MANUFACTURING _ CHEMICALS & PRODUCTS

Sept — Dec 1983 AND 1984 — Nov.

(183) RDM 1/9/83

Fertiliser giants are free to charge Rapport

Mail Reporter

BONUS FERTILISER and Triomf Fertiliser are free to lay charges of contempt of court against the newspaper Rapport and certain of its employees without the intervention of the Supreme Court

Mr Justice G Gordon said this yesterday in the Rand Supreme Court when he refused a request by the two fertiliser companies to ask the Attorney-General of the Transvaal to investigate the possible contempt of court committed by Rapport's editor, Dr Willem de Klerk reporter Eddie Botha and the newspaper's publishers

The request was made after allegations of industrial espionage and a possible claim of millions of rand were withdrawn against Dr Louis Luyt s company and Mr Piet Uys a senior employee of Triomf

The allegations against Triomf and Mr Uys were levelled by Bonus Fertiliser during an urgent application, heard behind closed doors, in the Rand Supreme Court on July 15

Rapport then published extracts from a transcript of telephone conversations between Dr Luyt and Mr Uys on August 7 14 and 21 The court had prohibited publication

Mr Uys was then in the employ of Bonus Fertilisers

Mr Justice R Goldstone who heard the application ordered that no information be published before the rule nisi had expired It expired on August 30

Judge Goldstone had ordered on July 15 that none of Triomf's employees or agents or Mr Uys could tell a third party of the application

An order to search Triomf's offices for documents containing confidential information regarding Bonus price structures and client lists was also granted

Judge Gordon discharged the rule nisi on Tuesday after no such documents were found in Triomf's or Mr Uys possession

Magnum trust firm folds up

Court Reporter

THE Summerley Family Trust holding entity of the Magnum Group was placed under final sequestration in the Rand Supreme Court by Mr Justice G Gordon yesterday after an eight-month delay

The trust was first placed under provisional sequestration on December 23 last year The rule nisi was extended on several occasions because of the opposition of the trustees and for various other reasons

Mr Barend de Wet trustee of Magnum Financial Holdings (Pty) Limited said the trust owed MFH R2 800 000 The trust's total liabilities exceeded R5-million

Mr De Wet said the trust formed part of the Magnum Group and formed the "holding entity" of the Magnum Group

The trust owns 100% of the issued share capital of MFH and Karino Farms — both under liquidation — and 24% of the issued share capital of Magnum National Life Insurance Company

The trust also owns a yacht valued at R150 000, an aircraft worth R400 000 and a luxury sports car worth R75 000

Mr De Wet said the trust owed MFH R1 626 626 for money lent in advance and R1 200 000 for Karino Farms which it bought from MFH in November 1980 The trust also owed Karino Farms Debentures Holders Trust R300 000 and Magnum Acceptances R2-million for surety obligations

Two accused of producing 'undesirable' T-shirts

Mail Reporter

THE alleged production of T-shirts bearing the words "Halt all apartheid tours" resulted in two people appearing in the Johannesburg Magistrate's Court yesterday

Miss Caroline Marjorie Cullinan, 30, of Fifth Avenue, Mayfair, Johannesburg, and Mr Haroon Mohamed Behra, 21, of Agapantis Avenue, Lenasia appeared briefly before Mr L S du Toit

The State alleges they wrongfully and unlawfully produced undesirable publications in the form of T-shirts showing a drawing of a black man tied down while white cricket players played the game on top of him, and also that the words "Halt all apartheid tours' were written on the T-shirts

The State further alleges they distributed the T-shirts at Bree Mansions, Bree Street, Fordsburg

They were not asked to plead, and were warned to appear again on October 18

UN envoy is to discuss refugees

NEW YORK — The United Nations Secretary-General Dr Javier Perez de Cuellar has agreed to send a senior aide to Lesotho to discuss ways to ease the country's refugee problem, a United Nations spokesman announced yesterday

Mr Abdulrahim Farah, Under-Secretary-General for Special Political Questions, is due in Maseru today for talks with Lesotho's Prime Minister Chief Leabua Jonathan

The UN High Commissioner for Refugees lists 3 000 refugees in Lesotho

At a recent meeting between top officials of the two countries, Lesotho said South Africa had demanded as a price for the normalisation of relations — the return of "certain members of the refugee community" that SA said posed security threats to the republic — or their expulsion to a third country

SA troops and military aircraft have conducted raids into Lesotho — against what Pretoria considers are insurgents of the outlawed African National Congress using the landlocked country as a "springboard for terrorism" against SA — UPI

Briton faces porn, immorality charges

Mail Reporter

A BRITISH citizen appeared briefly in the Johannesburg Magistrate's Court yesterday in connection with an allegation of possession of pornographic material and conspiring to contravene the Immorality Act

Mr Frederick Shaun Smith, 43, of Arthur Mansions, Caro[illegible] Street, Hillbrow, Johannesburg, appeared before Mr L S du Toit.

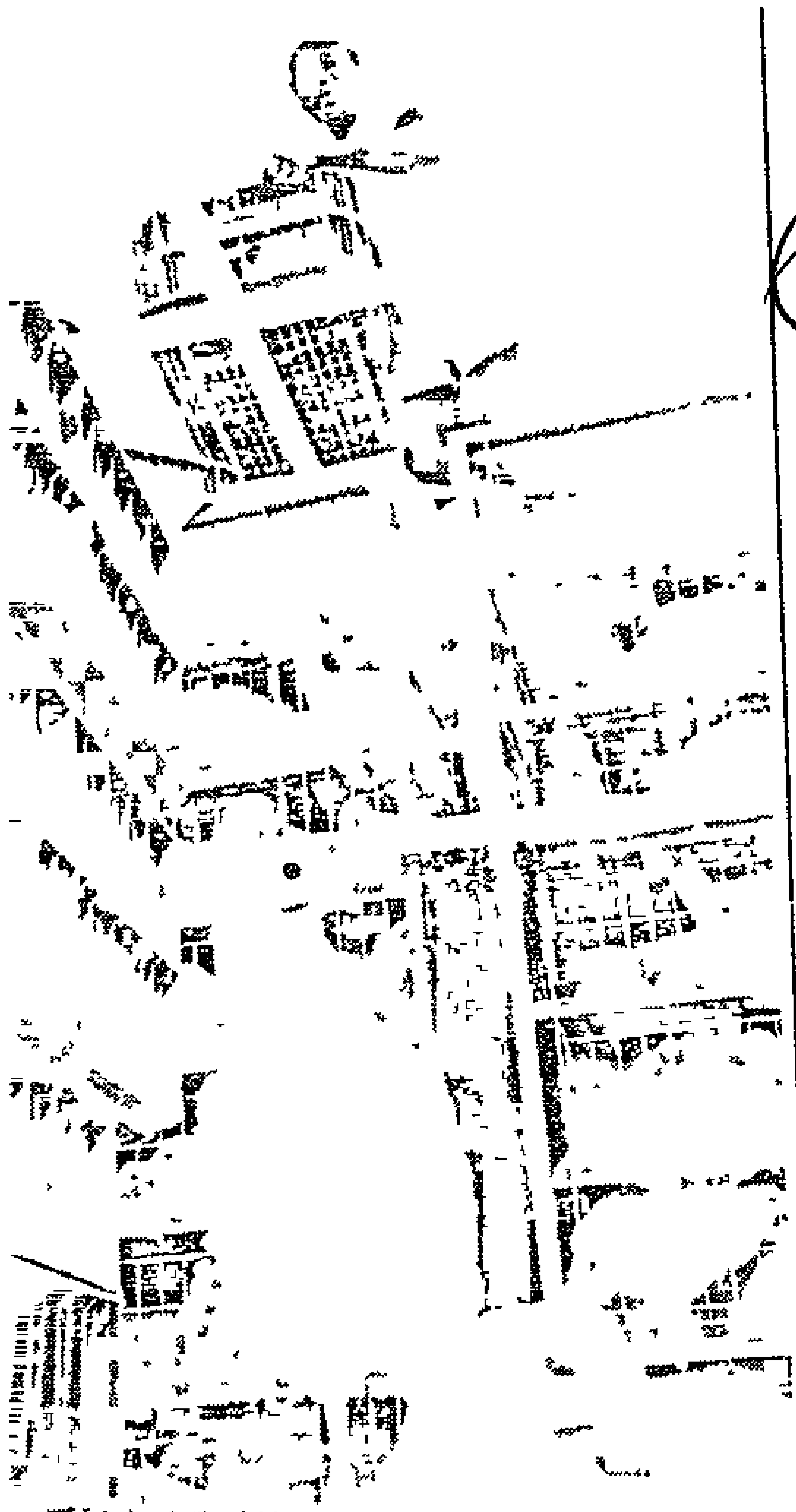
He was not asked to plead and his bail of R800 was extended on condition that his passport remained in the care of the investigating police officer

He will appear again on September 19

He was to appear with Miss Carol Abrahams, 20, of Dowling Avenue, Westbury Extention Two

The prosecutor, Mr B Groen, said Miss Abrahams had disappeared Her R100 bail was cancelled and a warrant of arrest issued

The State alleges they were found in possession of pornographic material and that they conspired to contravene the Immorality Act at Arthur Mansions on May 5



...ousand chickens were recently brought in a... from their quarantine station at Irene, Pre... to a breeding farm at Tongaat The journey, ... started in Holland, began 12 weeks ago, ... the birds — known as Hisex Browns — being ...ght to the country as day-old chicks They are ..., rated for the prolific way in which they lay ... eggs and produce top-quality young and ... used for breeding future stock They were ...d aboard a Hultrans truck for the 600-km drive from Pretoria

Fertiliser products price control likely to go

183

Mercury 5/9/83

Mercury Correspondent

JOHANNESBURG—Price control on fertiliser products is likely to be dropped before the end of this year, according to Mr Johan van der Walt an executive director of Sentrachem

Discussing Sentrachem's involvement in the agricultural chemical sector Mr Van der Walt said that while the market was likely to remain static over the next year or so the entry of Sasol onto the scene would herald a significant re arrangement in the market place

The fertiliser industry was extremely depressed over the past year and was likely to remain so and with Sasol's capacity added to the supply position there would be about 5 200 000 tons of manufacturing capacity competing for demand of 2 500 000 tons

Mr Van der Walt stressed that there was no truth in rumours that Sentrachem intended selling Fedmis

'There has been a lot of talk in the market about us selling Fedmis but there is no truth in this whatsoever'

We have taken a view that we intend being in the business of providing food on a long-term basis

Fedmis is particularly resilient — it doesn't only produce fertiliser there is cement animal feed phosphates and other by products'

Mr Dave Marlow Sentrachem's managing director said the South African fertiliser industry faced major challenges in the months and years ahead as a result of substantial over-capacity additional competition in the market and the probable removal of price and import control

'These are circumstances which demand the greatest degree of flexibility In this context Fedmis has just commissioned its new R23m ammonia storage terminal at Richards Bay

The terminal will enable Fedmis to import ammonia to the extent that it is not available The capacity and location of the terminal will enable Fedmis to employ large ships and achieve economies of scale

The existence of the terminal will also make S A completely independent of facilities in neighbouring countries

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Sage earnings per share up 36pc

...ANNESBURG—Sage ...ngs has announced a ... percent increase in ...ings per share to a ...d 32,9 cents for the ... months ended June 30 ... and has raised the ...im dividend by 50 per ... to 15 cents per share

...n the interim report, directors forecast an ...ease of not less than ... percent in earnings ... share for the current ...

...hey point out that ...fits are accruing more ...ly than in previous ...rs, and that the high ... of growth achieved ...ing the half-year may ... be maintained for the ...ll year

...n 1982, Sage's earnings ... the year increased by ...9 percent, to 67,13 ...ts per share, (R9 262 ...

preference dividends, net earnings attributable to ordinary shareholders rose by 36,8 percent to R4 559 540 (32,9 cents per share), compared with R3 332 943, (24,21 cents per share), in the corresponding period last year — (Sapa)

...vidends

Total dividends were ...ed by 18 5 percent to ...

JOHN'S AUCTIONEERS

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(Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDENDS ON CONVERTIBLE REDEEMABLE CUMULATIVE PREFERENCE SHARES

Notice is hereby given that the undermentioned dividends in respect of the period 1 April 1983 to 30 September 1983 have been declared payable to shareholders registered in the books of the company at the close of business on Friday, 16 September 1983 The relevant share registers of the company will be closed from Saturday, 17 September to Saturday 24 September 1983 both days inclusive

	Dividend number	Cents per share
7½% fixed rate convertible redeemable cumulative preference shares – Series A	6	75 00
Variable rate convertible redeemable cumulative preference shares – Series B	6	91,67

The dividends have been declared in the currency of the Republic of South Africa and cheques in payment thereof will be posted from the offices of the South African and United Kingdom transfer secretaries on or about 30 September 1983 Cheques in respect of dividends issued from the United Kingdom office will be drawn in United Kingdom currency equivalent on 23 September 1983

Non resident shareholders tax at the rate of 15% will be deducted from dividends where applicable

By order of the board

Luyt bought R18-m fertiliser from firm, court is told

(183)

Star 9/9/83

Fertiliser magnate Mr Louis Luyt bought fertiliser valued at R18 million from an associate company which was allegedly colluding with a rival, Sasol One, to compete in the retail fertiliser market, a Rand Supreme Court judge heard yesterday.

The allegation was made by Mr S A Cilliers SC, representing Mr Luyt's Triomf Fertilisers, when motivating an urgent application instituted by Triomf against AECI Limited, Sasol One and Fedmis (Pty) Ltd

Mr Justice G A Coetzee was asked to grant an interdict restraining Sasol One from entering the retail market and for an order binding AECI, Fedmis and Sasol One to a contract they had signed during 1971 and 1975.

An order to compel AECI to institute a similar action against Sasol One was also sought. Later the judge said that after hearing the background to the case, he believed the application to compel AECI to prosecute Sasol One could not possibly succeed

Mr Cilliers said that Triomf had a merger agreement with AECI preventing the lattermarketing any fertiliser in South Africa He alleged AECI was now assisting Sasol One to break into the retail field.

He said that Sasol One and AECI, a minority shareholder in Triomf, had entered into a supply agreement in terms of which Sasol One products were prohibited from from being sold on the retail market before December 1985

Fedmis and AECI were bound by an agreement to buy certain quantities of fertiliser nitrogen from Sasol One

Triomf bought all the fertiliser which AECI did not need or could not market in exchange for an AECI undertaking to prevent Sasol One from competing with Trimof

Mr Cilliers argued that this was done because of the existence of a verbal agreement between Triomf and AECI

So far this year Mr Luyt had bought fertiliser valued at R18 million from AECI, most of which was being stored, said Mr Cilliers

He urged the court to accept that there was a verbal agreement and to order AECI to seek an interdict or to restrain Sasol One from entering the retail field.

The hearing continues today

pleaded guilty to a terrorism charge, but not guilty of high treason (Proceeding)

play will be opened to the public when restoration work is complete — Sapa

on the origin and meaning of well-known Khoekhoen names such as Cango, Gamtoos Gobabis and Karoo

case was postponed to December 19 No evidence was lead and he was released on R300 bail

have something to every day and buy of the day's best

(183) Star 13/9/83

Triomf's attempt for interdict fails

An attempt in the Rand Supreme Court by Mr Louis Luyt's Triomf Fertilisers to prevent Sasol 1 entering the retail fertiliser market failed yesterday on a technical legal point

Mr Justice G A Coetzee refused an application by Triomf to refer its urgent application for the hearing of oral evidence because of a dispute over facts on two issues

Triomf sought an interdict restraining Sasol 1 from entering the retail market and for an order binding AECI and Fedmis to a contract signed with Sasol 1 in 1971 and 1975

The judge was asked for an order to compel AECI, which holds a 49 percent share in Triomf, to institute a similar action against Sasol 1 because of the existence of a tacit agreement between AECI and Triomf

Triomf submitted that Sasol 1, AECI and Fedmis entered into a supply agreement in terms of which Sasol 1 products were prohibited from from being sold on the retail market before December 1985

It was alleged that Sasol 1 and AECI had amended this contract, enabling Sasol 1 to enter the retail field

Triomf submitted that it had a tacit agreement to buy nitrogenous fertiliser which AECI did not need or could not market in exchange for an AECI undertaking to prevent Sasol 1 from entering the retail market

CHANGE

During the court proceedings an application was made for oral evidence to determine if a tacit agreement existed between Triomf and AECI and whether the supply contract had been amended

Refusing the application the judge said there had been a change of course in the application by Triomf which did not mention in its first affidavit a tacit agreement between Triomf and AECI

This point was relied on heavily during the legal argument

● After the hearing a spokesman representing Mr Luyt told reporters that Triomf was not abandoning its [illegible] to prevent Sasol 1 [illegible] into the retail market

Court hears of farm mistress allegations

Own Correspondent

ESTCOURT — A wealthy Winterton farmer told the Supreme Court here today police had said that were he to provide another reason for having killed his wife, they would tear up a statement involving his alleged relationship with a black woman

Mr Cornelis "Neels" van der Merwe (66) was giving evidence in a trial within a trial to determine whether a statement he had made to a magistrate could be admissible as evidence against him by the State

He said that when he saw the charge sheet, after he came out of observation at Town Hill Hospital, he saw the name of Miss Simagele Sibeko on the list of witnesses and asked the investigating officer, a Warrant Officer van Niekerk, what had become of their promise

He said Warrant Officer van Niekerk told him he had washed his hands of it and that the papers had gone to the State Prosecutor

ALLEGATIONS

Mr van der Merwe said that after being arrested he had denied the allegations put to him by police that he had had a sexual relationship with Miss Sibeko, a schoolteacher at a school on his farm

He said he had been impotent since 1960

Mr van der Merwe said police told him that his servants had described nocturnal visits he had made to the school where Miss Sibeko lived

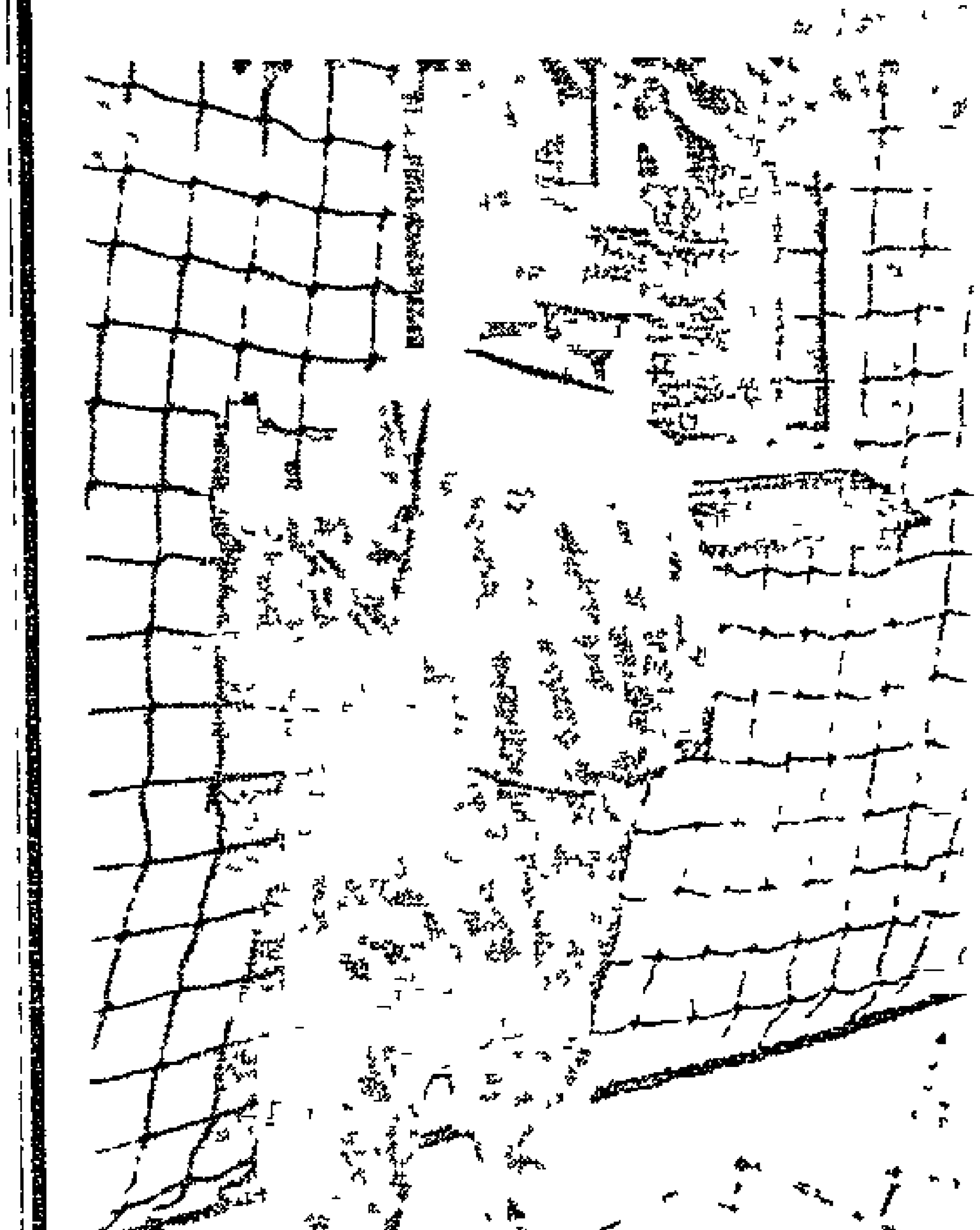
He said as manager of the school he had gone there to keep it in order

He admitted his involvement with the woman to police after lengthy questioning and a visit by an old friend and leader in the community, Reverend W T Conradie

Mr Conradie had read him texts from the Bible which said that if he repented he would be forgiven, he said

The case continues

Cornered ca[illegible]



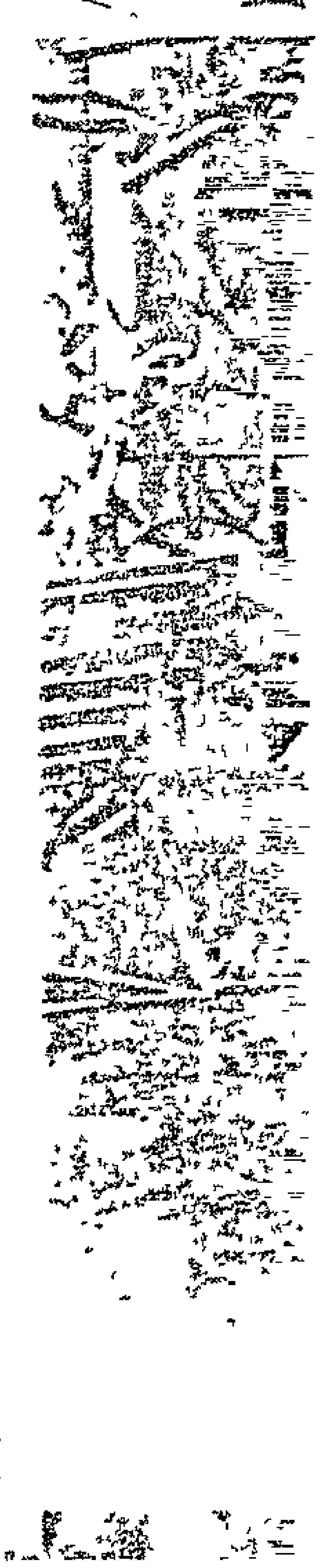
A wild Namibian mountain leopard provided some excitement at a Fichardt Park home after it escaped from the Bloemfontein Zoo at the weekend

Hetnie escaped from its cage through a small air vent soon after it was brought to the zoo last Friday She roamed about 5 km from the zoo and hid in a storeroom at the back of the Rouseau family's property

A startled Dr Daan Rouseau discovered Hetnie on Sunday when he went to fetch some wood from the storeroom for a braai

Mr Sarel van der Merwe curator of the Bloemfontein Zoo, Mr Ben de Wet and three zoo workers set up a large net around the room to snare Hetnie (top) Mr de Wet fired darts to dope the cornered beast He then carried the leopard to a special cage the zoo staff had brought with them (centre)

Mr van der Merwe (bottom), then assisted Mr de Wet in caging the leopard — to the relief of the Rouseaus and their neighbours



Luyt's Triomf loses court battle

183

RDM 13/9/83

By TONI REYNEKE
Court Reporter

AN ATTEMPT by Triomf Fertilizer to prevent Sasol 1 selling retail fertilizer failed in the Rand Supreme Court because of a legal technicality yesterday

But, Dr Louis Luyt, chairman of Triomf, said after the hearing he was not abandoning his attempts to keep Sasol 1 out of the retail market.

Mr Justice Gert Coetzee found the original papers did not mention a tacit agreement between AECI and Triomf Fertilizer as alleged in papers filed later

Dr Luyt asked for an interdict to prohibit Sasol marketing fertilizers to its' newest subsidiary, Sasol Fertilizer

The application was brought against AECI, Sasol 1 and Sentrachem

Dr Luyt said AECI and Triomf Fertilizer were shareholders in the applicant company They had a tacit agreement in which Triomf Fertilizer would buy AECI's fertilizer quota from SASOL 1 to keep it off the market.

