed as making no commercial sense

Latest volley in the battle for Consgold is the release by Minorco yesterday of a draft press announcement prepared in December 1986 revealing that the directors of Minorco and the directors of Consgold had agreed to a merger plan.

Minorco believes that in the light of recent reports made by Consgold chairman, Mr Rudolph Agnew, "the record should be put straight"

It said "Minorco has asserted its confidence in the commercial and financial logic underlying its offer for Consgold

"Minorco has been surprised by the outright rejection of this logic by Consgold, given the substance of merger discussions between the two companies in 1986"

It appears from the Minorco document that Consgold initiated the original merger discussions and that these were conducted in a friendly manner and that Mr Agnew would have held the position of chief executive of the newly created group.

At this stage it is not known why the original plan that came so close to finalisation collapsed at the last minute

But indications from Minorco are that it was because of this earlier experience with the Consgold board that the decision was taken this time around to approach Consgold shareholders directly and without reference to the board

The 1986 document states. "Despite the fact that the merger proposals had been agreed to by executives led by the two chairmen, the Consgold board decided to request Minorco to withdraw its offer which had been expressed as being conditional on a favourable board decision. In making this request Mr Agnew and other representatives of the Consgold board made a commitment to Minorco that Consgold would participate in continued discussions early in 1987"

In the 1986 plan it was agreed that Anglo and De Beers would reduce their stake in Minorco from 39,1 percent and 21 percent respectively to 25,8 percent and 13,8 percent

It was also intended that Consgold would remain a major UK-based operating company within the enlarged group "It is fundamental to the company's future plans that it retains and builds on the strengths and expertise of Consgold, including its senior management and central staff," the 1986 document says

It seems that at this earlier stage there were also plans to sell off Consgold assets in North America and SA to help fund the deal Consgold's Amy Roadstone (ARC) appears to have been a major attraction and back in 1986 there were plans to obtain a listing for it

Consgold appeals to Reagan

Star 7/10/88 (232)

WASHINGTON — Consgold and affiliate Newmont Mining yesterday asked President Ronald Reagan to block the proposed hostile takeover by Minorco on the grounds that the takeover would endanger US security

Consgold owns 49,3 percent of Newmont Minorco, based in Luxembourg, is controlled by South African interests

Consgold said the proposed acquisition would be the largest to date of US assets by South African interests and would imperil US access to strategic and precious metals vital to US national security

Consgold is a large producer of gold, as is Newmont. Half of Consgold's assets are concentrated in the US In addition, it produces strategic minerals, including rutile and zircon and will soon become a significant platinum producer, it claims

Consgold said the President had 30 days from the filing of the request to initiate an investigation, 45 days thereafter to complete the investigation and then 15 days to determine what action should be taken

The company said it and Newmont had asked that the President immediately enjoin the transfer of US assets, pending completion of the investigation

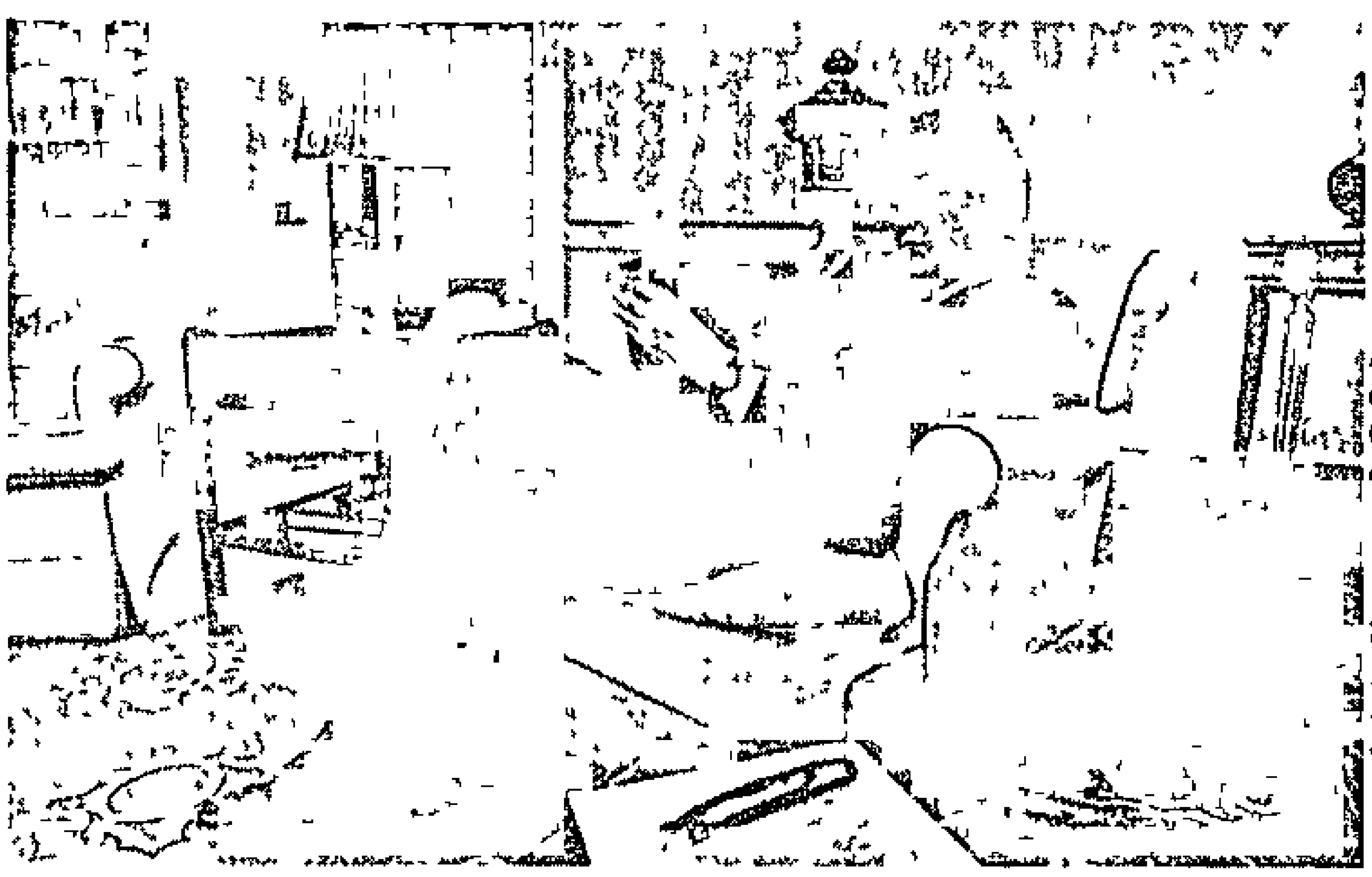
Minorco was controlled by a combination of South African interests including Anglo American and De Beers Consolidated Mines, both of which were, in turn, controlled by Mr Harry Oppenheimer, it said

Consgold itself has gold operations in South Africa A company spokesman said yesterday 17 percent of pre-tax operating profits came from SA operations

President reagan received powers to block takeovers that could endanger US security under a recently passed trade Bill, which amended the Defence Production Act — Sapa-Reuter

ConsGold: A furore about disinvestment in reverse

The mining house with the poorest labour-relations record in the country takes sides with the Anti-Apartheid Movement, a row blows up over a form of disinvestment-in-reverse the Consgold ironies abound HILARY JOFFE reports



Amid the controversy Consgold chairman Rudolph Agnew You can hide your bastard children but you can't hide your parents

THERE was a time when multinationals dominated the headlines — the foreign kind which were pulling out of South Africa In recent months multi-nationals have been on the front pages again — but this time it's the South African ones, in the limelight for their manoeuvrings overseas

Liberty Life and Rembrandt have reshuffled their assets, structuring new foreign investment vehicles, and — in the case of Liberty — preventing an undesirable bid for Sun Life

Anglo, through its international investment arm Minorco, has caused upheavals in London with its £2,9-billion bid for control of Consolidated Goldfields The only one of the "big four" which hasn't had a mention has been Barlow Rand which has a stake in British company J Bibby

Foreign investments are not new for South African companies — Anglo and De Beers are the obvious example (and Rembrandt has a 43 percent voting interest in Rothmans International) But exchange control and capital shortage have not prevented it from rising in the 1980s

Reserve Bank figures show South African investors held R13-billion worth of foreign assets at the end of 1986, compared with R6-billion in 1980 The growth reflects the huge drop in the rand's exchange value over this period — and whoever bought into a foreign company six years ago may have made their best ever investment Even in dollar terms the figures for long term foreign assets (such as shares and debentures) held by non-bank private South African investors increased by 15 percent between 1980 and 1986, on the Reserve Bank figures (the figures are compiled by the bank each year on the basis of returns from companies assets such as property and equipment are valued at market values)

The funds to set up foreign operations — certainly by the high profile corporations — would have been taken out of South Africa quite legally, with exchange control permission

With the gold price boom of 1980/81 in South Africa, such permission would have been easy to come by The rand was strong (it peaked around $1,36) and foreign assets were cheap And the buildup of liquidity in the South African economy was such that some economists at the time were urging the Reserve Bank to allow even more foreign holdings by South African companies

Now, in the late 1980s there are reports once again of companies setting up overseas — though they are getting permission for different reasons In the context of sanctions, many companies can make a case — some legitimately — for setting up trading offices and manufacturing operations overseas or for strengthening foreign linkages so as to guarantee access to technology for the future

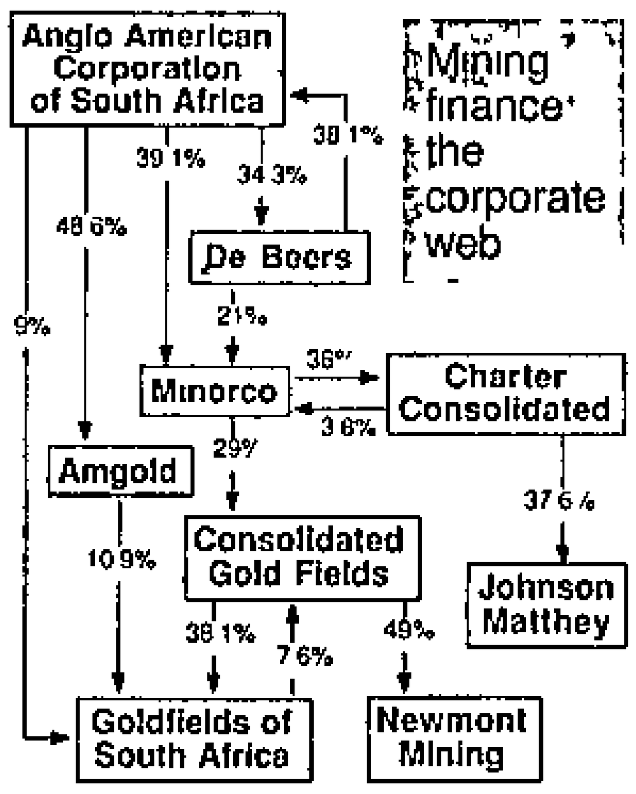
But the large companies would have transferred the funds legally — with strings attached, such as the condition that they remitted dividends back to South Africa And they would have taken out relatively little, raising further loan financing on foreign markets

There are two themes in the manoeuvrings of 1988 one is restructuring, the other is consolidation

The effect of the Liberty and Rembrandt restructurings was to separate their foreign operations from their local ones, maintaining for South African shareholders their stake in the foreign operations

There were financial reasons but there were also, no doubt, political ones The fact that the companies are structurally non-South African would fool no-one But as Ian Leppan, co-author of *South Africa Inc*, puts it, "You can't hide the South African connection away but it's difficult for anti-apartheid organisations to counter in the US and Europe there's a great deal of protection for the owners of capital and a sanctity about shareholdings"

That there's a difference between owning in South Africa and being owned in South Africa is one of the issues which has been highlighted in the Consgold affair, particularly in



Who owns whom in Anglo

that classic statement by Consgold chairman Rudolph Agnew "You can hide your bastard children but you can't hide your parents"

Minorco's bid for Consgold has provided non-stop media thrills since £2,9-billion bids don't happen that often (it's the biggest ever takeover bid for a British company), and especially ones which draw allegations of insider trading by shadowy unknown persons via Switzerland

But it's also provided some nice ironies, chief of which is that British anti-apartheid activists and Agnew, until last week also a director of Anglo American, have found themselves in the same camp

It has caught the Anti-Apartheid Movement in something of a cleft stick, as one London observer puts it Which may be why, although the AAM has said it opposes the bid, it has not had much else to say about it

Consgold has a 38 percent in Gold Fields of South Africa, the mining house with the worst reputation when it comes to labour relations According to National Union of Mineworkers economist Martin Nicol Gold Fields is responsible for the lowest minimum wage not only in South Africa but in Southern Africa (R200 a month at the Black Mountain copper mine — the industry average is about R500)

Although it insists it is a British company which happens to mine gold in South Africa, Consgold, founded in 1887 by Cecil Rhodes, built internationally on profits from GFSA

But from the British end, the Minorco bid is seen as a South African company trying to take over a British one Britain's Department of Trade and Industry and the London Stock Exchange are now investigating the insider trading allegations

One of Consgold's biggest subsidiaries is ARC, better known as Amey Roadstone, which is Britain's leading supplier of aggregates for the construction industry and builds roads Public utilities and local authorities are its main customers Since local authorities are prevented by British law from awarding contracts on other than commercial grounds, the idea of dealing with a South African-owned company has anti-apartheid parliamentarians and councillors worried

The company is also involved in the cement pipe business, especially in the United States, and Consgold has had problems before — it was challenged by the Los Angeles municipality for its South African links

Consgold has tried to appeal to anti-South African sentiment, if in a rather contradictory way, in its fight to forestall the Minorco bid

Calling on the British government for an enquiry last week, Consgold argued that the Minorco bid raised important monopolies and strategic considerations With Anglo accounting for 18 percent of non-communist world gold production and Consgold, the second largest producer, accounting for 12 percent the company argues the bid, if successful would give Anglo a 30 percent share

Agnew has described Minorco's plans as "no more than a Luxembourg front company for South Africa indulging in an old fashioned exercise of asset stripping" — a reference to Minorco's plans to sell off GFSA — and has made references to the "pariahs of the Western world"

Minorco has in turn argued that success in the bid would dilute its South African shareholding from 60 to 40 percent and that it would cut Consgold's link with South Africa by selling off GFSA

There are at least two theories as to Minorco's primary motivation for the bid for control of Consgold, in which it already holds a 28 percent stake acquired in the early 1980s

The major one is Anglo wants to consolidate its position as an international mining house through Minorco in which Anglo American Corporation has a 39,1 percent stake and De Beers Consolidated Mines a further 21 percent

Minorco has said it wants to be a more active 'hands on' management operation rather than just an investment company It also has a large lump of cash — about $890 million — following sales last year of its 14 percent stake in US merchant bank Salomon Brothers and 10 percent stake in Anamint

It already mines gold in Brazil, Chile and Australia, as well as other minerals such as ferro-nickel in Latin America and copper in Zambia Minorco also has diverse interests in Latin America such as in fertiliser and petrochemicals in Argentina

Consgold's major gold mining interests are in the US, through its 49 percent stake in Newmont Mining, and in Australia and Papua New Guinea through Renison

The theory of Anglo wanting to expand its empire also involves the argument that with costs rising South African gold mines are getting less attractive while US and Australian mines are more so

One anomaly, in the light of this theory, is the suggestion that Minorco would sell off the stake in Newmont if it gained control of Consgold

But another theory is the bid is primarily about Anglo's control of the South African gold industry — if Consgold divests itself of GFSA, Anglo wants to make sure that the South African mining house falls into friendly hands

Consgold sold a 10 percent stake in GFSA to Rembrandt last year which has right of first refusal if more of GFSA is sold off If this were to happen now it would come at a bad time for Rembrandt, occupied as it is with its new Swiss-based company Compagnie Financiere Richemont

Consgold might, for political reasons, have wanted to sell off the rest of GFSA in future

Either way, the selling off of the British stake GFSA which will result if Minorco succeeds in its bid, will in effect be yet another disinvestment from South Africa — by a South African-controlled company

SA learns the Opec lesson: Why no-one's buying gold

By HAMISH MCRAE

WHY does no-one want gold? By tradition, it is the thing that everyone rushes into when they are worried about the economic future of the world Now it is plunging Does that mean that everything looks wonderful? Or are people making a terrible mistake?

The immediate reason for the decline of the gold price to below $400 an ounce two weeks ago was, according to the market traders, the disarray among the Opec members, pointing to a lower oil price and the rise of the dollar

But that does not really tell us very much, for Opec has been in disarray for some time

The weakness of the gold price, now at an 18-month low in dollar terms, is the result of two much more important long-term features These are the growing supply of gold from places other than South Africa, and the way the markets will now push up interest rates around the world at the first hint of a recurrence of inflation

The supply business is easy to grasp, for gold is in exactly the same position as oil At the beginning of the 1980s, when the gold price (briefly) reached $800 an ounce, South Africa supplied more than 65 percent of the non-communist world's gold — some 650 tonnes a year, of a total of less than 1 000 tonnes

Russia would sell some, depending on how bad its grain harvest was, but South Africa's dominance enabled it to manage the market, so that it was never hit by excess supplies It was just like Opec

Now South Africa produces less than 40 percent of the non-communist world's gold, with production this year expected to be less than 600 tonnes, of a total approaching 1 500 tonnes Like Opec, it has lost control

But that is only part of the answer The experts have been well aware of this growth in supply, yet still thought the price would tend to rise

What they all seem to have overlooked was the way the demand for gold has changed too

There is a basic "industrial" demand (including uses for teeth and jewellery) which puts a floor at perhaps $300 an ounce But the much higher figures that it has reached have to be justified by hoarding — people holding it as a hedge against inflation That is why it shot up so much in the early 1980s

We now have world-wide fears of rising inflation again, though not to anything like the same extent as then But there is no doubt that inflation is on the up, and yet demand for gold for hoarding has not risen in sympathy

The best explanation is to look at the reason why interest rates have risen this year in the industrial countries Interest rates are a powerful inducement not to hoard gold, which works in two ways

Not only does a higher return on cash present people with an attractive alternative to a non-interest-bearing asset like gold High interest rates also help squeeze out inflation, making it unnecessary to hoard in the first place

The crucial difference between the rise in interest rates now and previously is the way in which these rises are driven by financial markets, rather than by the various monetary authorities

In the UK, interest rates have risen partly because the Treasury and the Bank of England wanted them to

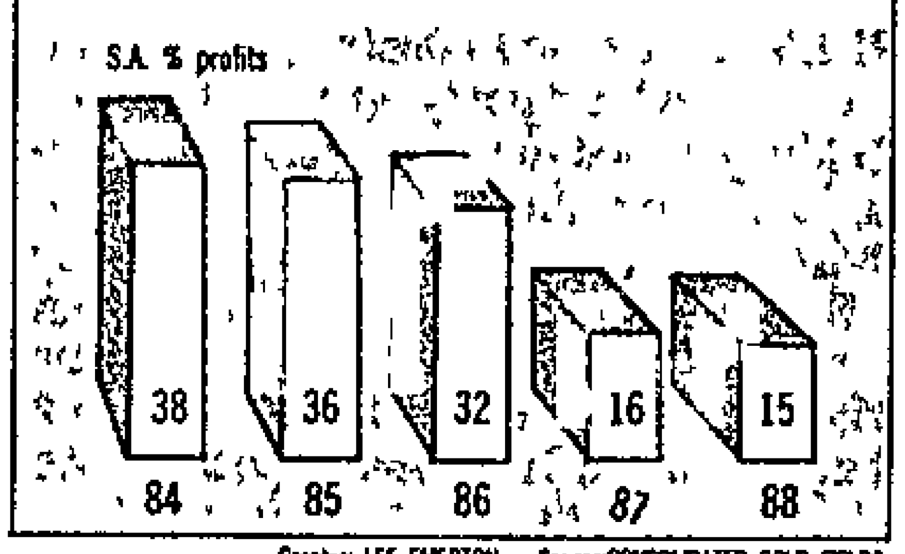
Governments have never had much control over long-term interest rates, as shown in bond prices Now they have little over short-term rates

For as currencies are linked together under the Louvre Agreement, the scope for individual governments to set their own interest rates has narrowed — if they want to hold that agreement together

All this points to two things One is that we are seeing a long-term trend of falling inflation around the world The other is that for the foreseeable future, money will be a better investment than gold — The Guardian, London

232 B/day 11/10/88

ConsGold reducing SA stake



Graphic: LEE EMERTON Source: CONSOLIDATED GOLD FIELDS

REINIE BOOYSEN

CONSOLIDATED Gold Fields (ConsGold) — currently involved in a takeover battle with Minorco, controlled by Anglo American and De Beers — has dramatically reduced its reliance on SA as a source of profit over the past five years

In the year to June 1984 ConsGold derived 38% of its profit from SA. By the 1988 financial year this had dropped to 15%.

The amount of funds employed in SA has also declined from 18% in 1984 to 9% in 1988

In his 1988 chairman's statement, Rudolph Agnew writes with pride about this development

"ConsGold entered the 1980s as a diversified mining and industrial conglomerate heavily dependent upon earnings and dividends from SA As the end of the decade approaches it has become a focused producer of selected natural resources, with gold and stone as its principal businesses

"This change has been achieved mainly through a concentration of productive investment into gold in North America and Australasia and stone in the UK and US

"As other interests have grown, dependence on southern Africa has reduced, a change which was accelerated by the sale in July 1987 of a 10% interest in the group's associate, Gold Fields of SA, to the Rembrandt Group Today, SA contributes 15% of operating profits"

Agnew reported another record pretax profit of £302m with a final dividend of 22p net per share, making 32p net for the year, an increase of 16% over last year

Delta acquires EMD in deal worth R13-m

STAR 12/10/84

232

By Ann Crotty

Delta Electrical (DE), one of the star performers of the electronics sector, is making a R13,3 million acquisition which will expand its trading base and provide a strong rand-hedge element

The deal sees DE acquiring 60,29 percent of EMD, a producer of electrolytic manganese dioxide, from DE's parent, Delta SA (DSA), for R13,3 million, of which R2 million will be paid in cash and the balance through the issue of 3,7 million shares A portion of the shares issued to DSA, which holds 49,9 percent of DE, will be renounced in favour of certain financial institutions This is to prevent its holding going over 50 percent, which would involve altering its policy of accounting for DE.

The remaining 39,7 percent of EMD is held by an overseas partner and the management of EMD

A portion of EMD's production is used by SA battery producers, but the majority of its output is exported to battery producers worldwide

Because EMD has been the second arm of the DSA group for six years, it is well known to the DE management team This suggests bedding down the acquisition should involve no unpleasant surprises The deal involves a performance-related deferred payment of R3 million.

The basic deal will initially only have a marginal effect at the earnings-per-share level. But the immediate write-off of about R7,5 million in goodwill will reduce net asset value from 123c to 120c

The deal is complicated by the offer of bonus shares or a special dividend on the basis of 10 shares for every 100 held or a 25c dividend payment per share At yesterday's price, the share choice is worth 300c and the dividend 250c

The bonus offer seems designed for DSA's UK parent, which would otherwise only be getting its share of the R2 million cash portion via the commercial rand. DSA has opted for the bonus dividend.

Most local shareholders would be well-advised to go for the bonus share, rather than the dividend in view of the longer-term benefits the deal is likely to have for this well-managed group

12/10/88

Afrikaans papers merge today

232

By ESMARE VAN DER MERWE, Political Reporter

The characters of both Die Vaderland and Die Transvaler, soon to merge as Transvaler, have been moulded as mouthpieces of the dominant Afrikaner political party

The Afrikaans press enters a new era today with the appearance of *Transvaler*, a Perskor-owned afternoon newspaper

A merger between *Die Vaderland* and *Die Transvaler* — whose final editions were published yesterday — the new broadsheet sees its main objective as being the promotion of Afrikaner unity, according to an editorial in the last edition of *Die Vaderland*

Both newspapers had been born out of Afrikaner idealism, yet at the same time springing from Afrikaner disunity, the editorial stated

"We find it suitable and significant that *Die Vaderland* and *Die Transvaler*, both so intensely part of the most bitter Afrikaner disharmony, are uniting in these days of a renewed volkstwis"

The task of Afrikaner unity would never be fulfilled, it said, but the understanding and tolerance learnt in the past could be wisely applied in a positive and constructive future role of uniting all South Africans

Under the editorship of Dr Gerrit Velthuysen, *Transvaler* will be printed in Pretoria and Johannesburg and will be distributed in Transvaal and parts of the other provinces

Rich history

Despite the new look, the newspaper has a rich history going back to 1915 Owned by the Noordelike Drukpers Maatskappy, *Ons Vaderland* saw the light in Pretoria as a bi-weekly mouthpiece of the then National Party Among its shareholders were General J B M Hertzog, Mr Tielman Roos and Mr N C Havenga

Although it clearly stated that it would not practise "hoog politiek" (high politics), it played a significant role in the early and unexpected NP victory in 1924

In 1932, Noordelike Drukpers was taken over by Afrikaanse Pers Bpk and the paper was renamed *Die Vaderland*, also published in Pretoria The control lay with General Hertzog and the paper continued to support him after the fusion of the National Party and the South African Party in 1934

In 1935 a new company, Die Afrikaanse Pers Beperk, took over Afrikaanse Pers In the next year, *Die Vaderland* was moved to Johannesburg where it started ... volved in an attack on the building which housed the paper

"The British reality demanded participation in the war, while that of the Afrikaner indicated either a neutral stance or even sympathy with the Germans

"Die Vaderland was not yet backing the National Party, but was the mouthpiece of the Afrikaner Party which was led by Hertzog's former Finance Minister, N C Havenga In the election of 1948 the Afrikaner Party and Malan's National Party formed an alliance and won The Afrikaner Party was subsequently taken up in the more powerful National Party Die Vaderland supported the Nationalist government The Afrikaner was politically reunited and its main newspapers could speak with one voice"

After the 1933 split in Nationalist ranks, the NP in the Transvaal was left without a mouthpiece

Organ of NP

A new company, Voortrekker Pers Bpk, was established and on October 1 1937 it launched *Die Transvaler* in Johannesburg as a daily organ of the NP Its first editor was Dr H F Verwoerd, who later became Prime Minister

Dr de Villiers notes "In the period of his editorship — from 1937-1948 — the paper faced an advertisement boycott and its building was also attacked by soldiers on February 1 1941 In this respect, therefore, its history is similar to that of the Vaderland"

Both papers had to survive periods when, in the words of Dr de Villiers, the mobilisation of bias was distinctly against them

He points out that in the case of *Die Transvaler*, the enemy had been identi-


Die Vaderland

U DAG-IN EN NAG UIT VOEDSELWINKELS

Ons verkoop gemoedsrus 24 uur 'n dag

DINSDAG 11 OKTOBER

Swart lang naweek

Paaie eis 7 000

MORE TRY TRANSVAAL WAT HY WIL HE

Alleenloper vermoor gevind

Nuwe koerant se politiek

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However, the relationship between *Die Vaderland* and Johannesburg was not always on a good footing

In his doctoral thesis, Dr Johan de Villiers, an assistant editor on The Star, describes the situation "In 1939 Hertzog and Smuts parted ways over the war issue Herztog wanted neutrality and in this he was supported by Die Vaderland On February 1 1941 soldiers were in-

the British real ty demanded participation in the war, while that of the Afrikaner indicated either a neutral stance or even sympathy with the Germans

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Both papers had to survive periods when, in the words of Dr de Villiers, the mobilisation of bias was distinctly against them.

He points out that in the case of *Die Transvaler*, the enemy had been identified as "holistic imperialism" Dr Verwoerd was much concerned about the establishment of a republic and the breaking of ties with the British empire

The Afrikaans press in the north became consolidated on April 1, 1971, when Afrikaanse Pers and Voortrekker Pers were merged to form the Perskorporasie van Suid-Afrika Bpk (Perskor)

In effect, this meant that *Die Vaderland* and *Die Transvaler* came under the same control.

Now they are becoming one newspaper

Die Vaderland . . once supported Hertzog in his belief that SA should remain neutral during World War 2 Later it was to become the mouthpiece of the mainstream National Party.

Competition Board inquiry into bid

232

B/day 12/10/88

Minorco: SA probe under way

LINDA ENSOR

AN INVESTIGATION into Minorco's bid for Consolidated Goldfields (ConsGold) has been launched by the Competition Board in SA to determine possible negative effects on the South African mining industry.

In a notice in the Government Gazette on Friday, the board said it was investigating whether an acquisition by Anglo American and De Beers of Gold Fields of SA had been made and "the nature and extent of the controlling interest held and acquired".

● BROOKS

A board official said "This is in line with our policy of investigating mergers and acquisitions outside our borders that could have an effect inside SA."

Interested parties have one month to make submissions to the board which legally has to complete its inquiry within three months

Board chairman Pierre Brooks said last night: "The board and the Minister, Dawie de Villiers, would like to be in a position to act if necessary to prevent any negative effects which the takeover of ConsGold by Minorco could have on the mining sector in SA"

He emphasised that the inquiry had been independently initiated by the board and denied that concern over Minorco's stated intention to sell off its R2,6bn interests in SA, should it acquire ConsGold, had played any role in the investigation being undertaken.

Anglo American and De Beers between them own 60% of Minorco and, if the bid succeeds, Minorco will gain control of ConsGold's 38% shareholding in Gold Fields of SA (GFSA)

News of the inquiry emerged as ConsGold's management appealed to governments around the world to help prevent the £2,9bn takeover.

Reuter reports ConsGold chairman Rudolph Agnew has lobbied for investigations of the deal by SA authorities and Britain's Office of Fair Trading In the US, ConsGold and its 49%-owned US subsidiary Newmont Mining have appealed to President Ronald Reagan and the US government to use the Trade Protection Act to prohibit the bid

A Minorco spokesman said the SA Competition Board had no reason for concern as Minorco had stated from the outset it intended to sell off all its SA interests if it was successful in its bid.

He said· "We made it clear at the outset we would sell the ConsGold holdings in GFSA."

Brooks said the mere fact that Minorco had expressed its intention to sell off ConsGold's SA interests had no legal validity and was not binding.

He said "Were the sale not to proceed,

● To Page 2

Competition Board probes Minorco bid

B/day 12/10/88

232 24

● From Page 1

the board would like to be in a position to act if necessary to forestall possible negative consequences inside SA."

Anglo American and De Beers reiterated their belief that it was important from an SA viewpoint that the foreign shareholding in GFSA be transferred to SA ownership and they, therefore, supported Minorco's proposal to dispose of all ConsGold's SA investments on completion of the offer

"This includes the 38% passive holding in GFSA which Minorco has stated will be sold in accordance with the agreement between ConsGold and Rembrandt Group (Remgro) which gave Remgro certain rights of first refusal over some 80% of those shares and which could well facilitate the continued independence of GFSA within SA"

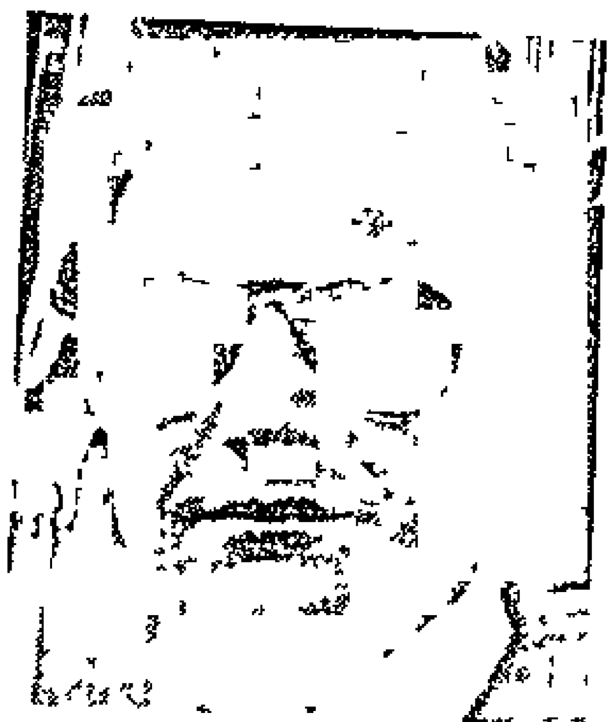
Business Report

Overseas firm buys Metropole

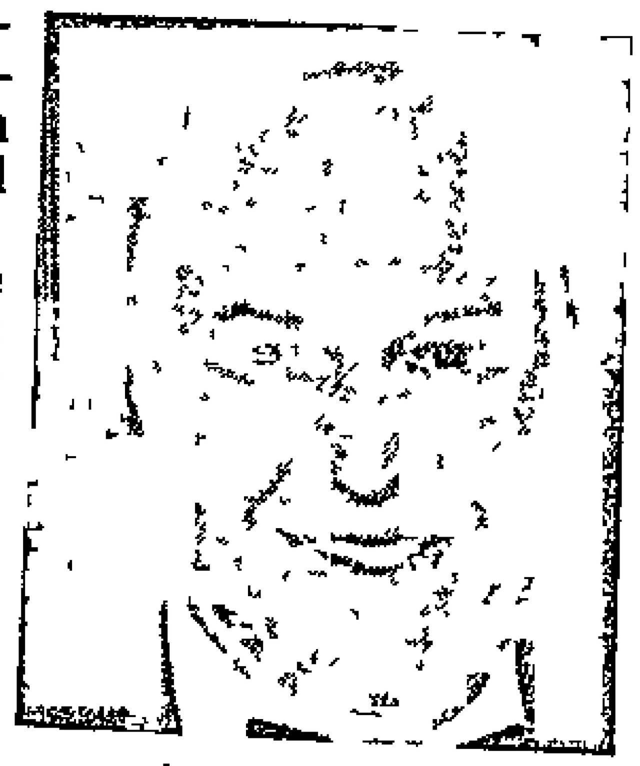
CAPE TIMES 14/10/88 232

By AUDREY D'ANGELO
Financial Editor

THE Metropole Hotel in Long Street, Cape Town, has been sold by brothers Brian and John Bowman to International Metropole Hotels (Pty) for an undisclosed sum



Brian Bowman



John Bowman

Announcing this yesterday, Brian Bowman said International Metropole Hotels was "a company owned by an overseas consortium" with hotel interests in other parts of the world

John Bowman will leave the business but will help his brother in consultancy work for the hotel industry and will look after other interests they have

Brian Bowman, who is responsible for marketing the hotel, will continue to do so and says he has "been given the additional mandate by the new owners to identify further opportunities in SA for hotel investment "

Alan Masters, formerly at the President and Newlands Sun Hotels, has been appointed GM of the Metropole

John Bowman said yesterday that until now the Metropole has concentrated mainly on the restaurant side of its business But the new owners "will spend money on it and will upgrade and refurbish the bedrooms".

He said the new owners had financed the purchase partly with financial rands, which had given them "a very good deal" Neither of the brothers now had any stake in the hotel

A statement issued by the brothers yesterday said "The main aim will be for the Metropole to take its place in the plans to expand Cape Town's tourist industry "

In addition to catering for tourists the refurbished hotel was expected to be patronized by businessmen

BUS

INVESTMENT

Argus 14/10/88 (232)

Embattled Milly's in R6,9-m rescue deal

RECENTLY-formed Kwikshop Holdings group and Metro Bakery are to be injected into JSE-listed and loss-making Milly's Stores in a R6,9-million deal announced today

The restructuring is being orchestrated by Cape investment banking group Unidev which currently holds 20 percent of Milly's equity, 50 percent of Kwikshop holdings and 100 percent of Johannesburg-based Metro Bakery.

Today's announcement of Milly's restructuring coincides with the publication of the Cape company's results for the year to end-June which show total losses of R4,2-million.

Unidev director Ronnie Stein blamed Milly's losses on the previous managing director, who resigned immediately the problem became apparent

"Since the introduction in June of caretaker management and with it the financial controls and reporting systems essential to a business of this nature trading losses have been considerably reduced," he said

"While the company has undoubtedly lacked management with sound retailing, merchandising and marketing expertise, the proposed restructure brings unquestionable strength and experience in these areas"

Milly's revised unaudited results for the six months to end-December 1987 were published in June and showed a loss of R2,6-million, including prior year adjustments, compared to a previously published profit of R358 000

The new moves announced today provide the chain with nine strategically-situated outlets in the Peninsula — five under the Milly's banner and four existing Kwikshop Holdings stores.

Negotiations have also been finalised for Kwikshop holdings to acquire three further stores, bringing the group's total to 12

The Kwikshop stores are all affiliated to Spar.

The new group will have as a separate operating division a substantial manufacturing facility comprising the freshbake food factory in Retreat together with the Metro bakery which will supply the Reef market

A major board reshuffle also brings considerable merchandising, operational and financial expertise to what is effectively a new company.

The two founders of Kwikshop, former Metro Cash and Carry executive directors Mark Abramowitz (merchandise) and Dennis Marock (operations), become joint managing directors.

Acting chief executive Anthony Scott-Wilson joins the board as financial director, a position he previously held at Grand Bazaars

The new management team says emphasis will be placed on quality, service and convenience

"While we have no intention of taking on the majors, we will be filling a definite market gap for a chain of strategically located, convenience stores offering a range of quality products, including fresh-baked goods, delicatessen and fresh produce, at competitive prices"

The Kwikshop acquisition is being made by way of the issue of 2,3-million new shares at R1 each, equivalent to Kwikshop Holdings' net asset value

Metro Bakery is also being acquired at a net asset value of R4,6-million payable by the issue of 4,6-million new shares at R1 cents each.

The net asset value of each Milly's new ordinary share is expected to be 88,8 cents a share as a result, says Mr Stein..

On discovery of the half-year losses, Unidev stated that as a large minority shareholder it would take active steps to safeguard both its own interests and those of the other minorities — Sapa

'White knight' rescues Milly's at cost of R2-m

Argus 14/10/88 232

By TOM HOOD, Business Editor

THE rescue of Milly's Stores cost "white knight" Unidev, the Cape investment banking group, more than R2-million This investment in the Cape-based company is to be written off, Unidev disclosed today.

After taking control of the loss-making Milly's, Unidev invested R2 016 000 in the Cape company, which lost R932 000 when it sold the Carousel in Sea Point and chalked up total losses of R4,3-million in the year to June 30

However, a major restructuring of Milly's is expected to restore the company to profitability, said Mr Geoff Grylls, chairman of Unidev today

"INCORRECTLY REPORTED"

The new directors of Milly's reported today that net profits of R303 000 for 1987 were "incorrectly reported " These have been restated as a R1 071 000 loss after an independent investigation.

As a result of trading losses incurred by Milly's and "the incorrect reporting of such results," the managing director Mr Michael Bruchhausen resigned, said the directors.

They added "Mr Bruchhausen has not baen able to furnish the board with an acceptable explanation for the large discrepancy between the published interim results and the revised interim results as determined by Kessel Feinstein" (the auditors)

"The reports submitted by Kessel Feinstein indicate that adjustments to the 1987 financial statements appear to have been made for the purpose of increasing the reported profits of Milly's

"The matter has been referred to Milly's attorneys to take such action as is appropriate in the cirsumstances "

● In spite of the write-off Unidev increased its operating profit by 34 percent to more than R7-million in the year to June 30.

● See page 13.

232 B/day 17/10/88.

Minorco denies dominance claim

ConsGold boss warns of big group break-up

MIKE ROBERTSON

LONDON — Consolidated Gold Fields' (ConsGold) claim that Minorco's £2,9bn bid, if successful, would lead to unprecedented changes in the world gold market, have been rejected as wholly without foundation.

Reuter reports that the British mining group has warned of serious political problems and the group's break-up.

"SA control would seriously damage (Consolidated) Gold Fields' businesses It is evident that political pressures could force the dismemberment of the group," ConsGold chairman Rudolf Agnew said on Saturday in a document defending his rejection of the biggest-ever takeover bid in British business history

"No one can doubt that SA control is a considerable handicap to growth outside SA"

Minorco, responding to ConsGold's submission to the Office of Fair Trading, denied all allegations that a merger between the two companies would lead to Anglo American dominance over the Western world's gold and platinum markets and SA control over the supply of strategic minerals and metals.

ConsGold claimed in its submission, in which it urged the office to refer the bid to the Monopolies and Mergers Commission, that a merger would increase the Anglo American grouping's control of the Western world's gold supply from 20% to 32%.

Minorco said the submission failed to take into account that ConsGold exercised control over production and marketing of only two gold mines, both in the US

"Gold Fields has ignored the fact that it does not exercise control over Newmont Mining Corporation, Renison Goldfields or Gold Fields of SA and further varying percentages of their gold production are in fact attributable to outside shareholders in them and their associates"

The same invalid criteria were applied to ConsGold's estimates of present gold production of Anglo and Minorco.