Sasol 1 and AECI entered into a supply agreement during 1975 in terms of which SASOL 1 products were prohibited on the retail market until December 1985

Dr Luyt said a new company was created in the Sasol group during August 1981 This company, Sasol Fertilizers, recently became active in the retail market.

Dr Luyt said it had become clear by March this year that Sasol Fertilizer's entry into the retail market was seriously harming Triomf's interests

It also became clear that Sasol 1 and AECI intended accommodating each other to the disadvantage of Triomf

Triomf Fertilizer described itself as a "de facto contract party" to the supply contract between Sasol and AECI

Mr Justice Coetzee found that a "de facto" party had no legal recourse and said the term was used to define confidential arrangements between companies.

Mr Justice Coetzee said no mention was made of a tacit agreement in the founding affidavit, yet Dr Luyt's replying affidavit relied heavily on such an agreement.

He rejected Triomf's application to lead oral evidence on the existence of the tacit agreement

DISSATISFIED Some of the striking workers of Van Drimmel Laboratories seen outside Khotso House where they had gone for consultation with representatives of the General and Allied Workers Union (Gawu) In addition to their grievances they are demanding the reinstatement of three of their colleagues who were sacked

Three fired after strike

By PHIL MTIMKULU

THREE workers at a medical laboratory were fired yesterday morning after being accused of being the ringleaders of a strike involving about 60 of their colleagues

The sacked workers are Mr J Mchunu, Mr J Ndlovu and Mr J Mazibuko The striking workers, who are employed by Van Drimmel Laboratories in the centre of Johannesburg, have now combined the reinstatement of the three workers with their other demands

The striking workers demand an increase of R2 an hour They said some of them were earning R120 a month even after serving the company for more than six years Those who have just started working for the company were paid as little as R100 a month, the workers said

The workers were also unhappy that there was no structure to facilitate communication with management They said there was no job security and felt very insecure as some of their colleagues had actually been fired They were also not happy with overtime which they said was made compulsory

The workers claimed they had to pay for company property if it got damaged in the execution of their duties

They called for the dismissal of a "bossboy" whom they said used abusive language

The General and Allied Workers' Union (Gawu) has sent a representative, Mr Amos Masondo, to form a committee from the workers and to negotiate on their behalf Management had refused to talk to the workers, they claimed

Dr P van Drimmel, one of the owners of the company, was busy at a meeting yesterday afternoon and has so far not returned a call from The SOWETAN to get the company's comments about the allegations levelled by the workers

Workers in row over conditions

Star 28/9/83

By Jo-Anne Collinge

About 60 workers from a pathologist's laboratory in Johannesburg are demanding the reinstatement of three dismissed colleagues as a condition for ending their strike

Saying they were dissatisfied with conditions of work at the laboratory of Dr P van Drimmelen in Bosman Buildings, the workers went on strike yesterday morning.

This resulted in the dismissal of three men and the strikers resolved not to resume work until they were reinstated

Dr van Drimmelen refused to speak to The Star yesterday

Among the allegations listed by the workers were

- Pay was poor, as low as R93 a month in some cases
- They had no job security and felt they could be fired at any time
- Overtime work was not voluntary Insufficient notice of it was given and workers were often not paid for extra hours
- There were no structures for consultation between employer and staff

Union members back at work

183 Sowetan

By JOSHUA RABOROKO

ABOUT 300 workers at Colgate Palmolive in Boksburg, members of a Fosatu-affiliate, the Chemical Workers Industrial Union, who earlier staged a work stoppage in protest against the attitude of a manager, yesterday returned to work.

This was confirmed by The SOWETAN by both the union's branch secretary, Mr Chris Bonner and the company's spokesman following an agreement that the workers' grievances be investigated

In a statement the union says the workers have been unhappy with the manager for several months claiming that he gave out indiscriminate warnings, especially if he lost an issue taken up by shop stewards; he treated workers as if they were in jail, he sneaked up on workers, even arriving in the middle of the night to check on night shift workers, he avoided dealing with the shop stewards, he promoted "baaskap" by calling the foreman "baas"

The work stoppage was sparked-off by a series of incidents last week when the manager concerned gave out an unfair warning, he dismissed a worker without giving him a hearing and refusing to discuss the issues with shop stewards

The workers have demanded that the manager be removed from the department while the investigations were taking place, according to the statement

A spokesman for the company confirmed that the workers grievances were being investigated and the workers had agreed to resume work

Malawi gates open to SA fertiliser manufacturers

183 RDM 6/10/83

By SIMON WILLSON

Industrial Editor

COUNTRIES giving aid to Malawi may follow the precedent set by the World Bank in relaxing the conditions of their aid, thereby helping to increase Malawi's orders for South African fertiliser.

The World Bank has allowed Malawi to accept South African tenders for contracts in projects sponsored by World Bank aid. Much of this demand is expected to be channelled to the SA fertiliser industry.

The South African Foreign Tr[illegible] Organisation (Safto) says th[illegible] SA industries — but espe[illegible] fertiliser manufacturers [illegible] expect mushrooming or[illegible] [illegible]om Malawi if, as is expect[illegible] more of that nation's aid is given unconditionally.

Analysts say Malawi's aid donors, seeing the problems caused to the landlocked country's foreign trade by the inefficient Mozambican ports, have eased the conditions under which they provide money.

Until June this year, countries giving aid to Malawi tied their donations to orders from Malawi to ensure that the benefits in employment and exports returned to the donor.

This was particularly the case with the United States, and only slightly less so with Britain and other European Economic Community countries.

These buy-back conditions have been relaxed in places, giving Malawi a bigger range of options on how to use its aid.

Safto says Malawi's importers, if given the choice, will order SA products in preference to other foreign goods because SA's quality and delivery times have always been good, and because overland transport between SA and Malawi is cheaper and more reliable than ocean freighting using Mozambican ports.

Trade between the two countries is worth about R150m a year, with the balance heavily in SA's favour.

Malawi's imports from SA are worth about R131m, and SA imports goods worth only about R9m from Malawi.

SA fertiliser is highest on Malawi's list of priority uses for its newly available aid cash.

With this year's domestic offtake likely to be 30% down on last year's because of the simultaneous ravages of the recession and the drought, the SA fertiliser industry will have to look to foreign sales.

This year's South African fertiliser exports to Malawi have been estimated at about 50 000 tons. Tenders for Malawi's fertiliser contracts are usually put out in January every year, and the 1984 contracts could result in a doubling in South Africa's fertiliser exports to Malawi.

Trade with black Africa is a delicate subject in South African industry, and the fertiliser industry is even more coy about publicity because of the cut-throat competition raging in the industry for customers and skilled manpower.

But unofficial estimates say Omnia is South Africa's top fertiliser supplier to Malawi, exporting about 40 000 tons this year, followed by Triomf with 4 500 tons and Fedmis with 4 000 tons.

Triomf representatives are in Malawi looking for orders. All South African fertiliser manufacturers, however, can expect to cash in on the expanding Malawian market.

Rennies Shipping, one of the successful tenderers for the overall transport contract to Malawi, says it will account for 50 000 tons of bagged fertiliser.

The company will rail the fertiliser to Zimbabwe and Zambia, and transfer the cargo for road transport.

WASTE

"aluminium beverage container wastes as much energy as pouring out a can half-filled with petrol. In 1981 the US threw away more aluminium beverage containers than all of Africa produced in total aluminum." — UPI

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RDM

183 20/10/83

Hoechst seeks a tariff increase

By PRISCILLA WHYTE

DISRUPTIVE competition from imports has forced Hoechst SA to seek an increase in tariffs on intermediate products used to make fabric softeners, says the executive director, Mr L Hoft

"By disruptive prices I mean imports are coming in at freight on board values below the current domestic value in the countries of origin"

He claims the imports are originating in Sweden, other parts of Europe and the US "The major users of our intermediate products are paying less than their parent companies do overseas"

Competitors of Hoechst have also found the impact of imports troublesome The company is not angling for a monopolistic situation. One competitor applied for protection, but has since withdrawn from the market

If Hoechst does not get support from the Government in increased duties, Mr Hoft believes expansion of secondary industry will be in jeopardy

"Building a chemical plant in SA means an investment of 35% more of an investor's capital than a comparable plant in Europe or the US"

Hoechst has asked for an increase in duty from 10% to 20% ad valorem on quaternary ammonium salts of the dialkyl-dimethyl-ammonium chloride group classifiable under tariff subheading 38 12 10 10 or 215c a kg less 80% ad valorem

The formula duty price reference (215c) is a new specification, which Hoechst would like introduced, "because it is difficult to prove disruptive competition to the satisfaction of the Board of Trade and Industries in particular cases, but the formula price reference effectively blocks such imports"

He believes the present Customs and Excise tariff sub-heading on this subject is not sufficiently precise.

Retail sales growth slows

By HAROLD FRIDJHON

THE growth in retail sales appears to be slowing and may be approaching a turning point, according to figures of expected sales issued by the Central Statistical Services

On a seasonally adjusted basis turnover at current prices is expected to rise by 13,1% in the three months to October 1983 compared with the same period of last year Total sales for the three months are estimated at R6,2bn this year

At constant 1975 prices the increase is only 1,4%

But slackening trade becomes clear when forecast sales for the three months to October are compared with the three months to July this year Against an estimated R6,3bn for the three months to July, sales for the three months to October are expected to fall to R6,2bn — a decline of 1%

At constant prices the expected drop is even more marked at 2,6%

Because these figures are seasonally adjusted, seasonal buying patterns have been eliminated

Welding electrode cost slashed

Financial Reporter

A SOUTH African-developed E3CR12 welding electrode holds considerable export potential, says Afrox

The electrode is the result of two years' development work by Afrox and the Department of Metallurgy at the University of Witwatersrand at the instigation of Southern Cross Steel.

The alloy 3CR12 was developed by Middelburg Steel, part of the Southern Cross Group The alloy offers considerably more resistance to corrosion than does mild steel, but at a lower price

The product offers savings of between 30% and 50% Stainless-steel electrodes cost between R6 and R7 a kg, but E3CR12 costs about R4 a kg

Motors
ching

for the Connoisseurs Cabinet

4th avenue

Farmers warn on fertiliser

183 27/10/83 RDM

By SIMON WILLSON
Industrial Editor

IF THE Government granted the fertiliser industry's application for protective tariffs, the industry would regain its monopolistic hold on the market and the consumer would ultimately lose out, a farmers' representative body said yesterday

Reacting to the abolition of price control on fertiliser and the phasing out of import controls, the National Association of Maize Producers' Organisations (Nampo) said it was not convinced that the industry would be sufficiently competitive.

Mr J N Viljoen, Nampo's deputy chairman, said maize farmers welcomed in principle any steps which made the fertiliser industry more market-related, especially since two official investigations had found specific malpractices to the detriment of the farmer and the public.

Import protection had placed the industry in a monopolistic position which enabled it to carry out these malpractices The extent of tariff protection to be granted to the industry was a cause for concern

"Early in 1982 the fertiliser industry applied for exceptionally high protective tariffs Should these rates be allowed, the industry will find itself back in the same monopolistic situation.

"However, at that stage farmers will no longer have any protection against malpractices"

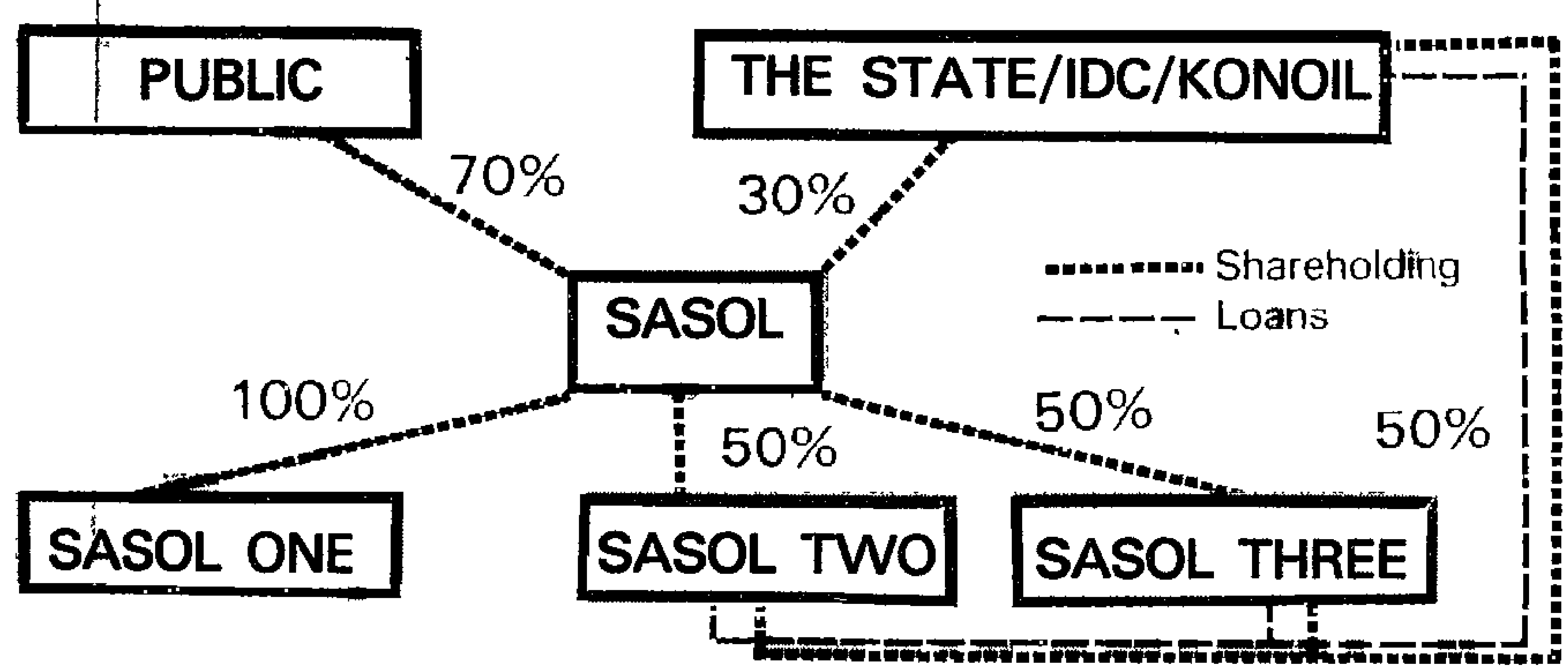
Nampo was not convinced that Sasol's entry into the fertiliser industry would create sufficient competition to assure realistic prices

South African fertiliser prices were very much higher than those in the world market SA farmers paid 47% more than the world price for their urea, despite the relative weakness of the rand against the dollar

"Any recovery in the value of the rand will decrease the cost of imports"

usiness Day
DAILY MAIL PUBLICATION Johannesburg, Thursday, October 27, 1983
(183) RDM

SASOL GROUP STRUCTURE



183 (upan) 2/11/83

RAND DAILY MAIL, Wednesda

Union set for lab breakthrough

By STEVEN FRIEDMAN
Labour Correspondent

IN WHAT is believed to be a unique development, a central Johannesburg pathologists' laboratory has said it is willing to recognise a black trade union which has been recruiting its workers

The laboratory's decision follows a recent work stoppage A second pathologists' laboratory was also hit by a stoppage, but refused to negotiate with the union because it is unregistered

The union is the Black Health and Allied Workers Union of SA (BHAWUSA) A spokesman for the laboratory yesterday requested that it not be named for fear of contravening SA Medical and Dental Council regulations

The laboratory employs around 100 workers and the other laboratory to be hit by a stoppage employs about 75

In a statement released by the union and signed by a representative of the laboratory yesterday, BHAWUSA's president, Mr Tlou Komape, announced that an agreement had been reached between the laboratory and the union's shop stewards in talks following the stoppage

As part of this settlement, the statement said, the laboratory had said it was prepared to recognise the union and further negotiations would take place "in due course"

The laboratory also agreed to reinstate eight retrenched workers at the same rate of pay as they were receiving before their dismissal, the statement added

"The management will endeavour to reinstate workers in the same or similar position to those which they occupied before, as from Monday, October 31," the statement said

BHAWUSA is a union which was formed spontaneously by workers at a Johannesburg drug company earlier this year

It has no links with any existing union federation and has no full-time officials — all officials are full-time workers

Recently it extended its operations and began recruiting workers at laboratories to which the drug company supplies its products

A representative of the laboratory said yesterday management had not yet recognised the union, but had indicated that it was willing to do so

This is believed to be the first time that union recognition talks have been held between doctors and workers employed by the medical profession

Small men urged to follow rights

Sasol names day for R750m issue

183 RUOM 4/11/83

By JOHN MULCAHY

THE Sasol Ltd rights issue to raise R750m will open on November 25 and close on December 9. The remaining R1,9bn of the cost of Sasol Two will be met out of existing resources and a staged payment over five years.

The formal agreement, under which Sasol Ltd is acquiring Sasol Two from the Industrial Development Corporation and Konoil, will be signed on Monday Sasol Two will become a wholly owned subsidiary of Sasol Ltd, effective retrospectively to June 26

The agreed price for the sale of Sasol Two to Sasol Ltd is R2,620bn, to be financed in this way

- The net proceeds of the rights offer — the Government has a 30% stake in Sasol Ltd and its share of the rights offer will amount to R250m The balance will come from the private sector.
- Cash totalling R350m will be provided out of Sasol resources
- The balance will remain owing to the IDC, Konoil and the State Oil Fund (SOF) and be paid over five years

An announcement from Sasol says that after the signing of the agreement, and this is likely to be no more than a formality, it will go ahead with a rights offer of 187,5-million shares.

The offer will be made on a one-for-two basis and, although the price has not yet been announced, consensus is that it will be pitched at 400c.

Sasol closed at 415c yesterday, down from a peak of 500c before the preliminary results were announced in August

An investment analyst said yesterday that normally the price at which a rights offer was pitched did not make a great deal of difference The only change came in earnings a share statistics

In the original Sasol prospectus the assurance was given, however, that the Sasol Two and Sasol Three deals would not result in a dilution in earnings a share

The promise given in the prospectus puts Sasol under pressure to meet its commitment and for this reason the price is likely to be pitched at 400c

Every effort is being made to explain the offer to all shareholders

Although market research has shown Sasol's advisers, Finansbank, that the major institutional holders will broadly support the issue, there is the bulk of the shareholding population to convince

Sasol has 47 shareholders who account for 82% of its issued share capital The rest are spread across 26 000 individual and companies shareholders

There is every reason for all shareholders to support the issue because the long-term prospects for Sasol make it almost a sure-fire winner

If a parallel is drawn with chemicals giant AECI the prospects for Sasol's future become obvious

AECI is happy with the profits it can make from a plant operating at 70% of capacity If capacity use moves up to 80% the gearing effect would be significant and profits improved out of proportion to the percentage change in production

At Sasol, given the volatile oil-supply situation, production will continue at full tilt for the foreseeable future and the long-term effects on profit of a chemicals plant operating at full capacity will be dramatic.

This is well understood by the major institutions which are likely to subscribe fully to their rights and will even top up holdings if any shares become available Some private investors may not realise the long-term value of their investment

TURN TO PAGE 20

Business Day

Sasol issue likely to follow the big vote

The impending Sasol rights issue was forecast in Business Day on November 27.

Sasol rights offer likely to be pitched at 400c

FROM PAGE 1

and could be tempted, by the sagging gold price and the consequently soggy industrial market, to relinquish their rights.

This would be folly. The Sasol price may have been staid and moved slowly since the first denationalisation move because the institutions have satisfied their needs through rights issues and private placings.

These are not going to be repeated indefinitely and at some time, especially when the fuel price starts moving well above Sasol's production cost, the upward pressure on Sasol's share price will come.

An irony has arisen in the build-up to the rights issue. Originally intended for some time in 1984, the Government is believed to have exerted pressure on Sasol to bring the offer forward.

The rationale was that the industrial share market was overheated, the money market was awash with cash and some means had to be found to release the pressure and mop up liquidity.

Sasol, from all accounts, rejected this argument, saying that it was an independent company, had to look to its own needs and should not be called on to manipulate factors in the economy.

The Government's view prevailed and Sasol agreed to bring the issue forward

Simultaneous to the announcement of Sasol's results for the year to June came the news that Sasol Ltd was to acquire Sasol Two and would need to raise up to R1bn from the public for the acquisition.

This announcement was made on August 20, at a time when the industrial market was testing new highs and the gold market perceived to be on the march upward

Since then everything has changed. The money market is in a quandary over how to deal with an immense shortage, the gold price has sagged and the industrial market is skidding down

Enter the Government, warning that the issue now would be disruptive to the money market.

It would be better, the Government is believed to have said, to delay the issue until next year.

This time Sasol prevailed. The issue is going ahead, not oblivious to the circumstances, but with the knowledge that the institutions will follow their rights and a belief that private investors can be persuaded to support the issue.

FERTILISER

A time for caution

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Fertiliser companies are struggling through their worst year in memory. A freer market and stronger competition looms, but the consequences are far from clear.

There is not much agreement between fertiliser companies these days, except that this year has been the worst that anybody can remember Yet only three years ago the industry was enjoying one of its best years And now it faces the challenge of even greater competition

Without doubt, fertiliser shares have always been volatile The drought, cruelly timed for several companies which were bringing new plants on stream, has slashed consumption of fertiliser by some 50% this year Plentiful rain could cause a return to relative prosperity by next summer But government's decision last week to unshackle the industry from price control and import controls further obscures the outlook for the three listed fertiliser companies, Triomf, Omnia and Hanhill

In line with the present mood of fierce competition, producers take differing views on the implications But there is some agreement that local fertiliser prices will be more influenced by world markets than before, which may accentuate earnings fluctuations It could happen because, with imports now theoretically possible, overseas prices of nitrogen and ammonia could well become an important factor

Nitrogen, made from ammonia, accounts for about 43% of the average cost of fertiliser Most of the fertiliser produced in SA uses ammonia made almost entirely from coal by AECI or Sasol Its production costs are, therefore, considerably higher than oil-based ammonia made overseas

Sasol's ammonia costs are relatively low because it produces ammonia as an unavoidable by-product in oil-from-coal plants AECI has just mothballed about 200 000 t of its old, oil-based ammonia capacity at Umbogintwini

Triomf, which claims about 50% of the fertiliser market, could be a major beneficiary of a freer market Indeed, chairman Louis Luyt is delighted at the government's announcement "Imports will soon be a viable option," he says "I don't think — I know — we will be able to negotiate lower prices with AECI or Sasol for our nitrogen supplies in future We look forward to a more profitable future "

If Luyt is correct, Triomf will benefit from wider margins between its production costs and final product prices Until de-

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mand returns to more normal levels, there is little likelihood that fertiliser prices will rise, despite the removal of price control Indeed, Luyt believes they could decline further in the short term

He expects prices will firm in the second quarter of next year if there are good summer rains Thereafter, they would rise in line with input costs, which should in future have a direct impact on the price of fertiliser And Luyt believes that government will lift the barrier on imports as soon as rain falls and farmers absorb present stocks of fertiliser That would allow Triomf to renegotiate its nitrogen prices in the first half of 1984

Luyt sees the present import permit system on fertiliser being lifted and a maximum tariff of 25% imposed "This would still allow imports priced as much as 70% less than the local ammonia-based nitrogenous products," he says

However, the problem is that nobody really knows yet when government will actually implement its decision to lift import controls or how it will do so Nor is there any guarantee that local producers will necessarily have to lower their prices Hanhill MD Oliver Hill — who imports ammonia through Maputo — doubts there will be much difference

He contends that low-priced ammonia is available overseas from only three sources the USSR, Mexico and Trinidad None of these countries, he says, would accept orders for delivery to an SA port And any imports would have to enter through AECI's ammonia facility at Richards Bay

SA importers of ammonia would hence be forced to buy at US Gulf prices, which have risen sharply in recent weeks Hill maintains that with all additional costs of transport and storage taken into account, imports could actually cost more than a local coal-based product at current prices The weakening rand also diminishes the attraction of imports And he adds that Sasol may yet maintain enough clout with government to avoid any need to cut its ammonia prices significantly

Clearly, it is too early realistically to judge the industry's long-term future The impact of Sasol, due to start selling fertiliser next year, is another imponderable It could take anything from 10% to 20% of the market fairly quickly Even this does not seem to worry Luyt unduly He believes that at least one producer will be squeezed out in coming months That, with natural market expansion, should make room for Sasol

Even with heavy rains in the next three months, all fertiliser companies could make losses in 1983 Luyt frankly admits Triomf will not make any profits on fertiliser this year and there will be no dividends for the second year running Farmers have largely ordered their fertiliser for this summer, while transport bottlenecks may limit ability to fill any sudden increase in orders in the new year