ConsGold, Minorco added in its submission, had also ignored the fact that no SA gold producer had influence or control over the marketing of its own production. By law all newly mined gold had to be sold immediately to the SA government.

The submission accepted that Anglo produced about 20% of Western world gold mine production but said world gold stocks were estimated at about 100 000 tons. Of this central banks hold 30 000 tons.

"The suggestion that Anglo American, Gold Fields and Minorco together could influence the world price and free availability of gold is not supported by the facts," Minorco said

(232) B/day 17/10/88

Minorco in new ConsGold attack

CHERILYN IRETON

MINORCO has shifted the focus of its bitter takeover battle back to ConsGold shareholders by urging them to examine the quality of their investment in the British mining giant.

In a document entitled Gold Fields — the reality: some hard facts, Minorco CE Sir Michael Edwardes says without a fundamental change in structure ConsGold cannot deliver to shareholders the true value of its assets.

"Its potential for profit and dividend growth is limited.

"Gold Fields is dependent on low-quality earnings. It still has too large a proportion of its assets tied up in low-yielding investments. It is highly geared and constrained from investing in the real growth of its operating businesses."

The hard-hitting document highlights ConsGold's recently published record

● See Page 3

pre-tax profit of £302m. Edwardes says in reality, profits were boosted by asset sales and share-dealing profits. The proportion of pre-tax profit from operations actually fell from 60% to 47%, underlining ConsGolds' dependence on low-quality financial profits — the source of which is drying up.

Turning to ConsGold's associates, Edwardes says returns — especially cash returns — are unacceptably low. In addition, the passive investment in Newmont Mining cannot be to shareholders' advantage in its restricted form.

The restructuring of ConsGold, which has a net debt of £838m and gearing of 99%, is therefore inevitable.

Edwardes says under current strate-

● To Page 2

Minorco launches new ConsGold attack

(232) 17/10/88 B/day

● From Page 1

gy, more borrowings, more asset sales or even a rights issue are the only way for ConsGold to:

- ☐ Service and reduce its debt;
- ☐ Maintain or increase its passive investments;
- ☐ Invest for the real growth of its operating businesses;
- ☐ Provide shareholders with the dividend growth that has been held out to them;
- ☐ Provide shareholders with a share price that properly reflects underlying asset values.

In contrast, Minorco's strategy will be "to maximise earnings from operating assets and to control cash flow through hands on-management.

"Together with the redeployment of non-core assets, this strategy will unlock the potential value of both groups."

More specifically, Minorco will sell its 38% stake in Gold Fields of SA, put its entire stake in Newmont up for sale and use its financial strength to develop existing and new core businesses.

Greyhound buys out Citiliner

232

S Tel 18/10/88

Greyhound Inter City Coaches has bought Citiliner's luxury coach line with effect from October 24.

Greyhound said yesterday the revamped, expanded service would be known as Greyhound Citiliner, for which a new livery was being designed.

Mr Robin Binckes, marketing director of Entercor, which controls Greyhound, said: "There will be no immediate impact on Greyhound's profitability, but there will be marked synergistic benefits There will, however, be an impact on future earnings."

Greyhound chief executive, Mr Paul Braun, said Greyhound expected to carry 50 000 passengers this year, increasing to 80 000 next year. — Sapa.

'One-million ounces found' (232) B/209

US gold strike adds drama to ConsGold bid

18/10/88

MIKE ROBERTSON

LONDON — Consolidated Gold Fields (ConsGold) yesterday announced that its US mining subsidiary had discovered more than one-million ounces of gold.

It also wheeled out a former CIA chief to raise public concern about Minorco's takeover bid

The announcement of the gold find was seen in London as part of a ConsGold effort to up the valuation of the company in the light of Minorco's £2,9bn offer

ConsGold said that at Elkhorn, Montana, a four-year drilling programme had outlined reserves of 550 000 ounces of gold At Mule Canyon, Nevada, a drilling programme had shown a deposit of some 535 000 ounces

A Minorco spokesman said news of the deposits had already been given to analysts when ConsGold announced its year-end profits. The figures still needed independent verification

SIMON BARBER reports from Washington that ConsGold has recruited former president Jimmy Carter's CIA director, Admiral Stansfield Turner, to mobilise public opinion against the Minorco bid

Minorco has countered with Carter's chief domestic policy adviser, Stu Eizenstat, and Felix Rohatyn, senior partner of Lazard Freres

A leader page article under Turner's name has been submitted to the New York Times warning that, if successful, Minorco will have excessive influence over US strategic mineral supplies

ConsGold also arranged for Turner to be interviewed by The Times for an article published in London yesterday He was quoted as saying "We don't know where SA is headed, nor what the next US moves will be, but we will be better off if South Africans do not have more ability to influence our economy by throttling supplies of gold, platinum or what have you"

Eizenstat, in a letter to the White House countering ConsGold's petition to President Ronald Reagan earlier this month, said such arguments were based on "flawed assumptions" and called the suggestion Minorco might restrict US access to the metals "particularly offensive"

Minorco finds chinks in ConsGold armour

(232) B/day 18/10/88

MIKE ROBERTSON

LONDON — Mirth has been in short supply in the £2,9bn takeover battle raging between Minorco and Consolidated Gold Fields (ConsGold). But Minorco executives are reported to be quietely chuckling over the apparent contradictions in ConsGold's defence document

The document for the main part attacks Minorco's SA connections without giving a profit forecast or asset valuation But chairman Rudolph Agnew says Minorco's offer of £12,64 "significantly undervalues" ConsGold stock

Four pages on, however, in the appendices, it is shown that on December 29 last year Agnew and three fellow directors sold 265 000 shares at 923p making a profit for themselves of £1,1m They had exercised options available under an executive scheme to buy shares at 500p

In March this year executive director Peter Fells exercised his option to buy 36 000 shares at 500p He too sold the shares on the same day for 925p, making a profit of £153 000.

A Minorco spokesman said· "We have noted with amusement the value they placed on (the) shares"

Minorco, meanwhile, has dismissed as "kite-flying" reports that the company is to up its offer

ConsGold shares rose 31p to £12,64 on the reports It was the first time in several days that the share price was in line with what Minorco is offering.

● See Page 3

Bid for privatised roadworthies fails the test

(232) Daily 19/10/88

Own Correspondent

MARITZBURG — An attempt by the Natal provincial administration to involve private enterprise in the testing of motor vehicles for roadworthiness was rejected yesterday by the parliamentary joint committee on Natal Provincial Affairs.

The majority of committee members from the House of Delegates and House of Assembly voted against a proposed amendment to the Road Traffic Ordinance to enable people from the private sector to be appointed as examiners of vehicles

The Natal executive committee had recommended that qualified motor mechanics employed by larger fleet owners be appointed to examine their vehicles for certificates of roadworthiness and fitness

A number of MPs said while they supported the principle of privatisation they were worried about the lack of detail in the proposal and possible problems with the monitoring and controlling of testing

Australians in court to oppose Minorco bid

(832) B/day 19/10/88.

SYDNEY — Renison Goldfields Consolidated, an Australian mining company 49% owned by Consolidated Gold Fields (ConsGold) of Britain, yesterday took legal action as part of an effort to protect itself from Minorco SA's bid for the British concern.

Renison alleged in the Supreme Court of New South Wales that Minorco had broken the state's takeover code because of the bid.

Renison contends its minerals operations in the South Pacific and possibly Australia would be at risk if it becomes 49% owned by SA interests. — AP-DJ

Earnings reach a record high

Altron lifts turnover above R1bn-mark

Sn Times 20/10/88

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By AUDREY D'ANGELO
Financial Editor

ALLIED ELECTRONICS CORPORATION (Altron) achieved a 44% increase in turnover in the six months to August, lifting it to more than R1bn (R733,2m) for the first time in any half year

Earnings reached a record 174,5c a share — an increase of 24,2%

Operating income was R113,6m (R67,3m) and pre-tax income R107,8m (R89,9m)

But the tax bill rose to R43,2m (R38,3m) and attributable earnings were R31,2m (R25,1m) before an extraordinary item — R934 000 spent on the re-organization of the Fintech group's computer retail and wholesale activities

The directors say the group's increasing penetration of international markets as well as its drive to improve efficiency and productivity were "significant highlights of the half year"

Discussing future prospects, executive chairman Bill Venter says "Altron has a number of significant programmes under way to ensure continued growth

"These programmes include a further penetration of the power electrical markets in which the group operates, the formation of a refined and well structured information technology organization, the development of new products and markets by the group's electronics and telecommunications operations and a concerted drive to increase its share of international markets."

Discussing the contributions of subsidiaries in the half year, Venter says the Allied Technologies group (Altech), which lifted earnings by 15,1% per share, is now less dependent on Post Office business "and this trend holds promise for the longer term"

Power Technologies (Powertech) performed exceptionally well with earnings per share up by 73% Market penetration and margins had improved

Fintech lifted sales by 339% and earnings per share by 26,4% Its profit potential will be significantly improved after a major restructuring of its computer interests has been completed

- Holding company Ventron Corporation, which has 55,7% of Altron, reported attributable earnings of R17,3m (R13,9m) and earnings of 65,8c (53,1c) a share
- Allied Technologies (Altech) reported turnover of R349,8m (R367,9m), operating income of R66,7m (R60,7m) and pre-tax income of R70,4m (R65,3m) After-tax income was R40,3m (R36,5m) and attributable income R39,4m (R34,2m)

The directors point out that the results for the six months to August are not strictly comparable with the corresponding period of 1987 because the STC Business Communications division and Altech Informatics were sold to Fintech on September 1, last year

CE Richard Savage says Altech "continues to pursue its aggressive technology development programme as well as its growing penetration of international markets"

It has taken cognizance of significant reductions in capital expenditure by the Department of Posts & Telecommunications and is reducing its dependence on this source of business still further.

Insider probe of ConsGold deals

20/10/88 (232) B/day

MIKE ROBERTSON

LONDON — British Trade and Industry Secretary Lord Young has appointed an official investigation into possible insider trading in Consolidated Gold Fields (ConsGold) shares before Minorco's £2,9bn bid for the company

The appointment yesterday means London Stock Exchange officials investigating insider trading have told the Department of Trade and Industry (DTI) there are grounds for an official inquiry.

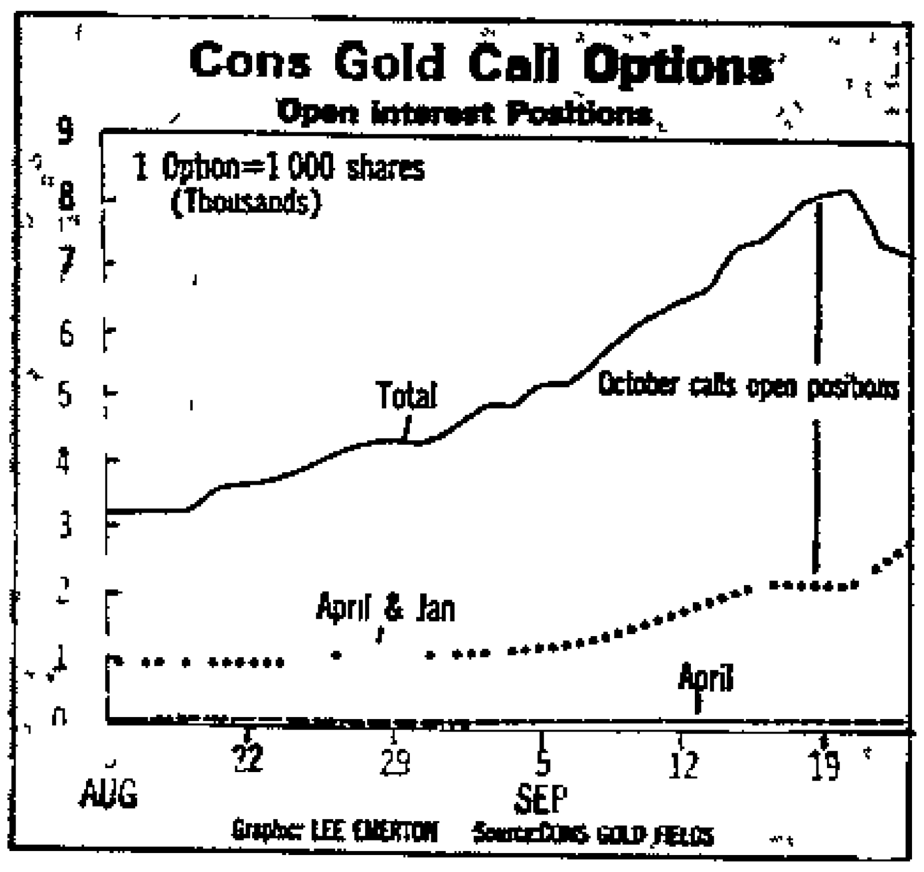
MARKET perceptions that Minorco is on target to gain control of ConsGold was reflected in the strong upsurge on the JSE of De Beers and Anglo shares in heavy demand from London.

Confidence is mounting that Minorco will succeed in its bid and some analysts believe it could already acquire the necessary 50,1% of ConsGold to gain control.

● Market report Page 12

The DTI inspectors will be taking a special interest in dealings in ConsGold shares in Johannesburg, where the volume in the three days before the bid was nearly 15 times the average for the preceding month. Dealings in London were four times the average

ConsGold has told the DTI it has anecdotal evidence from Johannesburg that suggests insider dealers had knowledge of the time and value of the bid.



A ConsGold spokesman said the outcome of the bid had been affected by the destabilisation of its share register.

"There is strong circumstantial evidence to suggest that this arose as a result of insider dealers taking advantage of information that could only have come from a breach of security of Minorco or its advisers," ConsGold said.

Minorco chairman Sir Michael Edwardes welcomed the inquiry and a company spokesman said "we are considering our position" on the ConsGold insinuation that any leak, if there had been one, could only have come from Minorco or its advisers.

A DTI spokesman said Young had asked inspectors to report to him as soon as possible.

● To Page 2

Official probe of ConsGold dealings

● From Page 1

(232) B/day 20/10/88

The inspectors will be asking questions about dealings in ConsGold options which built up steadily before the bid to reach a peak of about 4% of ConsGold.

ConsGold traced the holders of options amounting to about 1% of its share capital to two Lichtenstein holders who shared the same post office box.

Establishing the identity of the two companies involved a trail that led from brokers Savory Milln, through Swiss Bank Corporation to a Lichtenstein bank, ConsGold said: "Such a trail has no purpose other than to disguise ownership. The company, unlike the DTI, has no further powers available to it to establish what is happening"

It added that for a predator that already had nearly 30% of its target's share capital "every percentage point of equity destabilised by insider dealing moves him materially closer to his target of obtaining over 50%"

ConsGold chairman Rudolph Agnew highlighted heavy option buying as a key reason why European Competition Board head Peter Sutherland should use his influence to block the bid.

However, it is debatable whether Sutherland has the power to intervene.

Syfrets buys into Suregro

2-32

Star 21/10/88

Syfrets Trust has acquired a significant stake in Sure Group Holdings, one of the country's leading industrial vehicle and materials handling groups

This is disclosed by Suregro's joint MD Keith Blair when commenting on the results of the group's recent R3 million rights offer which was 94,5 percent subscribed at close on October 14.

"Of the 4 829 160 prime-linked compulsory convertible debenture of 60 cents each on offer, one million were taken up by Syfrets Trust," Blair said.

"In addition, Southern Life has increased its stake in the group, bringing its combined share and debenture holdings to just over one million."

The executive directors have followed their rights to maintain their shareholding, after conversion of the debentures, at 62 per cent

Suregro's financial director Alan Hiscock says that he is particularly pleased with the increased level of institutional support as it indicated new stature for the group among major investors.

Merhold, the financial and investment banking arm of the SA Bias group and a 10 per cent shareholder in Suregro, underwrote the offer — Sapa

2 32 21/10/88 pm

MINORCO

A win on points

With five working days left to the October 25 deadline for acceptances of Minorco's bid, the London stock market was waiting for Consolidated Gold Fields' (CGF) *real* defence document as the *FM* went to press this week At £12,60, CGF's share price was neutrally in line with the bid value of £12,68, anticipating neither an increase in the Minorco offer nor external intervention from any of the government agencies to which the British group has appealed — with the support of Australian Premier Bob Hawke and the Anti-Apartheid Movement

These range from President Ronald Reagan to the US courts (an anti-trust suit), the European Commission and the UK Office of Fair Trading (OFT) Only the last is expected to pronounce soon on whether the bid should be referred for investigation by the Monopolies & Mergers Commission CGF hoped for an early decision, but there is no obligation on the OFT to move before 15h00 GMT next Tuesday — as the Kuwaiti Investment Office-British Petroleum case proved a post-acquisition inquiry can happen. So can an order to divest

The documents received by shareholders on Monday this week added only a little to the sum of knowledge of those familiar with CGF's annual report or the rudiments of investment analysis CGF's one bit of news was that drilling at Gold Fields Mining Corporation's operations in Montana and Nevada indicated new reserves containing almost 1,1m oz of gold to add to the 22m oz of non-SA resources

Otherwise chairman Rudolph Agnew's first investment shot was chiefly a *tour d'horizon* of CGF's known achievements and reiteration of the torrent of statements to all branches of the British media It skirted awkward questions about the quality of CGF's earnings from share sales and promised an up-to-date asset valuation to follow No mention was made of an earnings forecast for the current year — probably impossible given the present imponderables of the gold price or portfolio values

The rest focused on Minorco its stodgy performance compared with CGF both in profits growth and share price, the political perils inherent in the 71% SA ownership which would be diluted to 48% and its "weak management" — executive directors with no material operational experience

Needless to say, Minorco's shares were of "dubious value" and the offer "significantly undervalues" CGF Agnew has yet to reveal by how much, but the small print in the appendices posed questions about whether he and his fellow directors underwent a radical change of heart about the investment merits of CGF in the last 10 months and about Minorco in the last three

They showed that Agnew and four CGF executives exercised options on stock at £5 a share on December 29 and sold the same day at £9,23 for an aggregate personal profit of £1,1m The exercise was repeated in March at £9,25 by a fifth director. Agnew sold 100% of his entitlement and overall only 11 000 of the 301 000 shares involved were retained.

And, on July 6, CGF bought 20 000 Minorco at £8,12 — just 2p below the year's high

London analysts awarded a decision on points to Minorco's pre-emptive riposte, which coincided with the issue of CGF's first document As indicated in the bid, it went for the jugular of quality of earnings, a long familiar source of argument between CGF and stockmarket analysts

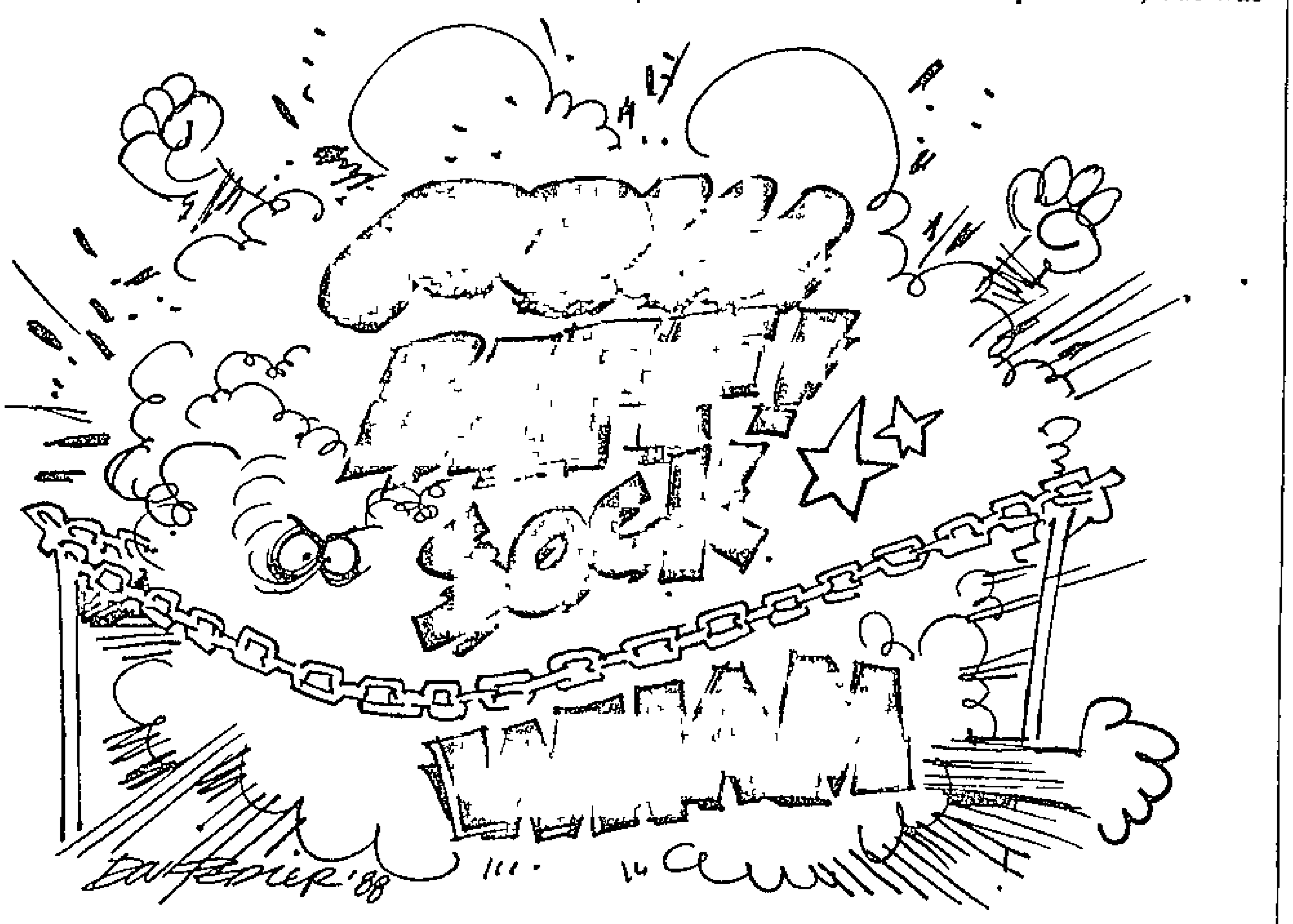
What Minorco did not point out, but was noted by others, was the sudden surge in contributions to pre-tax earnings from share dealings and asset sales in 1987 — which covered the December 1986 bid approach rejected by CGF In 1987, they leapt from £12m to £98m and to £160m in the latest year And with the surplus over book value shrinking from £209m in June 1987 to £102m this year, "the source of these profits is drying up " In addition, none of these sales was enough to prevent CGF's net debt rising by more than half to £638m or 99% of equity funds

And Minorco highlighted the fact that the net cost of rescuing Newmont, which contributed to the debt, was modest with a dividend return of 0,92%

Outside the financial battlefield, Minorco fired off a densely researched 50-page missive to the White House to counter CGF's appeal to Reagan It covered Harry Oppenheimer's long public opposition to apartheid, ridiculed suggestions that US strategic interests might be harmed by a minority SA holding in Minorco-cum-CGF and pointed out that the legislation invoked by Agnew's advisers was not intended to cover extra territorial acquisitions and, *en passant*, took a swing at GFSA's "reactionary" and "regressive" employment and labour policies.

The effect of these non-investment exchanges can only be guessed at And while the gloves have come off, the market has so far viewed this as preliminary sparring ahead of CGF's valuation and Minorco's reply to it — unless government interferes.

John Cavill



Rights issue after few take up offer

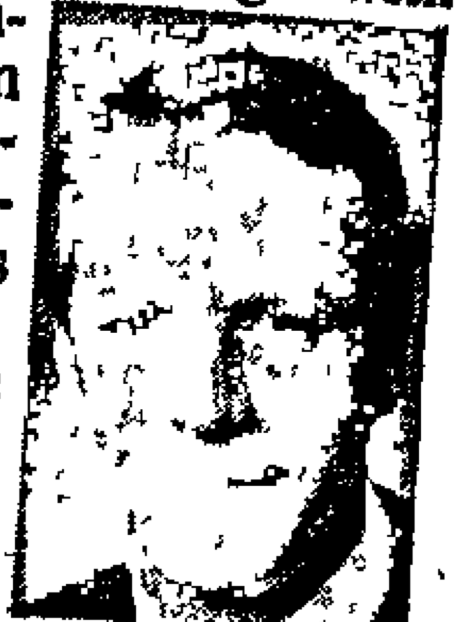
232

NedPerm to raise R170m for merger

B/day 21/10/88

LINDA ENSOR

NEDBANK will have to raise R169,7m cash by way of a rights offer to fund its R180m merger with SA Perm after relatively few Perm shareholders elected to take up Nedbank Group shares in lieu of cash.



● TUCKER

Qualifying Perm shareholders elected to take up 1 596 100 Nedbank Group shares in lieu of cash.

Perm MD Bob Tucker said last night the choice "had absolutely nothing to do with lack of confidence in the merger" on the part of Perm shareholders — on the contrary, he said, shareholders had voted overwhelmingly in favour of the deal at the meeting on September 30.

What the figure did reflect was a dissatisfaction with the price.

"It is surprising that so many did elect to take up shares when they could get them for less on the market," Tucker said.

Nedbank shares are trading at 600c (a bid price of 595c) but in the recent past fell below this price.

Tucker said Nedbank had no expectations regarding the number of shares taken up by Perm shareholders and was "totally relaxed about the matter".

In terms of the offer, shareholders will be offered 18 new Nedbank Group shares at 600c each for every 100 ordinaries held. This will result in Nedbank Group making a cash payment of about R170,4m to Perm shareholders.

To effect the offer, about 28,3-million new shares will be issued.

Nedbank Group shareholders have until Friday, October 28, to register for the rights offer.

Nedbank Group financial results for the year to end-September 30 will be released on October 27.

Star 21/10/88

GST increase to fund pay, pensions on cards

Political Staff

DURBAN — An increase in general sales tax to 14 percent is on the cards to help Government pay for the R4 000 million rise in the public service wage bill and for higher social pensions.

In an interview, the Minister of Finance, Mr Barend du Plessis, refused yesterday to comment on speculation that the Government intended to raise the money partially by putting up GST from its 12 percent level

Mr Harry Schwarz, the Progressive Federal Party's spokesman on finance, accused the Government of making political decisions with an eye on the municipal elections that could seriously damage the economy

"Any business or individual knows that if you spend money you must know where it is coming from. It is fundamental to good government"

When President Botha announced the 15 percent increases for public servants he said it would cost R3 000 million for the public servants and R1 000 million for social pensioners

Every one percent increase in GST brought in about R1 000 million a year

Further revenue for the remaining R1 000 million could come from the 3c extra tax on to the last fuel price increase and from the 60 percent import surcharge.

More summonses for debt

Star 21/10/88

Summonses and judgments for debt in August this year increased by 16,2 percent and 17,6 percent respectively compared to July.

Liquidations for the three months to September 1988 increased by 31 percent compared with the previous three months, but this was a decrease of 12,5 percent compared with the same period last year.

The total number of insolvencies for the three months to August 1988 shows a decrease of 13,8 percent compared with the previous three months, and a decrease of 34,1 percent compared with the corresponding three months of the previous year.— Sapa.

Market points to Minorco win

232

B/day 21/10/88

MIKE ROBERTSON
and MERVYN HARRIS

LONDON — Consolidated Goldfields (ConsGold) shares shot up 60p in just over an 15 minutes yesterday amid widespread market speculation that the Minorco bid was not going to be referred to the Monopolies Commission.

ConsGold closed up 55p on the day at £12,55, still below the Minorco offer price which at yesterday's close stood at £12,82 — reinforcing Johannesburg market talk that a counterbid was unlikely and that Minorco looked set to succeed in its takeover bid.

In London the late spurt in the ConsGold share price also sparked off a wave of market rumours but most were based on speculation that there would be no referral.

As ConsGold has, for the most part, based its defence on political rather than business grounds, a decision by the Office of Fair Trading not to refer the bid to the Monopolies Commission would severely undermine it.

Other London market speculation on the late surge was that:

- a white knight was about to offer £15 a share;
- Minorco was about to up its offer;
- US arbitrageurs were buying in anticipation of a white knight stepping in, and;
- GFSA was buying

Another suggestion was, that with ConsGold having fallen to £12,19 during the day and Minorco shares rising to £6,65 bringing the offer price to £12,82, the bid was out of line and the market was just correcting itself.

A ConsGold spokesman said they had heard all the rumours, but could offer no concrete evidence as to what has caused the price to rise

● To Page 2

Market sees Minorco bid succeeding

232 B/day

● From Page 1

21/10/88

Minorco's share price has risen sharply in the past week along with that of Anglo American and De Beers. This gave rise to suggestions that Minorco had in fact tied up suffecient shares in order for the bid to succeed

John Fernyhough of brokers Laing and Cruickshank said his company had last week advised clients to sell ConsGold and buy Minorco and De Beers

The advice, he said, was based on the view that whatever [illegible] Minorco [illegible] ite well out of the bid. If it succeeded the company would have picked up a "plum" at the right price. If it failed, another bidder was likely to step in offering a higher price and Minorco would be cash flush.

Since then, he said, Minorco, De Beers and Anglo shares had climbed quite sharply while prior to the late surge yesterday ConsGold had fallen. Fernyhough said the company was now advising clients to hold on to their ConsGold, Minorco, Anglo and De Beers shares awaiting further developments

Michael Coulson of Kitcat and Aitken said the strengthening of the Minorco share price could be linked to reports that an SA magazine had run a story saying Minorco had tied up more than 50pc of ConsGold. "If that was the case Minorco would begin to look increasingly attractive as there would be no reason for them to raise their bid."

M&R increases stake in GBS

Star. 24/10/86

232

By Ann Crotty

Construction group Murray & Roberts has increased its stake in electronics group GBS from 25 percent to 36,56 percent by acquiring 1,7 million shares at 85c a share.

The deal sees M&R as the largest single shareholder in GBS and an offer will be made to the remaining GBS shareholders to acquire all or part of their shares at 85c a share.

The 85c offer is in line with Friday's closing price which included some strengthening on the back of persistent speculation that GBS was involved in takeover discussions For some weeks there has been talk in the market that M&R was aiming to increase its stake in GBS.

Recent reports about M&R's discussions with Taiwanese computer giant, Mitac, about the possible local manufacture of Mitac PCs fuelled this speculation. Presumably if GBS is to enjoy benefits of the M&R/Mitac deal, then M&R would want a larger stake in GBS.

Joshua looking at significant earnings' benefits from merger

Star 27/10/88

Acquisition of the World and Bradlows furniture retailing chains is expected to produce significant, on-going earnings' benefits as from 1989, shareholders of Joshua Doore are told in the formal acquisition documents posted to shareholders

The transaction will create one of the top three furniture retailers in Southern Africa, with 178 stores throughout the region and a turnover in excess of R400 million per annum

Without the benefit of World and Bradlows, Joshua's management team turned the company from an operating loss of R30 000 in 1986 — the year prior to gaining control of Joshua — into R9,2 million profit in the year ended June 1987 and boosted this to R14,7 million in the year to June 1988

Earnings moved from a loss in 1986 to a profit of 8,6c per share in 1987 and increased to 13,8c in the year just ended

Formal acquisition documents posted to shareholders say "management expects the synergies made possible through the merger to produce significant, on-going earnings benefits as from 1989"

Joshua will issue 107 million new shares to Homemakers Holdings in payment for 100 percent of World and Bradlows

Homemakers will retain 87 million of the Joshua shares and in December will offer 20 million Joshua shares to Homemakers shareholders at 50c per Joshua share

This will inject R10 million cash into Homemakers for deployment in its other high-growth divisions, and leave it with a 49 percent shareholding in the enlarged Joshua

The offer of Joshua shares to its shareholders conforms with the Homemakers policy of balancing its earnings between general household goods and furniture, and gives the Joshua management team a greater degree of independence

The documents state that W & A Investment Corporation and the executive management of Homemakers "holding between them some 65 percent of Homemakers, have undertaken to acquire all the shares in Joshua offered to them, and have stated their intention to hold them as long-term investments"

The balance of the offer will be underwritten by FSI Corporate Services, a wholly-owned subsidiary of FSI Corporation, "which in turn holds undertakings from W & A and the management of Joshua that they will acquire from FSI Corporate Services any shares in Joshua it acquires in terms of the underwriting agreement"— Sapa

The Star Finance

CWD shareholders get two-for-one offer in new wine companies

232

Star 24/10/88

CAPE TOWN — The restructuring of Cape Wine, which resulted in the separate listing on the JSE of the two leading wine and spirit companies in South Africa, builds strongly on the achievements reached since the founding of the company in 1979, says Prof Owen Horwood, chairman of Cape Wine and Distillers (CWD)

The company's 1988 annual report which is being sent out today, is accompanied by a circular to shareholders with full details of the restructuring of Cape Wine

The interests of the Oude Meester Group is being transferred to Distillers Corporation, which will be newly listed on the JSE in the Beverages, Hotels and Leisure sector The name of the current Cape Wine company is being changed to Stellenbosch Farmers' Winery interests The listings will commence on Monday, November 21

In exchange for every CWD share, shareholders will receive a share in each of Distillers Corporation and Stellenbosch Farmers' Winery, which combined have the same underlying value as a CWD share

The advantage for shareholders is that they now have the option to hold interests in both companies as in the past, or to invest their funds in only one of these companies

The way the companies are now constructed, earnings after tax for the year ended June 30, 1988 for Distillers Corporation was R55,8 million for 39,9c per share (29,2 percent above the previous year)

Share issues

The Stellenbosch Farmer's winery after tax earnings amounted to R38,8 million or 27,4c per share (26,4 percent above the previous year) Both companies will have 140 million issued shares

On June 30 the net asset value of Distillers Corporation was 258c per share and that of Stellenbosch Farmers' Winery 274c per share

Henry Taylor and Ries and Western Province Cellars, in which companies respectively two percent and seven percent of Cape Wine's funds are invested, are not to be listed separately on the stock exchange To ensure that both these companies operate as separate companies as in the past, the two listed companies will each hold 50 percent of the shares of each of these two companies purely as investments

In a review of the achievements over the years, Prof Horwood points out that great benefits for the industry and consumer resulted from the establishment of Cape Wine and that investors have also done very well

In 1979 the profits before interest and taxation of the companies taken up in the group, were R57 million For the past year Cape Wine's profits were R207 million on a comparable basis

For the past financial year the group's net income before taxation and additional depreciation was R203 million as against R153,7 million the previous year — an improvement of 32,1 percent

Out of earnings of 67,2c per share, 24c (1987 18c) were paid to shareholders as a dividend

ConsGold deadline looms

Own Correspondent

LONDON — The fate of mining giant Consolidated Goldfields hangs in the balance today as Trade and Industry Secretary Lord Young decides whether to refer Minorco's £3bn bid to the Monopolies Commission

At the weekend ConsGold was making desperate last-minute representations to the City of London Takeover Panel and Office of Fair Trading to have the bid frozen now that inspectors have been appointed to probe suspected illegal share and option dealings in the company during the run-up to the bid

With the first deadline for acceptances looming tomorrow afternoon, after which Minorco is free to add to its 29,9% shareholding, ConsGold is poised to rush out an asset valuation if the bid is not referred

It is anxious to drive the share price well up from the current £12,63 level — and out of reach of Minorco — before the deadline for the October options in ConsGold runs out 24 hours later.

(632) B/day 24/10/88

● To Page 2

ConsGold desperate as deadline nears

● From Page 1

(632) B/day 24/10/88

This will release a flood of stock on to the market for Minorco to buy.

Top ConsGold officials fear their case has fallen between the cracks of the regulatory system.

The Takeover Panel says it cannot respond to calls to put the bid on ice unless it has evidence of suspected concerted activity or illegal share dealing.

ConsGold says the evidence, gathered by the London Stock Exchange, put on Lord Young's desk last Monday, was strong enough to give him good reason to appoint inspectors

Analysts believe the crucial asset valuation, details of which were still being marshalled from overseas operations at the weekend, will point to an underlying value well in excess of £16 a share.

Minorco: first deadline today

(22) B/day 25/10/88

MIKE ROBERTSON

LONDON. — Minorco's £2,9bn bid for Consolidated Gold Fields (ConsGold) comes to a head today with the first deadline for acceptances expiring at 3pm British time.

But before then the Office of Fair Trading and the Stock Exchange Takeover Panel are expected to make known their decisions on whether the bid will be allowed to go ahead.

Advisers for both companies yesterday addressed the full takeover panel. The panel's executive last week rejected a ConsGold call for the bid to be put on hold. ConsGold then asked for a hearing before the full panel, but it would be unprecedented for the full panel to overrule a decision of the executive.

A Trade and Industry Department spokesman said the office had completed a report on whether the bid should be referred to the Monopolies and Mergers Commission last Friday.

The report was being studied by Trade and Industry Secretary Lord Young. He is expected to announce his decision at 9am British time today.

A ConsGold spokesman said by all accounts the full panel hearing yesterday was a "fairly mind-blowing event".

ConsGold has yet to release the financial details of its defence document and, if the rulings today go against it, the company will be hard-pressed to get the information to shareholders before the first deadline expires.

TAKEOVERS

Argus 26/10/88 532

Cons Gold exposed to new hostile bidders

From NEIL BEHRMANN

LONDON. — Having won round one in its battle against Minorco, Consolidated Gold Fields could be in the unenviable position of protecting itself from other hostile bidders.

Potential bidders are rumoured to be Western Mining Corporation, a large Australian mining group, RTZ Corporation, a UK mining company and British Petroleum

Cons Gold could then be in a difficult position, say analysts Particularly if these companies decide to follow Minorco's plan and strip the company of unprofitable or undesirable assets

With shares falling from to £11,40 from £12,80 prior to the announcement, the City is undecided which way Minorco will move If there is an attractive offer, say city analysts institutions are likely to sell

Minorco could increase its offer, if the bid is cleared by the UK Monopolies and Mergers Commission. Alternatively it might decide not to wait for the three month investigation period and sell its 29,6 percent holding to a a single mining company or a consortium of buyers

In a terse statement, however, Minorco refused to disclose its intentions

"We are considering our position (on whether to sell)," a Minorco spokesman said.

Analysts believe that Cons Gold is vulnerable because several of its assets are unprofitable and it has already indicated that it might sell its South African assets

While Cons Gold points out that its gold operations, particularly in the US, will grow in the next few years, Minorco documents show that its profits have been inflated by share dealing and asset sales

The proportion of pre-tax profit derived from operations has shrunk to 60 percent in 1987 and 47 percent in 1988 from over 80 percent in the years 1984 to 1986, says Minorco

Pre-tax profits of £302-million in the year to June 1980 were boosted markedly by a £97-million sale of a holding in Gold Fields of South Africa and a Chilean prospect The purchase of additional shares in Newmont Mining Corporation which cost $1027-million last year, are now worth only $577-million, says Minorco

Net debt of Cons Gold has risen to £638-million in 1988 from £266-million in 1982 Gearing is 99 percent against 42 percent

For these reasons, say several independent analysts, institutions would have gladly accepted a higher Minorco's offer

As expected, it was the UK government which held the ultimate balance of power and the record £2,9-billion bid has now lapsed

Lord Young, UK Secretary of State for Trade and industry said that the hostile bid would be investigated by the Monopolies and Mergers Commission (MMC) over a three month period

It could have an adverse effect on competition, particularly regarding strategic metals such as titanium and zircon

In a seperate statement, however, the UK Take Over Panel ruled that Minorco's bid could go ahead even though there was an inquiry into possible insider dealing Yet Minorco has not been let off the hook

"If Minorco or any representative was found to be engaged in insider dealing, the remedies of the criminal law are available," says the Panel

Minorco, in contrast to Cons Gold, is in a strong financial position, say analysts

Minorco's stake in Cons Gold is worth around $1,26-billion says David Ridley a director of Williams de Broe Hill Chaplin $ Company Over above that amount, it has cash resources of around $900-million

Minorco, which has an asset base of $3-billion, has stated that it intends becoming "far more aggressive" in the international resources industry with "direct operating control" over companies

Yet if Minorco made a bid for another European or US company it is highly likely that they would follow Cons Gold and complain about its South African connections, says Peter Miller, director of research at Yorkton Securities Inc

PRICES of Cons Gold shares surged up and down on the Johannesburg Stock Exchange yesterday.

UP — after the London takeover panel decided not to take action, gaining R2 to R92

DOWN — after the referral to Britain's monopolies commission, losing R11 on the day to close at R81.

Minorco shed 50c to R46,50.

Stock Exchange

Star Finans 26/10/88 (232)

Kohler improves earnings by 61%

JOHANNESBURG — Packaging giant Kohler enjoyed an "excellent" year and reports a 61% increase in attributable earnings

For the 12 months to end-August, Kohler achieved ordinary shareholders earnings of almost R35,0m compared with the previous year's R21,7m

On a per share basis, earnings amount to 250,1c, some 36% ahead of the 1987 annualized earnings of 183,9c a share. (As the group has changed its year end to August, all the comparative figures for 1987 are annualized)

From the improved earnings Kohler has declared a 55c a share final dividend which makes 90c a share for the full year In the eight months to end-August 1987 a single dividend of 40c was paid

On turnover which rose 42% from R544,5m to R774,6m, the group has achieved an operating profit of R59,7m (R34,2m) and dramatically improved operating margins

Says Kohler CE Derrick Minnie "Operating margins rose from 6,3% to 7,7% as a result of increased volumes and Kohler's recent acquisitions

Having used almost all its assessed tax losses, the group has an effective tax rate of 25% (1987 9,1%) and future tax rates will be significantly higher, cautions Minnie

The group's balance sheet remains strong and, in spite of adding over R100m in assets in the past year, close attention to asset management has resulted in gearing at 45% — still well within the targetted maximum of 60%

Looking ahead, Minnie says that continued investment in more efficient plant and equipment, improved profit from the rigid plastics division and the recent acquisitions should result in a further increase in earnings in fiscal 1989 — Sapa

ConsGold takeover blocked by US judge

Cape Times 26/10/88

232

From SIMON BARBER

WASHINGTON — A New York judge has issued an order barring Minorco from going ahead with its offer for ConsGold.

ConsGold, in a further attempt to stop the takeover, went to a US court last week to complain that Minorco's bid violated US monopoly law. Yesterday Judge Michael Mukasey ruled that it did.

The judge's ruling in favour of Consgold and its US affiliate, Newmont Mining, was made under a 1914 anti-trust law.

ConsGold told the court that Anglo American and its subsidiaries "own or substantially control mines which produce the most gold in the free world".

The ruling appears to be a setback for Minorco, coinciding with the UK government referring the bid to the Monopolies and Mergers Commission.

● British govt acts too — Page 12

Fears of SA control of minerals

Minorco bid blocked by UK probe

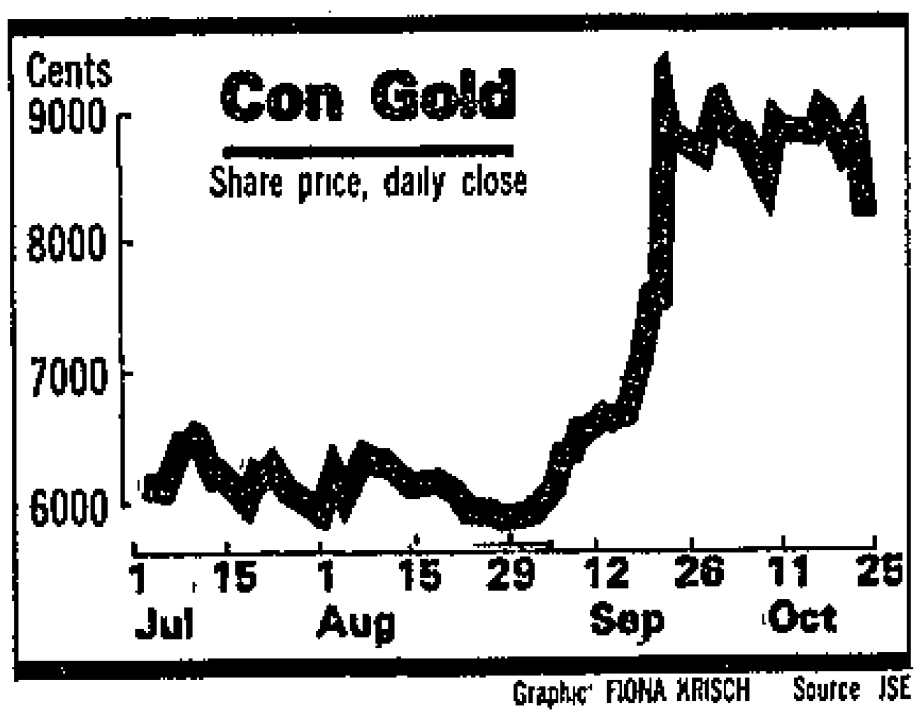
e/dow 232 26/10/88

MIKE ROBERTSON

LONDON — Fears of possible SA control of high-value minerals and metals lay behind British Trade and Industry Secretary Lord Young's decision yesterday to refer Minorco's £2,9bn bid for Consolidated Gold Fields (ConsGold) to the Monopolies and Mergers Commission.

Young said: "There are possible effects on competition in the markets for certain high-value minerals and metals, and especially titanium and zircon, which deserve investigation by the commission."

His announcement, released just six hours before the first deadline for acceptances of Minorco's offer of £12,73 a share knocked almost £250m off the market value of ConsGold in the first hour of trading. As a result, the bid lapsed and no more developments will



Graphic: FIONA KRISCH Source: JSE

be allowed until the inspectors report in three months' time.

Minorco CE Sir Michael Edwardes said his company was "considering its decision (whether to proceed or not) in the light of this morning's decision and may make a fuller statement in due course".

ConsGold chairman Rudolph Agnew said "I am delighted by the decision. It

● To Page 2

Minorco's bid is blocked by UK probe

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will allow the crucial and complex issues which have been raised by this bid to be fully investigated"

ConsGold argued in its submission to the Office of Fair Trading that the bid would lead to SA control of titanium and zircon.

It said Minorco's principal shareholders, Anglo American and De Beers, dominated the supply of high-grade mineral sand from which titanium was produced. The two companies were AMC, a wholly owned subsidiary of Gold Fields' Australian associate, which produced 25%, and Gencor (29%)

The same two companies also dominated the supply of zircon. AMC controlled 41% of the Western world's supply and Gencor 26%

Responding to those arguments in its submission to the office, Minorco said the major SA producer of titanium and zircon was Richards Bay Minerals. While Gencor had a stake in the company, the largest shareholder was British Petroleum Gencor was completely independent of, and a competitor of, Anglo American and its associates

In spite of these arguments, the office recommended to Young that there were grounds for investigating the effect a successful bid would have on control of the supply of the two minerals

Agnew said the basic argument in relation to the supply of titanium and zircon was that if the bid succeeded "control of these important minerals would be falling further into the hands of SA at a stage when we are all seeking less dependence on SA interests".

He said the commission had a fairly wide frame of reference and that ConsGold would be arguing against the bid being allowed to proceed on grounds that insider trading had taken place and that it was against the public interest to allow "foreign companies to come in and break up major British interests"

Laudium-based Trabild heads for JSE in reverse takeover of Houston

Star 31/10/88 (232)

Laudium-based Trabild Group Holdings is heading for the Johannesburg Stock Exchange in December via a reverse takeover of Houston Industries, the company said in an announcement today

Trabild's subsidiaries wholesale and retail fabrics and textiles as well as hardware, builders' supplies and lighting.

The listing is being set up through the acquisition by Aboo Tayob Investment Holdings of 8 356 327 ordinary shares in Houston from SA Bias Holdings

The R2,5 million paid to SA Bias for its 69,7 percent controlling interest is equivalent to 30 cents a share.

Subsidiaries

Houston will acquire from Aboo Tayob Investment Holdings the entire issued share capital of Trabild subsidiaries Venus Builders Supplies (Pty) Ltd, GaRankua Textiles (Pty) Ltd and Tayob Textiles (Pty) Ltd from January 1 for R3 million and the issue of 11 743 673 new ordinary shares

Following the change in control, Houston ordinary and convertible redeemable preference shareholders will be offered 30 cents a share for all or part of their shares Holders of Cumulative participating preference shares will be offered 71,5 cents a share for all or part of their shares

Those who accept the participating preference share offer will receive the fixed cumulative preference dividend of 8,5 cents a share for the year to December 31 and will thus receive a total of 80 cents a share

A minimum profit after tax of R1,3 million (5,1 cents a share) for each of the two financial years ending December 31 1989 has been warranted for Trabild and the purchase price will be reduced by five times the amount of the profit shortfall subject to a maximum reduction of R6,5 million

Group founder Aboo Tayob says Trabild has its origins in a wholesale business founded in 1932 in central Pretoria by the late Ahmed Tayob, who specialised in shoes and softwear

In 1953 he joined the business and actively expanded its activities in wholesaling and retailing of textiles The business developed further into manufacturing of textile ranges and of sanitaryware His three sons are all members of the executive management team

Strategy

"The group took a strategic decision last year to discontinue manufacturing operations to reduce reliance on labour intensive activities

"We are now clearly focused on the two distinct trading arms of wholesaling and retailing fabrics and textiles through GaRankua Textiles and the wholesaling and retailing of hardware and lighting, which we assemble, through Venus Builders Supplies"

Houston ordinary shares have been trading in a band up to 38 cents prior to the announcement and Houston prefs at 65 cents

Houston recorded a loss of 14 cents a share for the year ended December 1987 Earnings per ordinary and convertible redeemable preference share of the reconstituted Houston for the current year based on the estimated results of the Trabild subsidiaries are expected to be 5,1 cents

Trabild's dividend policy is for a cover of not less than two-and-a-half times and the expected interim dividend in respect of the six months ending June 30 will be the first that Houston shareholders will have received for two years

Application will be made to the JSE for the transfer of Houston's listing from the Industrial - Engineering sector to the Retailers and Wholesalers sector under the name, Trabild — Sapa

ConsGold SA sell-up rumour

31/10/88

LONDON — It was claimed in London yesterday that Consolidated Gold Fields (ConsGold) planned to sell up in SA to enhance value for its shareholders.

IAN HOBBS

The unattributed — and disputed — claim in the Sunday Times of London said the sell-up was "likely" to form part of ConsGold chairman Rupert Agnew's determined fight against Minorco's hostile £2,9bn takeover bid

The Sunday Times claim appeared along with other London reports that Minorco chairman Sir Michael Edwardes had not been in the least put off by the referral of his bid to the Monopolies Commission and had told his board there was "still everything to fight for".

The Sunday Times claim that ConsGold's 38% interest in Gold Fields of SA (GFSA) would probably be sold off "piece-meal", with Anton Rupert's Rembrandt group a likely buyer, was described as "a good piece of kite-flying".

Well-placed business sources said it was a legitimate guess that Rupert Agnew could threaten to intensify his war on the Minorco bid by threatening to sell up in SA. By doing so he could enhance ConsGold's value for shareholders, and also rid himself of the political hassle factor of the SA connection.

But sources close to ConsGold said there was no suggestion that Agnew and his board had taken a firm decision to sell up, or that there had been any fresh negotiations with Anton Rupert.

It was pointed out that when ConsGold sold a 10% stake in GFSA to Rupert for £131m last year, he was given right of first refusal to the remaining 38%.

At the outset of the ConsGold-Minorco war, Agenew stated that his group's policy was that they wanted to retain an interest in SA because of its huge importance as a mineral-rich territory.

Still pressing

However, Agnew has also warned that if, for political reasons, ConsGold's SA interests became harmful to its other business, it would have to withdraw.

The Sunday Telegraph of London yesterday paid no attention to the suggestion that ConsGold would pull out of SA as a strategy against Minorco. It said

● To Page 2

ConsGold SA sell-up rumour abroad

31/10/88

● From Page 1

Edwardes and his advisers were still pressing their takeover fight in the spirit of having everything to go for.

It quoted one unnamed senior Minorco source saying that some City of London experts felt the referral of the bid to the Monpolies Commission would be a death blow, but that "Edwardes has crossed the Rubicon with Minorco. There can be no turning back for him".

The Telegraph said: "Although it was previously thought a monopolies reference might kill the bid, both the limited grounds for referral, 'competition in the markets for certain high-value metals and especially titanium and zircon' and the short, three-month deadline, are being seen in the Minorco camp as a veiled signal from the UK government of its belief that, subject to assurances on these specific issues, this battle is best resolved in the markets".

Senior Minorco executives have been seeking clarification from the Department of Trade on exactly what areas the Monoplies Commission would be examining. Together, zircon and titanium account for a tiny part of ConsGold's business and there are plenty of alternative strategic minerals available.

Close followers of the bid believe that Minorco is capable of winning clearance and that the fight will be resolved ultimately on price. As for the issue of SA influence, Minorco is confident that in any public analysis of the corporate behaviour of Anglo and ConsGold, it is Anglo, with its long record of opposition to apartheid, that will win hands down.

Meanwhile, with about £900m in cash in hand, Minorco is under no presssure to sell its 29% ConsGold holding. One consideration for Edwardes is that, even if this bid were finally to fail, it would do so at a ConsGold price-level significantly higher than at present. There would seem little to be lost in fighting on.

(232) B/day 2/11/88

COMPANIES

Harry O 'had no dealings in ConsGold shares'

BRITAIN's Monopolies and Mergers Commission was told yesterday that mining magnate Harry Oppenheimer and his family have had no dealings in the shares of Consolidated Gold Fields Plc

● Oppenheimer

Anglo American senior executive Hank Slack also told the commission, in a new affidavit, the Oppenheimers had not, personally nor through any corporate vehicle, or any person acting for them, dealt in any ConsGold shares or options

Another intriguing twist emerged in Minorco's multi-billion-rand bid for control of ConsGold when it was learned yesterday morning there were two references to the commission

The second reference has only now been publicly exposed

There can be only two interpretations of the undisclosed reference

☐ Either the increase in Minorco's holding in ConsGold, by 0,5% in the past six months to 29,6%, is a *significant* increase — despite the fact Minorco has held more than 27% since 1981,

☐ Or there are undiclosed holdings giving Minorco control of ConsGold

Minorco's directors have now supplied sworn affidavits to the full UK Take-over Panel confirming that they are not aware of any undisclosed holdings in ConsGold by Minorco, Anglo American, De Beers, or asssociates

The affidavits are being carefully considered by the panel in the appeal by ConsGold to stop Minorco's offer on the grounds of destabilisation

Minorco said "We will be giving similar affidavits to the commission, including a repeat of Hank Slack's affidavit "

It added "Minorco will be giving evidence to the commission on all the relevant points and we do not envisage any difficulty in satisfying the commission on these points

"In the interests of natural justice, Minorco requires speedy clearance by the commission to prevent any further damage to Minorco and other ConsGold shareholders " — Sapa

Privatisation plan 'early next year'

(232)

Star 2/11/88

By Deborah Smith, Pretoria Bureau

The Government is to unveil a "meaningful programme of future privatisation" early next year, according to the Minister for Administration and Privatisation, Dr Dawie de Villiers

Substantial progress had been made in the eight months since the State President, Mr P W Botha, announced the Government's policy objectives regarding privatisation, he said

Various reports were under consideration and President Botha had committed the Government to a policy of privatisation

The Government had set itself a number of objectives, including the unveiling of a programme of privatisation, which was an undertaking it was convinced it would be able to honour

Privatisation was important in setting the economy on a sound footing, but would be of little use if the Government failed to implement other economic measures needed to improve the health of the South African economy, he said

Joffe introduces new instrument

(232

Star 3/11/88

By Ann Crotty

Brian Joffe, who recently took a major stake in Chipkin, has introduced a new instrument to the local investment community — the special convertible redeemable debenture (SCRD)

It will be used to help finance acquisitions until Chipkin is listed on the JSE in September 1991

Some R19 million worth of 13 percent SCRDs will be issued by Iclef at a price of 475c and will be convertible into ordinary Chipkin shares when that company is listed

Of the 4 million SCRDs to be issued, the controlling shareholders of Iclef have renounced their entitlement to 2,7 million in favour of a wholly owned subsidiary of Iclef which will use the SCRDs to fund acquisitions

The balance of the issue, which is underwritten by Investec, will bring in just over R6 million to Iclef

The first acquisition in which the SCRD will be used is the purchase of Sea World, a fish distribution company with an annual turnover of R25 million

The purchase consideration for Sea World will beR3,25 million to R4 million, depending on the company's taxed profits for the 12 months to October 1989

Almost R500 000 of the price will be paid via SCRDs

The acquisition is expected to increase the forecast earnings of Iclef (which holds 100 percent of Chipkin) from 43c to 47c for the eight months to June 1988 and will decrease Iclef's net asset value from 287c to 260c

The delay in getting a listing for Chipkin reflects JSE rulings requiring a two-year period before the listing of a pyramid

Although Mr Joffe would not comment yesterday, the market view is that he is keen to use Iclef as a holding company to control a number of other companies, such as Chipkin, which are involved in distribution

Minorco blocks ConsGold move

LONDON — In spite of Minorco's hostile takeover bid having lapsed, it continued to dog Consolidated Gold Fields (ConsGold) yesterday by apparently blocking a resolution that could have been used to shore up ConsGold's defences should another bid be launched.

The resolution, presented for a vote at ConsGold's AGM, would have allowed the board to issue more shares for cash without seeking prior approval from its shareholders.

The final vote was being counted last night. But with 75% approval needed for passage, the measure seemed headed for defeat in the face of Minorco's declared intention to vote its 29,6% holding against the proposal.

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Minorco blocks ConsGold resolution

● From Page 1

Minorco CE Sir Michael Edwardes, attending the meeting, said he opposed the resolution as a matter of principle. It would have permitted ConsGold to issue 10,7-million new ordinary shares, about 5% of existing share capital.

ConsGold MD Humphrey Wood said the failure of the resolution would "restrict our flexibility" in financing expansion. He estimated that the full issue of new shares permitted under the resolution would have diluted Minorco's stake by roughly 1,5 percentage points.

Separately, ConsGold announced it had discovered in the US an additional geological resource of gold estimated at 2,1-million oz. The find was made at Chimney Creek, operated by US subsidiary Gold Fields Mining Corp.

ConsGold came in for heavy criticism from a number of shareholders because of its SA investments. — AP-DJ.

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Preaching to the unconverted

HELOISE HENNING

A STRING of British experts came to SA this week to help SA learn from the British privatisation experience

The audience at the privatisation conference held in Pretoria consisted largely of government officials instead the accountants, bankers and brokers who have dominated other conferences

The mostly Afrikaans audience listened to mostly British speakers eulogising British Prime Minister Margaret Thatcher for using privatisation to "taper a heavy-handed bureaucracy"

SA officials, quick to ask how many civil servants had lost their jobs through UK privatisation, were told there were no accurate figures available yet

And they heard, with some amazement, how much Britain had spent on advertising to popularise share-ownership in former state corporations

British Telecom and British Gas spent a total of £35 5m (R153,3m) advertising their privatisation issues

A worried public relations official of the SA Office of Privatisation said during one of the breaks that Treasury had allocated only R5m to spread the message of privatisation in SA

The other message was that, while the timing and content of advertising campaigns were important, the timing of a particular issue was crucial

Advertising and public relations campaigns helped privatisation broaded the share-owning UK population from 8% to 20%

This was achieved through TV advertisements that not only countered union opposition but informed the public what a prospectus was, how to apply for one, how and when to apply for shares and a gave a daily count-down to the offer closing dates

Privatisation has resulted in popular newspapers that had never carried financial news starting to publish daily share prices

Adam Smith Institute director Eamonn Butler said privatisation had confused the labour unions so much that they were now "stabbing each other in the front"

Privatisation was raising a generation of shareholders, generating capitalists and heirs of a reformed order, Butler said

The campaign for British Telecom, the first major public utility to be floated in November 1984, was managed by BSB Dorland After 25 000 man-hours and £10,5m of treasury's money, the issue was five times oversubscribed, which in interest alone could have paid the advertisers' bill, BSB Dorland director James Hudson said

British Gas and British Airways had different stories to tell The gas company's slogan was "Energy is our business" which was spread abroad in a "smultzy, homsey" television advertisement, said BSB Europe chairman Bob Grieson

Largest

After British Telecom's £3,9bn flotation the £12bn British Gas flotation, with 5,6-bn shares, was the biggest to go to the market

But surveys showed the public throught the slogan referred to electricity Electricity, the UK's largest flotation at £20bn is only due for privatisation in 1990

British Gas had to follow the lead set by Telecom to familiarise would-be investors with the specifications of the Gas company The £25m spent on the campaign was more than double the advertising costs of the Telecom issue

After British Telecom's £3,9bn flotation the £12bn British Gas flotation, with 5,6-billion shares, was the biggest to go to the market

British Airways was given 18 months to privatise Due to circumstances beyond the control of its management, the restructuring took seven years

"Hindsight has shown us that we needed every minute of those seven years to streamline the airline," said BA marketing manager Chris Swan

When BA was targeted in 1981 it was running at a £141m loss Prominent British industrialist Sir John King (later Lord King) was appointed chairman with a brief to prepare the company for privatisation He reduced drastically the airline's fleet and trimmed its staff of 50 000 by 24 000 employees who took voluntarily severance packages

In 1982 the results showed a loss of £545m with £400m related to the cost of reducing staff, and substantial writing down of the book value of the fleet The restructuring period gave BA the opportunity of developing a new customer-service "excellence" getting the staff down to using passenger's names Deregulation and competition on internal flights made the airline commit itself to statements on television that a plane would fly on one of its shuttle routes to Edinburgh or Glasgow even if there was only one passenger

"This statement was true Internal flight competition had passengers voting with their feet when other charters were on the same route," he said

Executive John Stansby, involved in the imminent privatisation of water boards, said that only a very confident Thatcher government, after almost a decade of excercise at privatisation, was now able to attempt the highly complicated issues to privatise Britain's water and electricity suppliers

"My advice to you in SA is to learn from our mistakes and victories to avoid reinventing the wheel," he said

PRIVATISATION 232 FIN MAIL 4/11/88

Making it work

As privatisation moves ahead, government will face resistance from nervous workers and militant union leaders. One way to make things go smoothly: buy the work force off

That, anyway, is what Britain could teach SA. In some cases, UK workers have been allotted shares in the privatised company. British Airways, British Gas, British Telecom, among others.

In others, they've benefited from worker-management buyouts. The sale of National Freight Corp shows how a buyout can richly reward workers.

"National Freight has its first millionaires. I know of one driver who, because of the money he made, emigrated to the Isle of Man to avoid taxes," says Eamonn Butler, director of the Adam Smith Institute in London, in SA for an Institute of Marketing Management privatisation conference.

The trucking firm was privatised in 1982 when £1 shares were sold to workers and managers. Butler says many workers mortgaged their homes and borrowed money to buy shares, the average subscription was £700. Today, the shares are worth £50 each — hence the millionaires and rich truck drivers. The company plans a £600m float

Continued on page 46

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on the London Stock Exchange.

"The freight business depends on the dedication of drivers and other workers. With the workers becoming co-owners, no wonder productivity went up 30% and losses turned instantly to profits. It used to be that the government lost £25m a year when it owned National Freight. Now, because the company and its workers are all making money and paying taxes, they are sizeable net contributors to government's coffers."

Butler says National Bus Co was split into about 70 units, 60 of them sold in worker-management buyouts. Vickers Shipbuilding in northern England was successfully sold to employees and managers, following a programme to educate the unsophisticated work force about shares. Workers were allowed to buy shares out of subsequent earnings. Local banks offered special financing schemes and low interest rates.

Good targets for employee buyouts are small government enterprises, rather than huge State corporations — divisions of SA Transport Services, the Post Office or the Industrial Development Corp, for example.

Says Butler: "It makes a difference if the work force can be educated and helped to participate in a management-led bid. Techniques used in UK buyouts could be adapted to SA, so that workers here can be brought into the privatisation process and acquire a stake in the company they work for." ■

Oppenheimer to make final decision on bid

LONDON — Harry Oppenheimer was in London to make a final decision by mid-week on Minorco's stranded £2,9bn bid for Consolidated Goldfields (ConsGold), commentators said


● Oppenheimer

The Observer said Oppenheimer, driving force behind Minorco, was expected to make the "final decision" regarding Minorco's 30% stake in ConsGold before he left London at mid-week.

IAN HOBBS

However, Minorco chief executive Sir Michael Edwardes has continued to argue that they have "crossed the Rubicon" He is expected to tell the Minorco annual meeting this week that the takeover bid must proceed

The Observer said that while Edwardes was fighting to revive the bid by co-operating with the Monopolies and Mergers Commission (MMC) probe, the decision to sell Minorco's ConsGold stake or press ahead with the takeover inevitably rested with Oppenheimer

With ConsGold shares up 18p last week to £11,80 on hopes that Minorco would not renew its bid, chairman Rudolph Agnew said he would "feel obliged to make sure that shareholders should see more of their money in the wake of a restructure"

The Observer supported widespread comment that ConsGold was preparing to sell its 38% holding in Gold Fields of

● To Page 2

Desert. She is one of 17 women being trained as artillery intructors, and will go on to instruct men in all aspects of artillery combat.

Oppenheimer to make final decision on bid

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SA (GFSA) to shed what Agnew privately called the "political hassle factor" and increase value for shareholders.

However, Minorco's Edwardes, who has been angered by the MMC's terms of reference, made it clear his advice to Oppenheimer was to fight to the end

Five affidavits sworn by Edwardes and four of his senior Minorco directors, denying illicit share dealing in ConsGold, have been sent to the MMC.

It was reported that while Edwardes was co-operating with the MMC, he had had "a monumental row" with the Department of Trade and Industry (DTI).

The Sunday Telegraph said the affidavits — rare in City of London takeover battles — had been witnessed by solicitors Linklaters and Paines They gave personal asurances that no person or entity in the Anglo American/Minorco camp, including De Beers and any other associates or affiliates, held any shares or options in ConsGold other than the 29,6% declared

Edwardes was outraged when he heard that the MMC terms of reference had been extended to investigate whether a merger already existed between the two companies, implying that Minorco's holdings may have exceeded 30%

No prior hint of this had been given and it took the DTI six days to issue a "clarifying" statement after a "monumental row" with Edwardes.

The Sunday Telegraph said Edwardes had met top DTI lawyers to protest at how a referral of this magnitude could have been handled so ineptly.

● See Page 3

US Treasury rejects request by ConsGold

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Blaauw

7/11/88

WASHINGTON — The US Treasury had rejected a request from Consolidated Gold Fields (ConsGold) and Newmont Mining to investigate the proposed take-over of them by Minorco, a Treasury official said.

He said at the weekend that ConsGold and Newmont had asked President Ronald Reagan last month for such an inquiry under provisions of the 1988 Trade Act authorising reviews of proposed foreign investment in the US.

While the US trade law directed the President to make such decisions, Reagan delegated that responsibility to US Treasury Secretary Nicholas Brady, pending the drafting of procedural rules on how such petitions should be handled in the future.

Brady, in turn, delegated the decision-making responsibility to David Mulford, the Treasury's assistant secretary for international affairs and a member of a long-standing US government inter-agency panel with authority to review foreign investments in US business ventures.

Offer lapses

The official said Mulford had advised ConsGold and Newmont lawyers that there was no need for the US to investigate the matter in view of the earlier decision of Britain's Monopolies and Mergers Commission to make such an inquiry

The British government decision, in effect, caused the lapse of Minorco's offer of £2,9bn to acquire the 70,6% of ConsGold that it did not already own.

The official said the decision against initiating such a US inquiry was "without prejudice", which meant ConsGold and Newmont could renew their request for such an investigation later, if circumstances warranted it.

In London, sources said it was possible Minorco might renew its offer to ConsGold in three months' time, after the British comission had completed its inquiry.

The US government, through its inter-agency committee to investigate foreign investment in the US, has long had authority to examine American national security interests involved in proposed take-overs of US companies by foreign investors, and to make recommendations to the White House as to whether specific transactions should be blocked. — AP-DJ

(232) B/day 8/11/88.

SA 'faces 1984-type economic scenario'

Bankruptcies to rise sharply — Edwards

PRETORIA — Personal and company bankruptcies were expected to rise sharply during the next six months because of higher interest rates and government efforts to damp demands in the economy, Information Trust Corporation (ITC) chairman Paul Edwards said yesterday.

He said SA faced a 1984-type scenario when an overheated economy and fallen foreign revenues forced government to crank prime rates up to 25%, resulting in greater rates of bankruptcy for individuals and businesses

ITC's index of consumer credit spending leapt ahead in October to 136 (June 1987 — 100) well ahead of August's 128 when consumer spending rose sharply ahead of import surcharges

Edwards said many consumers who had been on a spending binge could have over-extended themselves Home prices had increased sharply this year resulting in higher bond commitments

GERALD REILLY

On a R100 000 bond, the bond-holder who was paying about R1 000 a month at the start of the year would now have to pay R1 500 Considering the bond-holder's other credit obligations and the low rate of savings, many were going to be hard pressed to meet their commitments.

Edwards said personal bankruptcies reached record levels in 1986 to more than 400 a month That fell to a monthly average of 216 a month this year, in keeping with the buoyant economic conditions. He expected this figure to climb steeply during the next six months, but they should not reach the 1986 level if interest rates remained below 20%

Edwards advised individuals to limit credit spending and ensure there was a comfortable cushion between the disposable income and credit and bond commitments He warned businesses to tighten their credit policy and to monitor existing debtors carefully

De Villers to unveil privatisation plans

232 BDay 1/11/88

HELOISE HENNING

PRIVATISATION Minister Dawie de Villiers last night said he would unveil a meaningful progamme of privatisation early in the new year.

Opening a two-day conference on privatisation in Pretoria, he said substantial progress had been made in the eight months since President P W Botha announced government's intentions, and several reports on the privatisation of public corporations were under consideration

● DE VILLIERS

De Villiers said privatisation would not only redress distorted and unacceptable investment trends by giving institutions investment opportunities, but also provide funds for government to invest in the urgent upliftment of people in the less-developed regions of the country.

"The public sector limited the scope of the private sector not only by its size in the capital market but also by the privileged position granted to state enterprises through government loan guarantees and prescribed assets," he said.

The result was that the private sector decreased and the tax base weakened.

The Minister said efficient use of capital, measured by the capital output ratio, had decreased sharply, with low-growth public sector involvement crowding out the private sector's ability to increase its share of fixed net investments

De Villiers said the public sector held 64% of net fixed investment from 1970 to 1984 Public corporation share of that was 26%

The fixed investment of only three institutions — Eskom, Sats and Posts and Telecommunications, increased from 17,9% in 1970-75 to 30,2% in 1981-86

Large tariff increases were needed as the economy suffered and this aggravated inflation, he said

Privatisation at any price means giving it away

(32) B/Day 2/11/88

ELOISE HENNING

LOSS-MAKING government utilities could be given away in the process of privatisation with good political and economic outcome, said London's Adam Smith Institute director Aemon Butler.

He told the Institute of Marketing Management conference on privatisation in Johannesburg the Thatcher government sold for a nominal £1 the cross-Channel hovercraft service to employees

Two years later the employee-owned group turned the loss-maker round and sold it privately for £4,3m

Butler believed the same should be done with housing He said the UK government realised it would be better off if council houses were given to tenants, but this would have caused resentment from owner occupiers.

It decided on discounts geared to the number of years tenants had paid rent

Management-led buy-outs had been another option to flotation of companies that did not attract investors.

Britain's National Freight Corporation was sold in 1982 to management and employees with an average subscription of £700. The shares are now worth 50 times their 1982 value

Butler added that when the workers became co-owners, productivity rose 30% and losses turned into profits

Shipbuilders had also saved their jobs by buying the government-owned Vickers shipyard

ARGUS 8/11/88 232

INDUSTRY

Second div in 16 years as Iscor profits rocket

From ROY COKAYNE

PRETORIA. — Iscor has produced a bumper R193-million after-tax profit — its fifth consecutive profit and the best in its history — and is to pay a dividend for only the second time in 16 years

The payout of 15c will cost R65-million, the annual report discloses today.

Iscor Group produced the largest profit in its history — R248,5-million after tax — while Iscor Ltd has totally wiped out the accumulated assessed losses of the previous years and is paying tax again for the first time since 1972.

Of the total R92-million in tax payable by the group, Iscor Ltd is liable for R81-million

Chairman Mr Marius de Waal said an additional amount of about R90-million, over and above income tax, was paid in GST and other central and regional government taxes

"Together with the declared dividend of R65-million, this brings the total amount payable to authorities to about R247-million for the year," he said.

The group's after tax profit of R248,5-million compares with R97,4-million last year while Iscor Ltd's after tax profit of R193-million is more than double the R75-million of a year ago.

However, since the early 1950s, Iscor has calculated profits according to a policy based on the current cost accounting concept because of its contention that in times of high inflation such a policy was advisable to counteract the erosion of a business concern's capital base and ensure its continued viability

But since 1982 Iscor has disclosed the effect of the current cost adjustment on the financial results and the conventional historical cost trading profit to facilitate comparison with other South African undertakings

Iscor Group's after-tax profits are boosted to R582-million using the conventional historical cost method.

The corporation's fine results appear to clear the path for its privatisation

However, the only mention made about privatisation in the annual report was to state that the government, as part of its privatisation policy, had requested Iscor earlier this year to investigate the corporation's privatisation potential

"The decision on privatisation will probably be made before the end of the current financial year (June 30, 1989)," it said

The group's turnover for the year increased 16,7 percent from R4 131-million in 1987 to R4 820-million in 1988 while the total tonnages of steel products as well as mining products sold also increased during the year compared to 1987

Income from the sale of steel products amounted to 86,2 percent (1987 85,0 percent) of the total turnover and the rest represents the sale of mining and other products

WOM takes stake in Protea

Finance Staff Star 9/11/88

232

World of Music has acquired a 21 percent stake in the Protea Hotel group. The sellers are Protea's eight founding directors.

World of Music also has an option to acquire a further 4 percent or Protea

Protea operates 49 hotels and has plans to increase the number to 60.

The purchase price will be determined by the end-year profits of the holding company, Protea Hospitality

Mr Otto Stehlik, executive chairman of Protea, says the deal will involve several million rands

He says World of Music was an ideal partner as it was already involved in music, sports promotions, publishing, entertainment, television, resort development and time sharing

Switch to hands-on management at Charter

9/11/88

Minorco in a big reshuffle


● EDWARDES

MIKE ROBERTSON

LONDON — In a sweeping boardroom reshuffle Minorco has switched from passive investor to hands-on manager of Charter Consolidated, the Anglo American group's UK flagship.

Minorco holds a 36% stake in Charter, but management and board representation has until now been in the hands of Anglo representatives.

With the change in Minorco strategy away from being a passive investor, executives from other parts of the Anglo empire have resigned to make way for Minorco chief executive Sir Michael Edwardes and financial director Tony Lea.

The changes leave little doubt that Minorco is exercising its independence, something Edwardes said was a condition of his taking the job.

Among those who have resigned are Charter chairman Jocelyn Hambro and chief executive Tony Clarke. Anglo chairman Gavin Relly, deputy chairman Nicholas Oppenheimer and De Beers director Anthony Oppenheimer have also resigned

Edwardes takes over as non-executive chairman.

A Charter spokesman said the company's finance director, Richard Wakeling, would act as chief executive until a replacement was found.

Changes

It was quite possible that someone from outside the Anglo empire would be brought in to take the chief executive position The spokesman said. "But it's probably going to be a little while."

He said the board changes flowed from the decision to give Minorco a new brief.

News of the changes brought an immediate market uprating for all stocks in the Charter stable.

Charter's shares jumped 20p to 477p, Johnson Matthey, where it has a 38% stake, was up 9p to 389p while shares of its 74%-owned Cape Industries rose 17p to 176p

Johnson Matthey was also active, paying £20m to acquire the electronics materials business of Comico, a Canadian mining and refining company, and Alfa Catalog Chemicals, a high purity chemicals supplier in the US and West Germany

Meanwhile, a Minorco spokesman said the company had been discussing its almost 30% stake in Consolidated Goldfields, which was under review after the referral of its £2,9bn bid to the Monopolies and Mergers Commission.

There has been speculation in the media here that the presence of Harry Oppenheimer in the country points to a final decision being taken this week on whether to submit Minorco to investigations by the commission.

The spokesman said Minorco would make an announcement once "we have got something to say"

Protea, WoM join forces

Cape Times 2/11/88

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By AUDREY D'ANGELO
Financial Editor

A 21% stake in Cape Town-based Protea Hospitality Corporation — holding company of Protea Hotels, Plan One and Protea Properties — has been bought by World of Music in a multi-million rand deal

Protea executive chairman Otto Stehlik said yesterday that the link-up with the JSE-listed World of Music, which has a controlling interest in Timeshare Dynamics, would help the expansion plans of his group.

Protea started with four hotels and currently operates 49 throughout Southern Africa

Stehlik said it had "set its sights at 60 hotels and is examining a number acquiring a further 4% of Protea

of options that could lead to further expansion"

The purchase price will be determined by Protea's year-end results but Stehlik said it would "involve several million rands".

He described World of Music, listed in the Development Capital Market sector of the JSE last year, as an ideal partner because it was heavily involved in the leisure industry

Its interests include music, sport promotions, publishing, entertainment, TV, resort development and timeshare In terms of the agreement it has the option of

World of Music chairman Peter Cooke said the association with Protea would enable his group to offer professional management for new timeshare developments

A number of new developments were under discussion and an announcement would be made shortly

Cooke said he foresaw Protea Hospitality Corporation, under Stehlik's leadership "emerging as market leaders in SA and we have always believed strongly in identifying with market leaders".

A spokesman for Protea said it had no plans for a JSE listing "at this stage".

The Star Finance

Acquisitions sees PTI's turnover soar to R120-m

Star 10/11/87 232

The gradual-growth philosophy of Protea Technology Ltd (PTL) was temporarily abandoned last year when it made noticeable inroads into the electronics and office automation markets through several acquisitions.

The result was that turnover shot up from R70 million to R120 million in the year ended August

"We don't want 50 percent of the markets in which we operate for then we would become vulnerable Our philosophy is that plus or minus 20 percent in each of the areas where we are involved is a good market share," says Mr Chris Bonugli, group managing director

"We don't want to go much beyond that We have a lot of room for growth and and we will get to our objectives in a few years We will only go forward at a pace at which we believe we can absorb the acquisitions If we feel we are going too fast, we will slow down"

Mr Bonugli (40) has been associated with the computer industry for 17 years He has an electronics degree from the University of London and, after some years in computers there, he joined IBM in South Africa

Six years later he became director and general manager of the computer consultancy arm of Coopers & Lybrand before joining Malbak three years ago, where he was involved in special projects

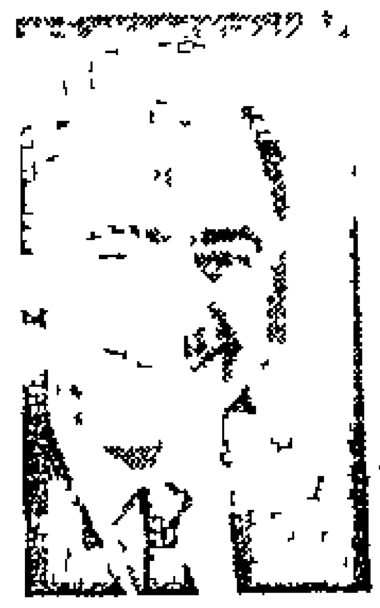
The intention was when he joined Malbak that, after a year or two, he would run one of the operating companies The opportunity arose ahead

Computer Beat

STAN KENNEDY

of time to manage PTL, a subsidiary of Malbak, when his predecessor returned to the UK

Increased turnover was due mainly to the acquisition of Maisey Matrix, Maxxon, Embel Data Systems and Flexible Automation Systems In his second year at the top he hopes to realise a turnover of R150 million



Chris Bonugli

"It is a reasonably aggressive target We are a dynamic group with dynamic managing directors and general managers and when we allow them to set their own goals and develop their own strategies, the goals they set are often higher than we would set ourselves They are determined people who want to succeed and there is a constant vibrant atmosphere in the company"

The three major divisions are process control systems, electronics and computers and scientific It has also started a new operation, Aphex, consultants in the field of broadcasting equipment.