Triomf's Luyt . . . expects firmer prices next year

He lists positive factors for 1984 though Triomf's new di-ammonium phosphate (DAP) plant at Richards Bay is fully on stream The plant turns phosphoric acid into a dry mix which can be applied directly as fertiliser It absorbs up to 50% of Triomf's 450 000 t/year phosphoric acid capacity and gives the company greater flexibility in its marketing because the DAP can be sold either locally or exported

The DAP plant, Luyt says, is running at full capacity Another 25% of the phosphoric acid output is committed to existing contracts Present markets will absorb only part of the remaining phosphoric acid capacity But Luyt contends both phosphoric acid and DAP prices could return to profitable levels before too long He notes that many plants have closed in the US and there is a growing shortage of fertiliser in world markets

~~All of the~~ fertiliser companies have heavy debt Triomf will be helped through this summer by R11m made on foreign exchange dealings last year The group's liquidity has also been improved with conversion of its loans into equity, raising the operating company's equity to R90m and adjusting the debt equity ratio to a respectable 0,5

Omnia sees itself as a market niche operation that emphasises service It has about 13% of the central market, basically the Highveld, the eastern, western and northern Transvaal By December, it will have commissioned a R65m plant to produce nitric acid, ammonium nitrate and granulated fertiliser This plant does not increase Omnia fertiliser capacity, merely helps assure supplies of raw materials It has also lifted Omnia's debt equity ratio to 1,0

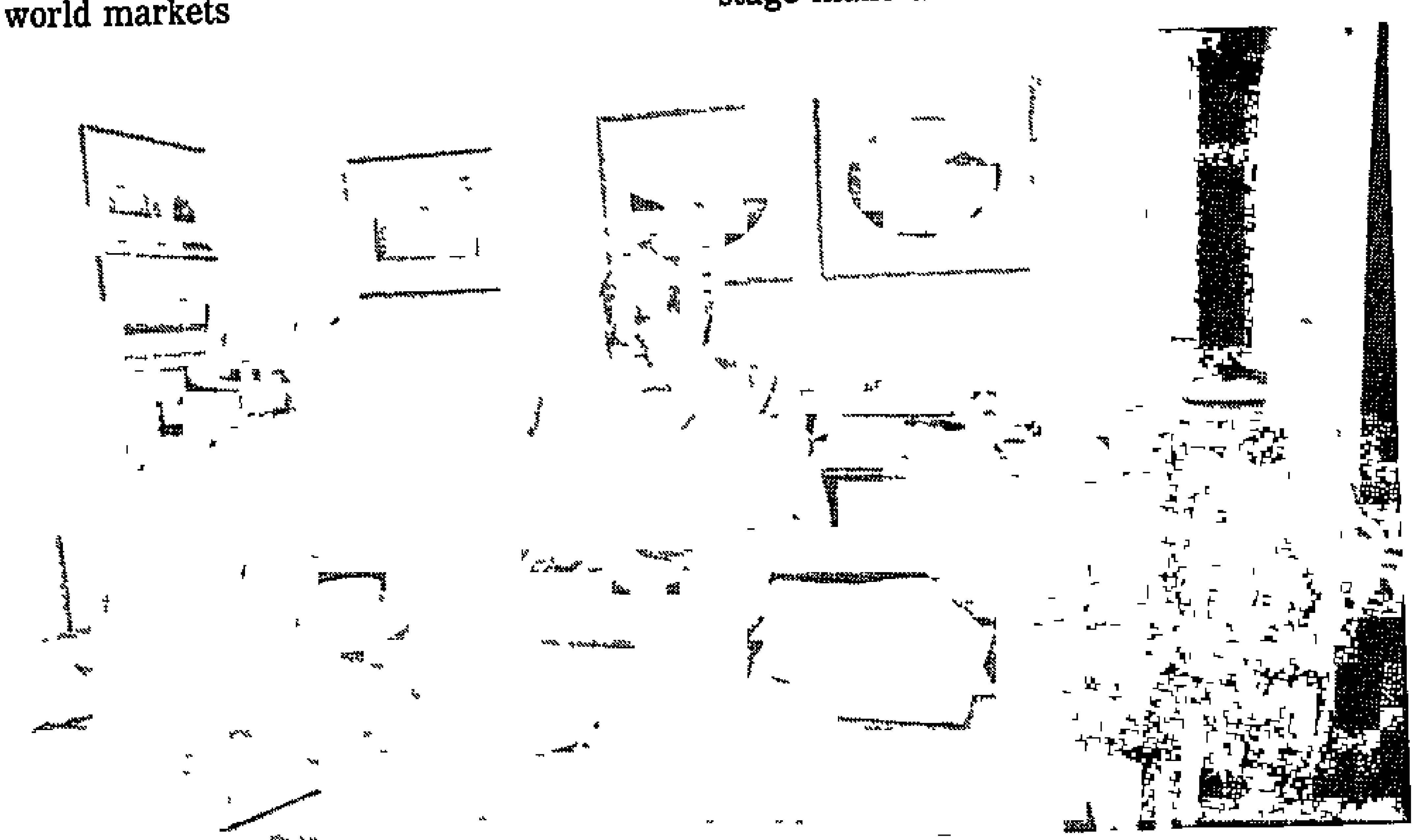
Although Omnia lost an attributable R2,9m in the six months to June 1983, it may well do better in the current half A spokesman says the board will decide in November on whether to pay a dividend for 1983.

Hanhill's fertiliser company Bonus lost some share early this year but Hill says the company has fully recovered its position. However, Hanill has debts of R25m, a debt equity ratio of 1,0 and, like its competitors, has suffered from price discounting Hill expects the company's overall sales will be down 20% on last year He sees no chance of a dividend this year or next

But he comments "Nobody buys Hanhill shares for the dividend The attraction is our growth potential, especially in explosives"

Clearly, even if rains continue, the income attractions of fertiliser companies are slim indeed Nothing has happened so far that can be relied on to diminish the immediately speculative image that fertiliser companies carry

Apart from the variables which at this stage make the fertiliser sector almost in-



Hanhill's Hill says our attraction is our explosives

FERTILISER (183)

Tariff trauma

FM 25/11/83

Ammonia producers AECI and Sasol and the farming community are on tenterhooks over government's expected announcement on protective tariffs for the fertiliser industry this week These measures will replace the import permit system which has so far protected the industry

The responsibility for the final decision rests on Industries, Commerce and Tourism Minister Dawie de Villiers who will be hard put to accommodate the conflicting interests of the two powerful lobbies

Farmers are hoping the duties will be low enough to allow them to take advantage of low world prices for urea, an ammonia compound According to Nampo this could be obtained for R259/t (fob price of R143/t with shipping and distribution costs of R116/t) against the local price of R381/t which is 47% higher

These calculations, it says, are based on the currently weak rand which is likely to strengthen and thus make imports even more attractive

For its part, the industry will no doubt argue for protection on the grounds of its strategic importance and the fact that its investments were made on the strength of government promises of protection It is also hard-pressed by a 50% fall in demand due to the drought

Nampo is trying to persuade government that manufacturers receive protection only against dumped imports, not those which sell at world prices

It says that producers should be given an opportunity to adjust to reduced protection and find alternative manufacturing areas in which to concentrate

Fertiliser import curbs may be eased

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S Times 27/11/83

IMPORT control on fertiliser could be phased out gradually from January 1 next year, the day that price control on fertiliser is to be abolished, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, has announced.

This would be done by taking into account surplus stocks and unused production capacity resulting from the drought.

"To ensure that local fertiliser prices are brought more in line with international prices, it is necessary to subject local manufacturers to the disciplines of foreign competition," Dr de Villiers said.

The Board of Trade and Industries had completed its investigation into the restructuring of fertiliser tariffs. Its complete report would be tabled during the next parliamentary session.

The board had recommended ad valorem duties of between 15 percent and 30 percent on certain products, and that all existing rebate provisions be repealed, the Minister said. — Sapa

Johnson and Johnson retrench staff

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BY TOM LOUW

Business Editor

EAST LONDON — Johnson and Johnson has confirmed here that it has been obliged to carry out some retrenchment of staff

A company statement issued yesterday says that following on the restructuring reported early in November, the company has been in the process of critically evaluating efficiencies in all areas of its operation

As a result of this, approximately 100 positions have been discontinued, but this affects only 71 employees, or seven per cent of the company's work force

A Johnson and Johnson spokesman told me yesterday that the redundancy programme affected employees at all levels and across the entire spectrum of the company's staff

All these employees qualify for redundancy benefits The company has also been making every effort to help former employees find other employment

It was reported on November 2 that as part of the restructuring, the professional products division was being transferred to a sister company, Ethnor, in Johannesburg The intention, as defined at that time, was that J and J in East London would concentrate entirely on consumer products

FERTILISER (183)

Keener prices?

FM 9/12/83

Government's new protection package for the fertiliser feedstock industry has won the guarded approval of the farming community — which probably means that AECI and Sasol, which produce more than 80% of the country's nitrogen fertiliser feedstock, will have to keep a tight lid on price

(183) 9/12/83

increases

The package is complex as it has to reconcile the diverse interests of feedstock producers, fertiliser manufacturers and farmers, as well as take into account the abnormal surpluses resulting from the drought

From next year, fertiliser will no longer be subject to price control But producers will be under pressure on prices as the new import tariffs will be what one manufacturer describes as "not adequate when viewed in the context of world prices"

Farmers will not have things all their own way because some form of quantitative import control will remain

Said Industries Minister Dawie de Villiers when announcing the new measures "Import control will be gradually phased out from January, taking into account the surplus stocks and unused production capacity which resulted from the drought"

All applications for import permits will be referred to the Fertiliser Society of SA (FSSA), but government will not necessarily be bound by its recommendations "Permits will be granted on the basis of the quantities applied for as well as the differentials between local and import prices," says one official in Pretoria

Urea

At present SA has a 113 720 t surplus of nitrogen fertiliser which includes the urea imported by the Maize Board in its controversial mealies-for-fertiliser swap deal with Rumania last year Without using AECI's mothballed ammonia plant at Umbogintwini, local manufacturers are hoping to produce 413 370 t next year and demand is expected to run to 452 470 t

This should leave a surplus of 74 980 t at the end of 1984 But if government allows imports, which would be cheaper, the surplus could be higher

Industry sources say that local prices of ammonia, a major source of nitrogen feedstock, fell 6% last year to around R320/t with the coming on stream of the vast production capacity at Sasols 2 and 3 It may rise again now that the rains have come, but this will depend largely on world prices Producers are naturally hoping that these will continue to rise in line with increasing world consumption

Apart from an increase of about 20% in American fertiliser consumption, large orders from China and India have contributed to a stiffening of prices

VEHICLE IMPORTS

Easy ride

Local minibus manufacturers are being undercut on price by fully built-up Japanese vehicles which carry heavy import duties

The imports in question are Isuzu WFR 16-seater minibuses which are being brought in by General Motors (GM)

The Isuzu sells for R12 950 compared with R14 585 for the market leader Toyota and R14 400 for the VW Microbus It was launched locally in August and is thought to have a market share of about 5,2% of minibus market

GM will not say how many buses it is bringing in Nor will it comment on the market share it is aiming for, beyond saying that it wants as much as possible

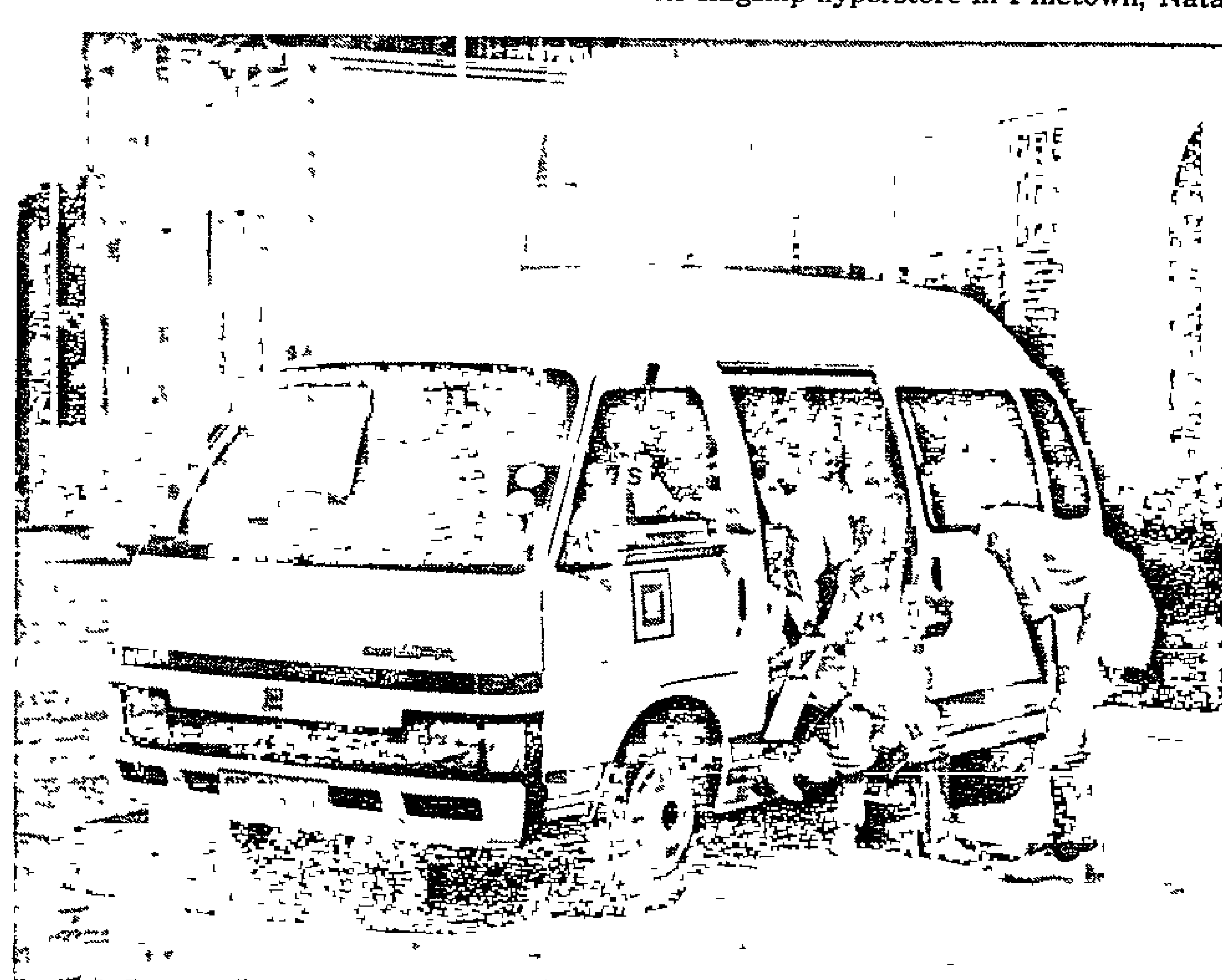
It is also keeping mum on any plans it may have to produce the vehicles locally Other manufacturers would like to see this as it would almost certainly erode the price advantage currently enjoyed by the imports

"It is too early to say whether or not we will manufacture these buses in SA," says GM MD Lou Wilking "Tooling up to manufacture a new model can cost as much as R20m, so you do not do it lightly"

Some manufacturers hint that GM is buying the vehicles at dumped prices and there are rumours that complaints have been made to the Board of Trade and Industries But Wilking says "We are not breaking any laws We are paying the applicable duty and are working fully within government's guidelines on local content"

Toyota's director of marketing, communications and research, Francois Loubser says that the "price is amazing to say the least"

And Hannes Visser, general marketing manager for Nissan says "For us to market similar vehicles at these prices would mean selling at a penalty"



Isuzu's 16-seater ... through the tariff wall

PROFITS BREWING

Home-brewing is not new to SA, but it is rapidly becoming big business since liquor chain Solly Kramer took to promoting do-it-yourself beer kits 12 months ago Indeed, although the chain is coy on figures, the imported home-brew market is rapidly becoming bigger than it is in the US

Although the UK-made kits arrived too late to catch the festive season gift market last year, current Christmas sales are booming One reason for the popularity, it seems, is that home brewing has become less complicated Another is the recession, which has prompted more drinkers to seek better value for money Cost works out at about 18c per 750ml bottle

Says Kramer's marketing director Andy Murray "This Christmas is going to be the turning point Surveys suggest that home-brewing in SA will take off in 1984"

However, SAB (of which Solly Kramers is, ironically, a part) need have no sleepless nights Experience in the UK is that one in every 10 home brewers drinks the commercial product as well

KNOWLES

Earning its stripes

Knowles has become the first major retail chain to introduce barcoding when it introduced an experimental scanning system at its flagship hyperstore in Pinetown, Natal,

The Star Monday December 19 1983

1M.

Everite pays R3,2-m for Agriplas group

R3.2 183

In its second acquisition in a fortnight, Everite has bought the Cape-based Agriplas group for R3,2 million cash.

Everite, which recently acquired Vaal Potteries for R13,5 million cash, announced it would take over Agriplas, makers and suppliers of drip and micro-jet irrigation equipment and polyethylene plastic piping for agricultural uses.

These products are compatible with Everite's activities in this field Agriplas will form part of Everite's plastics division, trading as Paxit-Pipekor.

Other divisions are fibre-cement, pitch-fibre (Santar), concrete (Viannini) and ceramics (Vaal Potteries)

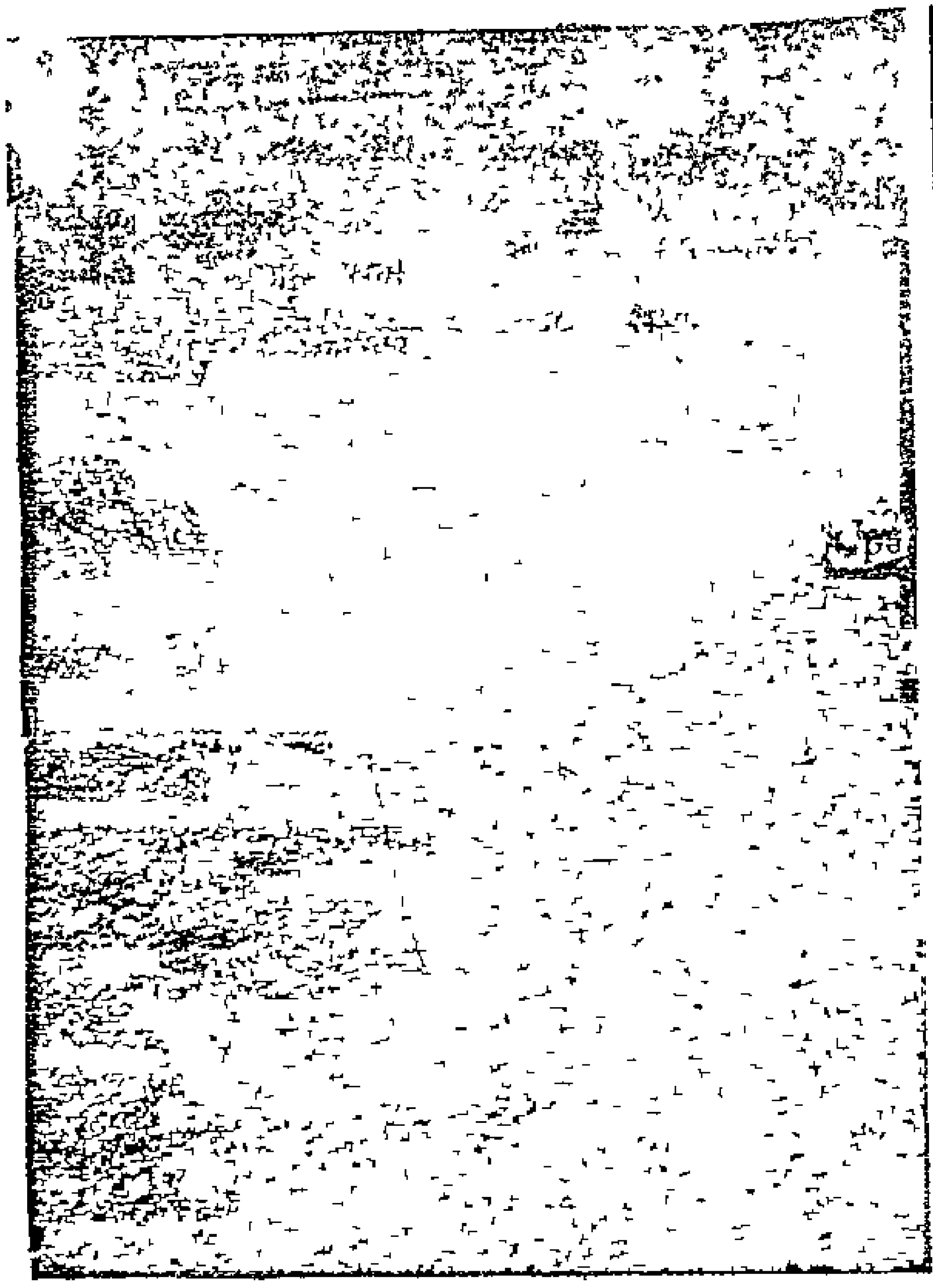
The acquisition, with effect from December 31, is from "various private shareholders" through the purchase of Ntaba Investment Holdings and Agrifim (Pty).

CONSOLIDATE

Everite's diversification programme has been fairly quiet since 1979 when plastics manufacturer Pipekor was acquired from Reed International and merged with Everite's Paxit, until Saxon Ceilings joined the fold at the end of last year for R3 million

The company's financial director, Mr John Kennedy, says the company will again consolidate "unless something very interesting comes along"

Everite says it does not expect the acquisition of the Agriplas group "will have more than a marginal effect on the group's net asset value or earnings per share in the short term" — Sapa the domestic servant Mrs ... not been solved ... boat



4/1/84 Mercury (183) (24)

Maize prices hit farmers

Mercury Reporter

FARMERS have been hit by two major price increases — in fertiliser and maize products which are used for animal feed

A spokesman for Triomf, one of the country's major fertiliser producers, yesterday announced a 4 percent increase in the prices of fertilisers containing nitrogen, phosphate and potassium mixtures, a Sapa report said

The spokesman said the increase had been unavoidable because of a hike in the prices of imported chemicals used to manufacture fertiliser

Other producers are also expected to raise their prices

Mr Donald Sinclair, chairman of the Natal Agricultural Union, said last night 'It's just an added blow to the farming community which is already suffering from rising production costs'

'Farmers have not yet recovered from the lack of crops and income because of last year's crippling drought.

'Four percent is not an insignificant increase It represents R4 000 more on a fertiliser bill of R100 000

'We can only hope that farmers might benefit from the removal of import control and a certain amount of competition in the fertiliser industry

The Maize Millers Association has also increased prices of all maize products by between 6 and 7 percent with immediate effect

The fishermen found a huge shoal of pilchards concentrated on the surface and surrounded by sharks

'Suddenly we felt a bang under the boat and we were lifted about a metre out of the water and then dropped straight back,' Mr Geyer said

The whale came up again a few metres away alongside the boat and then disappeared

Mr Rob White of the East London aquarium said it was unusual behaviour for a whale but that it was probably related to the unseasonal concentration of pilchards in the area

It was not possible to identify the species because of the brief look the fishermen had of the whale

Quiet weekend

BLOEMFONTEIN—The city experienced one of its quietest New Year weekends ever with only one murder, one assault and one road accident being reported — (Sapa)

Boks triumph and go one-up in Test series

CAPE TOWN—Peter Kirsten's Springboks wiped out memories of the moral defeat they suffered in Durban over Christmas when they swept to a 1-0 lead over the West Indians in the four-day cricket series at Newlands here yesterday

The Boks cruised home by 10 wickets after winkling out six West Indian batsmen before tea

After wrapping up the West Indian second innings for 268 the Boks were left to score 117 to win and they did it at a gallop with 13 overs and four balls left to spare

Both Jimmy Cook and Henry Fotheringham batted 83 minutes

It was Fotheringham who assumed the senior role, punishing 71 off everything the West Indians had to offer as he erased the first baller he suffered in Durban from the selectors' minds as well as his own Cook scored 40

The collapse they suffered on Monday virtually sealed the Windies fate but their innings yesterday was a solid effort — a valiant swish of the tail that must have had Kirsten worried that he would pay the full price for the slow Bok batting

They came in at a parlous 89 for four, hoping for some pyrotechnics

The Natal Mercury, Wednesday, January 4, 1984

2

Fertilizer price primed for growth

183

RDM 4

6/1/84

By MIKE JENSEN

RELAXATION of price and import control on fertilizer is causing ripples in the ailing industry but the biggest waves are yet to come.

Rising phosphate production costs and hikes in the international price of potash have overshadowed declining nitrogen prices and led to an overall increase in fertilizer costs of about 4%, according to Triomf Fertiliser.

With the phasing out of price control at New Year the industry is able to pass on the costs

The poor demand for fertilizer is keeping price rises small but the second half of the year will see an explosive turnaround in prices and volumes sold, says Mr Oliver Hill, managing director of Hanhill.

Last year the relaxation of price and import control was expected to result in keener prices as the industry took advantage of cheaper international markets and companies attempted to undercut competitors But the industry has been beset by difficulties and lower prices are unlikely.