The PTL group comprises 12 companies which are involved in 14 operations and are run on a decentralised basis, with three divisional managing directors running a group of companies and each company having its own managing director or general manager

"It is our philosophy to let them get on with it On a day-to-day basis I try not to interfere but obviously from time to time there are problems or situations in which I have to get involved

"Apart from chairing monthly meetings of each of the divisions, I also spend at least one day a month out in the field with each division, just meeting customers"

At any time, each of the divisions is looking at some new venture, acquisition or direction and that occupies a certain amount of his time because acquisitions tend to be pretty time-consuming

"We often get people coming to us to take them over We are always happy to talk to people The sort of companies we are looking for arise out of our strategic planning because from that we decide which way we want to go

"The criteria are that they must be well-managed and their products of the highest quality Our own products are top quality on a worldwide basis and they, too, must have principals overseas who invest a lot in R&D and are leaders in their field

The company's culture is ethical and goal-oriented It treats people well and believes that by giving people the opportunity to grow, they enjoy what they are doing far more and they tend to work twice as hard It is good for them and good for PTL

With the cost of PCs coming down, the horizons in the marketplace are always being extended because the applications are continually being increased

"There has been growth in other industries like oil and vehicle manufacturing But because these have matured, there is a concentration on fine-tuning which I, personally, would find very constraining and boring In this industry, one gets the feeling it will go on expanding forever"

Reunert caps centenary year with 145% higher profits

CAG Tvl P 10/11/88

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JOHANNESBURG — Reunert has capped its centenary year by more than doubling earnings for the year to end-September — from R16,4m to a record R40,4m — equivalent to 130c a share against 53c in the previous year

Reunert has experienced significant changes recently

With effect in October 1 last year, the investment in Reunert Computers was transferred to Technology Systems International, and Reunert shareholders received 1,5 TSI shares for every Reunert share

For more meaningful comparison, the 1987 results have been adjusted to exclude the impact of Reunert Computers

The benefits of the greatly improved result will reach shareholders in the form of a final dividend of 33c, making a 2,9-times-covered 45c for the year (1987 18c, after adjusting for the TSI transfer) This yields a satisfying increase of 150% for shareholders

According to chairman Clive Parker, Reunert — the electronic and electrical engineering arm of Barlow Rand — increased its return on shareholders' funds from 14% to a new high of 31%, and more than doubled its interest cover from 3,3 to 7,6 in the year just ended.

"The company could not be in a better shape to embark on its second hundred years of operation," he adds

Most remarkable about Reunert's 145% increase in bottom-line profits in 1987/88 is that it was achieved on a rise in turnover of only 16%

Reunert's turnover for the year rose from R751m to R869m, while operating profit more than doubled from R36m to R77m

The interest charge dropped from R13m to R11m, in line with lower average borrowings, leaving pre-tax profit 176% up at R66m (R24m)

Past use of assessed losses has partially eliminated the tax shelter Reunert has enjoyed in the past — which is reflected in a tax bill for the year of R19m, against R2m previously

After-tax profit thus went up from R21m to R47m

Share of associated company profits came in at R9m (1987 R5m), while minority and preference interests took R15m — R5m more than the previous year

Parker says increased profitibility was achieved by all three of Reunert's divisions — Reunert Technology (Reutech), GEC SA and Circuit Breaker Industries (CBI), which had a record year

"We expect to see substantial benefits flow from the recent restructure of GEC, which has aligned it more closely with the activities of GEC Plc in the UK, which provides us with a great deal of assistance and technology," says Parker. — Sapa

Foskor waits to privatise

BDay 10/11/88

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HELOISE HENNING

FOSKOR, another likely contender for privatisation, has improved taxed income by 36% to R20,8m (R15,3m) in the year to June 1988.

After yesterday's AGM, MD John Stanbury said he believed conditions in the local and international market, and on the JSE, needed to firm before privatisation could take place.

In his view the phosphate mining group would only be ready to privatise within two to three years

Foskor achieved good results despite depressed sales in the local market caused by drought conditions.

The group's turnover increased 23% to R307,2m (R248,4m), on which taxation accounted for R27,9m (R13,9m).

Income attributable to ordinary shareholders — after an extraordinary item — was R19,4m (R15,3m), with an amount of R14,6m transferred to reserves.

Preference dividends absorbed R9m (R2,7m).

The issue of redeemable preference shares brought in R121m, of which R105,9m was applied to the reduction of long-term loans.

This had the effect of improving the strength of the balance sheet, reducing gearing to 30% from 83% in 1986/87.

If preference share capital was included, the return on total shareholders' funds was 6%.

Foskor elected the cheaper option of preference shares in the year to finance stockpiles of ores from Palabora Mining

● To Page 2

Foskor marks time on privatisation

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● From Page 1

Company (PMC) for future use

Previously the stockpile, valued at R237m, was financed by PMC. This value would increase until 1991, whereafter it would decrease.

The company had also approved capital expenditure of R74m to increase production capacity by 30% to meet strong international demand for phosphate The project should be completed by 1991.

Copper and baddeleyite production would also increase substantially.

Export earnings were excellent: Export sales of phosphate rock rose by 18%, the price of copper and baddeleyite strengthened considerably; the rand weakened, especially in relation to the pound, and productivity was further increased, said chairman Koos van Rooy.

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SHARES FOR WORKERS

Taking stock of the future

The process of turning socialist workers into capitalists is gaining ground

Worker shareholders — the concept is still in its infancy in SA. There have been problems — primarily black union opposition — but, nonetheless, over the past two years employee share ownership plans (Esops, as they have come to be called) have surmounted their first hurdle by piercing the psychological barrier of black exclusion

Disregarding their union's rejection, many members of Cyril Ramaphosa's National Union of Mineworkers (NUM), for example, have opted to join Anglo American's Esop, the largest and most significant, launched a year ago this week.

This breaking of ranks is not in itself a true yardstick by which to measure the success of the Anglo scheme. At this stage it is after all simply a *gift* of shares, and by no means all the takers among Anglo's 250 000 eligible black workers are members of the NUM. Anglo itself observes "The main criteria of success will be how many workers not only retain their shares (after four years in trust) but decide to invest their own money in buying more"

The overriding objective of the Esops is part of the longer-term goal of black inclusion in capitalist culture — to ensure their support of it as the best system of wealth creation and economic management. So it is up against some heavyweight ideological preconceptions Only last year, a survey claimed no less than 77% of urban blacks "favour a socialist vision" compared to 22% pro-capitalist — and this in the era of *perestroika* Proper assessment of Esops' teaching and ideological role in instilling the spirit of capitalism — understanding the profit motive, risk and reward alike — will therefore take a few years yet. Uphill ones at that

Significantly, however, the idea dovetails with a new recognition among a growing number of blacks of the urgent need for black empowerment and expertise in financial, economic and other spheres, in order to be strategically placed to run the country in its post-apartheid era Esops are one avenue towards this goal and even if they are presently few and far between, they've become a reality unions have been forced to come to terms with.

De Beers' Julian Ogilvie Thompson, wearing his hat as chairman of the employee trust which administers Anglo's Employee Shareholder Scheme, reported in August that 114 485 eligible employees (a 64% acceptance rate) at 17 Anglo subsidiaries had joined the fledgling scheme

Collectively they owned 571 559 shares (less than 1% of the total) then worth about R33m The final dividend at 162,5c per share netted each worker the princely sum of R8,13 — gratis, though And this is set to increase From next year these capitalists-in-training will receive both the interim and final dividends — based, moreover, on increased share allocations planned over the next four years, during which they will remain in trust Over this period Anglo is expected to issue 1,26m shares to its employees amounting to no more than 1,65% of total issued equity

In general, though, the number of hourly paid workers with some form of financial participation — either share options or through share trusts — in SA companies employing more than 100 workers remains almost negligible, according to a survey by the Labour and Economic Research Centre (Lerc) The number of smaller companies which have introduced such schemes is not known


Ramaphosa

Among companies listed on the JSE, Lerc found that about 100 offer Esops, most introduced in the past two years and many by newly listed companies Typical of these "share incentive schemes" is their offer of two ways of acquiring shares outright purchase, or an option to buy which is usually valid for 10 years Trust funds are generally established to facilitate share purchases in the employee's name, the shares are pledged to the trust as loan security and released in batches. These schemes usually require a minimum service period before employees qualify for them, and they generally limit the share capital available to an Esop to 10% of issued equity

Opposition to Esops by Cosatu and the NUM really centres on their rejection of schemes which are offered without any form of prior consultation with the union or worker co-participation in management They are thus perceived as a strategem to co-opt workers and to blunt union militancy Ramaphosa has described them as "political and economic blackmail to try to seduce workers away from socialism," adding that "the stakeholding initiative on Anglo's part is an attempt to induce workers to greater loyalty to the company which employs them The share offer gives no meaningful participation to workers They have no say in the appointment of the trustees who are supposed to be taking decisions on their behalf"

Pick 'n Pay's scheme is similarly criticised for being tied to a management-controlled trust which bought the shares for resale to employees Critics argue that the workers who buy the shares buy only into the trust, not the company

It is in management's interests and consistent with the declared objectives of Esops to address those substantive non-rhetorical criticisms if business is to realise what Ogilvie Thompson refers to as a "new partnership" between management, employees and shareholders The partnership, he added, "will require new practices in the area of profit-sharing and *participation* in management"

Consider the attitude of the other black union federation, Nactu According to general secretary Phiroshaw Camay, equity participation is acceptable "if accompanied by a mechanism which allows participation in decision-making, planning and policy formulation" Worker share options, he believes, must entail representation at board level, which is not a strange notion elsewhere in the West

However, the unions have yet to formulate an unambiguous position regarding worker share trusts — an Esop variant apparently more attractive to them — if the experience of the metal workers' union Numsa with the Samcor trust is anything to go by And if more companies are to disinvest in SA by setting up similar worker trusts as part of their pullout, clarity is essential

In the wake of Ford's disinvestment two years ago, the company disposed of its 42% stake by selling 18% to Anglo and placing 24% in a trust for Samcor's 4 500 employees. Against the union's wishes, many workers wanted their stake liquidated and the proceeds distributed to them, others wanted the money to go into housing or the like for the members After a great deal of wrangling, it was decided to hold the workers' 24% in trust administered by worker representatives, with any dividends channelled to community

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development via the trust.

In addition, Ford set up community trusts valued at R4m in Pretoria and Port Elizabeth to be administered jointly by union and community representatives. Benefits accruing will go to the community, thus allowing the union to escape the ideological "trap" of being shareholders.

The Samcor-Numsa trust deal included setting up a second-tier management works council made up of an equal number of management and worker-elected representatives. This proposal has come to nothing, however. It was also decided, and later endorsed by the union members, that three worker directors be elected from the trustees to the board. While they would not take part in the management of the company, this would enable them to report back fully to the workers. This seemed from the unions' viewpoint a model Esop for divesting companies to emulate: it was negotiated with the union; involved a substantial share of the company stock (despite being 1% short of an effective veto at board meetings); would be administered by workers' representatives, and afforded them a say in where the benefits went.

But then workers at Samcor in Pretoria struck in opposition to their union's deal with the company, leaving the matter apparently in abeyance (at least until dividend time next March). Further, it would seem that there are as yet no worker representatives on the trust. The Samcor contretemps is seen by some as vindication of Anglo's decision not to consult the unions about its Esop. In contrast to the Samcor case, Mono Pumps' disinvestment deal with Numsa might be a more constructive model for disinvesting companies, suggests Lerc's Judy Maller.

Mono Pumps' sale to Fluid Holdings in May involved the establishment of a R200 000 community development trust fund — but no share ownership — and a financial settlement of R575 for each of the 350 workers.

Among the disinvested US companies that have established trust funds involving an Esop are:

☐ IBM, which included 13% equity for black employees;

☐ Exxon, which sold its SA operations to an offshore trust which pays the company's 200 local workers 2,5% of pre-tax profits;

☐ GM, which in 1986 sold a 50% equity stake to a trust which shares a proportion (undisclosed) of profits with "selected" employees, and

☐ Coca Cola, which placed 11% of its equity in a trust following the sale of its 30% stake to ABI. The bulk (10%) went to black traders and 1% to employees.

So the process has begun. Anglo's thousands of new employee shareholders — who have grown to 120 000 since the first dividend payout — received a specially tailored annual report which included information about the corporation and its financial results.

For them, said Ogilvie Thompson, "the right to know about, and their interests in, the performance of the company in which they have a financial stake is greatly enhanced."

Small beginnings, yes — but hopes are high that increasing numbers of black workers will be weaned from reliance on socialist systems and progressively incorporated into capitalism.

Real success would be the survival of capitalism in southern Africa itself ■

SPECIAL INDEX

For the greater convenience of readers, the *FM* has included a special index of companies and business organisation on page 113. This enables readers to see at a glance on which page or pages in each issue reference is made to a particular company or organisation.

NAMPAK

The reasons why

■ After tidying up, bottom-line growth should continue to outstrip inflation

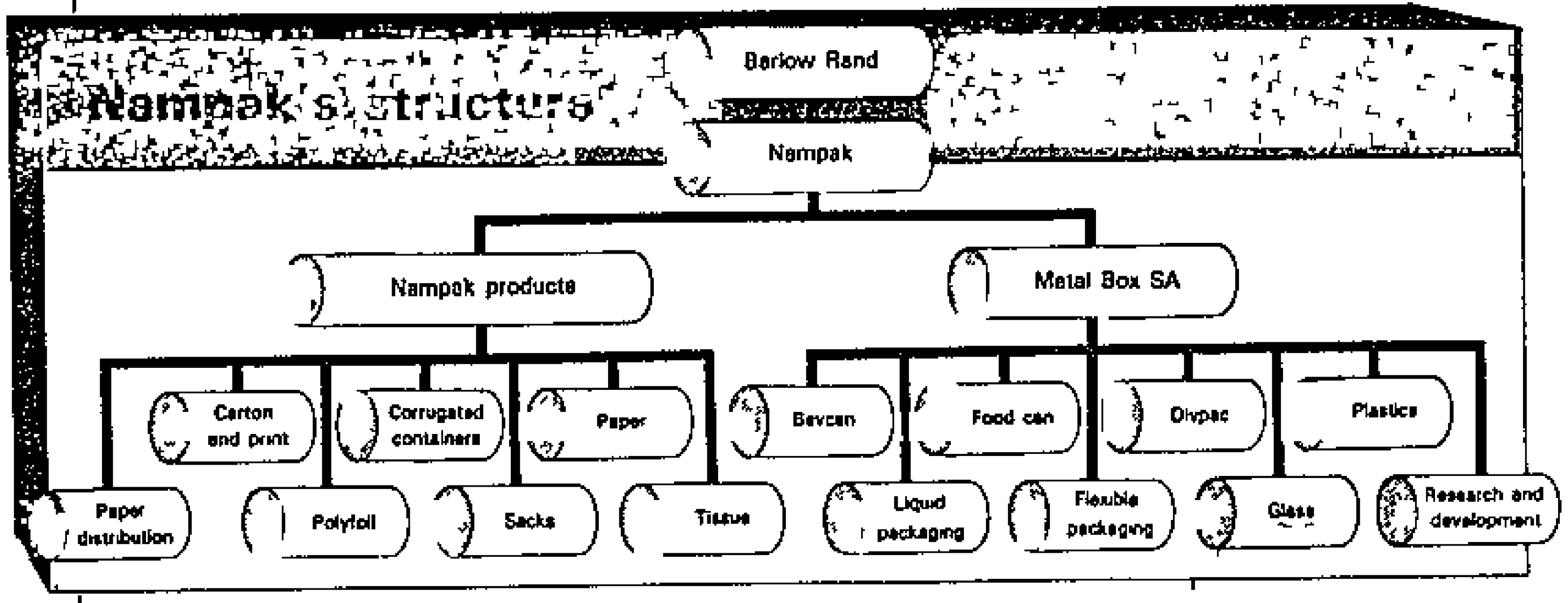
The merging of Nampak and Metal Box two months ago created one of the world's largest and most diversified packaging groups But, size apart, what does Nampak hope to gain by its purchase of the shares it did not already own in Metal Box?

Metal Box had long been a Nampak subsidiary — it held 54% before the deal — so there were already firm links between the two companies, which together represented Barlow Rand's interests in the R3,6bn a year packaging industry

Nampak, for years the dominant player in the industry, now towers above its rivals when measured by size Preliminary figures for the year to end-September show that Nampak produced operating profit of R310,9m (R242,2m) on turnover of R2 526m (R2 066,9) In the year to end-June, Anglovaal's Consol made operating profit of R96,3m (R62,4m) from turnover of R636,9m (R503 7m) and in the year to end-August Malbak's Kohler produced operating profit of R59,7m (R34,2m) from turnover of R774m (R545m)

Unlike many other large acquisitions, management does not explain this one on the strength of opportunities for internal rationalisation What there was to be achieved in this area has largely been done in the few months since the deal took effect

As MD Don McCartan puts it, the old Nampak and Metal Box were complementary, the former involved in secondary packaging and printing and related products and the latter in primary packaging products Thus, in the new structure the primary packaging operations held in Metal Box have essentially been placed alongside Nampak products That does not mean there hasn't been plenty of tidying up The number of companies in the enlarged group will be slashed from 121 to only 13 (excluding the foreign interests), and management expects synergies over time Advantages are seen in the wider spread of activities "A problem in the packaging industry worldwide is the frequent change from one type of product to another as technologies develop," says McCartan "By broadening the group we have extended the net and can take the opportunities this creates"



Chairman David Brown contends that, product ranges aside, part of the motivation lay in the relative strengths of the groups Metal Box had become known for its skills in technology and manufacturing, while Nampak was considered more market-orientated "Lack of flexibility was a weakness of the individual groups," he says "We have a combination that is going to do Nampak a lot of good over the next 10 years"

McCartan adds that Nampak had not been greatly inclined towards research and development "We were inclined to get a new idea and then run with it Metal Box tended to want to prove it first"

With the restructuring in place, management will be focusing on volumes and trading margins Nampak wants to maintain its record of generating annual earnings growth ahead of GDP plus the CPI, and there appears to be scope for better returns in the Metal Box operations One hurdle for Metal


MD McCartan ... extending the opportunities net

Box in recent years has been its R100m investment in glass manufacture Two years ago this was a lossmaker, but it broke even in 1987 and is now contributing to group profits

As it was, in the 1988 year, the enlarged Nampak's turnover rose by 22%, its operating margin climbed from 11,7% to 12,3%, and EPS rose by 37% It reported EPS of 358c, which included an estimated 5c relating to the acquisition With the deal effective only for the last two months of the financial year, more effects will come this year one analyst estimates it will add about 30c to Nampak's 1989 EPS

The breakdown in the table shows that in the 1988 year primary packaging accounted for 39,2% of operating profit and 43% of turnover; secondary packaging and printing produced 42,3% of profit and 36% of turnover, and paper and related products generated 18,5% of profit and 21% of turnover

Buoyant markets have helped boost margins, as have efforts to improve productivity However, pressures on margins include the need to import certain raw materials Iscor has apparently reached the upper limits of its tinplate capacity, and local producers of polyethylene are running into similar constraints Imports mean higher costs for Nampak, not all passed on to customers

SEGMENTAL PERFORMANCE

	1985	1986	1987	1988
Turnover (Rm)				
Primary packaging	716 0	830 7	989 7	1 176 1
Secondary packaging and printing	649 8	656 3	795 0	987 4
Paper and related products	279 3	383 1	438 4	572 7
Intra-group	(110 4)	(136 0)	(156 2)	(189 9)
Total	**1 434,7**	**1 734,1**	**2 066,9**	**2 526,3**
Operating profit (Rm)				
Primary packaging	54 2	58,8	92 3	121 8
— % of turnover	7 6	7 1	9 3	10 4
Secondary packaging and printing	57 3	86 0	104 2	131 5
— % of turnover	10 4	13 1	13 1	13 6
Paper and related products	30 6	36 9	46 7	57 6
— % of turnover	10 9	9 6	10 4	10 1
Total	**142,0**	**181,7**	**242,2**	**310,9**

Most of the divisions enjoyed strong real growth this year, particularly those supplying consumer markets Brown says that October has been "a magnificent month" Given the expected boom Christmas season, the group should see a solid first half "But for the second half we are guessing — we are worried about it," he adds McCartan comments "It's not in business's hands to plan for the future anymore"

Export turnover rose by about 56% last year, but its value, which has not been quantified, remains less than 10% of group sales

Longer term it s hoped that growth will be fuelled by the mushrooming informal sector and by the group's investment programme Capex for 1989 is budgeted at R200m, of which about 50% is for replacement and modernisation

This includes two major projects — a new beverage can line in Durban to provide additional capacity, and a new corrugated carton facility at Mariannhill near Durban, which involves the relocation of the Jacobs plant and should also result in larger capacity owing to a more efficient layout The capital programme includes moves into new areas which are not part of the core businesses, but these plans are being reassessed

Brown points out the group has established various grassroots businesses in recent years — the glass division was the first major competitor to Consol in decades He adds that 100% ownership of Metal Box has improved financial flexibility and this should enable more efficient funding of capital projects Metal Box is seen as the better cash generator, and might have ended the year with liquidity that could have been used better elsewhere

Following the merger, Nampak's ratio of gross borrowings to liabilities has increased from the year ago 0,18 to 0,38 Despite next year's capex, financial director Dave McFadden says gearing is expected to remain stable and may decline

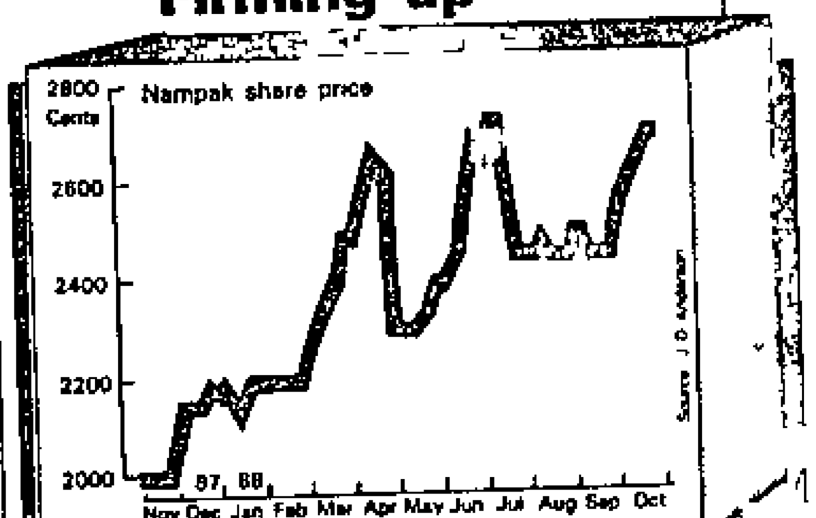
Spending is likely to remain high more capital projects are expected, and will become more expensive These could include geographic expansion of existing businesses, such as glass production in the Cape, capacity expansions, or new products "Few realise how diverse we are," says McCartan, "but there are a lot of opportunities in these areas" As the biggest player in the sector, the group needs to continue bringing to the market about two out of three of the industry's new products

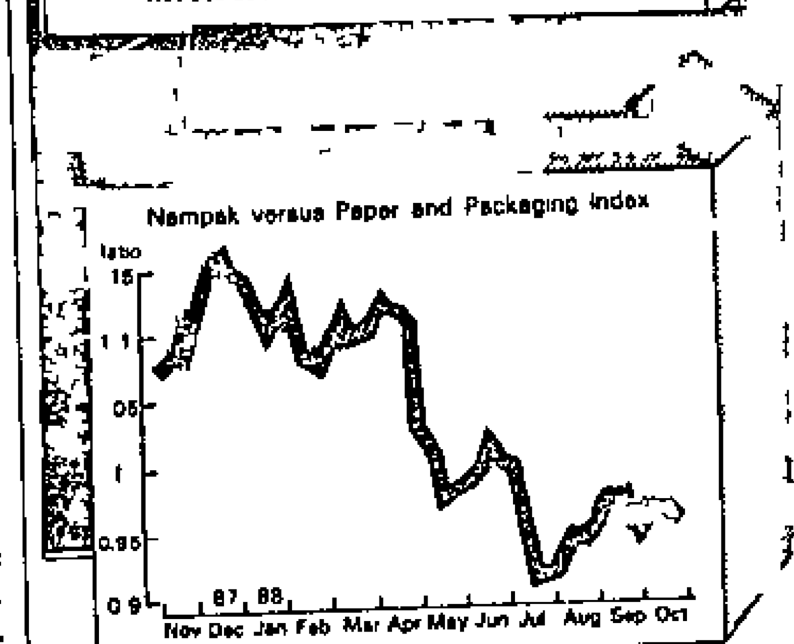
This year has seen rationalisation at various plants, aimed at improved efficiencies and curbing costs In Metal Box, for example, canning factories at Paarl and Cape Town have been rationalised, and in the liquid packaging and flexible businesses there have been closures and relocations More such moves were made seven to eight years ago, and the benefits helped Nampak to cope with the stodgy markets of the mid-Eighties But management is not anticipating much more of this

With the economy showing signs of turning downwards, the group is viewing 1989 as a year for consolidation However, management remains confident that bottom line growth will continue to outpace inflation One of Nampak's strengths is that its sales should remain relatively stable in an economic downturn, with about 50% of turnover derived from packaging for food and drink and soaps and detergents the next biggest component Earnings growth of 22% 25% looks attainable, indicating EPS of about 445c and a prospective p e of 6,3 times

Andrew McNulty

Firming up





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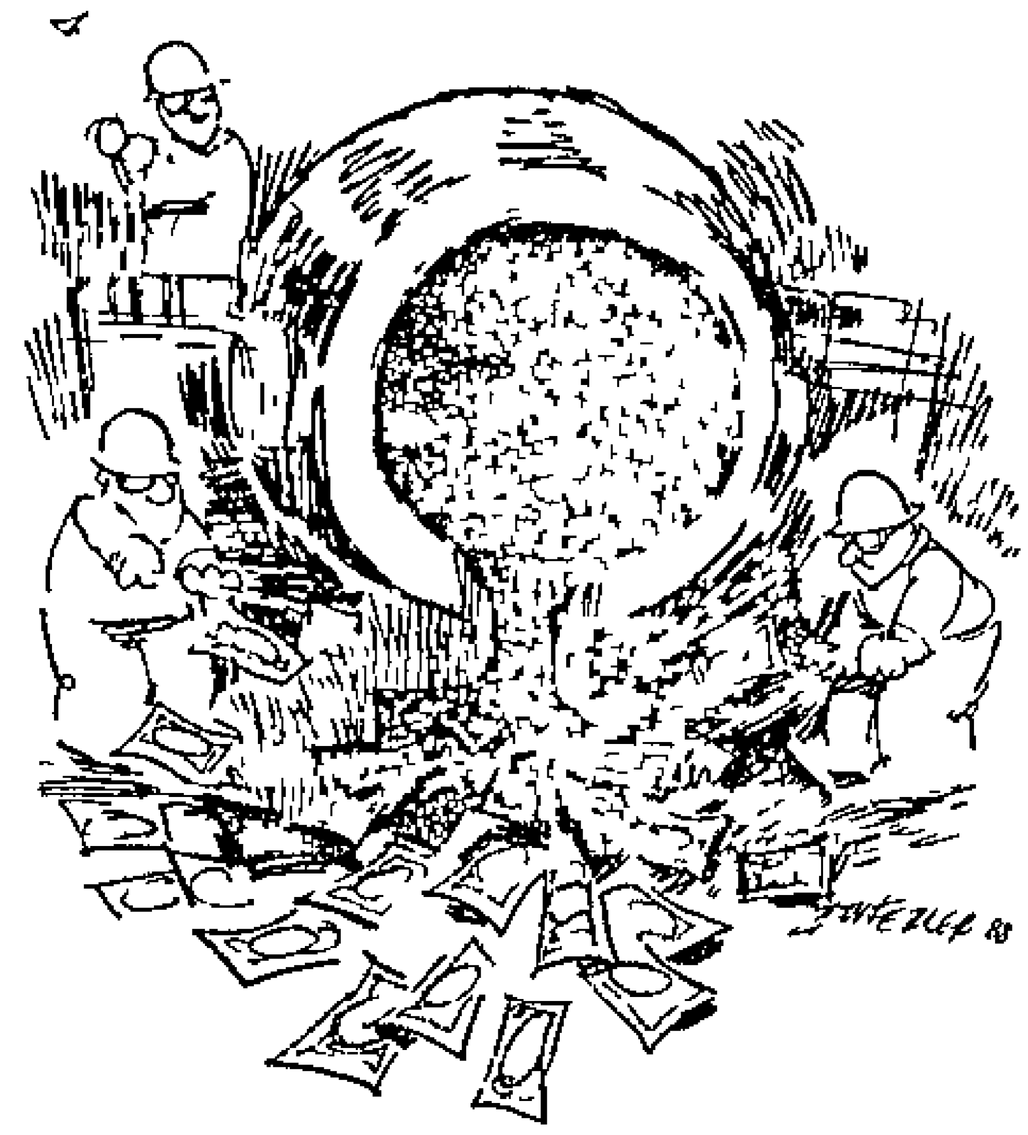
ISCOR

Ripe for the market



Iscor is increasingly looking the part as government's first major step into privatisation.

This week's announcement of record operating profits should help ease remaining government disquiet about selling off one of its biggest industrial assets.

Iscor management is confident privatisation is coming, saying it's no longer a matter of "if," but "when" Chairman Marius de Waal expects a government decision by June next year The minister responsible for privatisation, Dawie de Villiers, is studying an Iscor report on the corporation's preparedness for privatisation The report is understood to argue that Iscor is ready for the market

Where other State enterprises such as Eskom and Sats have still to adapt to the rigours of the private sector environment before they can be sold, Iscor argues that it already operates successfully in the open market

Says De Waal "If you look at our results and the various other prospects for privatisation, we are one of the most obvious ones"

That view is likely to be enhanced by the newly released results, which show Iscor achieved a record pre-tax profit of R341m in the year to June 30. The previous year's figure was R105m.

And its performance could have been considerably better, were it not for Iscor's ultra-conservative current cost accounting system, which wiped R334m off the profit total But for that, the figure would have been R657m.

Tax of R92m left the corporation with a final profit of R249m (R582m without current cost accounting), compared with the previous year's R97m (R464m) With the accumulated assessed losses of previous years finally wiped out, it is the first time since 1972 that Iscor paid tax.

Besides higher productivity and technological improvements, De Waal attributes Iscor's good showing to improved local demand and higher export prices

Iscor's domestic sales in 1987-1988 rose by 14% over the previous year. Production was maintained at full capacity, and what couldn't be sold locally was exported. With the world steel market starting to show signs of revival, shortages began appearing and forced up prices.

Iscor benefited to some degree, but increased domestic demand reduced the amount of steel available for export.

Iscor should be better placed to benefit from exports in the current financial year. Domestic demand is expected to falter, leaving more steel available for overseas markets.

MD Willem van Wyk predicts that with the recent increases in interest rates and other "distressing" economic problems, consumer demand is likely to decline and, with it, steel sales He thinks sales in the present financial year could be 5% lower than the 5,5 Mt sold in 1987-1988.

The Steel and Engineering Industries Federation's latest review of activities in the metal and engineering industries says many sectors are already reporting a fall-off in demand because of interest rates, inflation and import surcharges

Exports aren't Iscor's only concern Because it can't meet local demand for tinplate, it is helping local customers import. A 3% levy on Iscor tinplate sales is helping to finance imports, which cost 40% more than the domestic product. GM Nols Olivier says the new production facilities being planned will not fully meet demand before 1991. ■

The Star
Finance

Second Minorco bid in case of MMC clearance

Star 1/11/86

232

By Neil Behrmann

LONDON — Analysts contend that Minorco must raise its offer substantially if the company intends making another bid for Consgold

Minorco has made it clear that it will launch another bid for Consolidated Gold Fields if the UK Monopolies and Mergers Commission allow the company to do so

"We currently hope and expect that it will not be long before Consgold shareholders are given another opportunity to consider an offer from us on its merits, said chairman Julian Ogilvie Thompson at Minorco's annual general meeting

The company was "co-operating fully with the MMC and is confident of a satisfactory outcome," Mr Ogilvie Thompson said

He added that Minorco had rejected overtures from Lonrho to purchase its 29.6 percent stake in Consgold

Lonrho, however, denied that it had made an offer

Minorco's first offer was 850p in cash and one Minorco share for every two Consgold shares This mix valued Consgold at £13 a share against its present market price of of £12,20.

Yet Minorco itself has had an unexciting track record and following Consgold's campaign now has the stigma of being controlled by South African companies Analysts thus believe that UK institutions will accept an offer, only if Minorco raises the cash offer They claim that Consgold is worth £15 a share

Minorco has the means to pay more It has $900 million in cash and borrowing powers from banks of £1,4 billion

At £13 a share, Consgold is valued at £2,7 billion, but to take control of 51 percent, Minorco would need only £585 million So it has more than sufficient resources to raise the offer

"Our balance sheet is enormously strong," said Mr Ogilvie Thompson

Any lobbying by Minorco will be matched by Consgold

Analysts also expect the UK mining group to look for a white knight during the three month period in which the MMC investigates the bid

At the Consgold annual general meeting, chairman, Rudolph Agnew denied that the company had "formal negotiations" with RTZ Corporation to merge the two companies

However, he said that if there was synergy, a merged Consgold and RTZ would "look a marvelous company"

There are also rumours that Australian resources giant, Western Mining Corporation would be an interested party and now Lonrho, despite denials, appears to have approached Minorco

Minorco is unlikely to be shaken off easily

"We will prosecute our case with the MMC with great vigour," said Mr Ogilvie Thompson

With respect to a monopoly over strategic metals, notably titanium and zircon, "we are satisfied that there are no threats and we will use all our arguments to convince the MMC

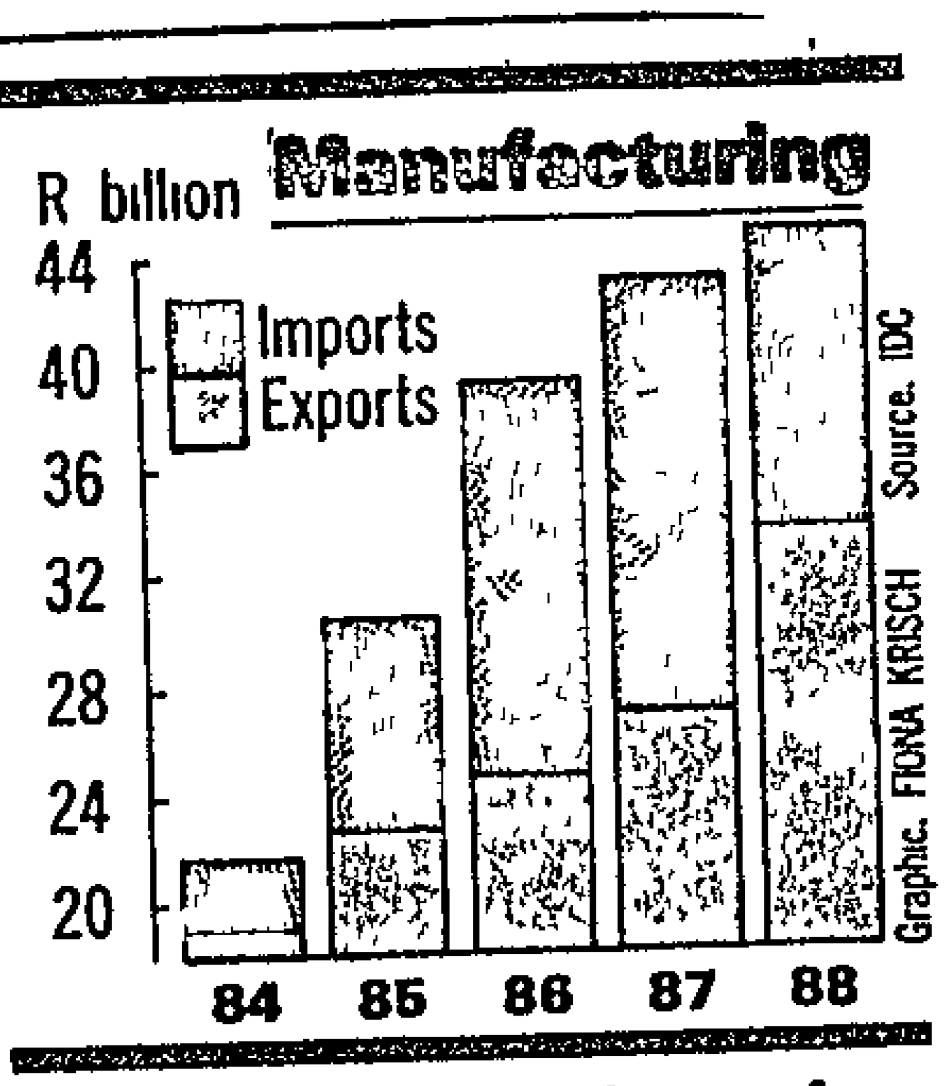
Mr Ogilvie Thompson complained about the damage caused to Consgold's business from causing "so-much anti-South African feeling"

Moreover its South African group had "an unprogressive attitude towards black trade unions and a much criticised industrial relations policy"

Mr Agnew contends, however, that there is a difference

Minorco, "would seriously damage Consgold's businesses in the US, UK, Australia and elsewhere," he said at Consgold's annual general meeting

"This is not an anti-South African statement, but a recognition of reality," he said



Steps to privatise Alusaf initiated

232 B(dow)

HELOISE HENNING

ALUSAF will be privatised in the current financial year, the Industrial Development Corporation (IDC) said in its annual report to June 1988 released yesterday.

Steps to transfer control of Alusaf to the private sector had been initiated and would probably be implemented during the current financial year.

Increasing international prices resulted in local consumers being able to buy aluminium at an attractive discount on

To Page 2 11/11/88

Steps to privatise Alusaf are initiated

232 11/11/88 From Page 1 B(dow)

world prices, which led to a strong increase in demand for Alusaf's products.

The IDC also reported a 117% increase in authorised funds to R639m (R294) on industrial projects which concentrate on forex saving or earning industries with high employment creation — mainly in high tech, car components, mineral beneficiation and heavy engineering industries.

IDC has taken a 20% stake in the Mossgas project, resulting in a capital investment of R562m financed through its subsidiary Kanoil.

Of the R639m approved for industrial development.

A sum of R181m was taken up in the new low interest rate scheme introduced in February for independent manufacturers with assets of less than R50m who would achieve at least 60% in exports or import replacements

Six larger industries absorbed R200m for export promotion projects, mineral beneficiation or the reduction of high technological content imports These companies are expected to save R200m a year in foreign exchange

The IDC more than doubled funds authorised for plant extensions in its associated companies to R258m. This included R100m to Foskor, R80m to Atlantis Diesel Engines (ADE), R30m to Richards Bay Minerals, R22m to the coffee corporation Sapekoe and R26m to other projects.

Reporting on its subsidiaries, IDC noted

- Current demand had brought ADE's operations to profitability, but some time was needed before it could adopt a "commercially acceptable financial structure".
- Foskor's financials had improved satisfactorily but were still far lower than the earnings capacity of the assets Profitability was expected to rise considerably in the next few years The most suitable time to commence with its privatisation was being considered.
- Sapekoe would remain a net capital consumer as crop management was being adapted to SA conditions.

The R600m approved after the year-end for the acquisition of a minority shareholding in Iscor was being financed by available cashflow These commitments would not curtail its ability to take part in new projects

The investment trusts in industrial and national selections increased dividends by about 20%

Shares rocket at Minorco's news

11/11/88 (232) B/day

IAN HOBBS

LONDON — Consolidated Gold Fields shares rocketed 22p before closing 17p up at 1 205p yesterday after confirmation that Minorco would proceed with its £2,9bn takeover bid.

It was also disclosed that Lonrho CE Tiny Rowland had at least twice offered to buy Minorco's 29,9% stake in ConsGold, which is worth about £770m, but he was rebuffed.

At its AGM in Luxembourg Minorco CE Sir Michael Edwardes was emphatic that reference to the Monopolies and Mergers Commission (MMC) had not diminished his determination to win the battle for ConsGold.

● EDWARDES

He said in a statement: "It will not be long before ConsGold shareholders are given another opportunity to consider an offer from us on its merits."

Minorco will now pursue its bid through the MMC referral and parallel investigation by British Department of Trade and Industry (DTI) inspectors into allegations that there may have been insider dealing before the Minorco bid was made public earlier this year

A new Minorco bid will be launched immediately if it is given the clearance. British Trade Secretary Lord Young said said on October 24 he expected investigations to be completed within three months.

The Minorco claim that Lonrho had offered to buy up its ConsGold stake came as a controversial bolt from the blue.

Minorco said the first approach was made on October 26 when Edwardes was asked by Lonrho director Edward du Cann to attend a meeting at Rowland's London home. But Edwardes and Minorco finance director Tony Lea told Rowland and Du Cann they were not sellers

Minorco claimed Rowland again offered — and was rejected — when he met Harry Oppenheimer at Claridge's Hotel in London on November 3.

A Lonrho spokesman last night issued a terse denial that Rowland had made any sort of offer to Minorco. The one-line statement said: "This is to confirm that Lonrho has never sought to make an offer for the Minorco stake in ConsGold."

However, market commentators in London presumed Rowland had done so in an attempt to find a "poison-pill" to see off the hostile intentions of Australian arbitrageur Alan Bond, who holds a 20% stake in Lonrho.

ConsGold chairman Rudolph Agnew said nothing further yesterday about reports that he intended to go ahead with the piecemeal sale of the group's 38% stake in Gold Fields of SA (GFSA).

Star 11/11/86

Unidev buys Control Data from US parent

232

By Derek Tommey

Major US computer manufacturer Control Data Corporation has sold its South African operation to investment group, Unidev

"It is a major coup for Unidev," said the company's executive chairman, Mr Geoff Grylls, in Johannesburg last night.

Control Data is active in the net-working, work station, departmental and super computer fields

Mr Grylls said Control Data had a small but strong client base in South Africa The acquisiton would increase the turnover of Unidev's electronic division to about R150 million a year.

Analysts said the transaction could greatly enhance Unidev's prospects Now that Control Data's future in South Africa has been assured, the uncertainty affecting its operations will have been removed This should result in a substantial improvement in the performance of the company, and Unidev should feel some of the benefits

Mr Grylls would not disclose the price paid for Control Data Corporation but said that it was related to the asset value

Sixty percent of the purchase price would be paid immediately and the balance over five years, depending on whether Control Data fulfilled its obligations

The name of Control Data's South African operation is to be changed to Corporate Data Control

Control Data is to retain an independent legal entity in South Africa as a means of continuing involvement in several educational and community activies In addition, 15 percent of the new company's shares are to be held in trust for its employees

Mr John Curren, Control Data's vice president, Europe, said that Control Data would continue to fully support the South African operation Control Data was convinced that Unidev was the best company to take over its South African operation

Mr Curren added that Control Data had retained the right to re-enter South Africa if conditions warranted it

He said that the decision to sell the South African operation had been the result of a number of factors

Control Data had always maintained that it would be the last American conputer company to leave South Africa But changing conditions had forced it to revise this

Geoff Grylls — Purchase price is related to asset value

Because of American laws the parent company could no longer finance the expansion of the South African operation This was causing concern among both employees and customers about the company's ability to compete

Mr Grylls said that two years ago Unidev had identified the electronics sector — particularly computers and allied fields - as having the fastest growth potential of any investment sector. It had built up a computer division and had started to look for a mainframe supplier It had been considering Control Data earlier this year and had liked what it had seen

He said "We are very excited about this acquisition It gives us a massive thrust into the computer industry and will complement our existing products to give us probably the most comprehensive product range in South Africa"

As well as selling its investments to Unidev, Control Data has undertaken to transfer technology to maintain the South African operation's existing and potential client base

At the moment the plan was to put Control Data into the Unidev Computer Division, said Mr Grylls, who indicated that the company might be listed possibly next year

232 B/day

Eskom pioneer venture with private sector

ESKOM has entered into a joint venture with private sector companies to bring electricity to an eastern Cape township, an Eskom and Volkswagen statement yesterday said

This, Eskom's first such venture with a private company, is seen as a significant advance for Eskom CE Ian McRae's vision of bringing power to all of southern Africa

Eskom has joined forces with Volkswagen SA and members of the Midland Chamber of Industries to form Kwanolec, the Kwanobuhle Electricity Supply Company, which will supply electricity to the town of Kwanobuhle near Uitenhage

The statement said the move would be of immense benefit to Kwanobuhle and could serve as a model for the further development of electricty supply infrastructure in SA

Local and provincial authorities supported the move, which incorporates several new features. Individual customers in Kwanobuhle will be able to decide whether they want to buy electricity, and should be able to control how much they want to spend on energy Each consenting household will have a "ready board" with a pre-paid coupon-type meter, three 15 amp sockets, a light socket and a switch.

The first customers will be connected by mid-1989 When completed, all 11 000 developed properties in the township are to have access to electricity. — Sapa

BUSINESSMAN OF THE WEEK

Wearing 3 hats in the world of finance

WEARGUS 232

12/11/88

By DICK USHER
Business Staff

NEAL Chapman's office in Southern Life's headquarters looks out to Devil's Peak and the green sweep of Newlands forest

It's one of the attractions which, in 1976 when Barclays Bank wanted him to leave Cape Town and go to London with the prospect of then taking the trail to Johannesburg, impelled him to leave the bank rather than leave the Cape

Shortly after that he joined the board of Southern Life as a non-executive director, taking up a fulltime position in 1982

He holds dual responsibilities as Southern Life's chief executive and chairman, a position he assumed when Dr Zach de Beer resigned all business appointments on his return to political life

Last month Mr Chapman reached even higher when he was appointed to the board of Anglo American

It wasn't from any conviction that finance was where he wanted to go that he joined a financial institution when he left school "I joined a bank because I needed a job That was where I started and stayed and it has never failed to interest, challenge and absorb," he said

As an entrepreneur his sights are set on producing top quality, not only of product but, like many other businesspeople in South Africa today, of quality of life for all people — a dual trust and responsibity

"Finance constantly leads you into contact with people across the full spectrum of society and being in finance involves the motivation of teamwork among people if you want to deliver a quality product and service, and that is at least as interesting as finance itself," said Mr Chapman

"In finance you are the trustee and custodian of other people's money which is something that has to be taken with deadly seriousness.

"Your clients need more than just good custodianship, they need to know that the products which represent the link between you and them are of quality in terms of performance and deserve a high quality of service in terms of their money

"All of the thrust in the Southern seems to reflect that and all the action plans and strategies we develop have as their starting point the customer's need, not market share or size.

"We define the customer as all those we serve, including shareholders who have also entrusted money to us"

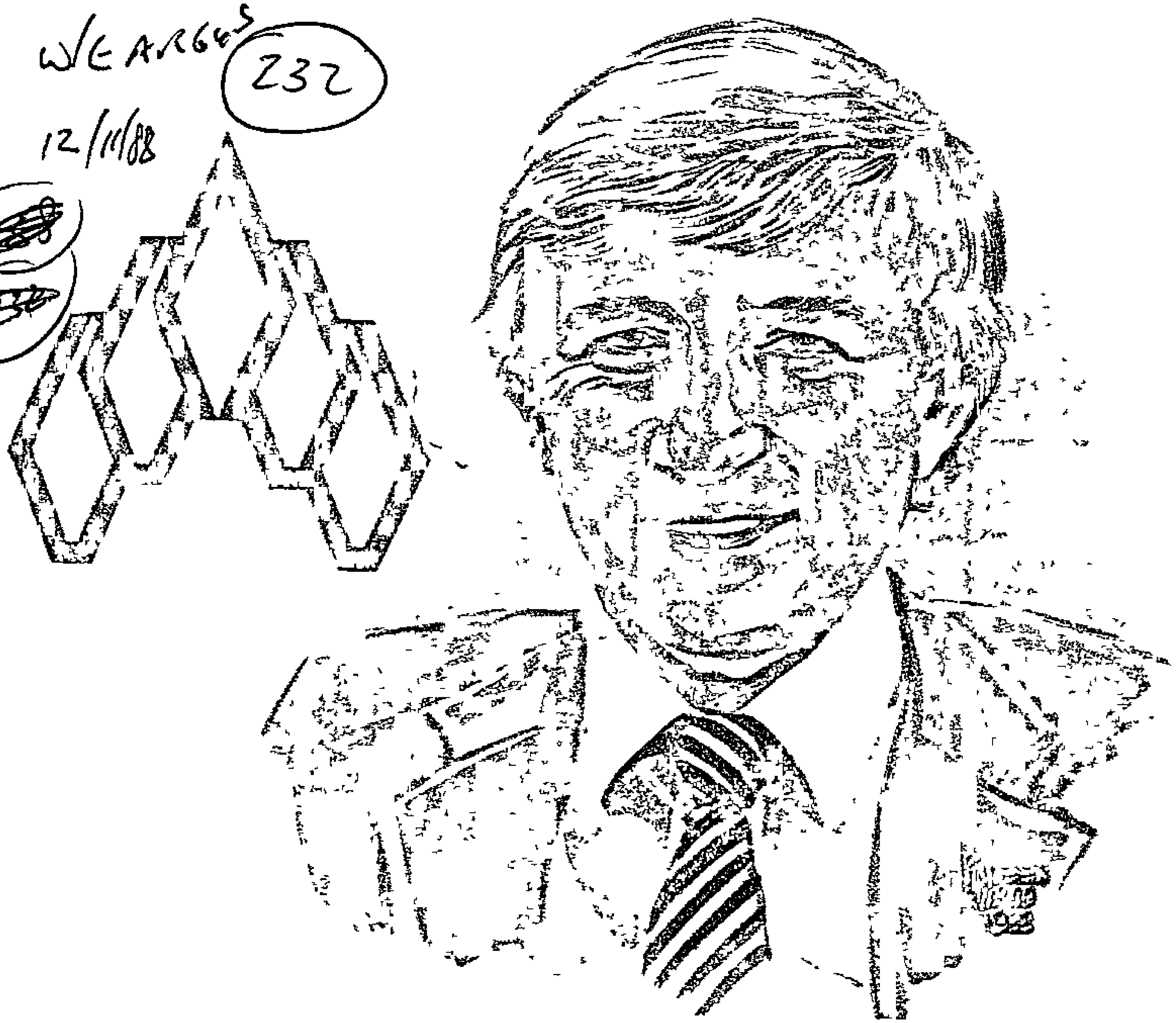
To this trust Mr Chapman brings a personal belief that when you live in a turbulent country such as South Africa and employ people from every walk of life, ethnic group and political affiliation whether in or out of the parliamentary system, it is important that the company itself should care about their circumstances and seek to be an island of sanity and security to its people

"That is taken very seriously at the Southern," he said

"The company is very clear on its values and that those values should represent a way of doing business and a way of living by principles."

This belief extends beyond the company to the wider community where Mr Chapman believes it is vitally important to do all that can be done to address the concerns and problems of that community, both in the creation of wealth and the creation of opportunity — the concern for quality of life

It's a concern that the business world has not always



Neal Chapman . . . the customer comes first.

See Page 3

Picture ALAN TAYLOR

SAAPA sets its sights on SAA to tune of R2bn

SAG-TIMES 14/11/88

232

Own Correspondent

JOHANNESBURG. — The SAA Pilots' Association (SAAPA) is setting up a R2-billion cash offer to take over SAA once SATS is privatised.

The vice-president of the association, Mr Colin Jordan, said the offer was made to avoid the build-up of another monopoly running air transport in SA. "Our bankers and supporters want to break away from the monopolistic tendencies of the current situation and to offer a better system to the public."

Big business, he said, supported the offer and the SAAPA believes it is the only group which has the expertise, finance and experience to take over and run SAA.

He said the privatisation programme of SATS was due to start next year and it could take another "10 years before it really gets off the ground".

Topless bathing takes off in US

232 938 Star 14/11/88

Govt to keep control of largest hospitals

Political Correspondent

CAPE TOWN — The Government had no intention of privatising all South Africa's hospitals, Dr Willie van Niekerk, Minister of Health, said today

Dr Van Niekerk was speaking in an interview to clarify recent confusion over Government intentions.

He said the position had not yet been settled because privatisation in health services was being investigated by Dr Wim de Villiers on the Government's instructions

However, he said, it was obvious that hospitals like King Edward VIII in Durban and Baragwanath in Soweto would not be privatised

"Academic hospitals could never be privatised"

But a hospital such as the under-utilised South Rand Hospital could either be privatised or turned into a hospital for the frail aged

South Africa's hospital system would always be dualistic because there would be people for whom the Government would have to provide care

For instance, next year his department intended to start building a nationwide network of clinics to provide primary health care

Dr Van Niekerk said the private sector was not doing its share because many of its workers were not on medical aid as should be the case

The Government, he said, would be giving attention to this

Privatisation could be applied in many different ways in health services, Dr Van Niekerk said

Various services in a hospital, such as catering and laundry services, could be privatised

"Government hospitals could also be used by full fee-paying private patients so the hospitals could earn some money"

The object, he said, was to get a more market orientated, economically viable health service that should be more cost effective

Concern over driving deregulation

(232)

Star 14/11/88.

Staff Reporter

The Transport Workers Union of South Africa is concerned that the deregulation of transport could lead to increased driver fatigue and has called for improved monitoring of the driver's hours of work

A statement issued by the union said the deregulation of transport — which was set in motion when the Department of Transport published the Road Traffic Bill — meant trucks and buses would be set free to carry loads and passengers throughout the country

The only restraints would be that the vehicle operator and driver operated safely, the union said

A spokesman for the union, Mrs Emily Fourie, said "About 90 percent of accidents are caused by driver error. Vehicle fitness only accounts for four percent It is therefore obvious that driver controls are more important than vehicle fitness in road safety"

Mrs Fourie said "The Bill has the emphasis on the wrong areas The truck and bus drivers will refuse to take an unroadworthy vehicle on the road They may be encouraged, as happened overseas, to drive too long for additional pay and bonuses"

The control of driving hours and the recording of accidents is paramount to safe deregulation, Mrs Fourie said.

The union has asked Parliament to use tachograph control — and not, as suggested by the Department of Transport, logbooks — of driving hours The union said the logbooks were a failure as drivers could forge them

Alusaf, Sats, Foskor early starters

Iscor set to go private route first

232 B/day 14/11/88

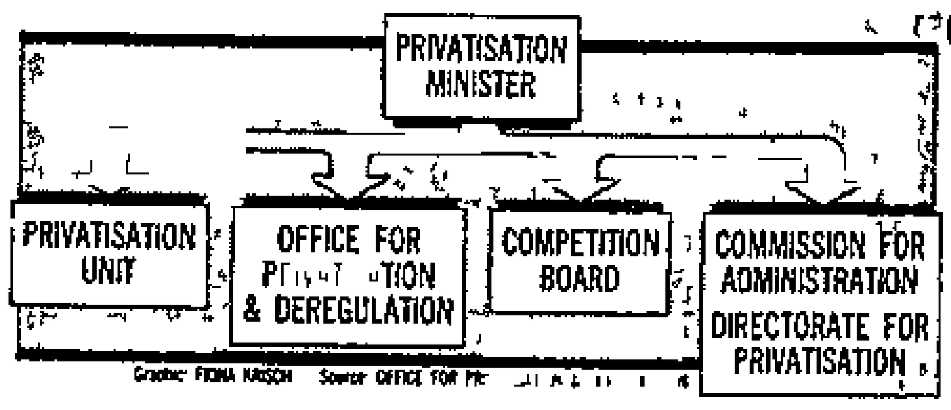
HELOISE HENNING

JUDGING by the activities of Privatisation Minister Dawie de Villiers's department, Iscor might be the first of the major state corporations to be privatised next year, followed by Alusaf, part of Sats and Foskor.

Government has now appointed its own advisors to assess Iscor's likely release from the state fold. This is an advanced phase, since Iscor has completed its own exercise in making recommendations to the Cabinet

Iscor's management, presenting its results to the Press last week, appeared confident about meeting investors in the market place

De Villiers said earlier this month he would present a timetable for privatisation early next year.



SA's privatisation doyen, Wim de Villiers, is working hard at finalising his report on Posts and Telecommunications The report is expected to be more far-reaching in its recommendations than the document he submitted to government on SA Transport Services.

Eskom's final proposals to the Cabinet are understood to be almost ready. In spite of Eskom's healthy business structure, it is believed consumer interests could delay decisions on its privatisation

● To Page 2

Iscor looks set to take private route first

232 B/day 14/11/88

● From Page 1

Meanwhile, the corporatisation of Sats is taking shape, with legislation being prepared for Parliament early next year

Inherent problems with the loss-maker's rail commuter services and SAA's international services may keep it from private investors for the time being The profitable long-distance passenger-bus services could be the first to be sold off

The privatisation unit, headed by merchant banker Pieter van Huyssteen, who was seconded from Finansbank, is primarily responsible for investigating Eskom, Iscor, Foskor, Sats and Posts and Telecommunications.

The directorate for privatisation in the Commission for Administration is responsible for investigations into central government services But so far no headway appears to have been made in privatising services such as forestry, water resources and holiday resorts.

The National Co-Ordinating Council for Local Authorities, under chairmanship of Cape Town's town clerk Stanley Evans, has a sub-committee giving attention to redrafting legislation on the remuneration of town clerks Their salaries are currently linked to the size of municipal budgets, giving no incentive to privatising their activities

This committee, which includes a member of the privatisation unit, is also looking at contracting out other services under provincial control, such as laundry and catering services in hospitals, and refuse removal

The two Industrial Development Corporation subsidiaries much spoken about as candidates for privatisation are Alusaf and Foskor

IDC, which holds 72% of Alusaf shares, announced it had initiated steps to reduce its controlling share in the business This could involve the sale of its shares to other shareholders and not necessarily a flotation

Swiss aluminium company Aluswiss holds 22% of the shares, while Hulett Tongaat group's Hulamin, Sanlam and Southern Life hold the rest

Alusaf MD Rob Barbour said negotiations for the sale of shares were not in his hands but with the IDC

"Effectively it means there might be a new board and new chairmanship at the end of the deal," he said

Although Foskor last week published strong results boosted by the international price of phosphate rock and copper — one of its by-products — it apparently needs to firm its local pricing before it can be offered to the market

232 Star 14/11/88

Privatisation boosted in ambulance crisis

By Shirley Woodgate, Municipal Reporter

The obvious solution to the crisis in Johannesburg's ambulance department is a vigorous programme of privatisation, according to Mr Klaas de Vries, director of the longest running private professional ambulance service in southern Africa

His comments follow a report by the city's Fire and Emergency Department that delays and backlogs are commonplace, the ambulance service is understaffed and overworked and an investigation has been launched into minimum requirements to keep the essential service running

The crisis exists despite repeated appeals for help from the Transvaal Department of Hospital Services, which took over control of Johannesburg's ambulance operation in 1981

Mr de Vries said there was no doubt a privatised service would be more cost effective and productive. And it would relieve the Government of millions in subsidies

"The user pay system would in the long term remove the burden from the general taxpayer to the individual But under the present system not only does the Government pay an 80 percent subsidy to the ambulance department but the patient also recovers that amount from his medical aid in what amounts to a misuse of public money.

RICH

"In addition, private patients who can afford the costs are using subsidised ambulances."

He added that with more than 400 medical aid schemes in the country, few patients would be unable to claim The proposed system would not exclude blacks of whom about 85 percent were covered by medical aid

"We would like to see the provincial authorities retaining its emergency service, for instance bomb and accident rescue work, with patient transport left entirely to private firms," he said

CAPE TIMES 15/11/88 (SEC 13)(SEE 232)

Anglo employee share plan 'trivial'

Own Correspondent

JOHANNESBURG — The Anglo American employee share ownership plan (ESOP) introduced last year, the largest in SA history, was a "trivial" endeavour, US-based ESOP specialist Norman Kurland said yesterday

Kurland arrived in SA at the weekend on a two-week mission to popularise ESOPs, which, he believed, were the only basis for transcending the racial, economic, political and class barriers which exist in SA

He said the Anglo planners had ignored the most important requirements "Don't do it in a tokenistic way, and don't alienate the trade unions, which enjoy the loyalty of their people"

Kurland said yesterday he planned to concentrate on talking to labour and community leaders They could play a statesmanlike role in bringing genuine economic empowerment to their followers, and such schemes were most likely to succeed if initiated by them

Genuine employee share ownership, through leveraged buyouts, offered a third alternative to traditional capitalism and socialism, neither of which had sufficient moral framework.

He believed his ideas contained the basis for overcoming the scepticism and hostility displayed thus far towards ESOPs by union leadership, and was convinced sufficient foreign capital for such ventures would become available if union leadership asked for it

He said for an ESOP to be meaningful required employee ownership of at least 20% to 40% of equity

He cited a US employee-owned firm, Allied Plywood, where monthly and annual bonusses, based on profits, have amounted to up to four times employees' annual wages

In such cases, said Kurland, workers had become disciplined by self-interest in terms of productivity and wages, because they received immediate benefits from increased profits

PO to go private

Sowetan 15/11/88 232

PRIVATISATION of South Africa's postal and telecommunications services was the most significant step that could be taken to improve them, the Postmaster General, Mrs Johan de Villiers, said yesterday.

Opening a conference on telematic services in Cape Town, Mr de Villiers said the Department of Posts and Telecommunications was committed to privatisation "as soon as humanly and practically possible" and the first visible steps towards this goal should be taken next year.

INDUSTRY

Argus 15/11/88 232

Bumper Barlow profits

By TOM HOOD
Business Editor

SHARPLY higher profit margins and export earnings helped Barlow Rand, the country's largest industrial group, to push its operating profit above R2-billion for the year to September — a surge of R604-million or 43 percent to R2 022-million

Margins increased from 8,6 to 9,5 percent Improved margins were reported by all listed industrial subsidiaries and the unlisted interests also achieved strong advances.

Operating profit in the second half reached 54 percent against 30 percent in the first half, Barlow reported today

R742-M PAYOUT

Group turnover rocketed by R4,6-billion to R21,2-billion, a 28 percent increase and ahead of the 23 percent improvment in the first half.

Profit exceeded analysts expectations and topped R1-billion after tax for the first time, rising 39 percent to R1 324-million

The payout to ordinary shareholders will take R742-million, a rise of 39 percent, while another R582-million (up 40 percent) will go to outside shareholders in subsidiaries and to Barlow's preference shareholders

The taxman stepped up his haul by 52 percent, taking R640-million after R421-million a year ago

Rand hedge income represented 32 percent of earnings in the form of income earned on exports and of income from overseas investments Bibby, the major overseas investment, contributing about 10 percent of earnings.

In addition, other subsidiaries have interests overseas.

Exports represented about R2-billion of turnover, an increase of 26 percent on the previous year

While the rand's depreciation was a major factor in this increase, deputy chairman Mr Derek Mr Cooper says it includes real growth

Industrial operations, particularly the wholly-owned companies, had an exceptionally good year, posting an aggregate 64 percent increase in taxed profits compared with last year's 73 percent.

This sector benefited from major investments in new ventures and the updating and replacement of existing projects as well as the ongoing drive for productivity, say the directors.

Food and pharmaceutical operations continued to perform well while the international division achieved a better second half following the disposal of its US-based printing and packaging interests

Exports played an increasingly important part in the performance of many of the component companies, helped by the weakness of the rand in relation to most foreign currencies

Wholly owned subsidiaries reported a 55 percent increase in bottom line profit

Within this category the building materials, steel and paint division surged 86 percent while earthmoving, motor and appliances advanced 79 percent

Mr Cooper sees strength coming from many areas, including overseas interests, food, mining and activities related to house building in financial 1989

DIVIDEND YIELD

Areas threatened by a slowdown include motors, appliances and paint But he says that even these will make a positive contribution to earnings

Barlow's shares have risen steadily in recent weeks from about R23,00 at the financial year-end to about R26,25, at which level they yield 15,5 percent on the new earnings of 408,2c, equivalent to a price/earnings ratio of 6,4 while the 130c dividend yields 5 percent

Barlows posts 39% increase in profits

Cape Times 15/11/88

By BRUCE WILLAN

INDUSTRIAL giant Barlow Rand has continued its growth in real terms and posted a further 39% increase in attributable profits to R742,1m (R496,5m) for the year-end September 30.

Earnings per share leaped by 37% on an increased number of shares in issue to 408,2c, compared with 297,3c, while the final dividend, of 91c, brings the total to 130c for the year.

This is a 30% increase on last year's 100c.

Group turnover sailed past the R21bn mark to reach R21 178,8m (R16,53bn) — a 28% improvement on the 23% increase recorded at the half year.

Operating profits reached 54% in the second half of the year compared with the 30% recorded in the first half, while margins rose significantly from 8,6% last year to 9,6% this year.

Investment income increased by 30%, bringing pre-tax profits to a 44% higher R1 940,7m for the year.

Interest paid climbed 25% due to higher rates and borrowings, but debt remained at a low level of 31% of equity compared with 27% last year, and is adequately covered 6,7 times.

This performance in growth by the group more than matches the confidence expressed in the interim report that "earnings growth should be sustained for the full year".

The group said virtually all sectors contributed to the improved results, with mining recovering strongly in the second half.

The industrial operations, particularly the wholly-owned companies, had an exceptionally good year, posting an aggregate 64% (73%) increase in taxed profits.

This sector benefited especially from major investment in the recent past, in both new ventures and the updating and replacement of existing projects, as well as from the ongoing drive for productivity

Nellie's owners aim for the top

CAPE TIMES 15/11/88

232

Staff Reporter

THE new owners of the Mount Nelson are determined to spend up to R10 million to transform Cape Town's landmark hotel into one of the top 10 hotels in the world

And in Cape Town this week from the UK to oversee a year-long refurbishment and upgrading process is Mr Colin Bather, managing director of Venice Simplon Orient Express Hotels

"We want the Mount Nelson to take in its rightful place among the top hotels internationally — and to be the best in South Africa," Mr Bather said

In August this year an international consortium based in Bermuda, Sea Containers Ltd, paid the former owners, the British Commonwealth Company, R25 million for the distinctive pink-facaded landmark Orient Express Hotels — who took over the operating contract on the Mount Nelson two weeks ago — is a subsidiary of Sea Containers Ltd

The new owners aim to promote their latest acquisition and Cape Town in a major world tourism drive

The deal between the two British firms also included the Helmsley Hotel and several other prime real estate properties surrounding the Mount Nelson

"We operate a specialist chain of eight exclusive, luxury hotels," Mr Bather said "The Mount Nelson is the ninth" The company owns and runs three hotels in Italy, two in the UK, one in Portugal and two in the US

He said his company — which also runs the famous Orient Express, the train which ferries the rich in opulence from London to Venice — had bought the Mount Nelson because it had the "history and character" to rank with the world's best

No large-scale changes were envisaged

"The basics are all there We will be refurbishing and upgrading the hotel, as well as adding another 48 rooms

"All the world's great hotels are a bridge between the local community and the world This is what we aim to establish here"

The established atmosphere will be enhanced, according to Mr Bather, "to ensure that our existing customers will want to come here"

Privatisation of postal services is on the cards

Star 15/11/88

232

Own Correspondent

CAPE TOWN — Privatisation of South Africa's postal and telecommunications services was the most significant step that could be taken to improve them, the Postmaster General, Mr Johan de Villiers, said yesterday.

Opening a conference on telematic services in Cape Town, Mr de Villiers said the Department of Posts and Telecommunications was committed to privatisation "as soon as humanly and practically possible" and that the first visible steps towards this goal should be taken next year.

The department was to be restructured and divided into business units to improve performance by increasing the responsibility and accountability of staff, Mr de Villiers said

"The next step will be the establishment of a government-owned company or companies, which will later be privatised, provided satisfactory business results are achieved," he said.

More than 600 people, including British, West German and French telecommunications experts and officials, are attending the conference on computer-related services.

Mr de Villiers said the biennial conference would inform the department's clients of current and future events in South Africa and other countries

Mr de Villiers said the department had recently improved its triple-X service, used in inter-computer communication, by doubling the speed at which it is operated with improved error correction.

This service could also be used for Beltel customers who were far away from Beltel centres, reducing costs and improving data transmission quality

A new service, Diginet-plus, involving point-to-point digital communication, allowed customers to lease circuits which operated much faster than those previously available

Another innovation was the modernised network control centre for data communication services established in Cape Town to deal with clients' data problems.

Mr de Villiers said the demand for telex had reduced somewhat. In line with the worldwide trend this had been brought about mainly by the growth in facsimile transmission

The demand for teletex was on the increase but the high cost of terminals had effected the growth of the service.

Telegram services, the oldest of public communications medium, had been fully automated.

Beltel was problematic but the department had every intention of improving the situation

"We are determined to provide an acceptable Beltel service, irrespective of what it takes," Mr de Villiers said

'Privatise, but involve blacks'

Bdey 16/11/88 (232)

HELOISE HENNING

IF PRIVATISATION was to succeed as a reform process in SA, black enterprise had to be be involved from the start, SA Black Taxi Association (Sabta) president James Ngcoya said yesterday.

Reacting to recent reports on privatisation in Business Day, Ngcoya said SA was taking its cue from the UK where privatisation was primarily an economic exercise with social overtones.

"In SA privatisation must be an economic and social exercise with political overtones — in other words it must be part of the reform process in its fullest sense."

Ncgoya said blacks were uncertain about government's motives in its economic reform, and were also suspicious of established business's intentions with regard to emerging black entrepreneurs.

"A recent survey by the SA Foundation concluded that attempts to convince blacks of the merits of the free market by intellectual argument alone were 'doomed to expensive failure'."

Ncgoya called for positive action. Black enterprise had to be be involved in privatisation from the start if economic reform was not to be viewed with suspicion and misunderstanding, he said.

232 B/day 16/11/88.

Office for Privatisation likely to act

Call expected for tenders to look at Foskor's potential

HELOISE HENNING

THE Office for Privatisation is expected to publish an advertisement soon for tenders from managerial consultants and merchant bankers to investigate the feasibility of Foskor's privatisation on government's behalf.

This follows the submission by Foskor to government of its own report on its possible privatisation A final decision by government will be made once its own investigation is complete

This is an advanced stage in the privatisation process. The only other government corporation that has already gone this far in the process of privatisation is Iscor

The decision to advertise for consultants to tender is believed to have been taken by a panel consisting of representatives of the Office of Privatisation, the Privatisation Unit, the Treasury and privatisation specialist Wim de Villiers.

The panel is an innovation by Privatisation Minister Dawie de Villiers for the privatisation team he has appointed

It has been authorised to consider tenders, a speedy system which bypasses the red-tape of the Tender Board.

Foskor MD John Stanbury has said that Foskor, a statutory company, would be ready for privatisation when the international and local fertiliser price firmed and the JSE was out of its bear phase. He estimated that would be within three years

Foskor reported improved profits at the June year-end, published last week.

However, analysts have expressed the fear that its good results were attributable to the strong international copper price — a by-product of its Phalaborwa mining operation and export of phosphate rock.

It would be precarious to rest the company's profit strength on a volatile international metals market

The local pricing of phosphate rock was still too low, one analyst said This needed to be firmed to contribute to company profits before privatisation was viable.

Jaqhold in R29-m buy-out deal

Star 17/11/84 (232)

Jaqmar Holdings (Jaqhold) has acquired Teconit Sales and Twoway Clothing for R29 million.

Payment has been met by the issue of 47,5 million shares at 61c

The Aboo family consortium of Louis Trichardt acquired control of Jaqhold, a DCM-listed company July last year. Jaqhold will be changing its name to Abhold Limited to reflect the its new character. Approval has been granted by the JSE for Abhold to be listed in the clothing, footwear and textiles sector.

Jaqhold, assuming the incorporation of Teconit and Twoway and the disposal of Jaqvest, had pro forma earnings a share of 31c in the 14 months to end February It has forecast earnings of 47,5c and a dividend on a 2,5 times cover of 17,5c a share for period

Pre-tax operating income is put at R8,1 million and attributable income at R5,9 million — a growth of 60,3 percent. At 61c, the share will be on a prospective P/E ratio of 5,1 and a dividend yield of 7,2 percent

The issued share capital is to be increased to 53,8 million, which will be consolidated on a one-to-four basis to give an issued share capital of 13,5 million.

Star 17/11/88 (232)

Black suspicion highlighted by Nafcoc's Negota

By Michael Chester

Even more than a decade of debate about the virtues of the free enterprise system had failed to win over the universal support of black society, Mr George Negota, of the National African Federated Chambers of Commerce and Industry, told the conference

The implementation by big companies of controversial clauses in the new Labour Relations Act, such as clearance to sue trade unions, was bound to cause more severe damage to the image of free enterprise as an economic philosophy, he said.

An escalation in attacks by companies on the Congress of South African Trade Unions and the National Council of Trade now threatened to cause deeper alienation among blacks towards the system

The prevailing poverty inside black communities was seen as a failure of the free enterprise ideology to cater for the needs of all citizens Poverty was also attributed to government policies — "and the government is seen as in cahoots with the private sector"

"The two are coupled as bad players in a political and economic scene that has delegated blacks to the back seat of the economy," he said

Since blacks had no real access to loans from the financial institutions to take full advantage of deregulation and major business opportunities, privatisation would only serve to increase the economic power in the hands of the whites

Deregulation was bound to be seen not as serving the interests of black business but rather as an opening of doors by the government to white business to enter black business areas

"We cannot therefore condone the activities of white business in building shopping complexes around black townships The truth remains that it is black business that is targeted for suffering

"Only big business with massive wealth will develop — and extend their influence by swallowing black business

"Deregulation and privatisation, without money, will not make blacks better off"

Datakor posts 85% higher earnings

Cape Times 17/11/88

232

JOHANNESBURG — Datakor has reported attributable earnings up 85% to R6,27m (R3,4m) in the six months to September 30

During this period Unisys SA was acquired and its results for three months are included

An interim dividend of 2,5c was declared

Turnover increased by 212%, from R42,7m to R133,5m.

On a weighted average of 96m (46m) shares in issue earnings per share increased by 14% from 5,7c to 6,5c

Although actual EPS over the six months to September 1987 was 7c, this included non-recurring interest earned on funds from the public offer

Chairman and CE Nic Frangos says that the acquisition of Unisys has been a critical factor in the long-term growth of the company

He said "Because of increasing international isolation there have been attempt in the industry to whitewash the effects of this isolation and to project home-grown technology as adequate for our needs

"Although local development is an important factor in the present climate, for the foreseeable future global technology will be driven by industry leaders such as IBM, Unisys and Dec

"Unidata has produced good results since its acquisition on July 1. Its excellent customer base, highly skilled personnel and access to world technology have significantly strengthened the foundations of the company

"Joffe Associates has moved from a R17m company two years ago to become a major player in the office automation marketplace with turnover expected to be in excess of R100m

"Sankorp, the industrial holding arm of Sanlam, now has a controlling interest in Datakor and has significantly increased our financial muscle"

Frangos said that the associate companies, which include Mast Holdings, Jasco Electronics and Dimension Data, had all produced good results — Sapa

Tongaat lifts earnings 43%

CAPE TIMES 17/11/88

232

By BRUCE WILLAN

FOLLOWING last year's 90% increase in earnings, the Tongaat-Hulett (Tongaat) group has hoisted earnings attributable to ordinary shareholders a further 43% to R73,46m for the half-year ended September 30

Shareholders can once again be satisfied with a superb performance with earnings per share of 99,5c compared with 69,8c for the same period last year

The group has posted after-tax profits of R76,58m (R54m) on a turnover which is 25% up at R1,62bn on improved margins of 9,9% (8,6%).

As a result of the improved performance, the directors have increased the interim dividend by 28% to 23c (18c)

The directors say the improved results reflect the benefits of the group's investment in contra-cyclical industries with the increased earnings of certain divisions more than compensating for the the decline in others

Group borrowings have been reduced to R482m compared with R497m for the same period last year

However, due to the seasonal nature of the group's agricultural operations, borrowings are expected to be reduced to R290m by March 31, 1989

The directors are confident earnings for the full year should exceed 200c in spite of the higher interest rates and the recently announced import surcharge, both of which are likely to impact on the economy

The sugar division has benefited from the improved world price and will increase its contribution to group profits this year although the half-year results are based only on estimated earnings for the division

Strong demand and improved margins helped the building materials division improve significantly

The aluminium division again produced shining results from increased turnover and improved efficiencies

Difficult market conditions kept returns from the food sector at a similar level to last year, while the starch and sweeteners division experienced a decline in margins and turnover with the trend expected to continue

The textile division has also experienced difficult trading conditions but the market is expected to improve although contributions to the group profits are expected to be slightly lower

Since the half year-end, Tongaat has disposed of two operations — Supervision Cleaning Services and Hultrans although the sugar transport operation has been retained

Scene set for privatisation — MD

Sats to stand on its own feet by 1990

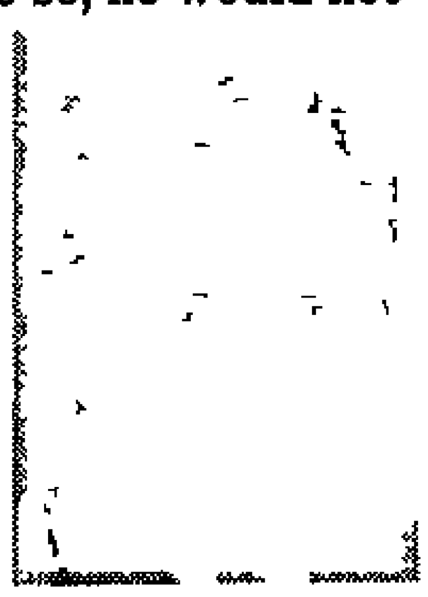
17/11/88

CHRISTOPHER TUCHER

BY APRIL 1990, Sats would stand on its own feet, accountable for profits — and taxes — like any other business undertaking, Sats MD Anton Moolman said yesterday.

He told a National Association of Private Transport Operators conference "We will have to make a profit"

Should Sats fail to do so, he would not want to be bailed out by government. "That is the axe that should hang over management's head"



● MOOLMAN

The 1 000 most senior staff members had been required to give up security of tenure and now could be fired at will.

Sats incurred total losses of R923m in 1986/87, before government subsidies of R751m A Sats spokesman said the results of this past year — to be announced next week — would be an improvement, but in spite of a R452m subsidy from government, Sats would remain in the red.

Commuter services accounted for most of the losses (R628m in 1986/87).

Moolman said the new Sats would treat commuter services as a "totally separate entity" — a service rendered to government for a fee

As there would no longer be the need for Sats to look after the development of the economy, uneconomic services would be phased out

However, Sats would not require every branch line in its rail service to cover costs Moolman said "We must be careful not to cut off too many branch lines, else the main lines dry up."

The new Sats, as an "institutional company", would shoot for a 50% gearing rate Government loans of R1,4bn would be converted into share capital, and additional shares sold to public investors and Sats employees

Moolman said "This is not privatisation, but it sets the scene for privatisation"

Once Sats was structured as a corporation with share capital, it would become easier to privatise

Cross-subsidisation between Sats services — rail, road, air, harbour and pipeline — would be limited Moolman envisaged five autonomous business units competing in a friendly way

The road-rail concept — whereby containers were moved by truck and train — would be expanded to address new markets such as overnight and door-to-door delivery

Moolman said "We will focus on the big clients That is where the money is We can send a semi-trailer from Johannesburg to Cape Town cheaper than a road carrier."

Sats road transport, a traditional loss-maker, would have to become profitable.

Bus Time 17/11/88

Amcoal deal approved

232

JOHANNESBURG — Anglo American Coal Corporation's (Amcoal) acquisition of minority interests in Vereeniging Refractories (Verref) has been sanctioned by the Supreme Court

At a meeting of ordinary shareholders on November 8, 98% of the Verref minority shareholders voted in favour of the scheme. This excluded Amcoal's existing 67% holding in Verref.

In terms of the scheme, Verref ordinary shareholders have a choice of accepting 1 625c in cash for every share, or they can acquire Amcoal shares in the ratio of 36 Amcoal shares for every 100 Verref shares They can also take a combination of the two

The rationale behind the scheme to delist Verref was to strengthen Amcoal's hand in expanding Verref

Some analysts questioned the amount of the cash offer, as 100-year-old Verref's assets had never been revalued and net asset value was thus considerably higher than reflected

However, Amcoal justified its scheme by stating that Amcoal earnings growth was susbtantially higher than Verref's In the event Amcoal's attributable earnings rise of 50% to R75,1m in the six months to September, against Verref's 12,7% increase in interim earnings to R5,4m, sustained the weight of this argument

Black small businesses need deregulation boost

S ter 18/11/88

(232)

By Michael Chester

Pressures for the removal of regulations that hinder the launch of black small businesses were reinforced in Johannesburg yesterday by Dr Pierre Brooks, chairman of the Competition Board and watchdog over monopolies and restrictive trade practices

Dr Brooks told a conference called to examine ways of bridging the gap between big business and the informal sector that wide-scale deregulation now had to be considered of paramount importance in boosting the degree of competition in the business world.

More competition was vital in a business environment characterised by unusually high levels of economic concentration, he said.

"What we should be aiming for is an imaginative removal — on a predetermined priority basis — of unnecessary impediments in the path of the small businessman to achieve dramatic improvements in the field of business enterprise law."