"The fertilizer industry is bleeding to death and only a lunatic could contemplate cutting list prices," says Mr Hill

With fertilizer demand at a new low many products are already being discounted at 15% to 20% less than the list price in an effort to shift stocks

With the drought causing poor consumption farms are already saturated with it, says Mr Giel Van Zyl, of the National Maize Producers' Organisation

Fertilizer companies are optimistic, however, that the recent good rains will cause demand to pick up and some members of the industry are forecasting a 40% upturn in sales on last year.

Others are less willing to venture a prediction as vagaries of the weather, and even the fortunes of the rand, play a major role in fertilizer consumption.

Suppliers are closely monitoring the recent gyrations of the rand's foreign exchange rate because, on the one hand it affects fertilizer prices through changing costs of imported raw materials, and on the other it influences the outlook for agricultural exports

"With the rand 12% lower in value against the dollar than this time last year we are paying at least 12% more for our potash," says Mr Hill.

Furthermore, hopes of cheap nitrogen imports have been dashed as the recent devaluations put South African prices on a par with hardening international levels.

On the demand side the effect of the lower rand is more rosy The indications by Nampo last year that the area under maize might be halved — and with it fertilizer consumption — are now less likely as the lower rand makes the maize export market significantly more lucrative.

Unless farmers stock up in fertilizer before the middle of the year they may have some rude surprises in store.

"At the moment demand is slack and the industry is nervous of accusations of being a cartel. So no-one is talking about major price rises. But as demand picks up by the middle of the year there are likely to be some huge increases in prices," says Mr Hill

"Sasol are being the good boys so far saying they won't increase their prices but in the end they will follow the logic of charging the free international price The maize farmers have been calling for international prices for years Very soon they are going to get them but they aren't going to like the situation."

Fertile ground for fertiliser shares

(183)

S-Times 8/1/84

By Don Robertson

DEVELOPMENTS in the export and domestic markets for fertiliser, including a depletion of stocks and good rains, have encouraged increasing interest in this sector on the Johannesburg Stock Exchange.

Share prices of the three major producers — Triomf, Omnia and Hanhill — are close to the peaks of the past year and for several reasons seem set to eclipse them in coming months

Analysts are looking at the shares with optimism and point to the inherent strength of the charts. Producers, however, are reluctant to make forecasts, save to project improved results in the coming year

The bull points include a substantial improvement in the international fertiliser market Supplies of phosphoric acid and di-ammonia phosphate (DAP) have been reduced and the price of DAP has risen from $165 a ton a few months ago to $215 on increased demand

The rand's weakness against the dollar has improved South Africa's competitive position in fertiliser exports, and good rains in the past two months suggest increased crop plantings and fertiliser requirements

Fertiliser is a volume business with largely fixed costs, and increased turnover should benefit margins Sasol's entry into the retail market is seen as having little effect on sales of the three groups

Triomf has by far the largest share of the domestic market and shows the greatest potential for growth because of its export business

The R35-million granulation plant at Richards Bay came on stream early last year and should increase Triomf's exports considerably

Triomf's share price dipped from a peak of about 450c in 1981 to a steady bottom of about 150c in 1982 and 1983 when SA experienced a devastating drought and the Brazilian market collapsed

At the current price of 180c it is showing signs of recovery and some analysts believe it will not be long before the peak dividend of 45c paid in 1980 is resumed

Figures for the financial year to December will again include the consolidation of results of the operating company, Triomf Fertilizer (Pty) Although they are unlikely to be good, an improvement can be expected

Louis Luyt, executive chairman, will say only that he is encouraged by prospects

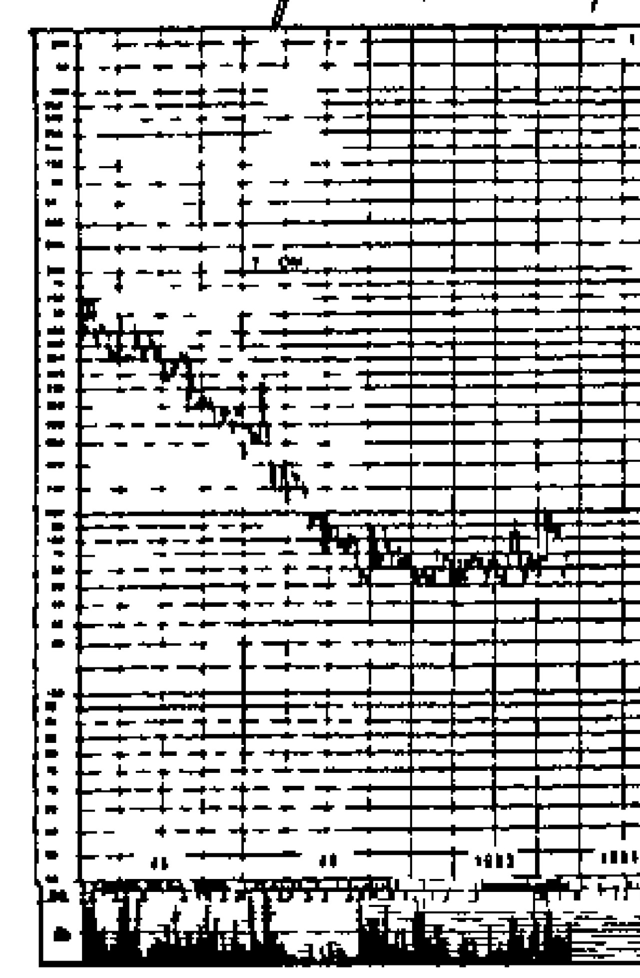
Hanhill attracted much attention this week and the share price has improved from 118c to 145c

Managing director Oliver Hill tells Business Times "there have been dramatic developments in Hanhill's negotiations with Mozambique in the past few weeks" on participation in industry, including natural gas and the holiday trade He refuses to say more

Contrary to forecasts, however, the company is unlikely to show a profit for the year to December It expects to increase sales this year by 40% and return to 1981 levels Hanhill had a R2-million loss at the halfway stage

Christiaan van der Merwe, managing director of Omnia, is optimistic about results for 1984

The interim results showed a loss of R2,9-million, but these have been recouped and the company continues to trade profitably



Source Trendline

The industry is still confused after the decision to abolish price control and phase out import control, but he does not expect prices to increase in the short term

Completion of the plant which produces nitric acid and ammonium nitrate should improve margins and a "fair" volume of exports to neighbouring countries, can be expected

In a market which repeatedly boasts new highs, the fertiliser sector offers real growth potential

HK gold closes at $381

Financial Reporter

GOLD closed at $380,75/$381,75 in Hong Kong yesterday about $2 lower than Saturday's closing in the Far East, but a shade higher than the $380,50 close in New York on Friday

The London and New York markets were closed yesterday, and in Tokyo the futures market closed mixed in very quiet trading

The dollar was marginally firmer in Tokyo yesterday, closing at 234,15 yen, compared with 233 50/234 0 at the close in New York on Friday

The only activity on the Tokyo foreign exchange market involved commercial orders with interbank trading negligible in the absence of trading elsewhere in the world

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AECI in talks for Sentrachem 40% Coalplex stake

ROM

27/12/83

183

By JOHN MULCAHY

CHEMICAL giant AECI is negotiating with Sentrachem to buy the latter's 40% interest in the huge Coalplex polyvinyl-chloride (PVC) plant near Sasolburg

The joint venture — AECI already owns 60% of the plant — was commissioned in 1977 at a cost of R230m, which at an average annual inflation rate of 12% puts a replacement value of at least R400m on the operation

A terse statement from AECI and Sentrachem today says that negotiations have reached an advanced stage and that a further statement will be made "in due course"

Mr Denys Marvin, AECI's managing director, said yesterday he would add nothing further to the formal statement "There's many a slip " he commented

Mr Dave Marlow, managing director of Sentrachem, could not be contacted

Neither AECI nor Sentrachem has ever disclosed operating results from Coalplex, other than to say it either contributed to profits or incurred losses

For this reason it is extremely difficult to assess what the value of Sentrachem's 40% might be on an earnings basis, but on the capital cost alone the 40% stake must be worth at least R160m

Such a sum — if the deal is to be a cash one — would provide much needed relief to Sentrachem's heavily-geared balance sheet

At the end of June, the group had long-term loans of R58m, suspensive sale liabilities of R192m, finance lease liabilities of R140m and short-term borrowings of R27m This, offset by cash and bank balances of R58m, gave it interest-bearing debt of almost R360m at the year-end

At the time of its commissioning, Coalplex was hailed as evidence that the high-technology chemical-from-coal industry in SA had come of age But the honeymoon was soon over and although it had reached breakeven in cash flow terms in 1978, the world subsequently moved into recession, which seriously affected demand

More recently, the SA Government's moves towards de-regulation and a more pronounced free market policy have caused the two shareholders in Coalplex some sleepless nights as to the authorities' intentions regarding protection of the chemical industry

As SA chemical plants — even one the size of Coalplex — do not enjoy the economies of scale of many competitive industries elsewhere in the world, various protective measures are afforded so as to ensure the continued profitability of strategic industries

But the Government has of late taken a considerably more critical view of the definition of strategic industries in SA, and recently accepted the Steenkamp Commission of Inquiry's report on the textile industry

Among other recommendations, the commission advised that quantitative import controls should be removed to be replaced by tariff measures

The views expressed by the commission were directly in tandem with the philosophy outlined in the Kleu report on industrial development strategy

The Kleu report makes no bones about the fact that industry is likely to be less cossetted in future, with import controls already being dismantled and duties expected to be reduced

AECI has come out fighting, and in a no-holds-barred address in October, Mr Marvin criticised the Board of Trade and the Steenkamp report on the textile industry, which he described as a simplistic view of protecting the domestic market against international competition

Later, he said the Government was taking SA industry down the road to disaster, and again criticised Government academics and bureaucrats "who have never sold a pound of anything"

Sentrachem, which is SA's second biggest chemical group, has taken a more sanguine approach to the Government s hard-headed attitude on protection

A generally more conservative group, with close Government ties through its holding company, Federale Volksbeleggings, and Fedvolks' controlling shareholder, Sanlam, Sentrachem has made no overt criticism of the Government s stand

On the contrary, Sentrachem's chairman, Mr C J F Human, said in the group s latest annual report "Many problems exist when planning a new industrial strategy within a free market economy and with emphasis on exports

'The Minister of Industries (Dr Dawie de Villiers) is to be congratulated on appointing a standing committee to advise government in this area and for including representatives of the private sector "

Sentrachem is heavily committed to the Karbochem and Afprene synthetic rubber plants near Newcastle and profits are a long way off

Original plans for Coalplex included a second plant — Coalplex Two — which was to have been developed as an extension to the first plant, but with Sentrachem taking the majority interest in the second phase

It now seems that due to a combination of factors — the most important being Sentrachem's substantial commitments at Newcastle and the group's concern that the continuing dissolution of import controls posed a serious threat to future profits from Coalplex — Sentrachem has become disillusioned with Coalplex

Whether AECI will expand Coalplex on its own is a moot point It seems highly unlikely that such a move will materialise until the present state of flux in the chemical industry is resolved

EGYPT CUTS CRUDE PRICES

CAIRO — Egypt said yesterday it would cut most of its crude oil export prices from January 1, reflecting pressures in the surplus-laden world market for a general lowering of prices

The reduction announced by a spokesman of the Egyptian General Petroleum Corporation was 50 US cents off the price of benchmark Suez blend, bringing it to $28 a barrel

The spokesman said only 25 cents had been taken off the price of inferior Balayim crude oil, bringing it to $26,50, while the price of yet heavier Ras Gharib was actually raised by 25 cents, to $24,75, apparently reflecting a more buoyant market for that type of oil

Egypt pumps about 750 000 barrels daily of crude oil and exports about one-third of that, a bigger export volume than some smaller members of the Organisation of Petroleum Exporting Countries to which Egypt does not belong — Sapa-Reuter

Duro to pay out

Financial Reporter

DURO Industries — in which Central Merchant Bank recently acquired a 59 2% controlling interest at 435c a share — is to pay a special dividend of 357c a share to minority shareholders registered on January 20 1984

The dividend will not be paid to shareholders accepting the offer by Nortrusco Nominees which opens today until January 16, to acquire all or part of minority shareholdings for 435c a share

At a general meeting on December 20 Durowin shareholders agreed to the disposal of the company s assets other than cash and loan levy

This will leave the net as-

For the Connoisseur's Cabinet

For the Connoisseur's Cabinet

Plastics industry has acute skills shortage

(183) ~~155~~ RDOM 10/1/84

By PRISCILLA WHYTE

THE persistent shortage of skilled manpower in the plastics industry appears to have taken a turn for the worse.

The Bureau of Economic Research in its July survey said 47% of respondents considered the lack of skilled labour to be a major impediment to economic growth in the plastics industry. By October, this percentage had increased to 71%.

Mr Bill Naude, the executive director of the Plastics Federation, says an effort is being made to increase shop floor skills in anticipation of the next upturn which

At the federation's Edenvale training centre, programmes are being run for one-day-a-week attendance for a period of six weeks

At technikons, attendance is half a day a week for nine weeks.

Courses cover such production techniques as blow-moulding, injection-moulding, extrusion, glass-reinforcing of plastics, identification, properties and processing methods of raw materials and the principles and practice of supervisory management

The courses aim at training machine-setters, supervisors, design engineers, toolmakers, process engineers and staff involved in quality control/assurance, research, development, maintenance, marketing and purchasing

Mr Christopher Vorwerk, the training director of the Plastics Federation, says that out of the 36 students who wrote the raw materials exam in September/October, 35 passed and 17 obtained distinctions.

The Star Wednesday January 11 1984 7M

Fertiliser at discount now

183

Farming Correspondent

The fertiliser industry has entered an era of fierce competition, according to a spokesman for Fedmis

List prices of fertilisers have risen by an average of four percent but quantity and other competitive discounts will keep the real price to the farmer more or less at the same level as last year

The entry of Sasol into the fertiliser market and the effects of the drought have created a buyer's market, the spokesman said

With price and import controls gone, the fertiliser companies have to sell to the farmer at approximately the price at which the customer could have imported his requirements himself.

Increasing world prices, exchange rate fluctuations, and an expected 10 percent rise in rail charges as from March and also a stronger demand after a good maize crop could send the price up again this year

Some companies are selling at today's prices for delivery and payment in July.

With the race now on for the 1984-85 market, companies are treating the cost of working below capacity as a loss and charging only reduced overheads. Modern cost accounting is being adopted throughout the industry

Industrywide solidarity has been discarded and the functions of the fertiliser society might be scaled down

It is understood that this is one of the reasons for the early retirement of the Fertiliser Society's chief executive, Dr H C Luitingh, who has for 17 years tried to build a co-ordinating body for the industry on the principle of rationalisation rather than competition.

The National Maize Producers' Organisation (Nampo) said it was well satisfied with the present situation in the fertiliser industry

If it could maintain its competitive spirit it was exactly what Nampo had always tried to encourage

If prices go up on a market-ralated basis, Nampo would accept this Price fluctuations should be cushioned, however, by introducing a market for future deliveries so that farmers could protect themselves

CAPE TIMES 16/1/84 (183)

Chemical workers set for nationwide strike

Own Correspondent

JOHANNESBURG — About 5 000 workers at the AECI explosives plant at Modderfontein are set to go out today in the beginnings of the country's first nationwide legal strike among black workers

A further 1 000 are due to go out at the AECI plant in Somerset West on Tuesday while AECI's Durban workers are still to hold a report-back meeting with management on Tuesday

The workers are members of the Cusa-affiliated South African Chemical Workers' Union (Sacwu), which has reached deadlock in its dispute with the company over wages

In favour of striking

A strike ballot was held at Modderfontein on Friday According to a spokesman for Sacwu, 3 200 workers voted unanimously in favour of striking, but he expected all 5 000 workers at the plant to support the strike

The other 1 800 did not vote because they were not union members or were not on shift at the time

A strike ballot was held in Somerset West on Friday and in Durban, which also has strong South African Allied Workers' Union (Saawu) membership, on Wednesday

Saawu, which is unregistered and not a party to the Industrial Council, has expressed its full support for Sacwu in the negotiations

The AECI plant in Sasolburg is not covered by the industrial council and Sacwu's lawyers are currently looking into the legality of them striking as well

The decision to strike comes more than 30 days after Sacwu declared a dispute with the company on December 9 over wages, long service allowance and leave

Thirty days is the minimum period provided for in the Labour Relations Act before workers can strike legally after a dispute is declared in writing

The last legal strike, and the second among black workers in the country's history, was by members of the National Union of Textile Workers at Natal Thread in June last year

Then the strike was restricted to one plant in Natal and took the form of an overtime ban

Reached a compromise

The union spokesman said they had reached a compromise with the company over allowances and leave, but after three meetings of the Industrial Council conciliation board had failed to agree on wages

Management's final offer is a minimum of R370 a month, while the union is demanding R400 a month

A spokesman for the company said last night that they were waiting for the event to happen and would not comment further

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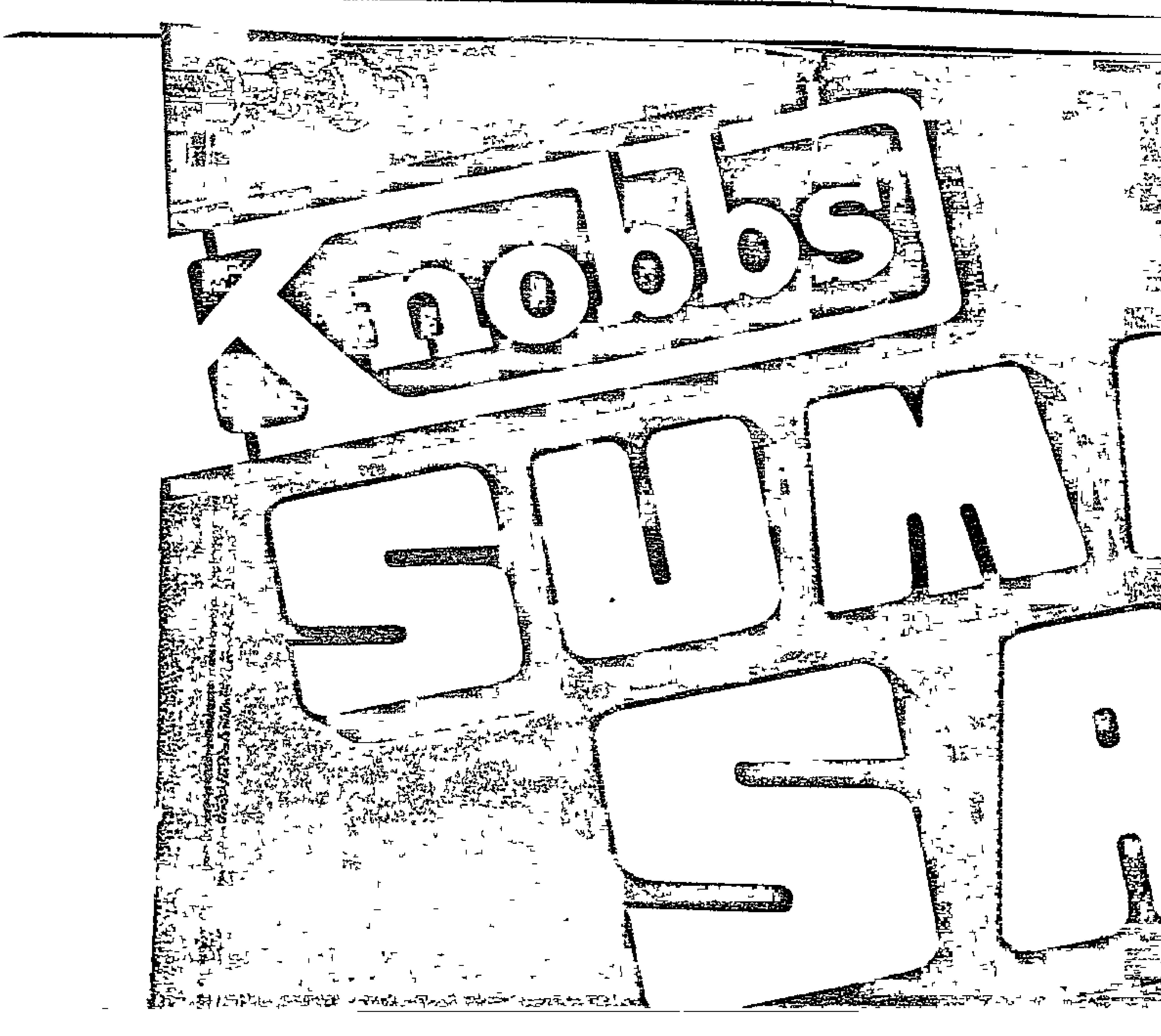
rful trumpet of special



16/1/84 183 (151) (3/8) Sowetan

Clash over talks date

THE Department of Manpower Utilisation has appointed a conciliation board to settle the wage and working conditions dispute between the South Chemical Workers' Union and the Sasolburg branch of African Explosives and Chemical Industries (AECI) which employs about 2 000 workers.

By JOSHUA RABOROKO

Spokesmen for both parties have confirmed the appointment of the board, but it seems likely another conflict will arise, as the two could not reach a suitable date for the board's hearing at a meeting on Friday.

The union — which has already held a strike ballot — wants the board to sit today while the company insists that it should sit later in the month

If the parties fail to reach a settlement, the union may go on a legal strike

In another move, the union has also written to the industrial council covering over 8 500 workers at AECI branches at Somerset West, Modderfontein and Umbogintwini, declaring a dispute over wages

The union's Vaal branch secretary, Mr Michael Tsotetsi, told **The SOWETAN** yesterday that the deadlock was reached after management had offered a starting wage of R363 per month and ending with R1 115 per month

"The union's final demand is for R400 starting wage with the higher grades receiving progressively higher wages according to the increments presently proposed by the company," he said

He said that under their present contracts, employees with certain grades of less than seven years' service are entitled to two weeks' plus one day's leave per annum. AECI has offered such workers an additional day's leave

The union's demand is that such workers should have a minimum of three weeks' leave and, in addition, long-service allowance should be increased

The union members are to hold an urgent meeting this week to decide on a strategy which they will adopt following management's insistence on the end of the month conciliation board hearing

AECI's industrial relations manager, Mr B Botha, said the company felt it suitable to have the board sitting at the end of the month The company offered the R363 starting salary because of the present economic position and other factors

183 ~~152~~ 13

5 000 lead first legal national strike by blacks

208

16/11/84

Mail Reporter

ABOUT 5 000 workers at the AECI explosives plant at Modderfontein are set to strike today, joining colleagues round the country in the first legal nationwide strike by black workers.

A further 1 000 are due to go out at the AECI plant in Somerset West tomorrow, while AECI's Durban workers will hold a report-back meeting with management tomorrow.

The workers are members of the SA Chemical Workers' Union (Sacwu), which has reached deadlock in its dispute with the company over wages.

According to a Sacwu spokesman, 3 200 workers voted unanimously in favour of striking in a ballot at Modderfontein on Friday. He expected all 5 000 workers at the plant to support the strike.

A strike ballot was held in Somerset West on Friday and in Durban on Wednesday. The Durban plant also has a strong SA Allied Workers Union (Saawu) membership.

Saawu, unregistered and not a party to the Industrial Council, has expressed its full support for Sacwu.

The AECI plant in Sasolburg is not covered by the Industrial Council and Sacwu lawyers are looking into the legality of Sasolburg workers joining the strike.

The decision to strike comes more than 30 days after Sacwu declared a dispute with the company over wages, long service allowance and leave.

This is the minimum period provided for in the Labour Relations Act before workers can strike legally.

The union spokesman said workers had reached a compromise with the company over allowances and leave but had failed to agree on wages.

A spokesman for the company said AECI would wait to see what happened.

Thousands out on strike

(183) Star 12/1/84

Several strikes involving thousands of workers have erupted on the Witwatersrand and in Pretoria, Sasolburg and Somerset West.

About 1 800 workers at Sasolburg's AECI Midland plant and 755 workers at Somerset West's AECI explosives factory today downed tools to join about 5 000 workers at the Modderfontein plant near Johannesburg who went on strike on Monday.

Regarded as one of the first legal nationwide strikes by South African blacks, the strike is over a demand by the South African Chemical Workers' Union (SACWU) for a minimum monthly wage of R400.

AECI has offered R370.

At Rosslyn, Pretoria, 1 500 workers refused to enter the workshop of the BMW Motor Manufacturing plant today after a pay dispute.

Mr Pierre de la Rey, communications manager of BMW, said the plant had been closed and production would not resume until employees were prepared to work again.

Mr de la Rey said management thought the workers were unhappy about a 10 c an hour across-the-board increase which came into effect this week.

A spokesman for the National Automobile and Allied Workers' Union said a meeting to negotiate pay increases was held with the BMW management yesterday.

A further meeting was held today.