Dr Brooks said it was clear that barriers to entry into the informal business sector were sometimes not the result of State regulations but resulted from purely commercial factors

(232)

MINORCO

Pride and prejudice

New-look Minorco continues to make an impact but some question its abilities

There are two ways of looking at Minorco's tightening of the ratchet on Charter Consolidated — neither of them mutually exclusive

If nothing else, last week's boardroom reshuffle at Charter shows that Sir Michael Edwardes means what he says when he talks of converting Minorco from a passive investor to an active manager

It also illuminates some of the other avenues open to the new Minorco chief executive (and now Charter chairman), whose options include tighter control of both Johnson Matthey and Cape Industries

Certainly, "passive" might well have described Charter's management of its own resources until now, never mind its relationship with Minorco Shareholders should have nothing to lose from Minorco's more palpable presence on the bridge

But in its voyage from passive to active management Minorco still has to negotiate its way around a large iceberg of its own choosing Its new policy swung abruptly and dramatically into action on the very day of Edwardes' appointment, when it made a £2,9bn bid for the largest of its investments — Consolidated Gold Fields (Cons Gold), where it owns almost 30%

With hindsight, the speed of Edwardes' first move was matched only by its underestimation of the obstacles involved — notably, but not exclusively, the ability of anti-SA sentiment to move everybody, including a Tory government The bid has since foundered on a variety of sandbanks, including a reference to the Monopolies and Mergers Commission, a European Commission inquiry and court action in the US

Though the hostile part-paper offer lapsed on referral, Minorco, perhaps wisely, has not opted for the discretion of retreat It is cooperating with the commission in every way it can, and has indicated its eagerness to pursue Cons Gold if and when it gets the green light

A beckoning green light, however, is by no means certain to appear The bid was referred on the most tenuous of competition grounds Trade Secretary Lord Young claimed that the concentration of the two groups' titanium and zircon interests was a matter for concern

But, as almost everyone else points out, these two commodities are available worldwide in positively cornucopian abundance Minorco and Cons Gold together would control 3% of supply And Minorco has shown itself only too happy to dispose of the offending interest

Young, thus, was clutching at the slimmest of competition straws to justify a referral made, in reality, on political grounds The government would not compromise its free market principles to prevent, say, Rowntree falling into the Swiss hands of Nestlé But the takeover of a large UK company by interests widely perceived as South African might create too painful a rod for the Tories' back

So if the government has bent backwards so far, and so visibly, to secure a reference, it is more than likely to hold its course and engineer a permanent blocking of the bid

Enter Minorco scenario number two Minorco is in fact hedging its bets on a Cons Gold green light and is lining up Charter as the vehicle for a second, no doubt higher, offer

On the face of it, UK-registered Charter as bidder would indeed be a more acceptable creature — both to the authorities and to the City The fact is that a UK company would neutralise not one but two objections in the Square Mile to Minorco's provenance

The City, trailing the fashion as ever, has only lately seriously started to disfavour SA corporate connections, but Minorco inspires suspicion on another score It is a Luxembourg company While the institutions would have had no scruples about accepting even a Luxembourgoise offer — all in cash — they were offered no such luxury Paper from the duchy seems less attractive

The problem with the Charter gambit is that it only shifts the problem by one remove With its present 36% of Charter, and now management control, Minorco would still be in the forefront, and with it, by implication, Harry Oppenheimer and Anglo American Had the move been made by Charter in the first place it might have enjoyed more success, but the gaff is blown

These and other perceived misjudgments by Minorco have done nothing to raise City confidence in its management The choice of Edwardes himself as chief executive raised more than a few eyebrows After a succession of short-lived posts as company doctor — since his time at British Leyland — Edwardes has come under fire for his impetuosity and aggression One respected City mining analyst last week went so far as to describe him as a "dangerous little man"

Edwardes' gratuitous reference to a recent meeting with Lonrho's Tiny Rowland — over and above Rowland's much publicised

Lonrho's Rowland . . . fuel for the rumour mill

dinner with Harry Oppenheimer — to discuss the Cons Gold stake, obscured rather than clarified matters It also needlessly pushed up Cons Gold's share price on hopes that Rowland would buy the stake and make his own bid

It may seem unfair that Minorco's origins, like a leper's bell, still distract overseas investors from its potential Yet that is something it will have to live with, perhaps more than less so, in the years to come

The company has let it be known that it wants to reduce the SA presence on its share register to below 20% within the next five years We shall have to wait and see whether this will cause current perceptions to fade

232 FMM 18/11/88

What is certain right now is that Cons Gold-type hostility will hamstring Edwardes' ambitions for more hands-on control of other investments In theory, Charter's 37,8% of precious metals house Johnson Matthey (which contributes nearly half of Charter's profits) gives it a platform for greater control

Johnson Matthey's hard-nosed Texan chief executive, Eugene Anderson, has been touted as a candidate for the top executive job at Charter — he has more than proved himself in his three years with the metals refiner But any move on Johnson Matthey's equity in the near future would be bound to raise more monopoly problems

Charter also has 74% of Cape Industries, which would be easier to consolidate One of the less likely theories doing the rounds is that Charter would sell its Johnson Matthey stake to specialist metals group Cookson (which already owns 6,3%) and then bid for Cape

Theories are many and easy to dream up in such a tangled situation These last represent little more than tidying-up operations Minorco's overriding ambition is still to create a new, cash-rich, offshore base for investment It wants to put more distance between itself and SA and, eventually perhaps, to provide an offshore base for much of De Beers

In the absence of Cons Gold or Charter there are other, more unlikely vehicles — Engelhard or the less than inspirational Inspiration Resources But it is clear that there are many abroad who don't want to let it happen in any shape or form To succeed, Minorco will require the utmost in ingenuity and tact Whether the present management can summon up the requisite dose of either remains to be seen

Edward Russell Walling

W/C ARGUS 19/11/88

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BUSINESSMAN OF THE WEEK

Senor Pepsi comes to town with gusto

By TREVOR WALKER
Business Staff

ARGENTINIAN Mr Juan Oteiza, the new man heading Pepsi Cola in South Africa, is determined to put the rumba and calypso back into the product

Pepsi sales dwindled away over the past four years and the disinvestment by Pepsi International and the conversion to a local franchise agreement pushed staff morale through the floor.

But peppy Juan, known as the "turnaround king" at Pepsi International, has emigrated to South Africa to start the "new regeneration' of Pepsi

Innovative

Mr Orteiza has had a wide-ranging career with Pepsi International as general manager Portugal, Puerto Rico, Colombia and Peru He was also director of finance South America.

He sees many similarities between his task here and the one he was landed with in Puerto Rico.

He hit 50 percent share in a stagnant market, an all-time record, through successful innovative consumer and trade promotions.

The increased profitability led Pepsi to sell the company to a group of local entrepreneurs.

When the Sowetan Investment Trust (Sitco) acquired the franchise from Pepsi when it pulled out of any direct involement in this country, Mr Orteiza who was then working as an independent consultant for the company, was sent out to prepare a status report.

Mr Orteiza said the slide in Pepsi South Africa had started long before Sitco took over and the refinancing of the operation eventually reached crisis proportions

He arrived at the beginning of this year and after two months reported that among many changes necessary, increased financial backing would be crucial to any improvement in business prospects

Charmed

After returning to his consultancy business in Argentina, he was approached by Sitco to return to South Africa to help with the implementation of his recommendations

He said he had been charmed by the lifestyle of Cape Town during the two months that it took to complete his investigations, and the decision to close down his consultancy operation and move to this country was easy.

"I think Cape Town is one of the loveliest cities to work in and the potential for Pepsi in the Western Cape is tremendous"

Pepsi worldwide was associated with music and this image would be extended in South Africa Music first, and later sport, would be how the product would be presented and numerous promotions had been put in place

The tie-up with Personal Trust, the small Cape-based investment trust company, had been harmonious and now that new senior management at Pepsi was in place, the company had merely to knuckle down to hard work in all aspects of its business.

Juan Oteiza . . . turnaround king.

The bottling plant at Epping is in full production and the place has come alive over the past few months

On a visit to the plant, just judging by the number of stacks of brand new pallettes, clearly things are fizzing.

Besides Pepsi and Diet Pepsi, the company produces the full range of Shani soft drinks, as well as Mountain Dew and Miranda. It has also introduced a replacement an international brand for Canada Dry called Evervess which comprises ginger ale, soda and tonic water

Pepsi is naturally the biggest seller and accounts for 45 percent of total sales.

Hoopla

"We have started our sales and promotional campaign and the carnival hoopla, dolly birds and all, and have started visiting stores to put Pepsi back on the shelves," Mr Oteiza said.

The radio, TV and press ad campaigns had already begun and the Pepsi logo would be displayed in as many unusual and aposite places as possible

The response from the major chain stores had been tremendous — "what we have to do is to convince the public that Pepsi is singing."

Sabta not opposed to taxi deregulation 'in principle'

OWN CORRESPONDENT (232)

Star 19/11/88

PRETORIA — The deregulation of transport and inadequate taxi ranking facilities in South Africa featured prominently in a meeting yesterday between the president, Mr P W Botha, and the Southern African Black Taxi Association (Sabta)

Sabta communications manager Mr Jabu Mabuza said the delegation, led by association president and vice-president Mr James Ngcoya and Mr Godfrey Ntlatleng, told Mr Botha that they were not opposed to the concept of deregulation

But he said Sabta was against the deregulation entailed in the White Paper

"Blacks will start at a disadvantage once the deregulation is implemented as it appears in the Paper," he said

The meeting took place at the Union Buildings yesterday and Sabta sent a delegation of nine members to meet the President

Mr Mabuza said the delegation also talked about inadequate ranking facilities in the country, the rate of accidents involving taxis and steps to be taken to remedy the situation

The President was positive in his approach and this raised expectations among the delegates, he said

COMPANIES

Argus 21/11/88 (80) 232

R67-m takeovers reshape Tollgate

By TOM HOOD, Business Editor

THE name of Tollgate is to disappear as the famous Cape company switches from a transport company to an industrial conglomerate with R1-billion turnover after spending R67-million on two major takeovers

Tollgate's chairman Mr Johan Claasen said the group was now soundly based with clear direction in basic consumer-orientated industries

"We see an exciting future ahead and plans are being formulated to expand Tollgate's operations within the sectors in which it has invested, but utilising its international listing

"Total consolidated group turnover will be nearing the R1-billion mark by the end of 1989 and we intend to become a major force in each of those industries in which we have invested"

The century-old transport-based Tollgate has been transformed in the nine months since directors of Duros bought control from the Pavlovsky family for R69-million

The name of Tollgate Holdings will soon change so as to more accurately reflect its chgange nature of business, says the managing director, Mr Hennie Diederichs

An application would soon be made to the Johannesburg Stock Exchange for a transfer of Tollgate's listing from transport to industrial holdings, he said

Tollgate announced at the weekend that it is to acquire 25 percent of the food group Gant's Holdings and 58,5 percent of the textile manufacturer Arwa

Mr Diederichs said future earnings are expected to stem from Transport and property 30 percent, textiles 25 percent, food 18 percent, engineering 15 percent, leisure and tourism 12 percent

"We are in the process of realising surplus non-income-producing fixed properties, mostly acquired from the United Passenger Transport acquisition, to the value of R26-million, which will be used to finance these acquisitions and reduce group debt"

The Grant's deal, worth R33-million, does not involve a change of control Tollgate will pay Lougant Holdings (Pty) R20-million cash and issue 4-million Tollgate shares at 325c a share, which is below the current price of 350c

The Gant family will remain controlling shareholder, but Tollgate is expected to play a major role in the direction and structuring of the group

Mr Diederichs said prospects for the food industry in general were promising Tollgate attached great importance to the value of the Gant's brand name

There was still ample scope for the company to capture an even greater market share in the future

"With its substantial export activities in its traditional and newly developed markets, our investment in the company can be viewed favourably from a rand hedge point of view," he said

For the Arwa deal, 9-million Tollgate shares will be issued in the ratio of 80 for every 100 Arwa and the offer will be extended to minorities

Arwa is involved in the manufacturing, dyeing and finishing of fabrics, production of hosiery, leisurewear and underwear, the texturising and dyeing of yarns, manufacturing of elastic, knitting of socks and the manufacture of ties

Tollgate acquisitions spell new direction

Star 21/11/88 (232)

By Sven Forssman

Tollgate's announcement at the weekend that it is to acquire 25 percent of Gant's and 58,5 percent of Arwa will complete the group's transformation from a transport company into a substantial industrial holding group

Mr Hennie Diedericks, MD of Tollgate, said the group would soon apply to the JSE for a transfer of its listing from transport to industrial holdings

It also intended to change its name so as reflect the changed nature of its business more accurately

Mr Diedericks said "Phase one of our restructuring is now complete and future contributions to earnings are expected to be generated from the following divisions in the approximate percentages transport and property — 30 percent, textiles — 25 percent, food — 18 percent, engineering — 15 percent, leisure and tourism — 12 percent

"We are in the process of realising surplus non-income-producing fixed properties, mostly acquired from the United Passenger Transport acquisition, to the value of R26 million, which will be used to finance these acquisitions and reduce group debt"

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The offer will be extended to minorities because there will be a change of control

Arwa is involved in the manufacturing, dyeing and finishing of fabrics, production of hosiery, leisurewear and underwear, the texturising and dyeing of yarns, manufacturing of elastic, knitting of socks and the manufacture of ties

Mr Diedericks said Arwa's strategy of vertical integration had been successful

"We believe that Arwa is now a major force in the SA textile industry," he said

New giant Tollgate to change name

ARGUS 21/11/88

By TOM HOOD, Business Editor

TOLLGATE, the century-old Cape company, is to change its name to reflect its transformation from a transport group to an industrial giant with a R1-billion turnover.

Two major takeovers by Tollgate costing R67-million are reported today and as a result only 30 percent of the group's business stems from transport.

"Two marketing men are working on a new name. We expect to make the change in January," said a director, Mr Mervyn Key.

(100/232)

"Hopefully it will be a name not far removed from Tollgate Unfortunately, many people seem to associate it with toll roads."

Tollgate's chairman, Mr Johan Claasen, said the group was now soundly based in basic consumer-oriented industries.

Tollgate's listing on the London Stock Exchange could be used for expansion, he said.

● See page 17.

INSIDE: Finance 16-17, Letters 18, Racing 20, Sport 21-22, TV programmes

HLH poised for further expansion

Star 21/11/88 (232)

Finance Staff

Hunt, Leuchars and Hepburn (HLH) have reported attributable income of R31,83 million for the six months to end-September

The group states that meaningful comparison between this interim and the 1987 interim are impracticable This is because the latest results include earnings from Bonuskor, which was taken over in April 1988

Earnings for HLH were 29,2c while an interim of 10c a share has been declared Turnover for the six months totalled R179,5 million

Group chief executive Neil Morris said "Each company in the group performed above expectations and we believe the improvement will continue into the second half of the year"

He added that the group, in addition to its cash resources, had substantial unutilised debt capacity, which placed it in a strong position to fund growth opportunities in all its operations

Mr Morris said HLH was no longer concentrating on the timber industry and plans to take advantage of further opportunities in the food and consumer product operations

Bolton boosts earnings 13,5%

CIT Tms 21/11/88

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JOHANNESBURG — Bolton Industrial Holdings (Bolton) lifted attributable earnings by 13,5% to R3,58m in the six months to August 31, 1988

The group's joint MD Brian Puchert said a particularly strong performance by Bolton Footwear, which posted a 33% increase in attributable income to R2,7m, was the highlight of the first half of the current financial year.

He was disappointed, however, with Cargo Carriers' marginal decline in earnings, a result of losses sustained on the two acquisitions in the past year

An excellent performance by the men's footwear division of Bolton Footwear, combined with the disposal of certain non-footwear activities were the main reasons behind the solid improvement in the subsidiary

Puchert noted that the profit growth on the footwear side was expected to continue for the balance of the financial year, although possibly at a slower rate than the first half due to a general slowdown in the economy

Turning to Cargo Carriers, one of the private sector's leading transport organisations, Puchert said that apart from the losses on the new acquisitions, the rest of the business had performed well in the period under review

Considerable sums continued to be spent on new equipment at Cargo as part of an ongoing programme to upgrade both the operating fleet and transport facilities With this about 75% complete, Puchert said Cargo was poised for further expansion

Bolton Industrial Holdings increased earnings per share to 69,2c a share from 61c in the corresponding period of last year, allowing payment of a 16c interim dividend

At Bolton Footwear the first interim dividend was set at 3,2c out of earnings up to 13,5c from 10,1c a share

Cargo Carriers declared a maiden interim dividend of 6c out of earnings of 23,5c a share

Looking further ahead, Puchert said considerable management attention was being applied to restoring profits in the new subsidiaries and improving productivity at all levels within Cargo Carriers

On the footwear side new products and franchise arrangements were continually being examined, while every effort continued to be made to improve both efficiencies and product quality. — Sapa

Nissan SA chairman Peter Whitfield has been appointed to the board of Karbochem

Johan Ras has been appointed deputy MD of Priceforbes Federale Volkskas's group development services

Business Report

C/T Times 21/1/88

Tollgate moves into major league

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From ARI JACOBSON

JOHANNESBURG — Tollgate Holdings has moved into the league of major industrial holding companies with its R64m acquisition of the Arwa Group and its significant investment in Gants

Tollgate, ending weeks of speculation, has confirmed it will pay an effective R33m for its 25% stake in Gants, to be bought from Lougant Holdings

Payment comprises a cash settlement of R20m and the issue of 4m Tollgate shares

The Arwa side of the deal, which gives Tollgate a 58,5% shareholding and control, will be settled by the issue of just over 9m Tollgate shares — worth about R31m at its current market prices

The 58,5% shareholding is currently held by the Claasen Trust, headed up by Tollgate chairman Johan Claasen

Payment to minorities will be in the ratio of 80 Tollgate shares for every 100 Arwa held

The increase in scrip will push Tollgate's issued shares from 24,8m to just over 37,8m

Had the acquisition been effective for the year to December, Tollgate's net worth would have been diluted to 286c a share from 402c

However, earnings would have risen 24,3% to 39,4c a share — assuming the R20m to Gants was funded by an 11,5% preference share.

Earnings for 1989 are expected to exceed 50c a share on its increased share capital.

Claasen says Tollgate is now soundly based with a clear direction in consumer-orientated industries

"Group turnover will be nearing the R1bn-mark by the end of 1989 and intends becoming a major force in those industries recently entered," he adds Although transport and property will still provide the largest chunk of future contributions to earnings at 30%, textiles (25%), food (18%), engineering (15%) and leisure and tourism (12%) provide a well-rounded industrial portfolio

In line with this, the company is planning to transfer from transport to industrial's on the JSE

The R33m stake in Gant's, leaves the Gant family as the controlling shareholder, while Tollgate will play a significant role in its restructuring and future direction, says Tollgate MD Hennie Diedericks.

"We always considered a substantial investment in the food-processing business a priority and attached great value to the Gant's brand name," said Diedericks

Referring to the acquisition of Arwa, Diedericks says that like the food processing industry, the high cost of entry and the increasing reliance on locally manufactured textiles ensures a profitable and stable market in the years ahead

"In the belief that the rand is unlikely to strengthen in the medium term, benefits will accrue to both these companies because of their export potential and the high cost of imports."

Surpluses of about R26m on fixed properties — mostly from the United Passenger Transport acquisition, will ~~aid sponsor~~ the acquisitions

Privatisation seen as lengthy task

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Star 24/11/88

By Roy Cokayne

South Africa should not be too impatient to see results from privatisation, says the Auditor-General, Dr Joop de Loor

He told an Pretoria Afrikaanse Sakekamer luncheon at the weekend that he did not know if it was the best choice to start with Eskom because it was a facilities company, had no shareholders and a decision first had to be taken about how such a big organisation could be privatised

But Dr de Loor said there were many other bodies that could be privatised and much work was being done at Sats, Posts and Telecommunications and other bodies

For example, he said, the first steps in this direction had already been taken at Sats, which had been separated into five business units

Sketching the success of privatisation in the United Kingdom, Dr de Loor said the Conservative government had accepted privatisation as part of its policy and the share of state organisations had dropped from 10,5 percent of gross domestic product (GDP) to 6,5 percent

He said it had also brought about a drastic improvement in the financial position of these bodies Five years after being privatised many of them were making four to five times more profit than they were previously

Dr de Loor said British Airways was running at a loss several years ago, but it was estimated that next year it would make a handsome profit

In addition, he said the British government had also experienced an enormous drop in demands on the Treasury The equivalent pf over a billion rand was claimed by these bodies in 1979, while only R300 million was requested this year, he said

Dr de Loor added that 20 large state bodies had realised about R70 billion when they were privatised and shifted 700 000 workers from the public to the private sector

It also increased the proportion of the population that owned shares from seven percent to more than 20 percent, he said

But Dr de Loor said it must be kept in mind that Britain under the previous Labour government had nationalised much more than South Africa and the Republic could therefore not denationalise on such a large scale

(232) B/day 24/11/88

Prescribed assets to be scrapped to fuel privatisation?

KAY TURVEY

THE need to free institutional funds for big ticket privatisation could well accelerate the long-awaited scrapping of prescribed assets, which compel life offices and the pension funds to invest in government and semi-government stock.

Given the withdrawal of foreign capital from SA, the life assurers and pension funds are the major reservoirs for the formation of capital, yet statutory requirements oblige pension funds to invest 53% and assurers 33% of their funds in government stock.

Fund managers argue that this obligation is expensive, ineffective and hinders their investment performance because yields on gilts and semi-gilts have been sharply negative for several years past.

In the expectation of long-rates moving higher in a climate of accelerating inflation and upward adjustment to the interest rate curve, institutions have been accumulating cash to meet their prescribed asset requirements

Institutional liquidity is high, currently estimated at around R32,6bn Because of limited new safe investment opportunities for this volume of funds — trapped within SA by exchange controls — the institutions would welcome investment homes created by privatisation

SA Mutual investment GM Johannes Van der Horst says "To force money into the public sector through prescribeds militates against privatisation in any form"

Life offices argue the time is ripe for the withdrawal of what they describe as an anachronistic requirement. They claim the imminent higher tax-structure for long-term assurers should, by providing additional revenue, pave the way for the abolition of prescribed assets

In addition, fiscal funding this year has been satisfactory, thanks to the added revenue from import surcharges and higher than anticipated minimum tax on companies and GST collections, so the need for substantial finances to cover the deficit is alleviated

Moreover, the objectives of the Insurance Act of 1943 — whereby prescribed requirements were introduced to protect policyholders — have become almost superfluous

The Stals Commission, which reported in June this year, found it would not be feasible for the authorities to prescribe uniform or solvency requirements to limit risk exposure when most institutions already use more sophisticated mathematical formula or computer models to evaluate their risk and portfolio compositions

AA Life MD Brian Benfield described prescribed assets as more detrimental to policyholders than protective He estimated they cost life policyholders between R500m and R600m a year in direct investment losses alone This excludes the indirect costs of administration by both life offices and the authorities, as well as lost opportunites, he says

In their 45 years of existence, prescribed assets have cost at least R30bn — or four times the national expenditure on defence — and equal to total long-term public debt, he says

Sanlam investment manager (pensions) Emil Boeke pointed out that prescribed investments have to be made at a rate of return which, in the long-term, does not compare well with returns expected and achieved on discretionary assets.

Boeke says studies of the Sanlam pension fund for the 10 years to April 1988 show these prescibed investments gave a return of 12,5% — against 33% on equities and 23% on property investments Measured against an average inflation rate of 14,5% for the 10 years, the return on prescribed assets is negative and their performance even worse than that for cash, which gave a return of 13,5%.

He says that owing to the underperformance of prescribed assets they have been widely viewed as an indirect tax The abolition of prescribed assets could well come as a trade-off for higher taxes The taxation of life insurance companies is currently under review, following the Margo Commission recommendations

Other insurers also see the scrapping of prescribed assets as tied up with their new tax structure

Life Offices Association PRO Jurie Wessels says that if government loses its relatively cheap form of finance through the abolition of prescribeds, it will obviously look to replace the funds — and this burden is expected to fall back on life assurers in some way

Van der Horst follows this *quid pro quo* line of thinking, but adds that to hinge the abolition of prescribed assets on higher taxation for long-term assurers can be seen as an admission by the authorities that prescribeds have acted as a certain form of indirect taxation

The De Kock Commission suggested government should still provide financial assistance to various socially desirable projects through direct subsidies voted by Parliament and not through the cheap financing of artificially engineered low interest rates, which have a damaging and distorting effect across the whole economy

Insurers point out that in other industrial economies, voluntary participation in the capital market readily finances budget shortages The difference in the UK or Germany is that low inflation allows public sector securities to offer competitive and positive interest rates

It is difficult to asses how much the artificial demand for paper has depressed rates and pushed up prices, clogging the market mechanism

Boeke roughly calculates yields on long-bond stock could rise between 0,5% and 1% if prescribed assets were abolished, but market valuations would fall sharply, creating book losses in the funds' portfolios if stocks were not held to maturity This militates against "fire-sales" of bonds when prescribeds are abolished

The withdrawal of prescribed assets is not likely to see wholesale liquidations of stocks on the capital market, as institutions will not only protect their investments but portfolios will continue to look to the low-risk, low-return government stock to hedge against market volatility.

Sanlam senior investments [illegible] Ronnie Masson believes the difference between a captive and free situation would not be that great, as institutions would still hold gilts [illegible] balance their portfolios, depending [illegible] the market situation

First National Corporate and Investment Bank senior Vice-President John Arnott emphasised at a recent pension fund conference that there was a place for interest-bearing investments in the portfolio of a self administered fund as a [illegible] against a negative performance [illegible] equities

He says it was interesting to reflect on the insulation prescribed assets gave to pension fund portfolios in the aftermath of last October's market crash. Many experienced only half the decline in total market value during the fourth quarter than they might have had if they had been completely committed to equities

The average return on the fixed interest portion of portfolios for the 12 months to June 30, 1988, was 11,8%, which — although below inflation — "was a useful lifebelt under abnormal circumstances"

The private sector is not alone in the pursuit for non-compulsory investments in the bond market Even the authorities, it seems, have tentatively come round to the idea that prescribed asset requirements should go, or at least should be modified

Finance Director-General Chris Stals, responding to speculation, says it was possible there would be changes next year, although they could take time, having to pass through Parliament

Reserve Bank Governor Gerhard de Kock told delegates at the recent Financial Mail conference this legislation was currently receiving attention

Requests by Registrar of Financial Institutions Theo van Wyk for life offices to assist in drawing up prudential investment guidelines have fuelled speculation

Speculation that prescribed assets are to be abolished may be rife on the capital market, but the message from the institutions is clear if privatisation is to go ahead, prescribed assets must go The question remains when?

Giant insurance merger

KAY TURVEY 24/11/88

LIFEGRO is to become a wholly owned subsidiary of sister company Momentum Life, which is to be listed on the JSE early next year.

The move, announced by the Lifegro board yesterday, is part of the planned rationalisation of Rembrandt's insurance interests and follows months of investigation and market speculation

UBS Insurance will not be included in the rationalisation at this stage.

Lifegro will be de-listed and its insurance business transferred to Momentum Life, which will acquire the entire issued share capital of Lifegro in exchange for new ordinary shares in Momentum.

The acquisition is to be implemented by a scheme of arrangement and values Momentum shares — to be split on a 10 for one basis beforehand — at R21 each and Lifegro shares at 200c. Lifegro was suspended at a low of 190c earlier this month Taking the split into account, 95 new Momentum shares will be issued for every 100 Lifegro shares held.

Research concluded that changes in the competitive environment had made it necessary for Lifegro to reposition itself strategically In particular, the infrastructure for acquiring and administering individual life business had affected Lifegro's profitability, says a Volkskas Merchant Bank announcement

● To Page 2

Lifegro and Momentum to join forces

published today

Lifegro's board concluded restructuring of Lifegro on its own was not viable and "its activities snould be rationalised with those of a well-run assurer"

The need to strengthen Lifegro's competitiveness was first highlighted in May when action was taken to address its management and operating problems, starting with the appointment of Blignaut Gouws, then MD of Momentum, as MD of Lifegro.

24/11/88

● From Page 1

Gouws, commenting on the merger, said the enhanced company would make considerable cost savings and synergistic benefits would be vast

He said the change was endorsed by the Rembrandt and Volkskas groups

Remgro and Volkskas, which each held a 30% interest in Momentum, on Monday acquired in equal shares the balance of Momentum's shares

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Privatisation powers growth — Minister

TO SURVIVE economically SA had to reduce the size of the public sector and keep its system of regulations uncomplicated and adaptable, Privatisation and Administration Minister Dawie de Villiers said yesterday.

● DE VILLIERS

Speaking at the Manpower 2000 conference at Unisa, Pretoria, De Villiers said SA had to pursue policies that would set people free from unnecessary restrictions.

Privatisation and deregulation were the only genuine and consistent locomotives of economic growth and wealth creation

Historically, the public sector in SA had played a disproportionately large rolé in the economy. This had reduced its overall efficiency, which meant SA had fallen behind in the international race.

It was a simple, inescapable fact that SA's economy could flourish only as

Business Day Reporter

part of the international economy.

De Villiers said "Failure in export markets is immediately translated into redundancies and retrenchments, which is further transmitted into related and supporting industries."

By encouraging a more efficient economy, privatisation indirectly strengthened employment.

He said the assumption that privatisation reduced job opportunities was incorrect.

"In a country like SA, where a great deal of economic concentration exists, privatisation can be used to promote a better distribution of resources."

Privatisation enabled workers to obtain a share in the firms where they worked, improving motivation and thus creating better profits and growth for the company itself

Referring to deregulation, De Villiers said that in a dynamic, fast-changing society, laws and regulations could quickly become dated, and in SA the developing character of the country had to be taken into account.

New legislation also had to take account of economic realities

Inflexible regulations inhibited the graduation of people from the ranks of the employed into the ranks of the employing

De Villiers said small businessmen faced many problems with regulations. If the system had defects, these had to be acknowledged and the necessary changes made

Self-criticism

"Self-examination and self-criticism are fundamental to government's policy on deregulation"

The policy demanded that laws and regulations be revised and evaluated so that they were in line with community needs.

De Villiers said "We can remain competitive in the international economy if we keep abreast of technological developments, improve productivity and make optimal use of all our resources, including labour.

"When the productivity of any factor is artificially limited, this exacts a terrible price in unemployment and lost opportunities We cannot afford to follow this course."

(532)

THE FM AND ANGLO

Smoke without fire

Beleaguered Consolidated Gold Fields, according to the London *Sunday Telegraph*, sees the *FM* as the "chimney of the Oppenheimer vatican" through which "telling smoke signals" pass Such beatification is not only rare, it is also rich. But it is wrong.

Apparently our article last week on the new-look Minorco under Sir Michael Edwardes gave rise to rumours in London of a rift between him and Harry Oppenheimer

The article reported surprise in the City at Sir Michael's appointment and recorded views there of his peripatetic nature, impetuosity and aggression For those who know him, none of this would be untoward. In short, if there were any implication, it was that he is no diplomat To read into that a suggestion of "coolness" between Sir Michael and Harry Oppenheimer is to stretch credulity to the limit.

Cons Gold appears to seek justification for its credulousness on the assumption of the *FM*'s being Anglo's instrument of indirect communication

In the 10 years or so that Anglo has fortuitously found itself in the happy position of indirectly controlling the *FM*, there has never been even covertly an attempt to influence editorial policy If anything, Anglo can more logically be indicted for the neglect of its publishing interests

Nor is the *FM* the fortunate repository of inspired leaks from 44 Main Street We are no favoured son More often than not we have been the corporation's critic, especially of the way it has run its industrial interests.

But, for the record, we have a high regard for Sir Michael's achievements We hope too that Minorco will acquire Cons Gold and believe that the obstacles placed before it are more fabricated than real If Minorco fails, the implications for business here — and for the country — are profound

For that would suggest other SA attempts to invest abroad will meet opposition If that happens, President P W Botha won't need exchange controls to despoil liberal business Lord Young will have done it for him ■

FINANCIAL MAIL NOVEMBER 25 1988

CAPE TIMES 25/11/88 232

Ovbel lifts profits by 47%

Financial Editor

OVBEL HOLDINGS lifted pre-tax profit for the six months to September by an impressive 47% to R3,3m (R2,2m). This was achieved on a 31% rise in turnover, to R111,4m (R85,1m).

A higher tax bill and minority shareholders' interest reduced attributable profits to R2,4m (R1,9m). But this was 27% more than in the first half of the last financial year.

Earnings at share level rose to 8,5c (6,7c) and the interim dividend is 20% higher at 3c (2,5c).

The net asset value has risen to 108,6c (102,2c) a share

Total borrowings are R19,6m compared with R17,4m at the same time last year but total assets have increased to R107,5m (R85,6m) a share

Ovbel, whose operating companies are residential property developer Bellandia, building and civil engineering contractor Ovcon and property developer Ovland, seems vulnerable to any downturn in the property market.

But financial director Justin Millar said yesterday that "prospects for the remainder of the year are encouraging".

Chairman Andrew Ovenstone confirmed that Bellandia and Ovcon had full order books and said profits still to come for work done in the first half had not been taken into account.

"We do not count money still owing to us as profits."

He expected the second half of the year to be "at least as good as the first

"We have a fair forward selling book for Bellandia and a fair slug of work for next year on the construction side."

Although economic conditions were unlikely to be as good next year, "I don't see our property investments being adversely affected at this stage".

Ovenstone said the group was "concentrating very hard on reducing our borrowings Our debt is within our target range but I would like to see it even lower"

However, he said, Ovbel also benefited from high interest received.

"In view of that our net interest bill is very small."

BUSINESSMAN OF THE WEEK

Demand for DIY sparks R15-m growth plan

26/11/86

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PG Wood

By DICK USHER
Business Staff

PG WOOD has a R15-million expansion programme planned for next year to keep pace with growing demand in the wood and do-it-yourself market

This growth has given the company a 35 percent compound growth over the past five years while turnover has reached more than R1-million a day

Leading the process, which has seen the company turned from an "all-time low" to a major contributor to group earnings, is managing director Durham "Butch" Watson Smith

He joined the company in 1963 as a buying clerk and by 1976 was Cape MD

In 1977 when he was asked to become national MD the group's wood division — apart from the Western Cape — was in dire straits, mainly from lack of clear direction

Employs

It now now employs about 1 500 people nationally, has 22 P G Wood outlets, 40 Timber City stores, has backward integration of laminates and chipboard through P G Bison and is about to build a new R2,5-million warehouse in Kuil's River and one in Springfield, Durban for about R4,5-million

Further growth is planned with a R750 000 operation for Oudtshoorn and a R500 000 expansion of the express warehouse in Germiston plus company owned Timber Cities in Blackheath and Nelspruit.

Allied to these is a R4-million upgrading of the company's computer network

The expansion is aimed at creating new facilities to supplement others which have reached their limits and to bring the company more firmly into growth areas previously serviced from existing outlets

All the new facilities will be custom-built for maximum productivity, a major consideration in holding down costs at a time when profit levels in the industry are under pressure

"We have to be super-efficient in this market because of the competition," said Mr Watson Smith

"There's easy entry to the market with lots of product discounting At the same time the customers want to buy better resist having to pay for service

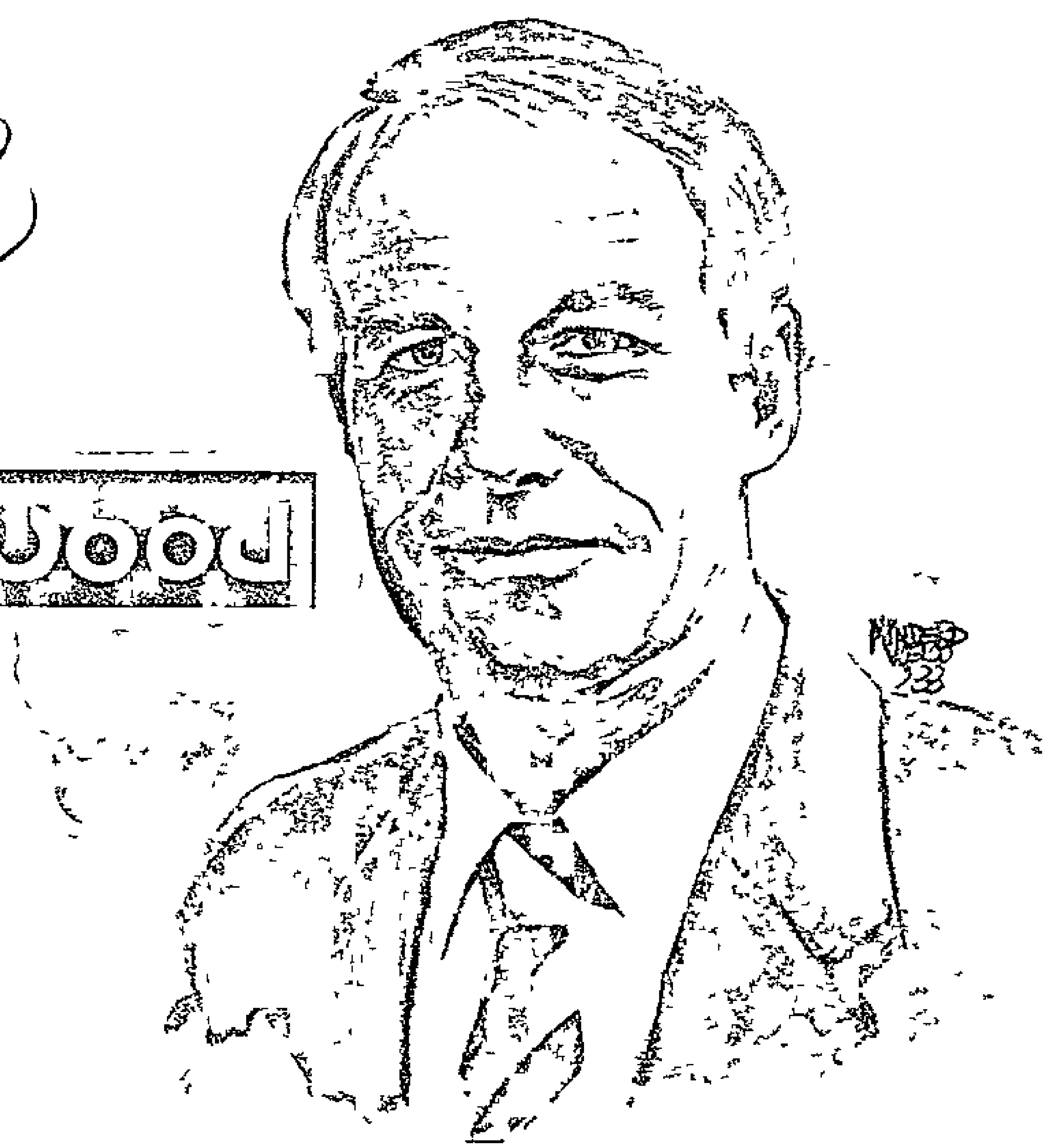
"Despite this pressure on margins our profit growth over the past five years has surpassed sales and we've picked up a couple of points of market share each year"

Success has been built on specialisation of product range, rationalisation of outlets and name, and capitalising on the growing do-it-yourself market

About 75 percent of P G Wood's sales now come from six main products, with a wide range of choices within each

This specialisation was a process Mr Watson Smith started when he was MD in the Cape, and helped the Cape division stay profitable when others were floundering but is also a continuation of company policy which started about 15 years ago with the creation of wood, glass and other specialist divisions

Along with the specialisation went rationalisation of name and image



Durham "Butch" Watson Smith . . . going for growth.

Advertising

"Before 1983 we had a whole mix of names, but by rationalising under one name we could get maximum benefit from advertising campaigns and services," he said

Moving into the do-it-yourself market through franchising Timber City outlets was another successful move that was a Watson Smith brainchild

Of the 40 outlets nationwide, 12 are owned by P G Wood and 28 are franchised, and the demand for franchises is so strong that the company has to limit those it grants

"We have to keep the number of new franchises to about 10 a year to safeguard service," said Mr Watson Smith

"They now contribute about R2-million annually and are popular because they give a small operator access to the biggest range of products on a 24-hour basis at market-related prices

"Plus they have the advantage of our advertising campaigns and advice from our experts

"For this franchisees pay a signing-on fee, a 2,5 percent loyalty fee and 2,5 percent for advertising We supply them with all their merchandise and are on hand with advice and new products"

(See Page 5)

money is the best way to dampen ...

GMT 7/4/FS 28/11/88 232

Shell to raise stake in timber

JOHANNESBURG. — Shell SA, which began its diversification into timber in 1985, has plans to buy up as much forest land in northern Natal as comes on the market, said forestry division GM Terry McCulloch.

He said if long-term timber prices failed to rise, the oil giant would consider opening a mill of its own.

"In the long-term, we will not be satisfied just growing timber. The returns are simply too unattractive."

Profit is to be found in saw milling or in the production of pulp and paper, he said. Given sufficient volume, the export market could also be attractive.