● See Page 11, World section

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AECI walkout could herald national strike

By PHILLIP VAN NIEKERK

ABOUT 5 000 workers at the AECI explosives plant in Modderfontein went out on strike yesterday in the beginning of what could be the first-ever nationwide legal strike.

The workers, most of them members of the South African Chemical Workers' Union, are striking over wages, the issue over which they have been in dispute with the company since December 9

According to a spokesman for the union they were due to be joined today by more than 1 000 workers at the company's Somerset West plant, which would turn the strike into the first-ever nationwide stoppage

Union officials will today be informing workers at AECI's Umbogintwini plant in Natal of the company's final wage offer — and depending on the offer there could be a strike at this factory as well

All was quiet at the AECI compound in Modderfontein yesterday and there were no reported incidents or signs of a police presence

A union spokesman reported that buses were ferrying scab labour from Tembisa into the factory, and appealed to the community not to break the strike

Mr Robbie Vermont, AECI's public relations officer, said however he had no knowledge of this happening

The strike was virtually 100% effective and only workers in the hospital and hostel kitchen and security guards reported for work The guards are prohibited from striking in terms of the Key Points Act

Mr Vermont said the company was investigating whether the strike was in fact illegal because explosives were a strategic industry

A union spokesman, however, denied that it could be illegal

The union declared a dispute with the company more than 30 days ago and three meetings of the conciliation board have failed to resolve it

Two other issues that led to the dispute — allowances and leave — were settled at the conciliation board meetings

Mr Vermont said he did not anticipate that production would be affected in the short term

First black national legal strike starts

Star 17/1/84 183

By Carolyn Dempster
Labour Reporter

Production at AECI's Modderfontein explosives plant came to a halt yesterday when 5 000 workers did not turn up for the morning shift — beginning the first national legal strike by black workers in South Africa

Today, about 3 000 workers at AECI's explosives factories in Somerset West and in the Natal Midlands joined their Transvaal colleagues, while 446 workers at AECI's Umbogintwini factory will go out tomorrow

The organiser behind the nationwide industrial action is the SA Chemical Workers Union (Sacwu), an affiliate of the Council of Unions of South Africa

"The workers will remain on strike for as long as it takes management to accede to their demands," a Sacwu spokesman said

While the action may not affect production at AECI in the short term, the long-term impact could be devastating The question that has to be asked is how did AECI reach the point where a national legal strike became a possibility?

There are three issues at the heart of the dispute between the workers and management

- Sacwu demanded R400 a month for the lowest-paid worker at AECI, an increase amounting to R65 a month Management's final offer was R363 a month from January 1, a raise which has already been implemented
- AECI employees get two weeks' leave a year The union demanded that be increased to three weeks to give contract workers time to renew their permits and see their families Management offered an extra day
- Long-service allowances are presently based on the graded salary structures A request by the union for black and white workers to be placed on an equal long-service allowance footing was turned down by management

After nearly three months of discussion, negotiations between the two parties deadlocked early in December

Modderfontein, Somerset West and Umbogintwini all fall under the Industrial Council Following the legal procedures set out by the IC, the requisite three meetings were held, on January 12 and 13 in an attempt to resolve the dispute The meetings failed

In the case of the Midlands factory, which does not fall under the Industrial Council, the union applied to the Department of Manpower to appoint a conciliation board in terms of the Labour Relations Act However, the board was appointed after the set 30-day period had elapsed opening the way for a legal strike at the Midlands factory as well

The South African Allied Workers Union which represents a high percentage of workers at the explosives factories in Natal and negotiated the wage increases jointly with Sacwu, has given its full support to the strike However, it is not known whether SAAWU members will also down tools as the union did not declare an official dispute with AECI

AECI strike spreads to Cape

ARGUS 17/1/86

183

Staff Reporter

A TOTAL of 755 workers at the AECI explosives factory at Somerset West went on strike today, a company spokesman has confirmed

They joined about 5 000 workers at the Modderfontein factory near Johannesburg who went on strike yesterday and about 1 800 workers at AECI's Midland plant at Sasolburg, who also went on strike today

AECI's Umbogintwini plant in Natal has not yet been affected, the company spokesman said

The strike is regarded the first legal nationwide strike by blacks in this country after workers took a strike ballot under the Labour Relations Act

BMW PLANT

Meanwhile, at BMW's motor manufacturing plant in Rosslyn, Pretoria, 1 500 workers refused to enter the workshop today

The communications manager of BMW, Mr Pierre de la Rey, said about 1 500 workers gathered in a service road between the factory buildings and refused to go in

Mr de la Rey said the management believed the workers were unhappy about the 10c an hour across-the-board wage increase that came into effect this week

The AECI workers are demanding a minimum monthly salary of R400

AECI offered R363,47 with an increase of R7 from July 1 if the offer were accepted

Explosives firm stays mum on national strike

183

Star 18/1/84

By Carolyn Dempster, Labour Reporter

As the legal strike by 8 650 employees at four major explosives factories entered its third day today AECI management steadfastly refused to issue any official response to the industrial action

AECI public relations manager Mr Rob Vermont said he would make no comment other than stating that 750 workers at the Somerset West factory and 1 900 employees at the Midlands factory had joined the 5 000 striking workers at the Modderfontein plant in Johannesburg Another 1 000 workers at the Umbogintwini factory in Natal joined the strike this morning

JOINT STATEMENTS

Mr Vermont said an agreement reached with the SA Chemical Workers' Union meant that all company statements had to be issued jointly with the union

"Even if the union does not adhere to the agreement we are abiding by it" he said

The strike centres on wage long-service allowance and leave grievances Negotiations between the union and AECI management deadlocked after three months of talks last December

Aircraft repairer did not meet regulations

Pretoria Correspondent

A man who repaired an aircraft, which later crashed killing two people, admitted that he had not complied with manual regulations for the repairs

At an inquiry on the Champion 7Gc Aa Zs-Jul which crashed last September 1 killing the pilot Captain Rolfe Borchers (40), and a passenger, Captain J C Mathews, Mr E W Ferreira said that he had not complied with four regulations in the Ceconite Manual

In the early months of 1982 he was asked to completely recover the aircraft using Ceconite a type of fabric approved by the authorities

Regulations stated that there should be fabric overlap, taping rib-stitching a certain cord and double-loop knots

When the evidence of Mr B P K Jordaan, stating that "the fabric had only been pasted to the left wing and not overlapped and taped according to regulations" was quoted to Mr Ferreira by the Department of Transport's legal adviser Mr P L Erasmus, Mr Ferreira agreed that this was the case

Mr Ferreira believed the work he had done and certificated was "good and proper" and he had never had a "comeback" from four aircraft he had covered in the same way

"Even though the fabric was not put on as specified you consider your work 'good and proper'?" the chairman of the board Mr C H Oberholzer, queried

Mr Jordaan said that there was evidence that the 'upper fabric covering on the left-hand wing had become detached in flight"

Mr Peter Golish said that he saw the aircraft dive and fly up as if it was going to do an aerobatic manoeuvre

"As it reached its height, it went into a slightly backward position and went into a spin At the first turn I heard a sound like a parachute opening

"After that as it spiralled to the ground I heard a sound like a sheet or flag fluttering in the wind"

The board of inquiry will submit its findings to the Minister of Transport

Gillooly's Farm set to be sold

By Colleen Ryan, Municipal Reporter

The popular picnic resort, Gillooly's Farm, is likely to be sold to the Bedfordview Village Council for R300 000

The 44 ha park, situated on prime land in Bedfordview, was the scene of violence last December when a crowd of 25 000 packed the resort on the Day of the Vow

Gillooly's Farm is owned by the Johannesburg City Council but the council is anxious to rid itself of the responsibility of controlling a park that is situated in another municipality

Last year the Bedfordview council offered to buy the park for R300 000

The chairman of the Johannesburg city council management committee Mr Francois Oberholzer, said the park would be sold providing Bedfordview agreed to maintain it as a recreation area and preserve the dam

The management com-

All fired up over a bedroom

West Rand Bureau

Two people who get hot under the collar if you mention lighters or matches are a Roodepoort couple whose children have set fire

The Roodepoort fire brigade managed to save their house on Sunday after Jacques Els (2) set fire to the bedroom with a light-

Jacques's brother Johan (4) started a similar fire 16 months ago

Jacques continues to be fascinated by fire

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Nazeer

ago Mrs Hillbrow (13), on a young- beaten up his car- by three street ur- who has a son, took home clothed under she began parents yer, she in Soweto been of strang- other de- his moth- eland a mes- ding ad- parents show up later, turned up was mother

AECI declines comment on R20m speculation

Hanhill's explosives challenge fizzles out

18/1/84 RDM 183

By JOHN MULCAHY

HANHILL Industries' much-vaunted assault on the explosives market seems to have ended.

It is believed a deal was concluded yesterday by which AECI will acquire National Explosives for R20m.

The deal is subject to approval by the Competition Board which, by late yesterday, had not been formally approached on the issue.

An AECI spokesman said he could neither confirm nor deny a deal had been done and Mr Oliver Hill, Hanhill's managing director, declined to comment.

Hanhill has a 25% stake in National Explosives with the remaining 75% held by the unlisted National Process Industries

Sources in the chemical industry said the sale to AECI came after several weeks of hectic bargaining, during which Protea Holdings emerged as an outright bidder for Hanhill.

They described R20m as a "most favourable" price for National Explosives and said that, even if the company were offered to others in the chemical industry at this price, it would be unlikely to attract a buyer.

"The others (in the chemical industry) have enough problems without paying a premium for an infant in the explosives industry."

The sources claimed that AECI was forced to react to Protea's presence because, with Sanlam's backing, it could have presented formidable competition in the explosives field.

It is likely that, if the AECI deal is successfully concluded and the bulk of the proceeds flow through to NPI, the latter will apply its funds to assist Hanhill.

Mr Hill rejected Johannesburg Stock Exchange speculation that Barclays Bank had threatened to foreclose on Hanhill's overdraft.

Over many years Mr Hill battled to break AECI's stranglehold on the lucrative explosives industry but was thwarted until 1982 when the Competition Board ruled that AECI's explosive supply agreement with the Chamber of Mines was illegal.

Hanhill's share price soared to 230c from 145c on the day the Competition Board released its ruling on the explosive supply agreement, and reached a high of 270c, but the subsequent drought led to a collapse in the fertilizer market, from which Hanhill draws the bulk of its income, and the share price slumped to 80c at one stage last year, before recovering to 145c in the first week of this year.

Speculation surrounding Hanhill yesterday ranged from imminent foreclosure by its bankers to the impending sale of its entire fertilizer stock. The share price plunged to 75c from 125c

Mr Hill said he had had discussions with Barclays and the conclusion reached was that Hanhill was overgeared. This had left only two options open to the company: a rights issue to raise funds or the sale of some assets.

"Trying to raise money for a fertilizer producer in this economic climate is impossible, so the only route left open to us was the sale of assets"

Fertilizer industry sources said yesterday Hanhill had attempted to sell its stock of urea and potassium, and had met with limited success through the sale of some product to agricultural co-operatives in the Western Transvaal.

But estimates of Hanhill's fertilizer stocks suggest the company still has urea and potassium worth about R18m on its hands, and in a soft market there are few interested buyers.

750 join legal AECI strike

183 Cape Times 18/1/86

Labour Reporter

ABOUT 750 black workers at AECI's Somerset West plant went on strike yesterday morning, joining in a country-wide legal strike at the company's plants called by the SA Chemical Workers' Union

About 1 900 workers at AECI's Midland plant in Sasolburg also downed tools, adding their number to the 5 000 who have been on strike at the company's Modderfontein factory since Monday

A company spokesman at the Somerset West plant said yesterday the workers were at their hostel on the factory premises and the situation was peaceful

Mr Bokkie Botha, AECI's industrial relations manager, later confirmed workers had struck at Sasol as well but said the company's plant at Umbogntwini had not yet been affected

The Sasolburg plant does not fall under the industrial council covering the other three plants and the union recently declared a separate dispute there

Mr Botha would not comment on whether the company saw the strike at Sasolburg as legal

However, he said the union claimed a conciliation board for settling the Sasol dispute had been appointed after 30 days, the minimum period specified before a legal strike can be held

He said there was still no contact between the company and the union and reiterated that AECI's last minimum wage offer of R363,40 during protracted negotiations had been "final" The union is demanding R400

He added there were no plans to dismiss striking workers either

Union spokesmen were not available for comment yesterday

LABOUR NEWS

More than 7 500 unite in first national strike

RDM 18/1/84

183

By PHILLIP VAN NIEKERK

THE legal strike at AECI's Modderfontein factory yesterday spread to the Somerset West and Sasolburg plants as well

More than 7 500 of the explosives company's workforce have now turned this dispute into the first legal national strike by black workers

There was no sign of an agreement yesterday The South African Chemical Workers' Union (Sacwu) is fighting for a minimum wage of R400 a month against management's final offer of R363

About 750 workers at the Somerset West plant, and about 1 900 workers at the Midland plant, joined their 5 000 colleagues on strike at Modderfontein yesterday

There is no indication yet whether the Umbogintwini plant, where the South African Allied Workers' Union (Saawu) has roughly 50% support, will join the strike as well

Sacwu has majority support at the other three plants

Mr Bokkie Botha, AECI's industrial relations director, said the company would not budge on its wage offer

"We have already been through a long negotiation process and we see no need to change our offer," he said

Mr Botha, who met Sacwu shop stewards yesterday, said they were reassessing the situation on a day-to-day basis and had not yet decided whether to fire the striking workers

While the AECI strike is the first legal national strike by black workers, it is the third legal strike by blacks

The first two were at Armourplate in 1976 and Natal Thread in June last year, when members of the National Union of Textile Workers (NUTW) imposed an overtime ban

The first national strike by black workers took place last year when workers at three plants of the Autoplastics company, in three different cities, struck simultaneously

eers o runners See Page 23

You are now entering a grey area . . .

By DIANA POWELL
Staff Reporter

PUNTERS who confine themselves to an annual flutter on the Metropolitan Stakes have many methods of tipping winners

With dreams, numerology, germinating broad beans and horoscopes, there are old records which, some say, are unbeatable in narrowing a field without technicalities like form and expert knowledge.

And Met records provide at least one statistic: the race favours younger horses. Most winners since 1939 have been four-year-olds

Between 1970 and 1983, 12 of the 14 winners were four Only Foveros and Politician were older But what horses they were!

Politician, said to have had no peer in his day, won the Met as a four-year-old in 1978, and the following year was able to carry 58,5kg to victory again.

FOVEROS

Foveros was six when he won in 1982, and the English horse simply outclassed the best South Africa had to offer

If averages are to play a role in selecting a winner, age is a problem this year There are only five four-year-olds in the field — Stella Maris, both fillies, Grey Sun and Alpine Home, Count du Barry and Chief-of-Staff

Favourite Wolf Power is five and carries top weight of 58,5kg

There are five greys in the Met — Grey Sun, Mystery Me, Stella Maris, Chief-of-Staff and Wolf Power

So, if the law of averages says the winner must be grey, four years old and a colt, there are only two horses in the race on Saturday — Stella Maris and Chief-of-Staff.

Latest betting:

18 to 10	Wolf Power
6 to 1	Devon Air
7 to 1	Stella Maris
8 to 1	Spanish Pool
12 to 1	Hawkins
16 to 1	Count Du Barry
20 to 1	Versailles, Mr Fabulous
33 to 1	Chief-Of-Staff, Grey Sun
50 to 1	Mystery Me, Big Charles
66 to 1	Denizen, Lawn, Alpine Home, Happy Landing, Heracles
100 to 1	Libran

African Police confirmed that some members of the force had already received official notification of their new pay deals These would be retrospective to January 1

Confidential

The spokesman refused to give details about the salary increases, saying the Minister of Law and Order had asked that salaries be kept confidential.

Police staff not yet told about their new salary structures would be notified by the end of the month.

The Defence Force is next in line for job differentiation, but evaluation of the many job categories in the military sector is likely to take time

Not all members of the civil service will qualify for job differentiation.

The Commission for Administration has been scrutinising the civil service since 1981 and has assessed certain job categories only for job differentiation.

Fourth AECI plant joins big strike

ARGUS 18/1/84
183 ~~152~~ 163

Labour Reporter

AECI workers at the company's Umbogintwini plant have decided to join the nationwide strike, bringing the number of workers on strike to close on 9 000, according to the SA Chemical Workers' Union

A union source said today that the legal strike, which now affects four major explosives factories, had entered its third day with no incidents being reported.

A company spokesman confirmed that 1 000 workers at the Umbogintwini plant had come out on strike today, bringing the number on strike to 8 650

Production is believed to be at a standstill at all four plants

(Turn to Page 3, col 1)

Heath in open revolt against Thatcher poli

Argus Foreign Service

LONDON — Former British Prime Minister Mr Edward Heath has come out in open revolt against his successor, Mrs Margaret Thatcher, and her Government

A devastating assault in the Commons — he labelled her philosophies as "selfish, naive and spurious" — was followed by a speech in the London in which he blamed the Cabinet for the recession and high unemployment.

"DAMAGED THE ECONOMY"

He told foreign exchange dealers that Mrs Thatcher had "damaged the fabric of (the British) economy" with her monetarist dogma

Never before, say observers here, has an old leader struck such a damaging blow at a leader

After years of sniping and back-biting since he was ousted by Mrs Thatcher, Mr Heath vaulted all the conventions to vote against his own Prime Minister in the Commons

He led a revolt of more than 40 backbenchers which cut the Government's majority from 144 to 100 Thatcher

Mr Edward Heath
er's policies selfish

loyalists immediately a
of "treachery"

The moment of rev
Commons during deb
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Mr Heath called the l
Labour MPs cheered
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He recalled that he
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Churchill's slogan, "Set
The Bill curtailed that i

Mrs Thatcher retorte
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the Chancellor's duty of
lic expenditure.

Love at 50 . . . 'like racing up

Argus Foreign Service

PARIS. — Fifty is a dangerous age for making love, a French doctor has warned.

If you're middle-aged and fancy a spot of slap and tickle, then you're a lot safer at home with your spouse

Sex with a lover can lead to a fatal heart attack, says Professor Jean-Paul Broustet of Bordeaux
ty

"At around 50, having
your wife is like climbi
floors, or taking a 5km wa
country

"But with a girlfriend i
racing up the stairs of a sk
or sprinting 8km."

AECI strike

5/1/84

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Contd from Page 1

About 750 workers from AECI's Somerset West plant were still on strike today

The strike, which is the second legal black strike in South African labour history — and the first nationwide — centres on wage demands

There have been no reports of police intervention and the situation at the plants is believed to be peaceful

Workers stayed in their hostels during the day, union sources said

"However caring for a senile person is a 36-hour-a-day job and the carers need a support network," he said.

This network could consist of home-help, meals-on-wheels, community nursing services, community social work services and other related professional services

"Most of these are easily accessible to the white population group in the Western Cape but are practically non-existent and unobtainable for blacks," he said.

"Day-care centres would enable carers to get on with their day," he said.

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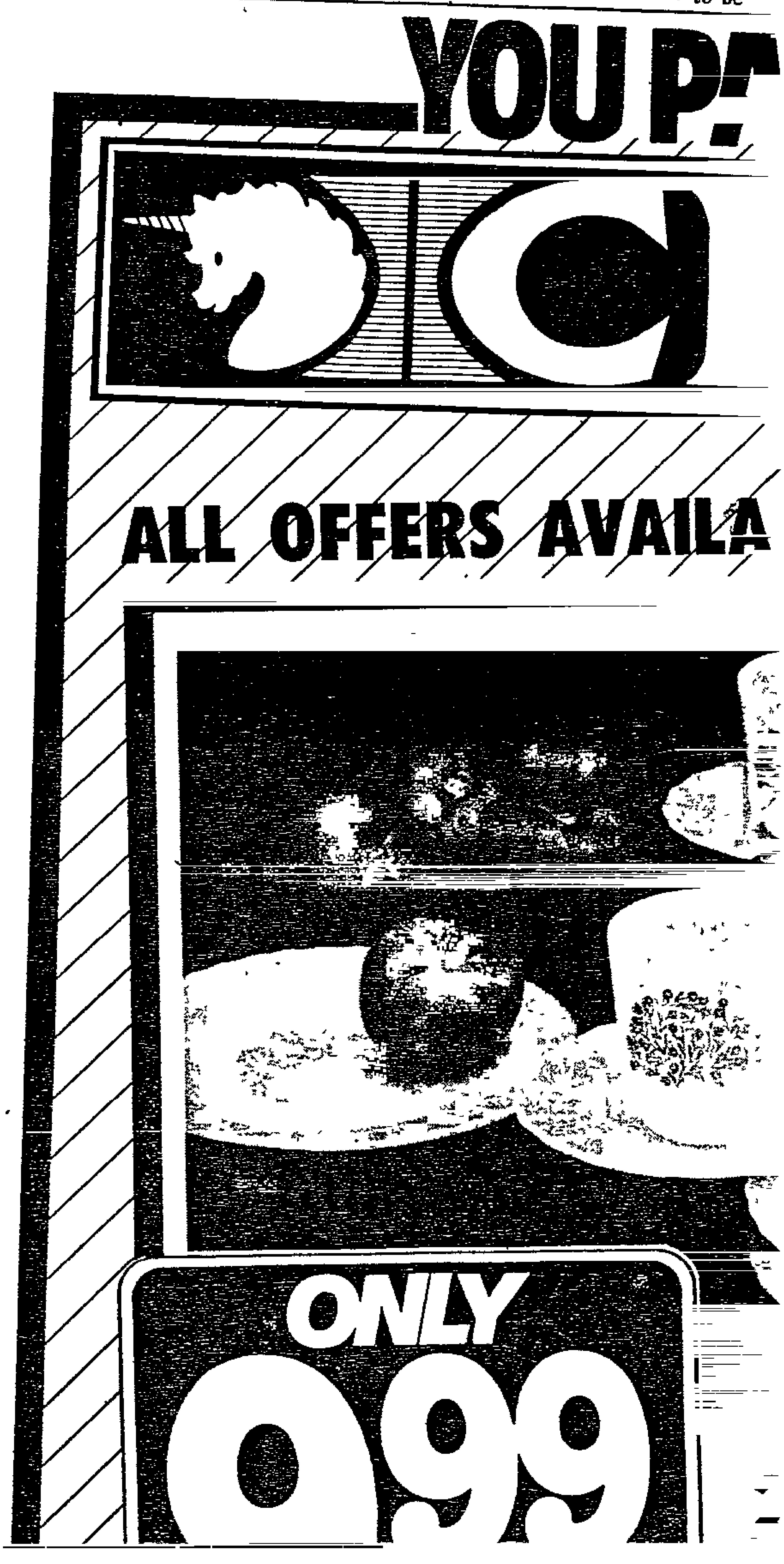

No end in sight to AECI strike by 8 650 workers

By PHILLIP VAN NIEKERK

THERE is still no end in sight to the dispute between the South African Chemical Workers' Union (Sacwu) and African Explosives and Chemical Industries (AECI) where about 8 650 workers are now out on strike at four plants throughout the country

About 1 000 workers at the Umbogintwini plant in Natal joined strikers at the Modderfontein, Sasolburg and Somerset West plants yesterday morning

The strike — the country's first national legal strike — began when 5 000 workers at the Modderfontein explosives and chemicals plant walked out on Monday morning

They were joined on Tuesday by about 750 workers at Somerset West and about 1 900 workers at the company's Sasolburg plastics raw materials plant.

A meeting between management and Sacwu shop stewards at Modderfontein yesterday failed to resolve the dispute A union spokesman had earlier said a decision by the workers to return depended on the outcome of the meeting

The workers are demanding a minimum wage of R400 a month while the company is offering R363,47 Management's offer of an additional R7 lapsed yesterday

A spokesman for AECI said a number of black workers in key areas were reporting for work, the company was employing outside labour and re-deploying apprentices in work for which they were qualified

Meanwhile, the United Democratic Front (UDF) said yesterday it fully supported the Sacwu in its demands and said the UDF was seeking a meeting with the union to find ways of playing a direct role in supporting the workers

In Sandton, about 200 striking workers at OK Bazaars' Hyperama have been warned to return to work by midday today or face dismissal

The workers have been on strike for three days in protest against the dismissal of a shop steward of the Commercial, Catering and Allied Workers' Union (Ccawusa)

Mr Keith Hartshorne, OK's industrial relations controller, said workers who were dismissed for not returning would not be considered for re-employment

"The employee concerned has lodged an appeal against his dismissal and this has been rejected He is now free to appeal to higher authority in the company in accordance with proecedures agreed between the company and the union," Mr Hartshorne said yesterday

In another development yesterday the National Union of Mineworkers (NUM) warned of bitterness and increased militancy among black mineworkers following the dismissal of the entire workforce of about 1 400 by Impala Platinum Refineries

The workers were dismissed after striking in sympathy with seven colleagues who were sacked for refusing to work after they were allegedly assaulted and called "kaffirs" by white supervisors

A company statement said yesterday about 1 200 of the 1 400 workers had collected their pay and documents and the remaining 200 were expected to have their affairs wound up soon, possibly today

The NUM's general secretary, Mr Cyril Ramaphosa, said yesterday the company's victory would be "short term and very fragile".