Sappi MD Eugene van As denied that timber prices were too low for forests to be profitable.

He estimated that hardwood prices had risen 24% annually in the last three years.

Although Shell still remains a small player in the timber business, in the course of 1988 it has added 1 000 ha to its land holdings in the Kwambonambi area of Natal, bringing the total to 9 000 ha.

Sappi and Mondi expressed little concern over Shell erecting processing facilities. "I can't see where they are going to get the wood," said Van As.

TAKEOVERS

ARGUS 28/11/88

New rival for Top 3 life offices emerging

232

From MAGNUS HEYSTEK

JOHANNESBURG. — The rather surprising take-over of JSE-listed insurance giant Lifegro by little-known Momentum Life last week saw the first steps in the construction of a substantial financial services grouping in the Rembrandt/Volkskas/UBS fold

Analysts are convinced that this is just a forerunner to several other strategic moves and rationalisations that will eventually see the creation of a major financial services group to rival the other three top life insurance companies, Sanlam, Old Mutual and Liberty Life.

After buying-out the West German shareholders from Momentum Life, a stake that cost Volkskas/Rembrandt R20-million, they now jointly own 63 percent of the enlarged Momentum Life, with the rest held by the public.

FIFTH LARGEST

The assets of Momentum Life jump in one step from R180,3-million at end-June to more than R4,5-billion, making it the fifth largest insurance company in South Africa.

Significantly United Building Society chairman Mr Herc Hefer has been appointed executive chairman of Momentum Life, thus firmly establishing a formal link with the UBS

The UBS holding company, of course, has a stake of 30 percent in Volkskas Group Limited, which itself owns 10 percent of UBS

The UBS Insurance Company at present has assets of R186,6-million, roughly similar in size to that of Momentum prior to this week's move

The Rembrandt/Volkskas/UBS-triumvirate has a number of rationalisation possibilities and UBS Life could be one of them

MUCH LARGER

Mr Blignault Gouws, 45, a former MD of Momentum Life in its old format and now new deputy executive chairman of Momentum, agreed during an interview that last week's move could be considered part of a long term strategy towards a much larger financial services grouping

But this would only happen, he added, once the current moves have been "digested", which would take some time

Sitting on the sidelines are the considerable interests of the Rembrandt Group in Sage Life, together with the UBS and its 30 percent stake in Commercial Union, which has both a long-term and short-term insurance interest

Also to be considered is Rembrandt's large stake in Liberty Life, together with the close relationship enjoyed between Rembrandt chairman Dr Anton Rupert and Liberty Life-founder Donny Gordon

Momentum Life has built up the reputation of a superbly-managed company with tight administrative controls and an excellent service record

Lacking, however, has been its investment performance, which has tended to trail that of most other life insurance companies, and in particular Lifegro

It is notable that Peter du Toit, investment head of Lifegro, has been appointed excutive director of Momentum Life, a move which obviously underscores his high standing as an investment analyst

EMBROILED

Lifegro, in spite of being embroiled in a number of controversial schemes over the past few years, however, has earned itself a reputation as one of the top-performers when it comes to investment performances

A period of staff and system rationalisation is facing the new Momentum, including a number of lay-offs and the possible move of several departments of Lifegro from its present luxurious offices in Sandton to somewhere in Verwoerdburg

Homemakers making a favourable impact

Star 30/11/88

Sharespot
232
LYNNE PEACH

With the formation of Homemakers just over a year ago, a new retailing and distribution group was introduced to South Africa.

The rationale was to create a giant group with autonomously run companies, each specialising in the distribution of consumer goods in both wholesale and retail areas

The concept was welcomed with open arms in some cases, and greeted with scepticism in others At least, near-consensus is only likely to come about once the group has proved itself

In this regard, the next two years are probably particularly important ones as the economy, and particularly the furniture industry, is expected to cool down

If Homemakers manages to produce good results through the tough times, it is bound to gain a great deal of credibility — and a more realistic stock market rating

Chief executive Hilton Nowitz is confident that group results will continue to show good growth. He explains that any decline in furniture business is expected to be off-set by significant cost savings following the Joshua Doore merger

In addition, he says that the other group businesses, especially the direct selling operation, tend to thrive during recessionary times Mr Nowitz also points out that Homemakers is a very powerful group with exceptionally strong management throughout all operations

For example, the newly merged furniture operation will be controlled by Joshua Doore's David Sussman, generally regarded as one of the top furniture retailing men in the country

Homemakers can be divided into four sections — textiles (Fabric Library, Nieman/Lee, OFS James and newly acquired Rowe-Innotex), direct sales and mail order (Housewares); furniture (49 percent of Joshua Doore from about mid-December 1988, and home improvement (Sembel-It)

Mr Nowitz expects about half of group earnings to come from the furniture division in the current financial year to December 1988 Last year this division contribited a more significant 56 percent

The declining dependence on furniture business is attributable to relatively higher growth in the group's other operations, according to Mr Nowitz.

He estimates that in financial 1989, the contribution made by the furniture division will be further reduced, probably to around 40 to 44 percent of group earnings.

Mr Nowitz expects most of the other half of group earnings in the current financial year to come from Housewares, and the balance to be contributed by the texttile and home improvement divisions.

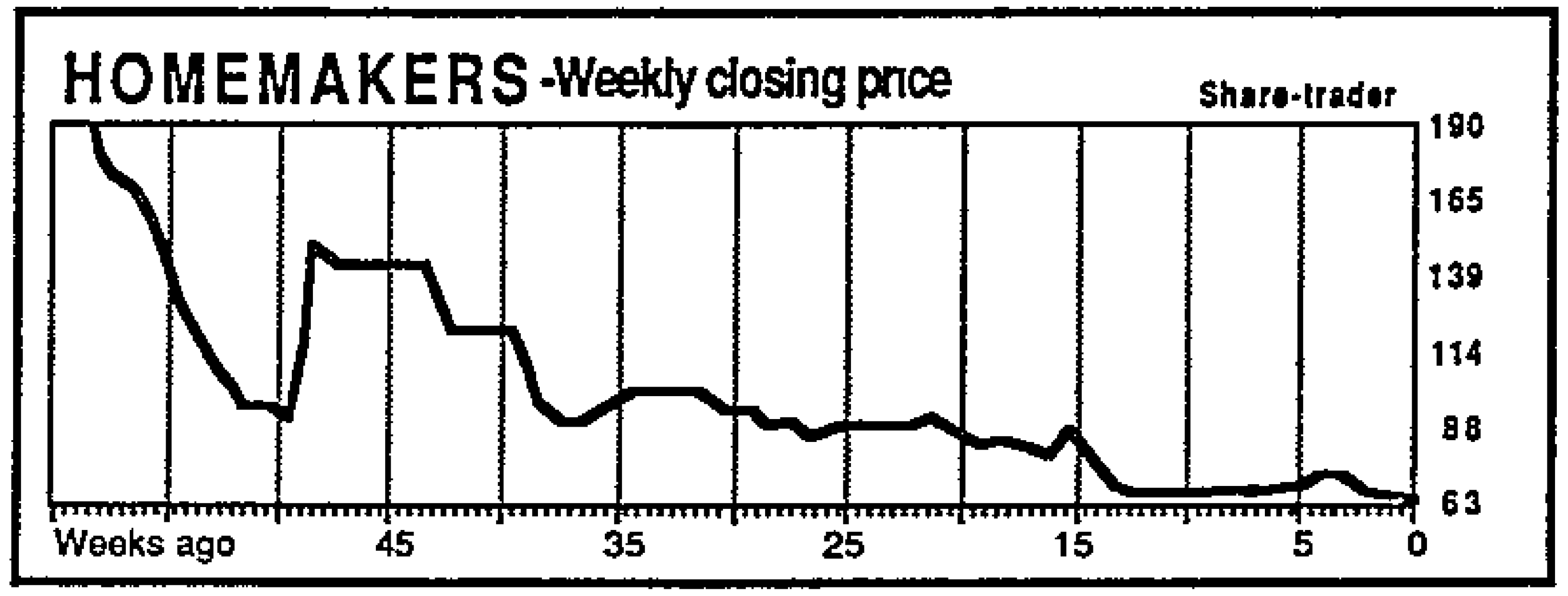
Homemakers' interim results to June 1988 revealed strong turnover growth of 50 percent and, after a higher weighted number of shares in issue, a 36 percent increase in earnings to 6c.

The interim dividend was 2c. The balance sheet showed a debt-equity ratio of 49,5 percent, which Mr Nowitz says will deline to approximately 20 percent in view of the stucturing of the Joshua Doore deal, as well as the R10 million cash received from the deal

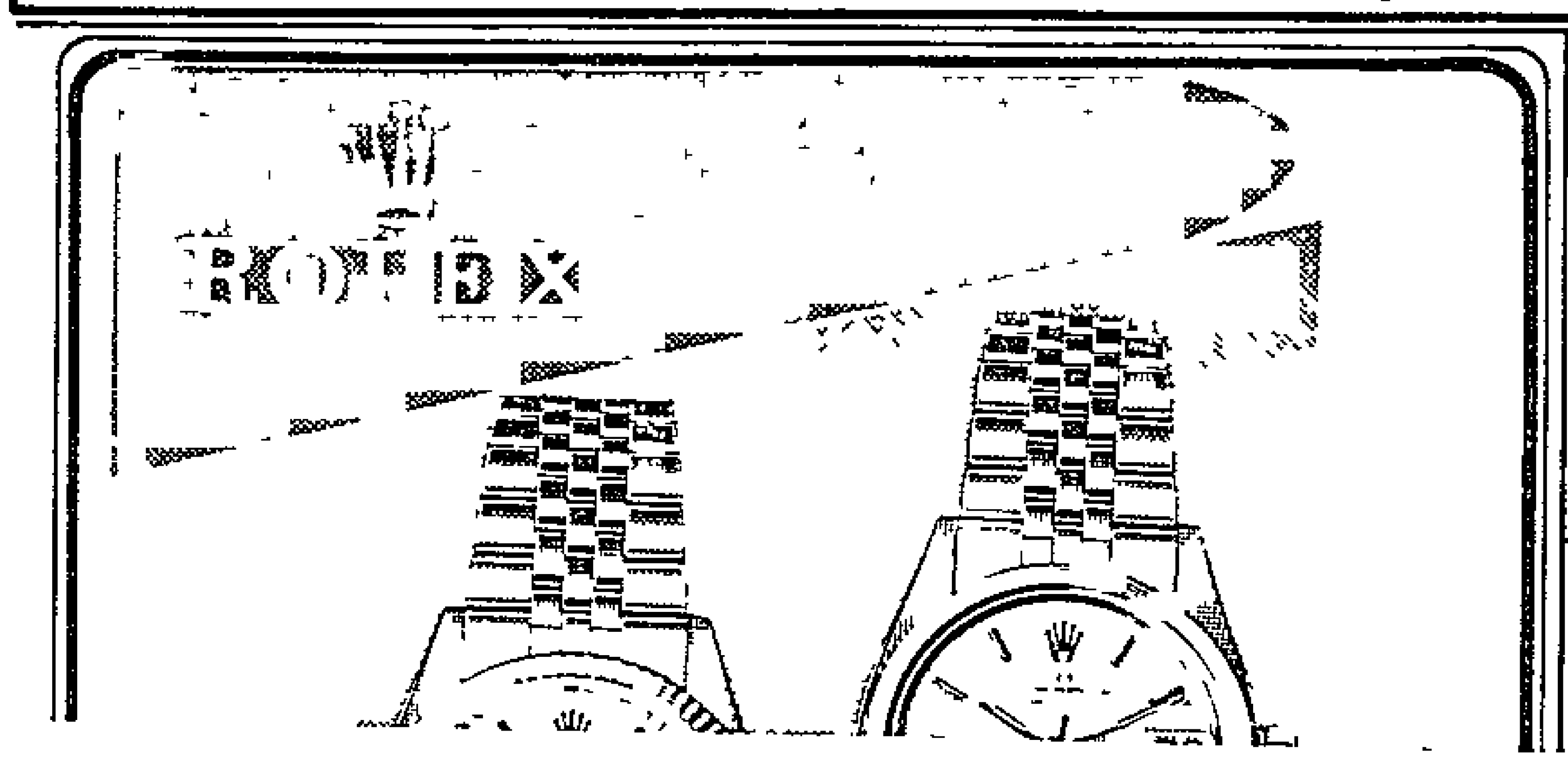
At the current price of around 60c, Homemakers is trading on a price-earnings (PE) ratio of 3,5 and a dividend yield of 9,5 percent. If its earnings from furniture are rated according to that sector's average, and the balance according to the industrial average, then the share price should be above 95c (PE of 5,7)

Stockbrokers are estimating earnings for the full year to December 1988 of about 18c which places the share on a forward PE ratio of 3,3. Should the dividend be around 5c to 6c, the prospective yield is eight to 10 percent.

If earnings grow by 20 percent in financial 1989, to 21,6c, the PE ratio reduces to less than three. In view of the favourable fundamentals, the share appears undervalued and could well reward long term investors very handsomely



Homemakers share price remains in a downtrend and will have to move up to about 80c before the technical picture looks brighter The share has also been markedly underperforming the JSE retail index and the JSE furniture index



232 B/day 2/12/88

Tenders close for bank analysis of Foskor

Part of privatisation process goes private

HELOISE HENNING

THE privatisation process is being privatised, says Privatisation Minister Dawie de Villiers

At a Press briefing this week, De Villiers said the process had already involved eight merchant banks, five accounting firms/management consultancies, law firms, an engineering firm and private sector individuals

About 40 functions of the Cape Town local authority had already been privatised Before Welkom fell to the CP in the recent municipal election, it had privatised 37 functions

De Villiers said privatisation was being embarked on with much circumspection Issues such as personnel, consumers, investors and broad economic factors including inflation and taxation had to be taken into account

Meanwhile, government tenders for a merchant bank's analysis of Foskor closed this week The special privatisation tender committee is to decide next week on awarding the contract, a Privatisation Unit member said yesterday

It is believed one of the reports recently done by a merchant bank cost government about R230 000 and was delivered within three weeks A source close to government said this cost represented a saving Had the same report been handled by a government agency, such as the Competition Board, new appointments would have had to be made and the report could have taken up to a year to deliver.

In another development, the Public Relations Consultants Association (PRCA) recently criticised government's announced attempts to let the Bureau for Information handle the campaign to popularise free-market concepts and privatisation

"A campaign like this should be handled by the private sector which is experienced at communicating on behalf of the largest private corporations," said PRCA chairman David Hilton-Barber

He said each government department and corporation already had its own public relations officers The bureau was an "information factory" employing several people — an expense government could do without

He said the success of privatisation in the UK was largely the result of the extraordinary lengths to inform the public through private PR firms

Besides, private PR firms in SA had already proved they could run government campaigns successfully These included Treasury's decimalisation campaign in the 1960s, Water Year in 1970, Green Heritage in 1973, Manpower 2000 in 1980 to 1982, the big census of 1981 and an AIDS campaign this year

UK PRIVATISATION 232 FMAIL 2/12/88

Problems of pricing

UK Prime Minister Margaret Thatcher has decided not to hold back on the privatisation of electricity and water supplies, the two most controversial disposals of State-owned industry of her reign. It had been thought that the Conservative government would wait until it had won a fourth term (elections are due in 1992) before selling off these utilities — but the Queen's Speech at the opening of the new parliamentary session revealed otherwise

Whether or not she decides to stay on as premier for an unprecedented period, Thatcher wants to preside over the final rolling back of the State. But the sale of electricity (assets £40bn) and water (£7bn) poses a host of problems which were happily absent from British Steel (BS), which came on to the market with a £2,5 bn price tag last week

BS is a straightforward and attractive investment. Even after the rise in interest rates, its 8% dividend yield, price-earnings multiple of 4,9 and asset backing of £3,6bn, the remarkable revival in BS's fortunes has earned it unanimous recommendation as a buy from investment analysts.

The West's fourth-biggest steel company is now also among the most profitable, rivalling Japanese and South Korean groups. In four years sales have climbed 53% to £4,1bn and from operating losses of £150m BS has risen to profits of £455m. It has all been done by raising productivity. Since 1980 the workforce has been cut by 68% to 53 000 and the number of man-hours required to produce a ton of liquid steel has fallen from 14,5 to five.

Hence BS has been able to double its exports to 36% of output, even capturing markets in Asia.

The major objection to BS's float is the price, with the Labour opposition claiming the Treasury has given away at least £200m Even that, however, would not have recompensed the taxpayer for the £7,8bn poured into BS (much more if adjusted for inflation) in the 10 years up to 1985 for rationalisation and new plant.

Since then BS has been self-sufficient its cash flow in the last two years has been able to cover £522m in investment plus reducing external debt by £390m In all BS is a fairly straightforward proposition and even though it supplies 78% of UK domestic needs it does so in competition with the rest of the world The needs of shareholders and consumers alike seem well balanced

The same cannot be said of water and electricity. Even the most objective analysis shows that if they are to be attractive investments, prices will have to rise. And as in the case of the other privatised monopolies — British Telecom (BT) and British Gas (Britgas) — both will be policed and monitored by a government-appointed body Price rises will be governed by a formula related to the rate of inflation This has already produced problems BT has come under fire for cutting costs and, hence, quality of service, Britgas for loading prices for customers without recourse to alternative, competing energy supplies

The conflict of interests is less pronounced in electricity which will be split into regional-

Queen Elizabeth spells it out . . . no turning back Thatcherism

ly based groupings which can compete with each other outside their immediate operating areas. Competition can also come from imports from France (via the cross-Channel grid) and, in future, from new coastal generators using cheap (SA?) imported coal

Even so, prices will have to rise, initially at least· the government has told the industry that it and not the taxpayer must find the £1,6bn needed to meet EEC emission regulations which will add 3% to operating costs.

Water, however, is being seen as an immutable monopoly in which the conflicting needs of rising profits for shareholders and consumer prices will prove hardest to resolve in a total market which has little growth potential. About 25% of water supplies currently come from 29 independent local companies (and French water groups hold stakes in 15) The rest is covered by 10 regional authorities which are to be sold off

The growth problem is compounded by the pressing need for capital investment in rehabilitating 19th Century reticulation and sewage systems The total cost is not yet known but the fact that an estimated 25% of water is lost in transmission points to the imperative Outside estimates that the investment could require price increases of up to 50% are disputed by Environment Secretary Nicholas Ridley who claims they will not need to rise by more than 7,5%-12,5% in *real terms* over the next 10 years

Spareco looks to boost from newcomers

232 1992

By Don Robertson

THE acquisition earlier of three auto spare outlets should push Spareco's turnover to an annualised R89-million and earnings to 80c a share in the year to June.

Earnings are expected to improve significantly in the following year

Spareco came to the market on November 9 through the reverse takeover of Eurefin for R36,2-million

The acquisitions will increase the size of Spareco and it could soon rival other spare-part operators such as Midas and Fleishmans

Attraction

Moores Multimotor Parts, Hycar and Jimmy's Auto Spares were bought for R7,3-million cash and the issue of 2-million Spareco shares at 500c each — the curent price

However, the company's bank balance remains strong and with R5-million in cash it is looking for other acquisitions The issue of the 2-million shares will not dilute earnings

Chief executive Errol Wucherfennig says the increased buying power and other benefits will have an immediate effect on margins

The company will also benefit from the recently granted ADE spares distributorship

One of the attractions of R24-million-a-year Moores Multimotor is the company's computer system which was developed at a cost of R6,5-million The system will be introduced in all 23 Spareco outlets

Each product is entered into the system on the day it arrives and is tracked all the way through the various channels until it is sold The cost, recommended retail price and gross profit on each sale are captured by the computer All products are automatically re-ordered when an item is sold

The system has allowed Moores to improve stock turn ratios to six times a year and has reduced shrinkage

Penpin builds up Transvaal stake

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By Ian Smith

RIDING high on its successful rights issue, Cape-based building materials chain Pennypinchers is consolidating its foothold in the Transvaal

The acquisition of the Craig Hardware Stores chain increases the number of Transvaal outlets to seven and it puts the enlarged group on target for turnover of more than R200-million in the year to December 1989 Turnover in 1987 was R64,3-million and this year it is expected to be R115-million after better-than-expected performances from existing stores

The group's expansion in a sector with high promise has not gone unnoticed by the market Penpin's 59,1% increase in the share value to 180c this year makes it the best performer in the JSE retail and wholesale sector

Liabilities

The 37,5% increase of 80%-held subsidiary Penboard since January to 105c makes it one of the top three performers in the Development Capital Market

Last week's simultaneous rights offers by Penpin and Penbord to raise R6-million were more than 90% subscribed, putting the group in a strong ungeared position to fund growth The rights offer also gave established PG Bison a 25,1% stake in Penpin

The Craig Hardware acquisition will give Penpin three outlets and responsibility for Craig's liabilities, says Penpin financial director Percy Bishop

Stores in Craighall Park and Ferndale are expected to be major cash outlets and the third, near Lanseria Airport, will serve Johannesburg and Pretoria and will become the group's main bulk boards and building materials distribution centre in the Transvaal

"It is ideally situated to serve our existing branches in the Transvaal," says chairman Fasie Malherbe

The new trading operations have a turnover of R35-million a year and three valuable properties, including 150 acres at Lanseria, are included in the deal

Projected turnover for the Transvaal alone next year is at least R48-million says Mr Malherbe

"By the end of this year Penpin shareholders' interests will be over R14-million Net asset value will have risen from 51c a share at the end of last year to more than 80c," he says

Tollgate sets sights on overseas

6/t 11645 3/12/88 (232)

By TOM HOOD
Business Editor

EXPANSION overseas is one of the aims of the new men at the helm of Tollgate Holdings, who visualise turning the Cape-based company into a rand hedge stock.

Tollgate is listed on the London Stock Exchange and any acquisitions were likely to be in the transport-related field

"We intend moving slowly and, unlike Minorco, keeping a low profile," said the new chairman, Mr Johann Claasen, in an interview this week

Tollgate, long considered a pedestrian company virtually ruled from the grave by the Pavlovsky family trustees, was described this week as suddenly "shooting into the stratosphere," boosted by major takeovers since the directors of Duros gained control in February

The Duros team's plan of action was laid down 15 months ago on what they wanted to achieve

"Should we go into industries overseas we shall choose industries in the same line of business as we are in now," said Mr Mr Claasen

"They must be seen as an extended arm, becoming a rand hedge stock for future business

"We must acquire lines of businesses there as here It could be a dangerous exercise if you don't know the business at all

"We dont intend to follow the high profile of Minorco In South Africa we don't want to become the biggest company but we want to become the best company in whatever field we operate"

Mr Claasen will be moving home from Johannesburg this month to work as a hands-on chief executive in Cape Town, joining the new MD Hennie Diederichs

Both are former bankers (ex-Volkskas) who became trouble shooters in industry — Mr Diederichs in Bonuskor and Volskas Industries and Mr Claasen the rescuer of the money-losing Ellis Park

Principles

"I prefer to be at the coalface and looking at the group structure on a Cape basis," said Mr Claasen "Most of our operations are in the Cape We should be where the plant and operations are

"We have specific business principles that we apply Our books are open to investors and the public and we are proud to show people what we are doing It is the only way we can generate confidence

"We must also forget about being a welfare organisation and make more for the shareholders"

A threat

One of Tollgate's biggest headaches was the enormous downtime of a bus fleet which had to be maintained for peak travelling

All buses were to be put on a computer system and movements plotted minute by minute

Although the growth of the black taxi business had affected bus transport, Mr Classen said he did not see these taxis as much of a threat.

232 S/Times 4/12/88

PRIVATISATION PROBLEMS

Grave doubts over whether SA has the capital to make it work

By ROBYN CHALMERS

THE long-debated privatisation programme officially got under way this year, but the problems faced are enormous

Privatisation and deregulation in South Africa have long been advocated to right some of the country's economic wrongs. Speaking at the opening of Parliament this year, President Botha announced a sweeping privatisation programme involving some of the biggest State corporations.

The rationale behind the programme was the huge cost of maintaining these corporations and their numerous employees the fact that almost every Western country was taking the privatisation route, that it would make them more efficient, tax effective, would inject money into the economy and so on.

Initially, big business at large welcomed the move. Mr Botha had targeted Eskom, Sats, Posts Iscor and Foskor — collectively employing some 400 000 people — for privatisation, and it was estimated that more than R60-billion would be released into the economy from it.

But as time passes and few signs of this programme are being seen, top businessmen the media and unions are critically assessing it, and finding more and more problems with it.

The concept, they say, is good but question whether it can be realistically implemented and made to work. One of the most consistent arguments advanced against privatisation is that SA simply cannot afford it — there is not enough capital in the country to buy the shares of newly floated public corporations

One of the most-outspoken critics of the Government is former Sanlam chairman Andreas Wassenaar At the Assocom conference in Durban recently he pinpointed a number of obstacles in the way of privatisation.

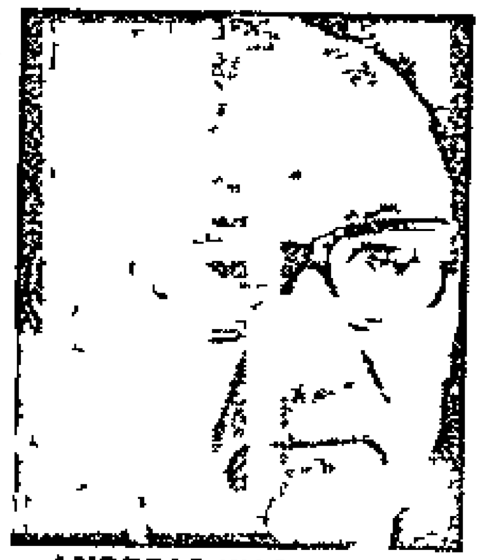
"A very important difference between privatisation in the UK and in SA should not be overlooked. In the UK a Conservative Government came into power and started to privatise industries which had been nationalised by the Labour Party

"In SA a Governmnet now dedicated to privatise the economy has to undo its own work and to deregulate regulations imposed by itself.

"The absence of overseas investment and our own lack of capital generation cast a very great doubt on the availability of the required capital to support meaningful privatisation of any of the large State corporations "

But lack of available capital is not the only problem Dr Wassenaar has with privatisation.

"The large State corporations have enjoyed the advantage of operating under monopolistic protection They have also not been taxed as companies in the private sector



ANDREAS WASSENAAR

'Their profit record is, therefore, not a reliable guide on which to base the price of their shares and they should only come up for privatisation after having built up a profit record under the financial conditions which will apply after privatisation "

Dr Wassenaar also sees public-sector personnel as a stumbling block to successful privatisation, and in particular their pension fund, because personnel may resist the inevitable changes needed to the fund once it is run by the private sector

He sees the lack of financial leadership as a problem, and in an overview of the privatisation possibilities, he believes that 'privatisation of major operations is not likely to go full steam ahead"

Former Trade and Industry Minister Dawie de Villiers took over as head of the privatisation programme on March 31 in a Cabinet reshuffle

Dr Wassenaar's allegations of bureaucratic incompetance have been echoed in other areas

A key adviser in Margaret Thatcher's privatisation programme, Marsden Pirie, says SA can and must learn from the UK experience, but big business is becoming increasingly concerned about the Government's understanding of the concept and ability to implement it.

Mr Pirie says the key factor is that the State must relinquish control yet earlier this year Deputy Finance Minister Kent Durr stated that the Government intended to retain tight control over State corporations and in each instance would hang on to a majority shareholding

Mr Pirie also notes that a huge publicity campaign was launched in the UK, not only to popularise privatisation, but also to educate those affected and the entire population of the pros and cons of it.

The SA Government has neglected to inform not only its citizens of its plans but also its own party As a result unions have been making more and more of a noise about their opposition to privatisation and deregulation, fearing that jobs may be lost, which the UK has proved is not necessarily the case.

Unions believe that the recent decision by Eskom to mothball 13 of its power-stations — with a loss of 5 000 jobs — was a step towards jacking up the parastatal in order to make it more attractive for privatisation.

Eskom management has categorically denied this Whether it is true or not remains to be seen, but the problem appeared to arise because Eskom management had not discussed the decision with the union concerned.

Yet, for all the reservations people have about the programme, the Government is taking the first steps

At the end of August Transport Minister Eli Louw announced that legislation would be introduced next year to make the SA Transport Services into a statutory company operating five business units, each of which could have the potential of being listed.

The decision flowed from the report and recommendations made by the Government s main adviser on privatisation, Wim de Villiers, which was accepted in its entirety

More recently Finance Minister Barend du Plessis announced that the Government had sold R600-million of its shares in Iscor to the Industrial Development Corporation, giving rise to speculation that it could be the first parastatal to go public since Sasol in 1979

Mr De Villiers has assured business leaders that he will unveil a meaningful programme of privatisation early in the New Year, saying substantial progress had been made in the eight months since President Botha had announced the privatisation project.

Best year ever for life insurance

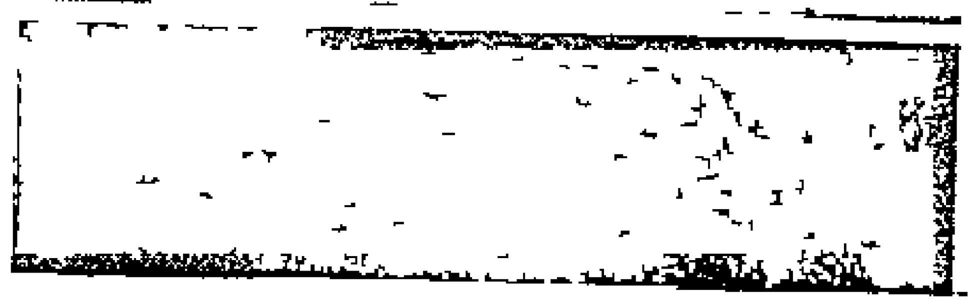
By ROBYN CHALMERS S/Times

AIDS, big tax increases and the Melamet Commission's report on pensions were some of the issues confronting life insurance companies in 1988, *writes ROBYN CHALMERS*

And the short term insurers saw the beginnings of a price war A consolation for the life companies was that it was the best business year ever — an improvement on a record 1987, in which total premium income

vious six years since the first two cases were diagnosed. By the end of October, 150 South Africans and 24 non-South Africans had been tested HIV positive

But this is only the tip of the iceberg and experts be-



Commen

A private proposal for the 'Old Lady'

732 (B) B'day 5/12/88.

Own Correspondent

LONDON — The most radical candidate for privatisation yet, proposed yesterday, will bring a shiver of apprehension to the gentlemen of the Bank of England, and offer Chancellor Nigel Lawson a means of avoiding the bother of any nasty inflation "blips"

The Old Lady of Threadneedle Street in London should be abolished and all its functions — including the supply of money — handed over to the private sector, according to a study published by the Institute of Economic Affairs (IEA)

Instead, private banks and financial institutions should be allowed to compete in issuing their own notes

If the market created was sufficiently free, the report argued, there would be greater confidence in sterling and an end to excess growth of the money supply — which would mean less inflationary pressure

It would also remove the monetary system from the clutches of politicians, just as selling other nationalised industries freed them from government interference

The Bank of England has maintained a dignified silence about its hypothetical demise "This is very defintely a matter for the Treasury," a spokesman said

The Treasury responded "We cannot comment on every fringe report published "

The Star Finance

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UK study questions benefits of privatisation

Does privatisation necessarily make companies more efficient? Some academics have doubts

A new study by Mr Matthew Bishop and Mr John Kay at the London Business School argues that privatised firms might well have improved their performance even if they had stayed in the public sector

The study finds that privatised firms, judged on several measures including their total factor productivity, have not done notably better than those enterprises still owned by the state (see chart)

For example, between 1983 and 1988 British Steel's productivity grew fastest (by 12,4 percent a year), while that of British Telecom, flagship of privatisation, managed just 2,5 percent

All these firms have done much better since 1983, but the numbers are hard to interpret both privatised and still-state-owned firms have done well out of the boom, and firms such as British Steel (now up for sale for £2,5 billion) started from such a low base that large increases were almost inevitable

Improvements

The threat of privatisation may account for some of the improvements, but not all the Post Office, whose core business is to stay in the state sector, has performed better than British Telecom

The LBS study suggests that the reason the performance of both privatised and still-state-owned firms is so similar is that they have each undergone the same changes in management culture, and now have clear commercial objectives

A truer test of the merits of privatisation can come only once the investment decisions of privatised firms start to bear fruit

One benefit of private ownership, the government now believes is access to private capital markets But the cost of such capital comes as a shock to nationalised firms weaned on the need to earn only a five percent real rate of return

So the freedom to borrow, unconstrained by the Treasury, will not necessarily lead to more investment Sometimes it shouldn't

British Telecom's investment in 1987 was just over a third higher in real terms than in 1984, but as a proportion of sales it was unchanged

The higher cost of private capital may constrain investment, but it will also change the investment decisions that are made

Economics

It has already turned upside down the economics of electricity generation In state hands, nuclear-power stations were a bargain because, although they are expensive to build, they are cheap to run

In private hands, their huge capital cost makes nuclear power more expensive than coal — even before risk margins or "nuclear taxes" are added

Access to private capital also means action when things start going wrong

It is, for instance, much harder to cover up slow progress in a privatised Channel Tunnel that it would have been in the public sector The share price falls, putting immediate pressure on management

Private investors would never have financed such ludicrous extravagances as Concorde or the advanced gas-cooled reactor programme, nor such neglect of the basics as new telephone exchanges and lines before privatisation

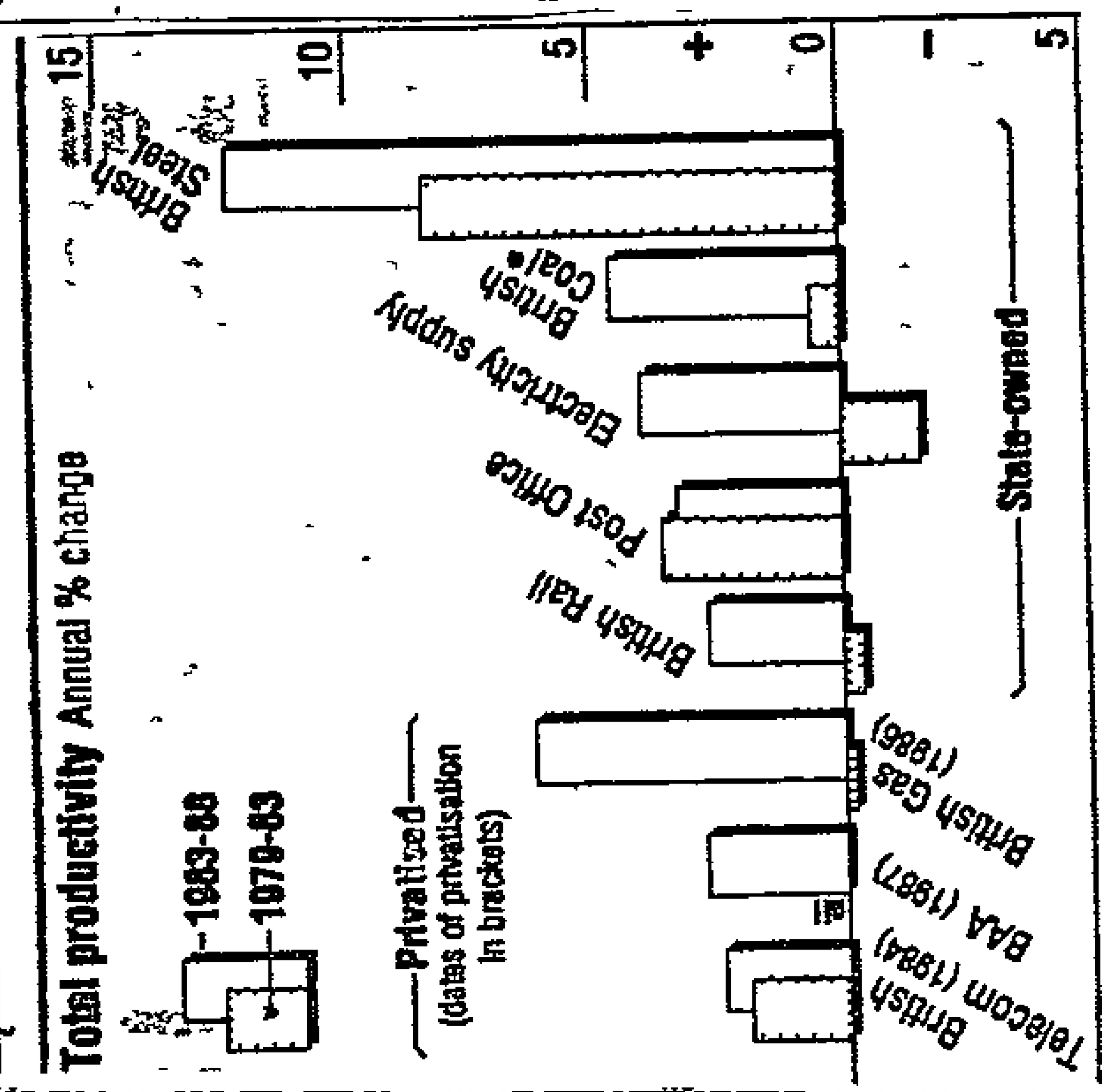
Although the privatised companies are free from Treasury control, they have regulatory bodies to watch them These can determine how far they will be allowed to raise prices over the next five years, and thus effectively the maximum return they can earn

Regulations

Such tough regulation would be less necessary if, as the LBS study suggests, state monopolies had been broken up into truly competitive firms before going into the private sector

Private ownership may lead to fewer stupid investment decisions, but feeling the force of real competition would surely lead to more sensible ones — The Economist

The Star Monday December 5 1988 21



ConsGold: pre-bid share deals revealed

LONDON — A Cape Town syndicate has been identified as a major buyer of shares and options in ConsGold — moving in weeks before Minorco's £2,9bn bid for the British company was announced on September 21, the London newspaper The Guardian said yesterday

Documents apparently showed the Link Syndicate of Mill Street, Cape Town, was an aggressive trader in both shares and the high-risk, high-return options market, which allowed speculators to bet on the way share prices were headed in the future

Link was said to be active in the market for ConsGold shares themselves

Reports said dealings recorded through SA stockbroker A W Bradshaw indicated Link paid £39 500 for its options Sale of the same options had brought in £281 000

Link purportedly bought 60 000 shares on September 14 and 15, then put through an order to sell 30 000 on September 16

The remaining 30 000 shares were sold on September 21 in the wake of the bid announcement, which sent the price of ConsGold shares soaring

The Guardian said details of Link's share dealings had been made available to inspectors appointed by British Trade Secretary Lord Young to look into allegations of insider dealing ahead of the bid by Minorco

Dealings in ConsGold shares in the three days before the bid were running at nearly 15 times the previous month's average, reports said — Sapa

□ Attempts by Business Day to trace A W Bradshaw and the Link syndicate yesterday were unsuccessful

SEC backs Minorco in ConsGold court action

(332) Sday MIKE ROBERTSON 7/12/88

LONDON — Minorco yesterday won a minor victory in its stalled battle for control of ConGold

The US Securities and Exchange Commission (SEC) filed a brief in the US Court of Appeals supporting Minorco's contention that a lower court was correct in concluding it lacked jurisdiction over a ConsGold claim that the takeover violated US securites laws

According to Minorco, the SEC brief said the "court must abstain from exercising jurisdiction to grant the particular remedy sought here — a worldwide injunction against the tender offer".

□ A W Bradshaw, the stockbroker linked to pre-bid deals in ConsGold shares and options, is not a member of the JSE.

Minorco wins a minor victory

From MIKE ROBERTSON

LONDON — Minorco won a minor victory in its stalled battle for control of Consolidated Goldfields yesterday when the US Securities and Exchange Commission (SEC) filed a brief in the Court of Appeals supporting the company's contention that a lower court was correct in concluding it lacked jurisdiction over a claim by ConsGold that the £2,9bn takeover bid violated US securities laws

Minorco's bid has lapsed, while the Monopolies and Mergers Commission investigates whether it poses a threat to world supplies of titanium and zircon, but a series of US court battles initiated by ConsGold continues

The Luxembourg-based company in which Anglo American and De Beers hold a 60% stake said in a statement that the SEC filed an Amicus Curiae brief stating that "a US court must examine whether, although it has subject-matter jurisdiction, it must abstain from exercising its jurisdiction because the extraterritorial effect of the particular remedy being sought would be unwarranted"

The Minorco statement added that the SEC said "the district court must abstain from exercising jurisdiction to grant the particular remedy sought here — a worldwide injunction against the tender offer — and it was therefore proper to dismiss the securities fraud claims"

ConsGold is appealing to the Court of Appeals against the lower court judge's ruling that he lacked jurisdiction over securities claims

Minorco is appealing against the judges issuance of a preliminary injunction against its offer for ConsGold based on anti-trust laws

A spokesman said the company was "very gratified" by the SEC's intervention in the case

Aimcor pulling out of SA

(332) B/day 8/12/88

LINDA ENSOR

THE Aimcor conglomerate of the US is shedding its Lavino chrome mine in the Eastern Transvaal.