He said the company and Gencor, the mining group which owns it, "think they have dealt harshly with our union to teach us a lesson on behalf of the mining industry

"While they believe they have achieved a victory over our union, their harsh action will be counter-productive as it has embittered our entire membership and will make them more militant in future disputes"

CAPE TIMES 19/1/84

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More join AECI strike

Own Correspondent

JOHANNESBURG. — There is still no end in sight to the dispute between the South African Chemical Workers' Union (Sacwu) and AECI, where about 8 650 workers are now out on strike at four plants throughout the country

About 1 000 workers at the Umbogintwini plant in Natal joined the Modderfontein, Sasolburg and Somerset West plants on strike yesterday morning.

The strike — the country's first national legal strike — began when 5 000 workers at the Modderfontein explosives and chemicals plant walked out on Monday morning

They were joined on Tuesday by about 750 workers at Somerset West and about 1 000 workers at the Sasolburg plastics raw materials plant

A meeting between the management and Sacwu shop stewards at Modderfontein yesterday afternoon failed to resolve the dispute A union spokesman had earlier said a decision by the workers to return depended on the outcome of the meeting

The workers are demanding a minimum wage of R400 a month while the management is offering R363 47 The management's offer of an additional R7 lapsed yesterday

An AECI spokesman said a number of black workers in key areas were reporting for work, and that the company was employing outside labour and redeploying apprentices in work for which they were qualified, to "keep essential services and plants operating to honour our obligations to our customers"

Meanwhile, the United Democratic Front (UDF) issued a statement yesterday saying it fully supported Sacwu in its demands, and said the UDF was seeking a meeting with the union to find ways of playing a direct role in supporting the workers

Sacwu is affiliated to the Council of Unions of South Africa (Cusa), which is a member of the UDF

AECI signs NEL take-over deal

(183) ROM 20/1/84

By JOHN MULCAHY

AECI's purchase of National Explosives (NEL), first disclosed in Business Day on Wednesday, was formally signed yesterday afternoon

AECI was approached by Hanhill Industries — which has a 25% stake in NEL — to buy NEL's assets in an effort to resolve serious liquidity problems

The deal is subject to the approval of the Competition Board, and NEL will be putting its proposals to the board soon

Mr Chris von Solms, an executive director of AECI, said last night the NEL purchase was in the best interests of NEL, Hanhill and their staff

Speculation earlier this week suggested that the Competition Board might accept proposals to put the deal to the rest of the chemical industry, and allow AECI to do the deal if there were no other takers.

Mr Von Solms said he knew of no such proposal.

He said the purchase would not affect the existing relationships in the explosives market, which AECI had been supplying since 1896 He pointed out that the prices of AECI's high-explosive products were 50% below any other country in the world

While Mr Von Solms would not be drawn on the price paid for NEL, it is believed to be about R20m

The deal done with Hanhill was limited to the explosives division, and no fertiliser sales were involved

He said the deal had been concluded with the full knowledge and blessing of Du Pont Industries under whose licence NEL manufactures its explosives and accessories

Hanhill's problems are symptomatic of the pressures which have affected many areas of the chemical industry during the past few years

Another manifestation of these problems is the pending sale to AECI by Sentrachem of its 40% holding in the huge Coalplex PVC plant

AECI itself has expressed dismay at the Government's moves towards dismantling the industry's protection machinery, and its managing director, Mr Denys Marvin, has warned that the chemical industry would stop investing in South Africa if there were no assurances from the authorities

While Hanhill will benefit directly by the receipt of only 25% of the purchase price, sources close to National Process Industries (NPI) — the unlisted company in Mr Oliver Hill's chemical group — have indicated that NPI's 75% share of the proceeds might also be applied to assist Hanhill out of its predicament.

Events surrounding Hanhill's difficulties reached a crisis point shortly before Christmas, when Mr Hill interrupted a holiday in Plet-

TO PAGE 20

(183) ROM 20/1/84

Seychelles signs fishing treaty

VICTORIA. — The Seychelles and the European Economic Community have signed a three-year agreement under which French vessels will be allowed to fish in the archipelago's 200-mile Exclusive Economic Zone (EEZ)

In return, the Seychelles will be guaranteed up to $600 000 a year in licence fees. The agreement should also create around 200 jobs.

The accord was signed by the Common Market's fisheries director, Mr Raymond Simonet, and Seychelles' Minister for Planning and External Relations, Mr Maxime Ferrari — Sapa-Reuter.

AECI take-over of NEL now finalised

FROM PAGE 1

tenberg Bay and rushed back to Johannesburg to speak to the group's bankers

It is believed the bankers, led by Barclays National Bank, exerted pressure on Mr Hill to repay Hanhill's overdraft Of the several options available to companies faced with such circumstances, it was finally only the sale of NEL that proved feasible

Another option was to raise funds through a rights issue, immediately ruled a non-starter in the currently depressed chemical industry. Efforts were also made to dispose of fertiliser stocks

These efforts met with only limited success, with most companies in the industry faced with their own problems of over-supply, and this left the least palatable choice of selling the explosives division.

Mr Von Solms said AECI was looking for expansion in the explosives market, and NEL's entire operation, including staff, would be absorbed in the deal

Confirmation of the deal between AECI and Hanhill brings to an end one of the most bitterly fought confrontations in SA industrial history

Having whittled away at AECI's explosive supply agreement with the Chamber of Mines for many years, Mr Hill finally achieved his aim when in 1982 the Competition Board ruled that the existing supply agreement was illegal.

While this was perceived by some to be the turning point for Hanhill, and the advent of an unabated growth phase, realists accepted that there was still a long road to travel

But the potential was never realised, as the worst drought in SA's recorded history dealt a savage blow to the fertiliser industry, which had been Hanhill's most important area of activity

Had Protea Holdings been successful in its apparent bid for Hanhill, the conglomerate could with the assistance of Sanlam have presented a far more serious threat to AECI.

But this was not to be, and a sense of deja vu prevails, with AECI again the sole supplier to the explosives market

CAPE TIMES

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AECI workers meet officials

Labour Reporter

HOPES for an end to the countrywide strike at AECI plants rose yesterday after company officials and representatives of the SA Chemical Workers' Union (Sacwu) had met in Johannesburg yesterday afternoon.

The meeting was the first contact between the two parties since workers started striking at AECI plants on Monday

Following the meeting, the company issued a brief statement saying lengthy discussions had taken place, "the contents of which would be conveyed back to the workers" It added that AECI had agreed not to make any further statements

However, it appeared that a new compromise wage offer may have been made which would be taken back to striking workers for their ratification

The strike was called after the company had made a final minimum wage offer of R363,40 in response to a union demand of R400

Yesterday's meeting was believed to have been held at the union's request

Union officials were in a meeting at the union's offices in Johannesburg and could not be reached for comment

About 8 500 workers were still on strike at AECI's four factories around the country yesterday About 1 000 workers were out at Umbogintwini, 5 000 at Modderfontein, 1 900 at Sasolburg and 750 at Somerset West

A company spokesman in Johannesburg said production had not been stopped at any of the factories

A spokesman at the high-security explosives factory at Somerset West, said the situation was still calm

AECI workers return

20/1/84 Star

By Andrew Beattie

Striking workers at the AECI Umbogintwini plant near Durban and the Midland plant at Sasolburg returned to work this morning, and indications were that striking workers at the company's Modderfontein factory and at Somerset West would also return today, a spokesman for the company said this morning

This was the first legal national strike by black workers and follows three months of negotiations between management and the South African Chemical Workers' Union for improved wages and working conditions

About 8 550 workers were involved in the strike countrywide, and were reportedly demanding a minimum monthly wage of R400

AECI management issued a statement to all strikers in which they were advised to return to work or be dismissed

They could reapply for their positions by January 25, or the company would "be forced to recruit new labour"

183 ~~150~~ ~~142~~ RDM ~~139~~

Strike by 8 650 still on as AECI and union talk

20/1/84.

By PHILLIP VAN NIEKERK

THE national legal strike by about 8 650 workers at African Explosives and Chemical Industries (AECI) is still on — despite a lengthy meeting yesterday between management and shop stewards of the South African Chemical Workers' Union (Sacwu)

The strike is the largest in the wave of industrial unrest which has hit the Transvaal and Natal over the past two weeks At the last estimate more than 20 000 workers had downed tools in that period

At AECI neither management nor Sacwu officials would comment on yesterday's talks and it is not known at this stage whether an improved offer has been made

The strike — which has affected the company's Modderfontein, Umbogontwini, Sasolburg and Somerset West plants — came after three months of talks between the union and the company

In another development, the Commercial, Catering and Allied Workers' Union (Ccawusa) is considering legal action against OK Bazaars for the dismissal of about 180 workers who have been on strike at the Sandton Hyperama for four days

A statement by the company yesterday said they had fired the workers when they did not meet a midday deadline to return to work or be dismissed They are protesting against the dismissal of a Ccawusa shop steward

Mr Keith Hartshorne, OK's industrial relations controller, said that in accordance with warnings issued to the strikers, they would not be re-employed

He said the strikers had not only rejected using the procedure for complaints negotiated with their union but were also acting illegally in terms of the Labour Relations Act

A union organiser said the workers believed the shop steward had been victimised

21/1/84

(183)

Strikers returning to plants

By RIAAN DE VILLIERS
Labour Reporter

THOUSANDS of black workers at AECI plants throughout the country returned to work yesterday after a management ultimatum to return or face dismissal

The company has also stuck to its original wage offer which led to the dispute, and the strike — believed to be the first countrywide legal strike by black workers — seems to have ended in a clear defeat for the SA Chemical Workers' Union

In a statement issued at midday yesterday, AECI said it had issued a statement to all strikers following lengthy discussions with union officials the previous day

The statement advised employers they would be dismissed if they did not return to work yesterday

They were also advised that they could reapply for their positions by next Tuesday and that the company "might be forced to recruit new labour during the interim"

'Not prepared to change offer'

The company also reiterated its minimum wage offer of R363,47 a month and stated that it was not prepared to change this offer

The statement added that workers at AECI s Somerset-West and Umbogintwini factories had already returned to work.

Yesterday afternoon, a spokesman said workers at the Midland plant in Sasolburg had also returned to work, and that workers at Modderfontein were in the process of doing so

He said it was "not clear" to the company whether workers had decided on their own to return or whether they had been advised to do so by their union

Union spokesmen were not available for comment yesterday afternoon A union office worker said officials were still in the process of contacting workers at the various plants

Ultimatum by AECI defeats strikers

21/1/84

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By Carolyn Dempster
Labour Reporter

The week-long strike by 8 750 workers at four AECI explosives plants has ended after workers were given an ultimatum — return to work or be dismissed

The strike, which hit factories in Modderfontein, Somerset West, Umbogintwini and the Midlands was the first legal national strike by black workers

It proved that, despite the solidarity shown by the workers, employees who embark on a legal strike are still in a position to be dismissed by employers under the Labour Relations Act

"There was nothing we could do The workers were in a position where they were not protected by legislation and management could have carried out the threat," said Mr Manemi Samela, general secretary of the SA Chemical and Allied Workers' Union

Workers at the Umbogintwini and Somerset West factories started streaming back after pamphlets distributed by management warned them there would be no advance on the final wage offer and advised them to return to work or face dismissal

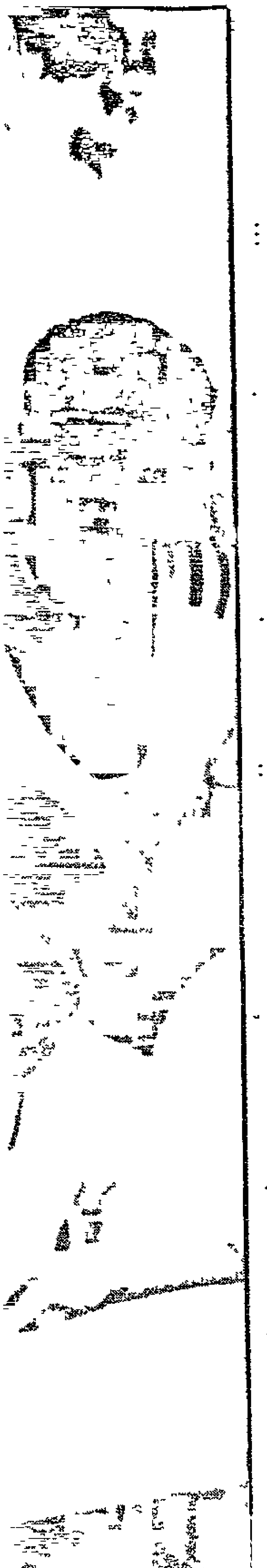
Mr Samela confirmed that the 5 000 employees on strike at Modderfontein would all be back at work on Monday morning

The rest of the workers still out at Umbogintwini, Midlands and Somerset West would report for work today, he added

AECI has re-iterated its offer of R363,47 a month for the lowest paid worker as opposed to the union demand for R400

The union failed to force management to improve its offers on long leave and service conditions — two other grievances which led to the strike

C.P. 22/1/84



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First legal strike — and last?

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THE 8 650 African Explosives and Chemical Industries (AECI) employees whose first legal national strike flopped miserably, are bitter at the strike laws which, they say, leave workers "defenceless".

By ZB MOLEFE

"Workers are not protected during a legal strike," said a spokesperson for the SA Chemical Worker's Union (Sacwu), which enjoys majority membership at AECI plants countrywide

"There's an imbalance between the employer and employees"

The spokesperson also conceded that the strike had been futile because of the way the country's strike laws operate Workers couldn't win a legal strike, the spokesperson said especially when unions were bargaining for large numbers of migrant workers

"We found ourselves faced with this problem of migrants at the Modderfontein and Somerset West plants There was no protection for our people in that situation" added the spokesperson

He emphasised that the strike did not officially end on Friday

"We decided the workers could go back to work from then on," he said

The union also agreed with management that workers will not be penalised for the days they have been off work — they start work on Monday as if nothing has happened

Workers 'can never win'

A management statement on Friday said the strikers in the coastal and Transvaal plants had gone back to work after being given an ultimatum to return by 3pm Friday

Those who did not return and were dismissed had until Tuesday to reconsider their positions and reapply for their jobs

This was after talks between the union and management when the company stood firm on its offer of a minimum R373,47c monthly salary — the cause of the strike The workers had demanded R400

The strikers were also informed that if they did not return to work on Friday, the company might recruit labour from outside their ranks "in the interim" Management also stressed that it was not prepared to go beyond its minimum offer

Plants affected by the strike were Modderfontein (5 000), Somerset West (750), Embokodweni (1 000), and Sasolburg's Midlands (1 900)

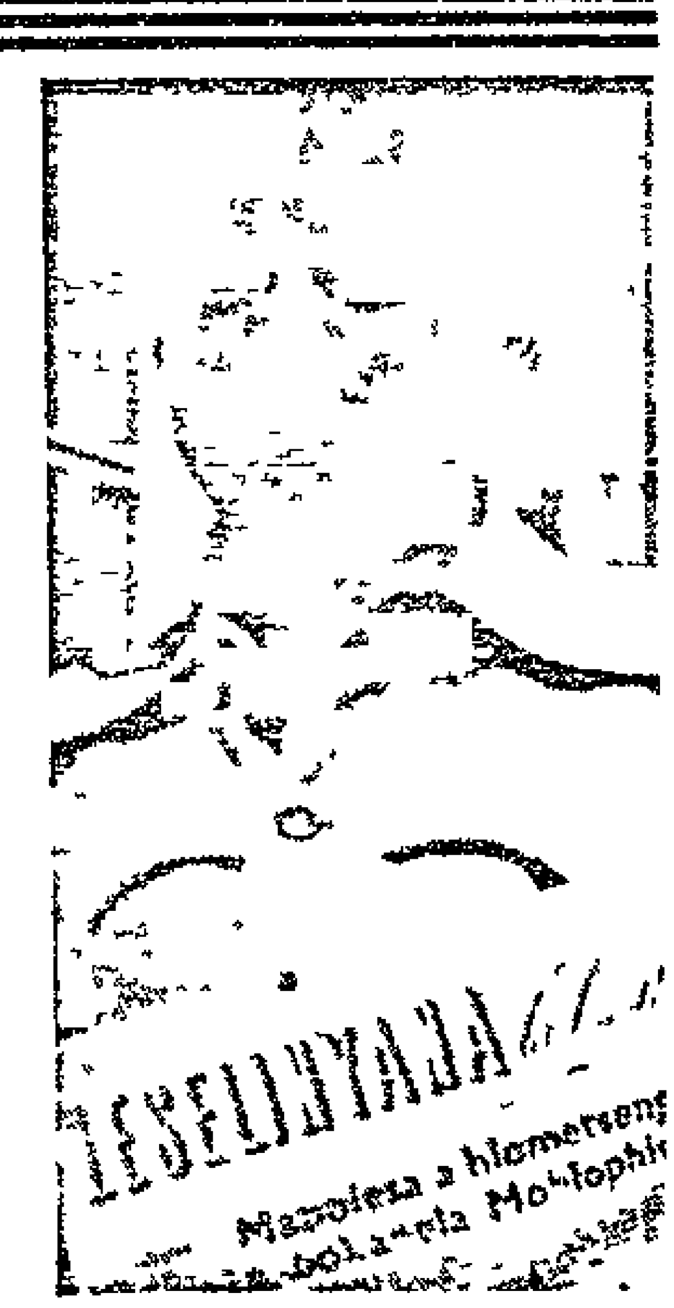
Militia shell hits palace of president

A SHELL fired from the Druze-held Shouf Mountains struck the ... palace near ...

The last minutes of Edgar Motuba

12

C.P. 22/1/84



EDGAR MOTUBA Riddled with bullets.

BIG BATTLE FOR BLACK BUCKS

By ZB MOLEFE

HIGH - POWERED delegates from nine Nafcoc regions meet in Bloemfontein next month to intensify their ... programs

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Sowetan 23/1/84

UNION MAY ASK FOR PROTECTION

THE failure of this week's first legal national strike of black workers will lead to increasing pressure on the Government to provide legislation protecting strikers from dismissal, prominent trade unionists have warned.

The strike ended after less than a week on Friday when the employers threatened to dismiss all those on strike.

Dismissal threat in legal strikes worries labour leaders.

Trade unionists said the stand by AECI against almost 9 000 of its workers, "lays open the issue of whether it's worth going through the lengthy, time-and-money consuming process of having a legal strike"

The only protection workers who strike legally have is that they cannot be arrested. But a prominent trade unionist said both employers and workers had realised a legal strike could lead to mass dismissals

Fosatu, for example, is increasingly introducing a clause in recognition agreements that protects workers for a certain period during a strike from dismissal.

Labour activists will increasingly press for some reform to the Act to prevent mass dismissals, or such threats of striking workers, or will agitate for a time period to be stipulated

The last week has seen intense union activity around the country and a wave of strikes, dismissals and retrenchments.

- Impala Platinum refineries started the week by dismissing their entire black workforce of 1 400 which had gone out in sympathy with seven co-workers who were fired after refusing to work after allegedly being assaulted and called "kaffirs" by white supervisors

- Three hundred workers went on strike at the Wayne Rubber Company in Isipingo demanding a 12 percent pay hike By Wednesday agreement was reached and the workers returned.

- In Pretoria, about 1 500 workers downed tools at the BMW factory in support of pay demands Negotiations will begin on Monday

- Up to 800 workers went on strike at the Rietspruit colliery near Springs in support of a worker fired after a prearranged work stoppage to mourn two fellow workers who died in an accident at the mine the previous week.

STRIKES (183)

AECI's tough tactics

The sheer scale of last week's strike at chemical giant AECI is enough to make it rank as a major labour event More important than the strike, however, are the questions raised in trade union circles about the desirability of using the dispute procedures laid down in the Labour Relations Act

The strike occurred against a background of unrest in other sectors Strikes have hit the retail and mining industries while Ford and BMW in the automobile sector have also been affected

In a spectacular show of initial strength, 8 560 AECI workers, mainly members of the SA Chemical Workers' Union (Sacwu), struck at four AECI plants around the country — at Modderfontein, Somerset West, Umbogintwini and at Midland in Sasolburg It is regarded as the first legal nationwide strike by black workers

Discontent over wages was the main factor Late last year pay talks between the union and management broke down when AECI refused to improve its offer of a minimum monthly wage of R363,47 Sacwu had demanded R400

The union decided to take the legal path to a strike by requesting the industrial council which covers the Modderfontein, Somerset West and Umbogintwini plants to hear the dispute For the Sasolburg plant, which is not covered by the industrial council, it asked the Minister of Manpower to appoint a conciliation board

When talks deadlocked in the industrial council this month, Sacwu took the remaining steps necessary for a legal strike It started at Modderfontein last Monday, January 16, and spread to the other plants during the week By Friday, however, it was all over — with the union totally defeated In the face of a management ultimatum to return to work or be fired, the workers flocked back Management made no concessions

It is easy to interpret the outcome as a crushing defeat for Sacwu — as indeed it was However, the dispute has ramifications which go far beyond the immediate issue of the strike

The question being debated is whether it is worthwhile for unions to take the trouble to follow the procedures necessary for a legal strike while management remains free to call the tune by threatening to fire the strikers

Opinions canvassed by the *FM* are widely divergent "The value of following the dispute procedures is that they take the collective bargaining aspects of a dispute to their limits It is better to try and use as much of the collective bargaining machinery as possible and try and find the limits of both sides' aspirations before ending up in a power struggle in which people get hurt," one employer source told the *FM*

A contrasting view comes from Sacwu Spokesman Manene Samela says "Before a legal strike can take place, a ballot has to be conducted among workers The underlying intention of this is that the union must be able to convince the employer that the workers really back its demands But if management can use the threat of dismissal freely, it shows an imbalance between the employer and employee What is the use of going through all the procedures?"

Eddie Webster, Professor of Industrial Relations at Wits, concurs "The right to strike is valueless without the strikers having protection against dismissal It amounts to legalising victimisation of the employee by the employer In most countries overseas, for instance in Italy and France, strikers are suspended, but not fired, while the union and management resolve the dispute"

Another view comes from a labour lawyer "From a strictly legal point of view AECI was always entitled to dismiss the workers But from an industrial relations point of view it is astounding that it issued its ultimatum so soon

(183) FM 27/1/84

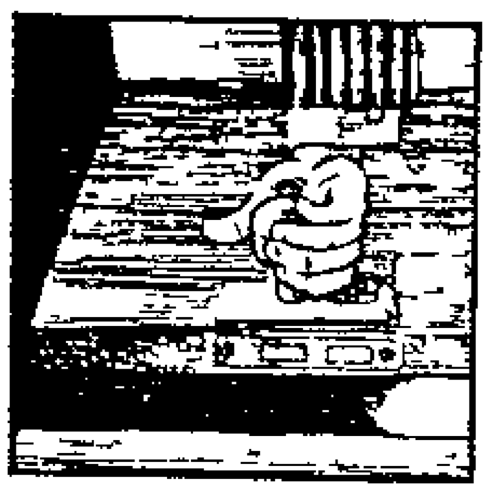
"The union went to all the trouble of following the letter of the law before striking. Management gave it no credit for this. This has probably done employers in SA a disservice as it means unions will now think there is nothing to be gained from this process. There are also political ramifications as the dispute has strengthened the hand of those unions which advocate immediate action as the only way of dealing with employers"

The question raised remains unresolved. It is not likely to be until a union takes the matter to the Industrial Court for a ruling on whether firing workers engaged in a legal strike is an unfair labour practice.

183 27/1/84

PROTECTIONISM

The De Villiers doctrine



Nineteen eighty-four will be remembered as a painful year for SA industry

Apart from suffering the hangover of recession, it will be seen as the year when government exposed some manufacturers to one of the greatest dangers they have ever faced — competition from distressed producers abroad

This is being done to some sectors on a systematic basis through the abolition of import controls and their replacement by a set of relatively low tariffs Other manufacturers are feeling it in the form of lower tariff protection than they ever contemplated when establishing their operations And yet others are having to contend with imports which penetrate existing barriers because of special exemptions by government

The latest to feel the heat is the plastics industry AECI deputy MD Ted Smale criticises some of the tariffs announced last week as being based on the give-away prices now forced upon the world's loss-making chemical producers But a government source maintains "We do not think that it is proper economics to isolate the SA industry from the world industry

"This has been done in the past, but in future industry will have to make substantial adjustments to meet these levels The Department would not be unduly disturbed if inefficient producers closed down as a result as it would benefit the economy as a whole"

Strategic argument

Government also asserts that it will no longer be easily seduced into granting protection on so-called strategic grounds

"The strategic argument has been overemphasised," says a Pretoria source "There are many, far cheaper ways of overcoming possible embargoes, including stockpiling Many strategic stockpiles already exist

"If we must have uneconomical industries for strategic reasons, they must receive only normal levels of protection determined on purely economic grounds If these are not sufficient to protect them, the balance should be made up by direct grants from the Treasury authorised by Parliament"

The new dispensation ends a honeymoon between government and business which has lasted more than three decades During that time, almost any manufacturer prepared to invest locally was assured of protection from foreign competition

Minister of Industries, Commerce and Tourism, Dawie de Villiers, says the new regime is necessary to curb inflation, and strengthen local industry through increased competition But some companies say it will weaken the private sector through the closure of factories and the cancellation of others now on the drawing boards

They also blame government for breach of faith many plants now under threat were established only after promises that they would be protected from imports

The new tariffs on plastics will force rationalisation in the industry, whose prices, says De Villiers, "give serious cause for concern" Even the mighty Sasol, once thought to be government's darling, will be affected

"Talking out against the free market nowadays is like condemning motherhood," says one industrialist, "but in the meantime the chemical industry is being kicked to death" Industries, Commerce and Tourism Minister Dawie de Villiers is government's man most closely linked to the new thinking.

Sasol feedstocks

A tariff schedule published last week revealed that duties will no longer be payable on imported styrene and propylene Both of these feedstocks (used to make certain plastics and synthetic rubber) are produced by Sasol, and it will now almost certainly cease production

The tariffs on the plastic polymers, polyethylene and PVC, are also likely to hurt Sasol which is the country's only supplier of ethylene, a feedstock used for these products Unless it is prepared to drastically revise ethylene prices, its customers, AECI and Sentrachem, may find that they cannot compete with imported polyethylene and PVC If this happens, the local ethylene market will evaporate and Sasol's big investment in this field will become

Foreign factory workers ... new competition for local industry

(183(74)

worthless

De Villiers says the tariffs will be phased in to replace import control over time to avoid "serious disruption" to the plastics industry Industry sources say they appreciate this breathing space, but argue that no amount of time would ever enable some capital-intensive producers to bring their prices in line with those of certain Arab and East bloc producers

"If import control were to be removed immediately, plastic polymer producers would have to reduce their prices by an average of 25% to achieve parity with the landed costs of imports carrying the new tariffs," says MD of Sentrachem, Dave Marlow "This would reduce annual industry turnover from R400m to R300m, which could result in the closedown of plants"

Depending on currency exchange rates and levels of world demand, the situation could be even worse in four years' time De Villiers has ordered a revision of the new tariffs (which he considers "relatively high") to take place then, with a view to "possible downward adjustments as industry adapts to a more competitive milieu"

Early move

De Villiers gave the first signal that government was swinging away from protectionist policies when he was still fresh in his present ministerial post in 1980 He reversed an undertaking by his predecessor, Schalk van der Merwe, which gave Gencor the exclusive right to manufacture virtually the entire market requirements for heavy truck gearboxes and axles

Today Gencor's operation is far smaller than originally planned, and it has to fight for business against local and overseas manufacturers

Since then the lifting of import permits on motor cars has resulted in the importation of several thousand low-priced cars and light commercial vehicles, and imports continue Government has not been sympathetic to pleas for increased tariff protection for the industry, which means that the present trickle of imports could turn to a flood if the rand becomes stronger

Imports of clothing, textiles and footwear have also been allowed to increase despite the drop in local demand This is likely to continue with clothing and textiles if the recommendations of the Steenkamp Committee are fully implemented, so there would be casualties here too

According to the director of the Textile Federation, Stanley Shlagman, investment in his industry has come to a standstill This, he says, is needed for it to keep up to date — meaning that manufacturers could run the risk of becoming increasingly uncompetitive as time passes

Relaxation of import control will also put severe pressure on the fertiliser industry, especially producers of ammonia where some plants have already closed because of the drought

In addition to the drought, government's new policies mean that more could follow And no fertiliser company is prepared to risk investing in new ammonia production capacity, despite the fact that local demand is expected to exceed supply by the end of the decade

Iscor's capacity

Import control is to be removed even from iron and steel which will give subsidised foreign producers a chance to offload some of their vast surpluses on the local market Perhaps the State-owned Iscor saw the writing on the wall as it is now carrying out an exercise to increase efficiencies and reduce capacity About 12 000 jobs are being eliminated in the process

Some businessmen, even among those who stand to lose, find it hard to fault the De Villiers doctrine "We can no longer defend the indefensible," says one "For too many years, government has seen some manufacturers getting too rich at the expense of other sectors of the economy"

Shlagman says "We all realise that we must adjust to the new realities and that this should improve productivity and cut costs

"But we have to accept the need for protection against countries which dump goods purely for the purpose of earning foreign exchange or to export their own unemployment"

Another source says "Tariffs will not be sufficient protection to encourage further investment The machinery of our anti-dumping legislation takes time to activate, which means that a company may be put out of business by dumped imports before it can prove its case

"We need a package of unorthodox measures which include selective *ad hoc* import controls which would, for example, exclude imports of certain products over certain periods or imports from certain countries"

This ties in with other suggestions that although government is right to stop the undoubted exploitation of traditional protection measures by local industry, it now needs sophisticated measures to stop foreigners from exploiting the new, freer SA market

Government should also consider assisting industries which cannot compete with imports in re-deploying their resources into areas where they can be more competitive

De Villiers' men have been ruthless in scrapping the old rules governing industry They should now do an equally thorough job in drawing up a new set of rules for industrialists

It is hoped that these will be contained in the White Paper on industrial development which is expected in May

FREE-TRADE ZONES?

One of the ideas now being studied by those drafting government's White Paper on industrial development is the establishment of free-trade zones in SA

Businesses in these zones would be subject to the minimum of government regulations such as are contained, for example, in the Factories Act and the Road Transportation Act Furthermore, there would be no restrictions or tariffs of any description on imports

But goods coming from these zones to other parts of SA would be treated as imports and would be subject to normal tariffs and import controls

Manufacturers in these free-trade areas would be able to import the cheapest available dumped raw materials, and would be burdened by relatively few cost-raising government regulations This could enable them to compete on world markets with the "sweatshops" of similar free-trade zones in the east

The East London area would be highly suitable for free-trade zones It has a port, an abundance of cheap labour, and is close to production centres of cotton and wool

Local factory workers . . . a need to hold their own

AECI bid for NEL gets thumbs down

28/1/84 (183) ROM

By JOHN MULCAHY

THE Competition Board has blocked AECI's proposed R20m purchase of National Explosives (NEL)

Mr Chris von Solms, an AECI director responsible for the explosives division, said yesterday the Competition Board had not given detailed reasons for rejecting the proposals, but said the acquisition "could not be justified as being in the public interest"

The proposed acquisition came as a last-gasp lifeline for Hanhill Industries, which had been faced with serious liquidity problems and was forced by its bankers to sell some its assets to meet borrowing commitments

But Mr Oliver Hill, the managing director of Hanhill, said yesterday he was negotiating with another party with a view to selling NEL at a better price than the R20m offered by AECI

"If all goes well, another deal should be finalised by Monday"

Mr Hill would not disclose the identities of any of the parties nominated by the Competition Board, but said there had been considerable interest in the NEL deal after it was announced

"The proposal put to the Competition Board indicated that there was no alternative to the AECI deal, but the response from the other parties showed the Competition Board that there were indeed other options"

Hanhill has a 25% interest in NEL, the other 75% being held by the Hanhill associate, National Process Industries

The Competition Board is believed to have nominated several alternative parties to AECI and, after guaging the response from these companies to the proposals, decided that another buyer would be preferable to AECI

Industrial unrest at AECI plants throughout the country has reinforced the argument that the country needs more than one explosives producer

The implications for the mining industry of the sole supplier of explosives being unable to supply for whatever reason could be catastrophic and provide a compelling reason for the Competition Board to encourage an independent producer

From remarks made by Sentrachem's managing director, Mr Dave Marlow, yesterday, the group would be a firm candidate for the acquisition of NEL

Shock waves from a sale and ban

S-Times 29/1/82

Chemicals in turmoil

By David Carte and Alec Hogg

THE chemical industry is in turmoil after the sale by Sentrachem of its 40% stake in Coalplex to AECI for R60-million and the Competition Board's ruling against AECI's bid to buy National Explosives.

Industry spokesmen said these were the first of several shock waves arising from the Government's harder attitude to protection and monopoly

Next could be a rearrangement of Hanhill, whose fertiliser imports from Swaziland have been hurt by the new tariff arrangements

After protracted argument with the board last year, AECI is most unlikely to appeal against the ruling This probably means the deal will fall through and hard-pressed Hanhill will have to find another buyer

Industry sources say it is unlikely to receive as much as the R20-million AECI was willing to pay to keep out a competitor The question now is whether Sentrachem, with R110-million in cash after the Coalplex sale, will enter explosives

Although National Explosives, without a friend in mining, had a battle to penetrate explosives agreements between AECI and the Chamber of Mines, Sentrachem is a member of the Sanlam group with General Mining

Mr Dave Marlow, managing director of Sentrachem, says only that Sentrachem's options are wide open Mr Marlow is adamant that Sentrachem was not a distressed or forced seller of Coalplex. With R50-million in cash before the deal and R110-million after it, Sentrachem is not illiquid. Although its gearing is set to rise as its R400-million rubber plant comes on to the balance sheet, he insists that all is well.

"We take the view that investments must earn a return We could not see respectable returns in PVC for a long while, so we withdrew" The price, being only a small discount to depreciated asset value, is not bad considering that Coalplex was a loser with a far from brilliant future.

He concedes that the replacement value of Coalplex is considerably more than R160-million, but dismisses this as being of academic interest "Nobody would replace or contemplate another Coalplex in the current climate"

But AECI's Mr Ted Smale reckons Coalplex has a great

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S-Times 29/1/82

☐ From Page 1

Turmoil

future and he is pleased with the terms

Chemical industry sources say Sentrachem was over a barrel It had R100-million tied up in an asset over which it had little control and which in six years of ownership cost it R30-million of attributable trading losses

Its R400-million synthetic rubber plant is still losing millions, although international rubber prices have risen 50% in the past year and 25% import protection has been granted on some products and is expected on the rest as well This could mean that losses will be lower than the R30-million after tax suggested latest annual report

Sentrachem's accounts always showed a worse trading situation in Coalplex than AECI's This was mainly because Sentrachem's investment was funded with loans bearing interest, and AECI's was funded with equity and a foreign loan at favourable terms The partners had different depreciation policies and AECI charged a management fee

One reason AECI will do well with Coalplex is that it can now rationalise its PVC production AECI is confident that in the medium to long term, "more than adequate" returns will be made from Coalplex

Mr Smale believes the huge plant will reach break-even this year, and contribute to profits in 1985 He sees 1986 as a potential boom year "If the economy grows by 4%, our volumes rise by at least 6%"

Mr Smale is also banking on an improvement in the international PVC market "When that happens, Coalplex will become extremely profitable"

Mr Smale admits that revised import protection means that plastics prices could fall by between 15% and 20% Another benefit is the "enormous additional cash flow" from a package which includes additional depreciation on the R50-million worth of plant acquired

Unrest costs hundreds their jobs

Jan. 1984

(189)

Pretoria Correspondent

Almost 2 000 workers in the Pretoria area have lost their jobs this month as industrial unrest spread

A total of 136 labourers lost their jobs following strike action at three Pretoria firms.

At a metal badge and button factory in Rosslyn 86 workers dismissed themselves when they downed tools over a pay dispute

A spokesman for the firm said new workers were being appointed

At Les Marais Hardware 25 workers were dismissed following a strike over a pay increase

At D Meyer and Company 25 workers lost their jobs when they downed tools in protest against the dismissal of a colleague

The Commercial and Catering Allied Workers Union was considering legal action against D Meyer and Les Marais Hardware

The closure of the Pretoria operation of Marvel Bottlers resulted in the dismissal of about 200 workers

Nissan retrenched 700 production line labourers

The United African Motor and Allied Workers Union was to meet the management of Nissan to discuss the retrenchments

The Sigma Motor Corporation made 850 workers redundant

The BMW car plant at Rosslyn closed when a strike by workers over a wage dispute entered its fourth day

Management said the plant would not be reopened until it was sure intimidation of workers had stopped

The labour unrest which gripped the country for two weeks spread to the Brits area of Bophuthatswana where 390 workers at Ucar Minerals downed tools twice over pay increases.

The National Union of Mineworkers was seeking legal advice on the banning of the union's activities by the Bophuthatswana Government.

The banning culminated in a four-day strike by 400 workers at Union Carbide's Ucar Mine — Own Correspondent.

Iscor attributes losses to cheap exports

189 ROM 31/1/84

By PRISCILLA WHYTE

AMERICAN steel producers are challenging the finding of the Department of Commerce that there is no substance in the suggestion South Africa is dumping steel on the US market.

Mr Floors Kotzee, the managing director of Iscor, is confident the finding will be confirmed.

Exports represent 35% of Iscor production.

Mr Kotzee says the high percentage of exports is a key reason for Iscor's losses in the last two financial years of R244m (1982/1983) and R22m (1981/1983) as exports have not been profitable in spite of rand depreciation.

Mr Kotzee says, however, Iscor's proportion of exports to total sales will diminish in the longer term

The difference between domestic prices and export prices is appreciable, he says

Exports do not compete worldwide on a profit basis, but are a contribution to fixed costs.

The rand/dollar exchange rate has increased export prices by 40% in the last year and the "latest change in the exchange rate is helping exports".

The South African Government is moving towards a system of indirect import control, with tariff protection to replace quantitative import control

"Our domestic list prices, depending on the product, are generally higher than in many countries, but still lower than in the US," says Mr Kotzee

He feels the gap has narrowed considerably in the last few months

He claims products are dumped in South Africa by overseas mills that are subsidised by their governments

The percentage of continuous casting a steelmaker produces is an indication of the technological efficiency of steelmaking.

Iscor has a continuous casting percentage of 57% and it is hoped to push it up to 79% in the next few years

South Africa as a whole has a 62% continuous casting yield The Japanese figure is 79% and that of the US 29%

Mr Kotzee claims a high proportion of the plant in the US is outdated and protectionism there is a move to shelter obsolete technology

As far as possible Iscor prefers to buy technology rather than duplicate research and development work that has been done elsewhere.

Japan is generally at the forefront of technological development and Iscor has licence agreements with Japanese companies.

The major problem in the steel industry worldwide is over-capacity.

Iscor is running at 90% capacity utilisation, whereas the US is running at 60%.

Japan is producing 92-million to 94-million tons of steel a year but has the capacity to produce 140-million tons.

In the 1983 annual report, Dr T F Muller, the chairman of Iscor, said because steel manufacturers faced escalating input costs and lower export prices and volumes, poorer operating results were recorded in the 1982/1983 financial year than in previous years.

Apart from declining demand for Iscor's steel exports, in respect of volume and US dollar prices, iron ore exports were also seriously affected.

He said the low utilisation of the Sishen export mine, the Sishen-Saldanha railway line and Saldanha Bay harbour had resulted in such an increase in unit costs that iron ore exports were totally unprofitable

Iscor exports to 60 countries, among them the US, Europe, the Far East, the Middle East and Africa.

South Africa's persistently high rate of inflation and the consequent rise of 13% in the production price index over the previous year, compared to inflation rates of less than 5% among major trading partners and the rand/dollar exchange rate, had resulted in margins on exports diminishing

Unless steps were taken to remove these disparities by effecting a permanent reduction in either the rate of inflation or the rand/dollar exchange rate, exports of most South African goods would be unprofitable, he said

Reunert gains 25% holding in ATC

(89) CAPE TIMES 1/2/84

JOHANNESBURG — Reunert, the recently created electronics and engineering arm of Barlow Rand, has bought a 25 percent stake in ATC (Pty), one of the country's largest suppliers of cables for the telecommunications industry, a statement by the company said yesterday

ATC commenced manufacture of telecommunications cables in 1958 in conjunction with African Cables in Vereeniging

Shareholders

The company moved into its own premises in Brits in 1972, and has now developed into the country's leading supplier of telecommunications cables.

Prior to the Reunert deal, the shareholdings in ATC were GEC 30 percent, BICC 40 percent, and STC 30 percent These three British companies have each sold a pro rata share to enable Reunert to gain a 25 percent holding

Management and staffing of ATC is unchanged, but the Reunert deal gives the company a local partner — a desirable move in view of the large volume of business that ATC does with State and quasi-State undertakings

For Reunert, the acquisition is in line with the development of its information processing division — Reunert Information Systems (Pty) — to offer an integrated service to customers embracing the capture, processing, switching and transmission of data

Companies in the Reunert Information Systems Division include Barlowdata, Telegrama, AEI Henley and the recently-acquired Telkor

ATC board

Mr Derek Cooper, chief executive of Reunert, and Mr Colin Ferreira, managing director of Reunert Information Systems, both join the board of ATC today, the date on which the deal becomes effective

There will be no other changes to the board of ATC

Mr Logan Stewart continues as chairman of ATC, and Mr Peter Watt as managing director

Negotiations for the sale of the 25 percent stake in ATC to Reunert were handled by Hill Samuel Merchant Bank. — Sapa

Mawu considers a dispute over lay-offs

Labour Correspondent

THE Metal and Allied Workers Union yesterday said it was considering declaring a dispute against Wynberg company Promex Plastics, a member of the Protea group of companies, for allegedly refusing to negotiate on retrenchments

A union spokesman, Mr Moses Mayekiso, said yesterday the company's 130 workers downed tools last Monday in protest against the retrenchment of eight workers, but returned after management agreed to meet the union on the issue

Promex told the union at yesterday's meeting it would not negotiate on the retrenchments, because MAWU was not recognised by the company

Workers were due to meet last night, he said

The company refused to recognise the union last October even though it provided proof that it represented a worker majority, he said

"The fact that we are not recognised is, therefore the result of their attitude and is no reason to refuse to negotiate retrenchments"

A company source yesterday denied there had been a strike at the plant over the retrenchments

He refused to comment further, referring all queries to the company's managing director, who was not available

RDM 2/2/84

Pharmacists protest high drug prices

By Stephen McQuillan

183

Star 13/2/84

Stiff competition between drug manufacturers for lucrative Government contracts is sustaining a long-running row in the industry

Pharmacists say they are forced to sell medicines at "exorbitantly high prices" because they have to buy them at an artificially high price — paying up to eight times more than the Government, the 24 Hours team was told

They say manufacturers are making their profits mainly from the pharmacist

But executive director of the Pharmaceutical and Chemical Manufacturers' Association, Mr John Toerien, says the Government is in a position to buy drugs at a lower price than the private sector

"Look at the volume on a production run Instead of individual packs we can produce cost-effective packages of larger quantities

"Any other product supplied in large quantities to the Government is at a lower price than that for the private sector"

The Government was making the situation worse by sheltering so many of its own people with cheap health care

"They should not be free riders on the health service if they are on average salaries," said Mr Toerien "Government consumption would drop considerably were it not for this, leaving a greater market in the private sector

Until recently the industry had faced price control, introduced in 1973, which allowed 15 percent profit on capital

The president of the South African Retail Chemists' and Druggists' Association, Mr Jack Bloom, said a big problem was that many firms supplied drugs to medical aid societies of a Government department at 15 to 20 percent of a pharmacist's cost Nursing homes and some doctors were also supplied at "who knows what price"

Executive director of the Pharmaceutical Society of South Africa, Mr Pieter van der Merwe, said there was an imbalance in the drugs price structure "Most of the costs are being carried by the man in the street"

Research two years ago had shown the Government bought 67 percent of the drug volume and paid 35 percent of total manufacturing costs The private sector bought 33 percent of the volume and paid 65 percent of the cost "The gap is probably bigger now," said Mr van der Merwe

Pharmacists also complain that the price of a drug never drops when, logically, it should

Manufacturers spend "a fortune" developing new products and licence a new drug in order to cover comfortably their research costs in ensuing years

But pharmacists argue that when the licence expires and the drug becomes a generic — available for copy by other manufacturers — the price should drop They say it does not

In practice, the reduction is only about 10 percent

On Government contracts, pharmacists say it is vitally important for the manufacturer to win them in order to get a product known

"Pharmacists are prohibited from prescribing the same drug under a different brand name It has to be the brand chosen by the doctor Hence the importance of winning Government contracts and getting the brand name known throughout the industry"

● The Government is still awaiting the report of the Brown Commission, launched in 1979

The commission, the fourth to examine the pharmaceutical industry, is looking at profits and costs in the manufacturing of drugs and their retail, along with medical services and supplies

High price of medicine a bitter pill for the sick

183 Star 13/2/84

By Stephen McQuillan

24 HOURS The team that wraps up the news

Fierce competition between drug manufacturers chasing lucrative Government contracts is forcing pharmacists to sell medicines at "exorbitantly high prices"

And that is prompting sick people to skimp on medication, the 24 Hours team was told

Medicines are sold to chemists at prices up to 800 percent higher than drugs sold to Government bodies, they claim

The president of the South African Retail Chemists' and Druggists' Association, Mr Jack Bloom, said "The high price of medicines is leading to a situation where people are skimping on drugs"

The difference in price is worse in rand terms The Government probably buys between 80 and 85 percent of the total rand value while the private sector purchases 15 to 20 percent

Pharmacists say manufacturers are selling drugs at "ridiculously low" prices in Government tenders in order to make their products known

Manufacturers then had to make up their profits on drugs sold to the private sector

Chemists make 50 percent profit on drugs dispensed and charge a dispensing fee

The executive director of the Pharmaceutical and Chemical Manufacturers' Association, Mr John Toerien, said "I don't accept that the price of medicine sold to the private sector is too high

"It has been shown that our price structures in South Africa are not out of line with other, similarly developed, countries."

● See Page 7, World section

Minimum pay offer sparks new strike

RDM 16/2/84 ~~140A~~ 183

Labour Correspondent

IN A sequel to the first-ever national legal strike by 8 000 AECI workers last month, workers at a Pinetown vinyl plant owned by the company struck for 24 hours on Tuesday in protest at a company wage offer, a Chemical Workers' Industrial Union spokesman said yesterday

The legal strike was prompted by the rejection by workers of an AECI offer bringing minimum pay to R363 a month, and the AECI Vinyl workers struck in protest at a similar, but slightly higher offer, he added

However, like the legal strikers, the AECI Vinyl workers returned without the company increasing its offer and by doing so have finally accepted it

AECI Vinyl employs about 200 workers, according to the CWIU

The company's industrial relations chief, Mr Bokkie Botha, could not be reached for comment yesterday

According to the union spokesman, AECI Vinyl last year agreed to negotiate wages with the CWIU after it had recruited a majority of workers at the plant

However, when negotiations began, it had maintained that its wages were set in accordance with the industrial council agreement for the explosives industry, to which AECI is the sole employer party

This meant, he said, the company was insisting the union accept the wages negotiated at the council and was not willing to bargain with it

Last month's legal strike was prompted by a deadlock on the explosives council between AECI and the SA Chemical Workers' Union over the company's R363 offer The defeat of the strike meant the company was offering CWIU the same amount as a minimum

Govt's uncertain imports policy delays local firms' chemical projects

Mercury 16/2/84 (183)

JOHANNESBURG—Uncertainty over the Government's policy regarding imports, which threaten the South African chemical industry, is causing local companies to delay embarking on new large projects.

This was said by Mr Ted Smale, chairman of Chemical Services, when he released the group's preliminary financial results for the year ending December at a Press conference in Johannesburg yesterday.

'More and more companies will have more cash and fewer projects until the uncertainty over the Government's policy is sorted out,' he said

'Chemical Services has few major projects and you'll find the same applies in many other companies'

He added, however, that the impact of competition from imports on Chemical Services was not as severe as with some other companies in the industry

Turnover

In the year just past, which Mr Smale described as more difficult than expected, the group marginally increased turnover from R80,5-million in 1982 to R80,9-million, but pre-tax income was down 12 percent and attributable earnings down 16 percent at R4 614 000 (R5 523 000)

With an increase during the year of the number of shares in issue, earnings per share were down 19 percent at 81,9 cents (100,5 cents)

The dividend was maintained at 50 cents a share with dividend cover reduced from the optimum 2 times to 1,64 times

In their remarks accompanying the report the directors state that the speciality chemical market in which the company operates had been hit by the recession and the drought

'As a consequence of this there has been intense competition which resulted in a significant reduction of prices

'Notwithstanding this, the company has in the majority of its activities been able to maintain market share

'The wide range of products sold and the large number of industries served have again protected the company from the full impact of the recession'

They said an upturn in the economy was unlikely in 1984 'Consequently while it is not expected that earnings will show any meaningful growth, we forecast a dividend no less than that of 1983' — (Sapa)

Protest strike at factory ends

Mercury 16/2/84 183

Mercury Reporter

WORKERS at Vynide in Pinetown, a subsidiary of the giant AECI, returned to work yesterday after a one day protest strike against wages agreed to by the Central Industrial Council

The Pinetown company's workers were protesting against the greater increases given to people on higher grades

These were 32 c for workers on the G grade compared with 14 c for A grade workers, according to Mr Sipho Cele, a spokesman for the Chemical Workers' Industrial Union

'The company made a final offer of another 2 c on the A grade and 1 c on the B grade If it was not accepted the offer was to be withdrawn

'We accepted the offer because it was better than nothing and decided to go back to work.