Calls for tenders have been made, a Lavino spokesman confirmed yesterday, and it is believed a decision will be made this month.

Short-listed candidates have been sworn to secrecy but are believed to include industry leader Samancor and second-in-line Rand Mines.

Aimcor wants payment in dollars and, as the price is probably between \$10m and\$20m, the deal, when converted into finrands, could be between R37m and R75m

Lavino has about 300 employees and many of them are members of the National Union of Mineworkers.

The union was not informed of the pullout. Assistant general secretary Marcel Golding said yesterday the NUM would formulate demands on the terms and conditions of the disinvestment to protect its members

Lavino's spokesman denied the step had been kept secret to avoid union demands. The decision to sell was part of a Aimcor general rationalisation

Lavino was bought by Aimcor with other interests from International Minerals & Chemicals.

Lavino is estimated to produce between 200 000 and 400 000 tons of chrome ore for the metallurgical and ferrochrome industry annually

The industry is keenly awaiting the outcome of the tender as the market could be significantly affected

ConsGold dealing: 'nothing untoward'

8/12/88. BDay

MIKE ROBERTSON

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LONDON — A W Bradshaw, the Guernsey-based fund manager identified as a major dealer in ConsGold shares and options before Minorco's £2,9bn bid for the company, yesterday denied anything untoward about its dealings.

The company was named in The Guardian this week as an SA broker that held options, on behalf of a Cape Town company Link Syndicate, over 130 000 ConsGold shares on the eve of the September takeover bid.

But spokesman Peter Rawston said yesterday A W Bradshaw, formerly a Zimbabwean stockbroker, was now a Guernsey fund manager and Link Syndicate was a syndicate of Zimbabwean businessmen.

He confirmed A W Bradshaw had been approached by the Department of Trade and Industry (DTI) to reveal the name of its client and had submitted a reply.

Rawston said the details in the newspaper report, which stated Link Syndicate had made R1m in dealings in ConsGold options, were largely correct, but the insinuation of insider knowledge was not.

A ConsGold spokesman declined to comment. A DTI spokesman said no comment would be made until after its investigation.

(a) (232) B/day 9/12/88.

Deregulation aids Canadian air travellers

MONTREAL — Deregulation has hit Canada's airline industry with a vengeance, giving consumers a boost but weakening the airlines.

Gone are the days when Canadian skies were highly regulated and dominated by Air Canada, the government-owned carrier Canada's transportation policy has been overhauled, allowing almost unrestricted access to domestic routes by Canadian-controlled carriers.

At the same time, the Conservative government of Prime Minister Brian Mulroney has sold 45% of Air Canada and promises to privatise the rest, forcing the national carrier to compete with investor-owned airlines in attracting capital as well as passengers.

Freed by deregulation, onetime charter operator Wardair has challenged Air Canada and PWA's Canadian Airlines International, the No 2 carrier, on the most lucrative scheduled routes Wardair's move set off a fierce battle for passengers, including kilometre bonuses to frequent flyers and bulk discounts to corporate buyers

"This is what we used to call in the early '80s in the US a good old-fashioned fare war," says Donald Carty, former president of Canadian Pacific Air Lines and now senior vice-president of finance at AMR's American Airlines unit.

The fare war has cut into profits at a time when the three airlines are embarked on expansion programmes which will cost in total more than C$5bn on new aircraft over the next five to seven years

"There's more net capacity coming on to this market than there is market growth," says Michael Tretheway, professor of airline management at British Columbia University, who estimates the three airlines will add 30% to their capacity within three years

Lower prices are spurring demand and leading to increased delays at some airports, but Canada is a market a 10th the size of the US, with only a few heavily travelled routes The US hub-and-spoke system will not work north of the border Carty says "The demographics in Canada are quite a bit simpler There are fewer cities and fewer people There's really only one thin line of population"

The fare war has led to a drop in stock prices for all three airlines Investors who bought Air Canada's initial C$246,2m stock offering in September have been disappointed Issued at C$8 a share, Air Canada traded on Wednesday on the Toronto Stock Exchange at C$7,12

While the government has gradually loosened the reins in the past decade, US-style airline deregulation came into effect only at the start of the year Anticipating the changes, PWA bought Canadian Pacific Air Lines and merged it last year with Pacific Western Airlines, a regional carrier, to create Canadian Airlines International That gave Air Canada its first large national competitor Canadian and Air Canada have since built and acquired competing networks of feeder airlines

The fare war has brought a drop in profits but the airlines expect to be back well into the black in 1990 — AP-DJ.

CH

New Bernica sells off some assets

Afr 9/12/88

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By Ann Crotty

At this stage it appears that the only shares remaining in the New Bernica fold are the seven million Clinic Holdings shares The remainder of the assets have been, or are in the process of being, liquidated which means that the group should be sitting with around R57,5 million cash, equivalent to around 383c a share

A number of unlisted investments had pre-emptive rights attached

The 4,66 million Columbia shares, equivalent to about 15 percent of that company, were sold yesterday at around the market level of 200c a share It is not known who the buyers were

The seven million Clinic shares, about seven percent of Clinic, are worth around R14 million at the current market price of 200c. The share price remained firm in yesterday's market.

Momentum has acquired New Bernica's 13,4 million Joshua Doore shares

If the Clinic shares can be sold, either by the New Bernica management or by the individual shareholders in New Bernica, for 200c a share then the underlying net asset value of New Bernica is approximately R72 million, equivalent to about 480c a share

Of the R72 million, some R32 million will be in the cash shell with the remainder being distributed to shareholders in proportion to their holdings

Yesterday New Bernica shed 30c to close at 410c which suggests that investors either have not made the same calculations or have some reservations about the whole deal

Privatisation: it's progress without fireworks

(232) B/day 8/12/88

☐ DE VILLIERS "not to rush things"

HELOISE HENNING

MINISTER of Privatisation Dawie de Villiers is at pains to stress that SA should not expect too much too soon from the privatisation programme

Seven months after taking office, De Villiers is pleased with the progress being made in preparing parastatal corporations for sale to the private sector But he is not concerned that the first large sell-off has yet to be announced

He points out that in Britain, where Margaret Thatcher's government has led the world in privatisation, the spate of recent transfers of state corporations to private ownership was preceeded by several years of planning

And, once SA's plans are ready for implementation, he says SA cannot expect UK-type "fireworks" in which more than 40 enterprises were privatised in rapid succession

"We just don't have that many candidates for privatisation"

De Villiers says the progress being made now will be apparent in retrospect.

Until President Botha announced government's privatisation programme at the beginning of this year, privatisation was in low gear

"He put it into top gear We are moving quite rapidly, but the good advice we have been given is not to rush things, which could build up resistance and jeopardise the whole process

"In three years' time we will be able to look back and then we will appreciate the rapid progress"

De Villiers says no decision has yet been made on the first corporation to be privatised because "every report completed revealed that further investigation was needed in areas such as restructuring or regulation"

He was in no doubt about the advantages to the economy of the privatisation process.

The SA economy would no doubt undergo a considerable changearound when capital and labour were more efficiently reallocated with the privatisation of the large corporations like Eskom, Iscor and Foskor

Only when the first privatisations were ready for launch would campaigns get into full swing to explain the process and stress the advantages of privatisation to both the public and the public service

De Villiers did not expect large-scale resistance from public servants, even though some jobs would be at stake When the information process was launched, it would address all their concerns and fears

"Public sector employee bodies in principle favour privatisation and the concept of a small, efficient public service However, they have expressed concern over the method of achieving this

"You can achieve the object of reducing numbers without making people redundant If a particular process or service is privatised you may find the new employer might take over many of the employees and make them attractive offers They will do the same job, only for a different boss, and they may find it more to their liking"

Jobs could be reduced through normal attrition, or employees could be retrained, reallocated or be transferred

"You don't make people redundant overnight You deal with that over a period of time, and if we deal with it responsibly we should not run into too much difficulty

'By and large, we can deal with all the cases in a sympathetic way to accommodate the employees and make the process acceptable to them If we want to be successful we need to take as many people as possible along with us"

De Villiers expected that the major resistance to privatisation would be ideological and would come from those who did not want capitalism expanded or the frontiers of government rolled back

"In the UK they have, time and again, found the unions were against a particular privatisation and told their members not to take up shares But members took up shares and made a good profit, regardless of the advice of the unions"

Asked about the Bureau for Information's plans to publicise the privatisation programme, De Villiers said the private sector would be fully involved in the publicity and advertising campaigns

"Expert communicators will be employed It will be an opportunity for the top PR and advertising firms to be used to communicate with employees, consumers and investors

"We are going to spread the business for those good enough There will be enough action for the performers to get a good, healthy slice out of the process of privatisation."

One of the points that would be stressed was that privatisation did not cost jobs but created them And the privatisation process would not only involve the large parastatal corporations but also lower-level functions, such as gardening maintenance, the government garage and cleaning services

De Villiers believed strongly in the job-creation potential of these "little foxes," as he termed them.

Case studies of Taiwan, South Korea and Hong Kong have proved that the peripheral industries — the taxi-drivers, the hawkers, cottage industries and small businessmen — had contributed to large-scale self-employment

"Big companies don't really create many new jobs By privatising and creating more scope for private initiative, we create more opportunities for people to use their own initiative and be self-employed It is a distorted perception that privatisation and deregulation will lead to fewer jobs — in the long-term there will be more jobs"

De Villiers concedes that jobs are lost as parastatals or government services are trimmed down in preparation for privatisation He noted that Eskom, Iscor and Sats had reduced their staff dramatically over the past three years — Sats by 80 000 and Eskom by 10 000

He obviously hopes that an expanded private sector, greater efficiency and increased scope for entrepreneurs will more than make up for this

"Productivity in SA is low, and if we want to be competitive in international markets, if we want to be able to have that extra edge to enable us to sell our products and create more jobs, we will have to improve productivity

"Privatisation improves productivity — the track record is there in most countries An important aspect of privatisation and deregulation is contributing to a more open economy, which creates jobs

"By privatising and creating more scope for private initiative we create more opportunities for self-employment and own intitiatives"

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ESKOM PRIVATISATION

Doubts intrude

Privatisation has become such a rallying cry among politicians and businessmen, it's become rare for anyone to openly question the idea

Last week, Assocom publicly raised doubts on the early privatisation of Eskom. A panel discussion organised by the SA Institute of Electrical Engineers has shown Assocom is not alone in its misgivings

Both the mining industry and organised commerce predict considerable problems if Eskom is among the first State-controlled organisations to be privatised

Mining industry spokesman Denis Clare says mines are generally happy with Eskom, the way things are

Mines consume 27% of Eskom energy Add industries that beneficiate minerals, and the figure rises to more than 40%

Electricity accounts for 15% of mines' operating costs, and it has suited the industry for Eskom to remain a non-profit-making organisation

Any significant increase in costs — which the industry says is inevitable when the new organisation starts paying taxes and dividends — could tip some marginal goldmines over the edge and force them to close, says Clare

Wim de Villiers

Government's privatisation consultant, Wim de Villiers, agrees that cheap Eskom electricity cuts mines' costs, but says this means, in effect, that mines are subsidised by the taxpayer

He adds that this has contributed to the rising share of the tax burden paid by individuals

Supporters of Eskom privatisation often point to the over-ambitious power station building programme of the early Eighties and say no private company would have taken that risk

But Clare argues that even a private Eskom could have overestimated the electricity requirements of SA

He says private companies also built excess manufacturing capacity, predicting a sustained economic upturn.

He adds that an Eskom driven by its bottom-line would be over-cautious He says in the early Seventies, before the major power station building programme began, there was lack of continuity of supply and mines required emergency support measures

Commerce shares mines' scepticism Assocom economist Bill Lacey says Assocom is not opposed to the privatisation of Eskom per se, only to the utility being an early candidate

An important aim of privatisation would be to reduce government's share of GDP from 40% now to 25% in the year 2000 Tariff increases to "realistic levels" would be acceptable, if accompanied by a reduction in the tax burden

But Lacey says Eskom is a natural monopoly and a private electricity monopoly would represent an "alarming" concentration of control

Some hope to cash in on privatisation Jan Malan, of the Association of Municipal Electrical Undertakings, wants the principle extended to allow local authorities, as electricity "retailers," to float private companies ■

There's a big wide world out there to buy up

232 WWMC 23/12 – 12/1/87

Last year, the world sold out of South Africa. This year, South Africa made an audacious bid to buy up the world.

DUNCAN INNES reports

IF 1987 was primarily the year of foreign disinvestment from South Africa, then one of the main features of 1988 must be the aggressive counter-attack by South Africa's own leading multinationals on the foreign business scene

Anglo American's bid to bring the British-owned Consolidated Goldfields under the total control of one of its overseas companies, Minorco, must surely rank as one of the most audacious moves ever carried out by a South African group overseas At £2,9-billion (about R12,5-billion), Anglo's bid is certainly the biggest in British history

But Anglo was not alone in its efforts to raise the South African flag on foreign shores this year Liberty Life, which has been quietly building up its investments overseas for a number of years, suddenly decided to get tough when one of its overseas associates, Sun Life Assurance (in which Liberty indirectly holds 26 percent), tried to break free of the South African half-nelson

And then there was Rembrandt Originating in the sleepy but pleasant environs of Stellenbosch, the Rembrandt group now has interests on every continent in the world, running over 70 companies in 30 different countries Famous brand names, such as Rothmans International, Dunhill, Cartier, Piaget and Carreras, are all now part of the Rembrandt stable

The problem was that all these different interests were held through too many different cross-holdings, so this year Rembrandt decided to tidy them all up by forming the Swiss-based Compagnie Financiere Richemont AG (CFR) CFR is the sole owner of another Rembrandt company, Richemont SA, which is based in Luxembourg, where Minorco may also be found (they must like the weather there), and from where it controls the rest of the Rembrandt empire

But the South African invasion has not always run smoothly

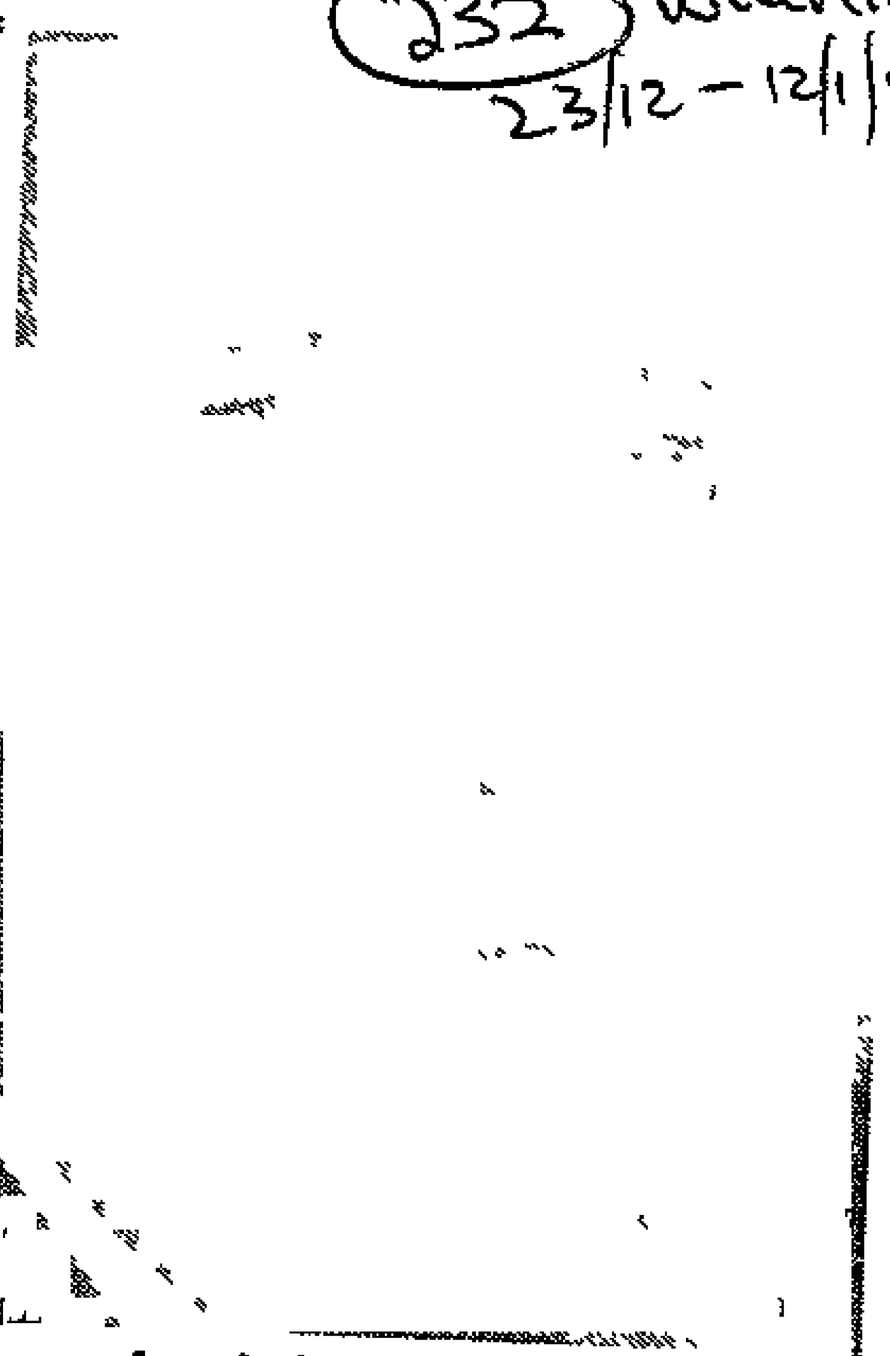
Consolidated Goldfields mounted a vigorous defence against Anglo's bid, claiming that it would lead to a monopoly in certain key minerals and metals and that insider trading had been involved

In the end, the British government stepped in to halt the bid, which has now been referred to the government's Monopolies Commission for scrutiny The commission's findings will only be known next year

Liberty Life had more luck The Sun Life board's attempt to wriggle free of Liberty's control by entering into a deal with the French state-owned insurance giant, UAP, failed when Sun Life shareholders voted against the deal, suggesting that the British have not yet forgiven Napoleon Whatever the reasons for the vote, it enabled Liberty subsequently to tighten its control over Sun Life

There are, however, a number of interesting aspects to the international activities of our South African companies which have not been widely covered in the local press

First, there is the question of whether this overseas expansion is simply an ad hoc affair or whether it is a co-ordinated attempt to expand South Africa's influence abroad



Anglo's Gavin Relly

It is noteworthy that, although South Africa's three main standard-bearers abroad (Anglo, Liberty and Rembrandt) are nominally completely separate from one another, they do have a number of important local interests in common

For instance, through Premier Group Holdings, Anglo and Liberty between them control the largest industrial group in South Africa, that of Premier and South African Breweries Furthermore, both are influential in the United Building Society, in which Rembrandt also holds a share

Anglo also has a number of directors on the board of the Standard Bank Investment Corporation (Stanbic), which is controlled by Liberty and which in turn controls the Standard Bank. Interestingly, Rembrandt holds a 10 percent stake in Stanbic

Anglo and Rembrandt have a number of joint local interests, including International Pipe and Steel Investments and HL & H Timber Industries. South African Breweries have also co-operated with Rembrandt over the division of the beer market, controlled by SAB, from that of wine and spirit, controlled by Rembrandt

Anglo and Rembrandt have also collaborated on projects like the South African Foundation, the Urban Foundation and the Small Business Development Corporation In November 1985, Harry Oppenheimer, Gavin Relly and Rembrandt's Anton Rupert were among a small group of businessmen who had a private audience with PW Botha to discuss political reform

Rembrandt in turn has close links with Liberty Life Johann Rupert, Anton's son, is one of the few directors on the board of Liberty Investors, which controls the Liberty Life group

Nor are the links between these three groups confined to South Africa Rembrandt owns 20 percent of the British-based TransAtlantic Holdings, which is controlled by Liberty and which in turn holds Liberty's stake in Sun Life and other overseas companies

In 1987, when Rembrandt acquired 10 percent of Gold Fields of South Africa (GFSA), which is a subsidiary of Consolidated Gold Fields, Anglo's deputy chairman, Julian Ogilvie-Thompson, said "We are delighted to have Rembrandt as a shareholder in GFSA" (Anglo also owns 10 percent of GFSA) If Anglo's bid for Consolidated Goldfields succeeds, Rembrandt may well exercise its option to buy a further 20 percent stake in GFSA

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P.T.O.

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Bokomo on expansion trail

By TREVOR WALKER
Business Staff

BOKOMO, the Western Cape farming co-operative, is on the move and the 600 farmers who own this R100-million plus operation can look forward to an ever increasing involvement in the country's food industry

In a major deal signed this week, Bokomo has bought out one of South Africa's largest food company's egg production facilities and taken over the management of its broiler business

Premier Milling has put its faith in Mr Rudolph Koen, MD of Bokomo's poultry division and in a straight merger of assets has handed over the management of Premier's poultry business to him

It is obviously a feather in the cap of the local poultry man and coupled with the two companies' agricultural feed business, the synergy of production facilities clearly makes for a very good deal

Premier's chairman and chief executive, Mr Peter Wrighton said this week that Premier had been impressed with the aggressive attitude of Bokomo and they had approached the co-op to discuss the possibilities of a deal

Mr Koen declined to say how much Bokomo paid for Premier's egg business, but said the broiler business was much the bigger of the two

The combined broiler operation will have an annual turnover of about R450-million and the egg side about R200-million

The Bonny Birds trade mark of Bokomo would be used to market the chickens and Premier's trade mark of Farm Fair would fall away

Expanded

On the egg side the company had yet to decide which name the product would be marketed under and also the name of the new broiler company had yet to be chosen

Mr Koen said the broiler operation would be owned 50 percent by Bokomo and SACCA and 50 percent by Premier Milling.

Effectivley, Bokomo's Lemoenkloof egg division had bought Premier's Nulaid egg operation and this combined business would now be marketed by Bokomo

Bokomo's now expanded broiler output would produce about 1,6-million birds a week and given the continued swing to white meat in this country, further investment in production facilities would be essential

Mr Koen said "to increase our production facilties by about 10 percent will cost us R60-million"

The takeover of Premier's egg division has pushed Bokomo into the leading spot as far as egg sales in this country are concerned

Yet Mr Koen says "we are still small and only acount for about 22 percent of the total market which has many private businesses in operation"

Nevertheless, the modest Mr Koen has committed himself to take on the broiler industry dominated by Rainbow Chickens and it was perhaps no coincidence that immediately after talking to The Argus he was off to a meeting with Pick 'n Pay chairman Raymond Ackerman

PRIVATISATION 232 FMAIL

Guessing games 16/12/88

Two years or 12 years? No one — either in government or the private sector — knows how long it will take government to carry out privatisation Nor, it appears, do they know how

232 FMAIL 16/12/88

Everyone is prepared to take a guess But the problem remains despite all the talk, government is keeping its timetable (if, indeed, it has one) close to its chest

Privatisation Minister Dawie de Villiers tells the *FM* he doesn't know how long privatisation will take His officials say "it is difficult to predict exactly where we are going"

Nevertheless, Federated Chamber of Industries president Leslie Boyd and his Assocom counterpart Sid Matus think the process could take to the end of the century JSE president Tony Norton says it will take at least 10 years for the "bulk" to be privatised

Despite acceptance of De Villiers' view that the process cannot be hurried, there is some impatience Says Boyd "If there is not a major privatisation development next year, I will be disappointed" Norton says "The market is hungry for good stock"

However, he adds "We are not expecting dramatic and dangerous moves to flood the market They (government) are not amateurs We are expecting it to happen as an orderly process"

Matus says Assocom wants a "bottom-up" timetable, which concentrates firstly on privatising lesser State sectors and builds up to privatisation of large corporations

"One must question whether there is enough money in the economy at present to support privatisation of the larger corporations," he says "We have become a net capital exporting country Also our savings at present are insufficient"

According to Norton "If someone offered us the whole of Eskom, it would clearly be beyond the capacity of the market Iscor and Alusaf should be the first Although they are large companies, we can handle them"

It's also anyone's guess what form privatisation will take Business wants employee share participation schemes to be part of the package — Norton and Boyd say parastatal employees should be given about 5% of equity — but even government's privatisation team professes not to know what will happen

Jasper Nieuwoudt, CE of the three-month-old Ministry for Administration and Privatisation, says emphatically "It is far too soon to talk of share ownership"

Indeed, government appears to take the view that it's too soon to talk of anything

Nieuwoudt tells the *FM* "The main objective is to privatise as far as possible, but we must not privatise for the sole purpose of privatisation We are working in the right direction, but it is difficult to predict exactly where we are going" ■

PUBLISHING

Consgold's £1m ad campaign angers Minorco

6/12/88

Own Correspondent

LONDON — Minorco has called foul over a huge advertisement campaign launched in Britain on Friday by Consolidated Goldfields (Consgold)

The £1m ad blitz, in the form of double-page news speads headlined "The ultimate bar chart", dramatically depicts the company's growth in a series of ever-bigger gold bars.

A caption over one of these states: "By 1992 our SA Northam development is projected to be the world's fifth-largest platinum producer."

Despite the platinum price tumbling more than $70 on news that Ford is developing a near-zero platinum car exhaust, Minorco is accusing Consgold of blatant hypocrisy.

Said a Minorco spokesman "Consgold only owns 45% of Northam but describes the investments as 'ours' They seem to act on a simple rule when it suits them to slip hypothetical profits from SA into the balance sheet it is 'ours', but when there is a political issue, it is 'Anglo's' It is a clear case of double standards."

Minorco is also probing the full cost of Consgold's bid defence

It has written to the state of Michigan over reports that it is shortly to sell its 6% of Minorco shareholding to comply with anti-apartheid regulations.

2 actions against medical firm

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A manufacturer and distributor of disposable medical products was placed under provisional liquidation yesterday after an action in the Rand Supreme Court instituted by another medical company

Carlin Medical Extrusions brought an order to wind up Medi-Make Ltd after being unable to retrieve R38 737 and interest owed by Medi-Make

It was submitted by director Mr David George Carlin that Medi-Make was unable to pay the amount, and that costs be paid out of the company's assets

In another action against Medi-Make, a firm called Reuckplocut was granted payment of about R36 000 and interest owed — Staff Reporter Star 21/12/88

+ 9c tax) B/Day 21/10/88 332 A TIMES MEDIA PUBLICATION

Is NUM interested in buying a major gold mine?

SIMON BARBER

WASHINGTON — The National Union of Mineworkers (NUM) may be interested in using leveraged buy-out techniques to enable its members to acquire "a major gold mine", says Norman Kurland, a leading US proponent of employee stock ownership plans (esops)

Kurland, president of the Washington-based Centre for Social and Economic Justice (CESJ), discussed the possibility with NUM general secretary Cyril Ramaphosa during a two-week visit to SA last month.

"Ramaphosa expressed interest in NUM members acquiring a major gold mine through an esop," the latest CESJ newsletter says in a report on Kurland's trip

It also says the union leader was "open" to exempting employee-owned and controlled SA companies from US trade and investment sanctions.

Such an exemption might be necessary for workers to raise capital to buy into their companies and could be a major incentive for SA firms to increase employee participation

In the US, Esops have enabled companies to obtain major new capital at highly advantageous rates in return for ceding control to their employees

In an interview after his return, Kurland stressed that the initiative for setting up Esops in SA would have to come from unions and workers themselves and that the plans could not be imposed from outside

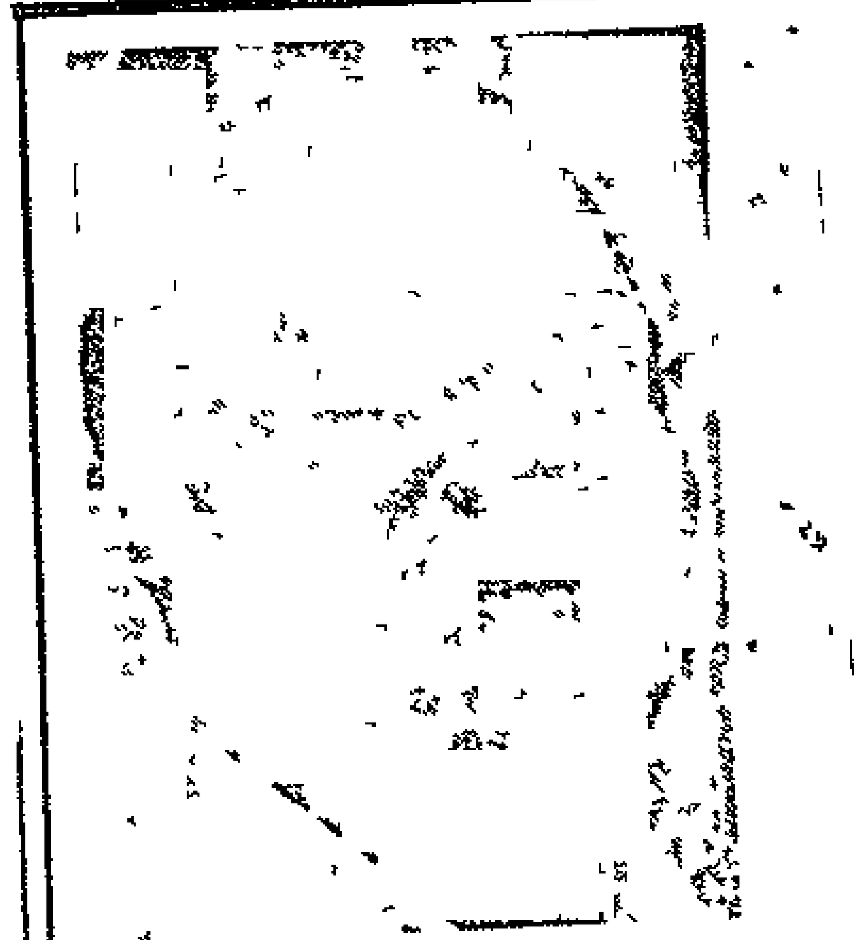
He called Anglo's limited offer of shares to employees "trivial" and said it threatened the whole Esop concept in SA.

During his visit, Kurland held discussions with a braod array of union and business leaders, many of whom "promised support" in setting up an SA chapter of CESJ.

□ ALAN FINE reports that Anglo American's Bobby Godsell said last night Anglo would be interested in talking to the NUM and other unions with which it dealt about further ways in which employees could participate in share ownership

"We do not consider our existing scheme to be the final word on the subject," he said.

Ramaphosa left yesterday on an overseas trip and could not be reached for comment.



RAMAPHOSA

NUM denies mine bid

B/Day 22/12/88

ALAN FINE

THE National Union of Mineworkers (NUM) yesterday denied it had taken any steps towards facilitating a leveraged buyout of a gold mine by members

The union was responding to a report in a newsletter published in the US by employee share ownership scheme (esop) specialist Norman Kurland claiming that NUM general secretary Cyril Ramaphosa expressed interest in the idea during Kurland's visit to SA last month.

The NUM also flatly denied that Ramaphosa, presently on a trip to Europe, was open to exempting employee-owned companies in SA from trade and investment sanctions

A union statement stressed that some officials had merely met with Kurland so he could explain his approach to esop schemes and how it might be used by workers to purchase shares in a gold mine

NUM assistant general secretary Marcel Golding added the union would examine the question of employee share ownership in the light of what Kurland had told them and in terms of schemes operating in other parts of the world

However, the matter had not been taken any further

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B/day
22/12/88

Privatisation essential — Horwood

Business Day Reporter

PRIVATISATION and deregulation are essential to allow the release and transfer of large funds — both capital and revenue — from the public to the relatively more productive private sector, Nedbank chairman Owen Horwood says in the bank's annual report.

He says this would allow significant economy in government spending as well as a possible reduction in the excessive incidence of taxation. "The ultimate outcome seems certain to be a higher aggregate production and income — the much-needed higher growth rate — which, given interest rates that are continuously allowed to adjust to prevailing market conditions, is the one possible way to provide for capital formation from savings and is at the same time the best antidote for unemployment.

"SA has been forced to become a capital exporter as the country is committed to an increasingly heavy order of foreign debt redemptions in the next few years and is unable to borrow investment capital abroad.

"Now this situation can only be sustained if an adequate surplus is maintained on the current account of the balance of payments.'

"If exports are buoyant, imports are low and the gold price relatively high, the position is managable. But exports are not as buoyant as they might be, imports are excessively high and the gold price, at around $420 an ounce is not sufficient for our comfort."

On Nedbank, Horwood says the strong recovery shown by the bank during the 1987 financial year continued during the 1988 financial year.

An increase of 57,8% in net income was recorded from R93,7m in 1987 to R147,9m in 1988.

MacPhail explodes onto takeover trail

(232) Star 23/12/88

By Sven Forssman

MacPhail Holdings is to acquire 100 percent of Reef Coal and 99 percent of Reef Coal Bophuthatswanate for a purchase consideration of R2 782 614, to be settled through the issue of 9,3 million new MacPhail ordinary shares at a price of 30c per share, FSI Corporate Services said yesterday

MacPhail rose sharply to 40c on speculation of the deal yesterday on the JSE, but settled back to 35c — 2 000 shares changed hands in one deal ahead of the announcement

For MacPhail, the deal means a diversification of sources of supply and expansion into new market sectors

Reef coal serves different market sectors market sectors.

It owns and operates the country's only independent plant for production of char, a beneficiated process coal used in the metallurgical industry

It markets coal produced by independent mines operating outside the traditional TCOA framework

Reef Coal this month signed a contract to actas an agent for coal produced for the SA market by Gold Fields Coal from Greenside and New Clydesdale Collieries

Insolvencies, liquidations decline

Finance Staff

Insolvency and liquidation figures reflect the buoyancy that has marked the business sector for most of the year

Liquidations for the three months to October increased 9,3 percent, compared with the previous three months, but decreased 8,8 percent, compared with the corresponding period last year

Insolvencies for the three months to September decreased 11,3 percent, compared with the previous three months and decreased 42,6 percent, compared with the 1987 figures

Star 27/12/88 232

Privatisation 'should be exported'

28/12/88 232

Own Correspondent

LONDON — A call for Britain to export the idea of privatisation for the benefit of poorer countries was made yesterday by the leading right-wing think tank, the Adam Smith Institute

It said government should set up a privatisaton unit within the Overseas Development Administration, which is responsible for foreign aid

The unit would spread the success message of state sell-offs by encouraging foreign politicians to visit Britain and see what has been done, and maintain a large data bank and research library for their use

Foreign aid should go primarily to private sector projects instead of government schemes. The institute calls this a "people not politicians" approach

Peter Young, author of the report, which is titled The Enterprise Imperative, says government is doing hardly anything to teach poorer nations the lessons it has learned about the benefits of selling public sector business, and how to get it right in practice

"Privatisation is another great British invention that we are letting other people take the credit for," he said

The Privatisation Unit, he suggested, would be a sort of "flying doctor" service, helping poorer countries to assess which enterprises would benefit from the medicine of leaving the state sector

The institute has also suggested establishing a British Privatisation Export Council, comprised of merchant banks, stockbroking firms and management consultants, to act as Prime Minister Margaret Thatcher's privatisation sales team overseas It has sent an 80-page report called Privatisation in Practice to scores of governmment leaders in the developing world

Privatisation seen as an incentive for Presto

Star 29/12/88

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By Sven Forssman

Although measures to reduce consumer demand are expected to lead to a reduction in economic activity, Presto stands to gain from privatisation and deregulation of the transport industry, chairman John Sampson says in the annual report

"Obviously privatisation and deregulation will in due course create a more competitive environment," he says

"We believe, though, that these moves should benefit the group Until very recently, our growth was restricted by the outmoded permit system

IMPORTANT

"In spite of the restrictive permits and the capital-intensive nature of its business, Presto has, in a relatively short time, become an important carrier in the long-haul market

"We also enjoy the unparallelled benefit of having costly facilities in place in the major centres, all of which will easily cater for the envisaged volume growth"

Mr Sampson says that Presto will always try to position itself in specific niches of the inter-city trucking market

So . . . does anyone want to buy a hospital?

WHAT PRICE HEALTH?

Sowetan 29/12/88

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WHEN the Government announced plans to privatise hospitals in February this year it feared that nobody would buy them because of the high costs involved — this fear has now been realised

The Transvaal Provincial Administration's MEC in charge of hospital services Mr Daan Kirstein, added his voice then by saying prospective buyers were unlikely to be able to afford to run them He said, for instance, it cost the Government R100-million a year to run Baragwanath, yet the hospital made only R5-million a year

Lack

The reason behind the privatisation of health services is according to hospital authorities, lack of funds on the part of the Government

Announcing the 1989 budget for hospital services, Mr Kirstein said the province would have to overspend to carry out its essential services R1,5-billion has been set aside for next year's hospital services, he added

Of course the response from the Administrator of the Cape, Mr Gene Louw, was quick "Provincial hospitals and health services are not being adequately funded by the central government and deserve greater prominence in national priorities "

The demand for health services is determined by actual need and not created artificially or at will For instance a rapid rise in the population, urbanisation and the progressive rise in living standards all place an unbearable load on health services

MR DAAN KIRSTEIN Transvaal MEC in charge of hospital services

MS NOMONDE JAFTA committed to crush privatisation

FOCUS

By MOKGADI PELA

The Government's intention to privatise health services angered black people Leading the fight was the Imbeleko Women's Organisation which launched a national campaign against the move

In an interview with the *Sowetan* published on May 25, this year, the Co-ordinator of Imbeleko, Ms Nomonde Jafta, said "In keeping with the popular expression namely, 'mme oa ngoana o tshoara lehare ka bohaleng,' which loosely translated means a mother will use her bare hands to hold the blade of a sword in order to protect her offspring, we felt we could not let this Government do what it wants without being challenged "

"Privatisation will only increase the misery of black people Only the rich will afford privatised health services because they can afford the already expensive Medical Aid Schemes

The decision to launch a campaign was reached at a seminar of Imbeleko held at Mamelodi Pretoria in May this year The seminar was attended by delegates from as afield as Lenyenye, Kuruman and Kangwane "Since then we have not rested because our struggle lies in the implementation of our resolutions " Ms Jafta said

"If the Government's moves succeed the infant mortality rate will soar The high pregnancy rate among our youth will not be reduced by privatisation but by proper health and sex education, she added

Shirk

The Co-ordinator of Health 2000 Dr Abu Asvat, had this to say about the matter 'The Government must not shirk its responsibility to provide health services

Ideologically and economically the Government is bankrupt The black community has no say in matters pertaining to government and therefore do not feel obliged to support such actions," Dr Asvat added

The plight of the Lenasia residents is another case in point

Their struggle for a hospital started as early as 1963 when they made representations to the authorities calling for the building of a hospital The hospital was completed in 1986 but has not been functional because the authorities say they do not have money to administer it

Contend

For the same reason Soweto, with a population of more than 1,5 million, has had to contend with the overcrowded Baragwanath Hospital for decades Health authorities have said another hospital would be built near New Canada before 1993 Whether that will happen is a million dollar question

An editorial in *The Star* published on August 12, 1988 on the Lenasia Hospital issue said "This week the Minister of Health Services and Welfare in the House of Delegates announced that the Lenasia Hospital would be opened at last What is significant, however is that no new source of funds seems to have been found All the authorities did was to juggle the books a bit, and there was the money Dare we ask then why they did not do just this two years ago? '

This is also the question many black people have asked but whether anybody in the corridors of power is listening is another matter

The Media Council

THE South African Media Council is an independent body established to deal with various matters affecting media reporting and comment

One of the council's functions is to receive and act upon complaints from members of the public who have not been able to get satisfaction by approaching a newspaper or other news media directly Complaints must relate to published editorial matter and should be lodged within 10 days of publication But late complaints may be accepted if good reasons can be advanced.

The address is The Conciliator/Registrar, SA Media Council, P O Box 5222, Cape Town, 8000 Telephone (021) 461-7317 Inquiries are welcomed

Political comment in this issue by Aggrey Klaaste and Sam Mabe Sub-editing, headlines and posters by Sydney Matlhaku All of 61 Commando Road, Industria West, Johannesburg

• Write to the Editor at PO Box 6663 Johannesburg 2000 Nom-de plumes can be used but full names and addresses should be supplied or the letter will not be published