'It was just a protest strike'

Vynide regional manager Barry Arnold said 'The strike was only a partial one Only the union members, about 140 out of a total work force of about 190 went out on strike

'The union wanted a redistribution of the wage package in favour of the unskilled workers, which we felt would be penalising the skilled workers

'We managed to reach a mutually beneficial agreement'

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Sasol a way out for Sentrachem

(183) S. Times 19/2/84

THE perfect way to bury a dog.

Sasol, highly profitable with an impressive positive cash flow, assumes control of problematical chemical combine Sentrachem from the Sanlam-Fed Volks stable. Of minor importance, minorities also benefit as they are taken out above market prices.

Sentrachem's managing director, David Marlow, has flatly denied this kind of speculation. He has no alternative But he has no power and limited sway with Sanlam, the boss

Sanlam has also scotched the possibility even though it may see attractions in the move, as it already has the largest single stake in Sasol. Marinus Daling, the Sanlam investment chief, indicated when approached on the subject that companies were sold when they were profitable and not in the depths of recession.

Strategically, Sentrachem would fit in beautifully with Sasol. The petro-chemical giant would welcome an expanded base in taking on Anglo American's chemical giant, AECI. Sasol could also become a good counter-force to AECI. But unfortunately, common sense does not always prevail

Personalities are involved and the acquisition of Sentrachem would prove injurious to certain of the management team.

Debt burden

But even if the idea of moving Sentrachem as is into Sasol does not come to fruition, the possibility of stripping further divisions out of Sentrachem to reduce the debt burden appears highly probable

The drive for size and power of the past will be reversed as divisions are sold and survival becomes the key element.

Sentrachem recently sold its 40% stake in the PVC producer Coalplex for R60-million to AECI. Coalplex, completed in 1977 at a cost R230-million, never contributed to earnings Sentrachem's direct loss on the Coalplex project amounted to R70-million, ignoring the loss of income on its direct R100-million capital outlay

The sale of Coalplex, although a major disinvestment, has not resulted in a well-structured or lean chemical company Realisation of further non-profitable assets is required.

Sentrachem was highly geared before the sale of its interest in Coalplex and although the funds will eventually be used to reduce the huge borrowings, Sentrachem is still overgeared.

Harsh action is required if Sentrachem is to compete successfully On a similar basis to the Coalplex disinvestment, other divisions of Sentrachem should be sold to allow management to concentrate its efforts in fewer specialised areas Management's policy is to get out of unprofitable ventures and divisions with a shaky future

In the event that further chunks of Sentrachem are hived off, fertiliser producer Fedmis is likely to be the next candidate to leave the Sentrachem group Fedmis has been severely affected by drought.

Rubber

Besides the adverse conditions affecting fertiliser sales, the industry is a disaster because of almost 100% excess production capacity Even if agriculture returns to normal conditions (which is unlikely to occur this year) the overcapacity will be around for several years It is unlikely that Fedmis will make any meaningful contribution to Sentrachem's profits in the foreseeable future

Sasol has indicated that it intends entering the fertiliser market. Fedmis could prove a useful entry vehicle.

Federale Volksbeleggings is highly exposed to the agricultural sector through its 75% interest in Fedmech, the Massey-Ferguson distributor Its profits are also likely to be squeezed, and a slightly lower exposure for Fed Volks to the agricultural sector could be welcomed

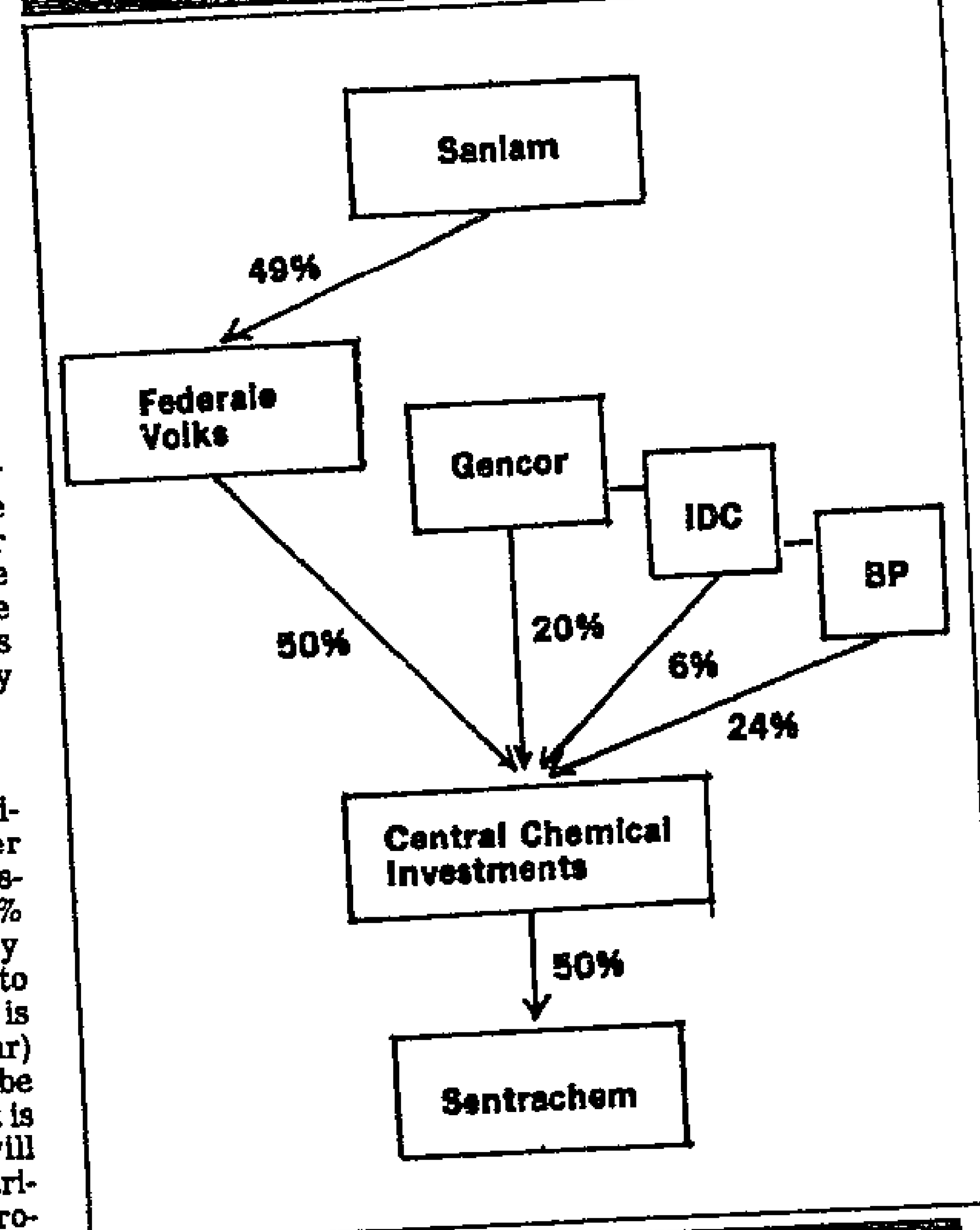
A complete shake-out and re-organisation of the fertiliser industry is imminent.

Even Sentrachem's R400-million investment in the Karbochem synthetic rubber plant at Newcastle cannot compete successfully against competitive imported products The Government has agreed to Karbochem's request for a 25% protective tariff on imported natural rubber imports

But the authorities did not fall for Karbochem's request for a floor price of R1 300 a ton and agreed to R1 200 This price will be guaranteed even if the price of natural rubber falls below the new floor price Karbochem will struggle to recover costs at the new floor price.

Because of the fundamentally poor outlook for the chemical industry, the sector has been downrated on the JSE Of the major listed chemical companies, Sentrachem has been the worst affected. The share does not yet offer recovery appeal, but could prove an attractive investment on rationalisation of the entire company with Sasol.

Sentrachem's family tree



The worst of a best deal

FATUOUS dealing knocked 90c off Southern Sun's share price to 510c early in the week on minimal volume

About 100 000 Southern Sun shares were on offer at about 600c. Naturally, buyers delayed entering the market because of the large parcel overhanging the market.

However, one broker had an order to sell 2 000 shares at best. Being an experienced dealer, he decided to hold off until buyers appeared at a reasonable price, say, 580c.

Then the dealer was asked by his client — most probably a Cape Town seller — why he had not dealt as he had instructions to deal at best.

Well, why not? The dealer let 2 000 shares go at best, which worked out to be 510c, the price at which buyers re-entered the market. Within minutes of the deal's execution, buyers for Southern Sun appeared at 525c

The following day, Southern Sun traded at 565c

Good dealing!

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SNIPPET

Drought ravages bring fertiliser crisis to a head

AECI, Triomf may split

183) S. Times 19/2/84

Business Times Reporter

THE chemical industry is abuzz with rumours that AECI and Triomf are to renegotiate their partnership in fertiliser.

Well-placed sources in chemicals say Triomf, like the other fertiliser makers, is in acute financial distress because of the drought.

AECI, which is a 49% minority partner in Triomf's unlisted fertiliser factories, is not prepared to pour more money into the fertiliser business, it is said

The sources speculate that the partners are negotiating either a buy-out by AECI or, failing agreement, a parting of the ways.

Directors of the two companies were seen going in and out of one another's offices this week But both parties were tight lipped about what was going on

Two years ago Triomf, the listed top company in Mr Louis Luyt's empire, reduced its stake in the operating company by one percentage point to 49% This enabled it not to disclose its income statement or balance sheet, so nobody knows much about the company's financial health

After a showdown with the Johannesburg Stock Exchange, Triomf agreed to buy back the one percentage share and to reconsolidate the operating company But so far no consolidated balance sheet and income statement has been seen

Several million rands of debt are in the top company and analysts believe there is more undisclosed in the bottom company

Devastated

The fertiliser industry has been devastated by two years of drought The prospect of another appalling agricultural season will have been another disincentive for AECI to put more money into the operation

Since Sasol started producing fertiliser, the industry has also had to cope with overcapacity running to nearly 50% Strict price control and reduced import protection have been further problems.

Analysts say that because Triomf has been losing domestically and internationally on its phosphoric acid sales, it would be hard pressed without AECI as a partner On the other hand, AECI is unlikely to pay anything like asset value if it came to a buy-out.

Triomf's chief banker for years has been Nedbank, which has been unworried about its exposure primarily because of the rock-solid AECI connection. If the partners separate, Triomf might have to act on its large undisclosed loans

Pressure on profits may force drug giants in SA to disinvest

183

Star 20/2/84

24 HOURS
The team that wraps up the news

By Stephen McQuillan

International drug manufacturing giants may abandon South Africa, disinvesting millions of rands, because they cannot make enough money

The warning came at the weekend from the South African manufacturers' representative body and a top business economist

The possibility arises after the disclosure that fierce competition between drug manufacturers chasing lucrative Government contracts was forcing pharmacists to sell medicines at exorbitantly high prices

Pharmacists had to buy drugs at artificially high prices because manufacturers were selling the bulk of their output to the Government at rock-bottom prices

Executive director of the Pharmaceutical and Chemical Manufacturers' Association Mr John Toerien said there was a danger international manufacturers could pull out of South Africa because of pressure on profits

"If prices of medicines are depressed below economic levels, international manufacturers could withdraw," he said

The drugs market at prescription level in the public and private sector had a turnover between R4,3 billion and R4,7 billion

Professor Duncan Reekie, head of the business economics department at the University of the Witwatersrand, said pressure on prices and profits in United States and Australian drug industries caused disinvestment

In the US research and development declined and moved overseas

In Australia research sections of the industry closed, along with one or two manufacturing plants

South Africa, Britain and Scandinavian countries were now attractive for investment and as bases for pharmaceutical research

But South Africa could jeopardise its position because of the enormous pressure on prices and profits

"There has been pressure on prices here mainly because of the Government tender system and the recent price control," said Professor Reekie

"It would seem manufacturers could disinvest because of the pressure on them"

The tender system meant monopoly bargaining power for a non-competitive buyer The buyer had the power to push prices below the level where a free market would settle them

He called on the Government to break its bargaining power by allowing the SADF, provincial administrations and others to buy separately

Research by the Pharmaceutical Society of South Africa two years ago revealed the Government bought 67 percent of the drug volume and paid 35 percent of total manufacturing costs

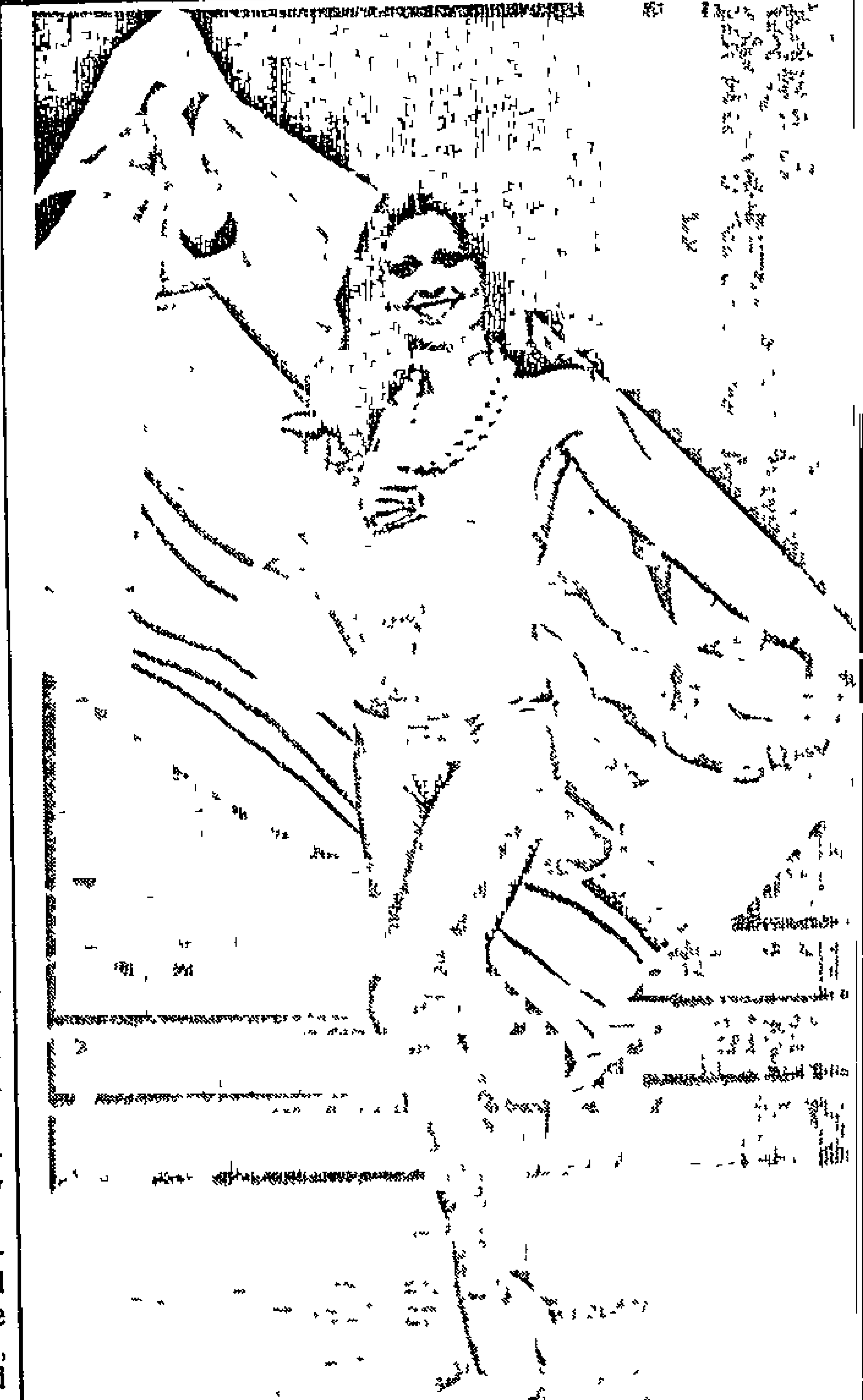
The private sector bought 33 percent of the volume and paid 65 percent of the cost The society says the gap could be bigger now

Professor Reekie said Governments of other countries eased the pressure on the price of drugs after recognising the danger signals of possible disinvestment

Mr Toerien said if manufacturers withdrew from South Africa — as they had from Australia and Canada — new medicines might not be available.

The country was also an important centre for tests on new drugs

Mr Toerien said it was unlikely local manufacturers could continue the type of work done by international organisations, because of massive costs and lack of expertise It cost between R50 million and R70 million to introduce a new drug to the market



Miss Great Britain, Debbie Greenwood, photographed in L last week when she previewed a big department store's su fashions wearing a "solar" bikini and "pareo" wra

Three crises that made a criminal of Stander

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Abercom aims to keep Hanhill group intact when it gains control

183 Star 20/2/84

By Peter Farley

Abercom seems set to acquire control of Hanhill Industries, if negotiations currently taking place come to fruition

The two companies say merely that Abercom has been granted an option to buy and that a further announcement would be made shortly

Hanhill MD Mr Oliver Hill says, however, that an important aspect of the deal, should it go through, will be to keep the Hanhill group intact and not involve the splitting away of associate company National Explosives (Natex)

Natex is currently 25 percent-owned by Hanhill, with the balance held by National Process Industries (NPI), a company jointly owned by Mr Hill and Hanhill Chairman Mr John Hahn

PLOUGHED BACK

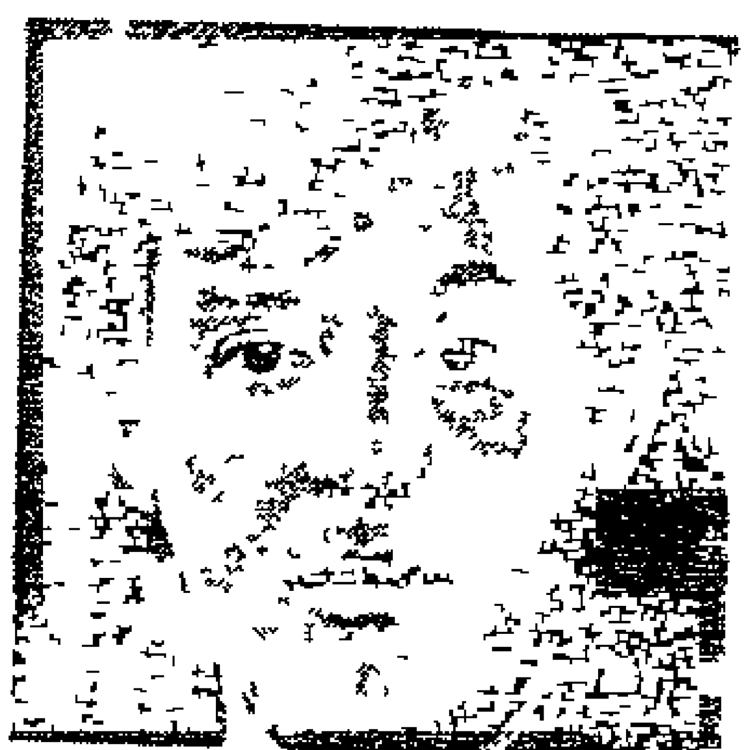
A pre-condition of Abercom accepting the deal is the inclusion of Natex as a wholly owned subsidiary of Hanhill This would presumably be achieved by the combination of a cash payment and the issue of more shares to Mr Hill and Mr Hahn

Then a further issue of Hanhill shares to Abercom and the sale by NPI of a substantial part of its Hanhill stake to Abercom for cash are likely

Some of this will no doubt be ploughed back to reduce gearing It is understood that NPI will retain a minority interest in Hanhill

NPI is currently the major shareholder in Hanhill, with a stake of about 65 percent Clearly both these two will benefit should the deal go through

At the current 80c Hanhill is



Abercom MD Mr Peter Herbert .contemplating taking control of troubled chemical and fertiliser group Hanhill

valued by the market at around R28 million A deal whereby Natex would be sold to AECI for R20 million was blocked a couple of weeks ago be the Competitions Board

No such decision is likely should Abercom take control of Hanhill But the motives behind Abercom's interest are rather cloudy

Abercom had a disastrous year in the 12 months to last June 30, with attributable profit down to R2,4 million from R8,3 million in 1982 Interim figures for the six months just passed are due out tomorrow

Hanhill is also having a difficult time

The bulk of its business is derived from fertilizers, a sector hit by the double blow of the drought and chronic oversupply

The company's foray into the explosives field has also not lived up to the early promises, despite the Government breaking down the exclusive contract on explosives supply between AECI and the Chamber of Mines

Hanhill also has extensive debt, the bulk of which is in the higher-priced, short-term area, which will easily absorb any price paid for the company The total is thought to be about R30 million

Abercom is more comfortably geared, with borrowings around 35 percent of shareholders funds, but its exposure in the heavy engineering, motor and metal products fields means that earnings growth should continue fairly flat

But there is really no Abercome division into which Hanhill would dovetail It also seems a strange time for Abercom to diversify, given the rationalisation last year of several loss-making operations

BEST INTERESTS

Assuming that the deal goes ahead, the intention will be to retain Hanhill's listing, and although a stand-by offer will be made to minorities it is not expected that this will be accepted

Mr Hill says he expects the deal to be concluded, with final details to be announced shortly

He says that although several other companies were interested in Hanhill the Abercom offer is in the best interests of all parties, particularly as it retains the existing group structure

The purchase by Abercom will probably be an attractive proposition to Hanhill's bankers, as it is understood that some concern was recently expressed about the fertilizer company's soaring debt position

The recent strengthening of Sanlam's stake in Abercom — to more than 40 percent — will no doubt provide added financial security

Merger break is good for Triomf

(183)

20/2/84 Star

By Peter Farley

The abolition of the merger agreement between AECI and Triomf, which is expected to be formalised in the next couple of days, could give Triomf the platform to significantly increase earnings

While the final aspects of the deal are still being tied up, it is understood that Triomf will retain the lucrative Potchefstroom operation and will buy out AECI's stake in the Richards Bay factory The two factories put in by AECI when the merger was conceived 10 years ago, at Chloorkop and Somerset West, are expected to revert to AECI.

If the breakup of the partnership develops on these lines, Triomf's short-term liabilities will be substantially reduced, while the overall profit potential from fertiliser operations will rise sharply

Apart from the immediate impact on earnings, the deal will also free Triomf from being tied to one raw material supplier But this may mean Triomf will have to turn to imports if it is to remain competitive

Clearly AECI will not be well disposed to offering Triomf beneficial terms, while the other suppliers — Sasol and Sentrachem — both have fertilizer companies themselves

While Triomf's earnings figures have not been fully disclosed in recent years, due to the non-consolidation of the operating company's figures in the listed company's balance sheet, some indication can be gleaned from those disclosed by AECI

AECI had a 49 percent stake in the Triomf-controlled fertilizer operation and in its last interim statement said its share of Triomf's losses was over R5 million. This suggests full year losses could be as high as R20 million.

A spokesman for Triomf said shareholders would be fully informed once final details have been worked out, but said that the deal will considerably enhance shareholders' investments in Triomf.

Original speculation was that Triomf was keen to sell its fertilizer investment, but it now appears that the company is merely retaining the cream at the expense of the weaker operations

Nevertheless, it will still be an uphill battle to produce respectable profits after two years of drought Particularly given the extremely high level of borrowings overhanging the company.

However, Triomf shareholders will no doubt welcome any steps taken that both reduces liabilities and enhances profitability in these difficult times

Less-than-amicable parting likely after 10 ye:

Triomf and AEC seek swift divorc

By JOHN MULCAHY RDM 20/2/84 (183)

DISCUSSIONS will probably be finalised this week for the effective divorce of long-time partners AECI and Triomf Fertilizer Investments.

The two are looking for a way to cancel their partnership agreement in Triomf Fertilizer (Pty)

AECI holds a 49% stake in the unlisted Triomf Fertilizer (Pty), with the other 51% held by Triomf Fertilizer Investments

In yet another manifestation of the turmoil that has plagued the South African chemical industry over the past year or two, chemical giant AECI and Dr Louis Luyt are parting on what are believed to be less-than-amicable terms

The fertilizer market has been dealt a double blow of two successive years of devastating drought and new production capacity that has taken supply to well over likely demand this year

Triomf will today present the broad details of its intentions to the Johannesburg Stock Exchange but a Triomf spokesman said last night he could not disclose the mechanics of the proposals until the talks with AECI were finalised

He said Triomf Fertilizer Investments' shareholders could expect a considerable rise in the intrinsic value of their investments and "the profit potential (after the split) will be remarkable

Among other things, Triomf's short-term liabilities would be about halved, according to the spokesman and the effect on long-term liabilities would be irrelevant

Although the picture will be clarified once fuller details are released later this week, it seems the 10-year old merger agreement between AECI and Triomf will be relinquished

This could involve a take-over by either AECI or Triomf of the other party's stake in Triomf's operating company, but a more likely scenario is a split down the middle, with each side taking what belongs to it

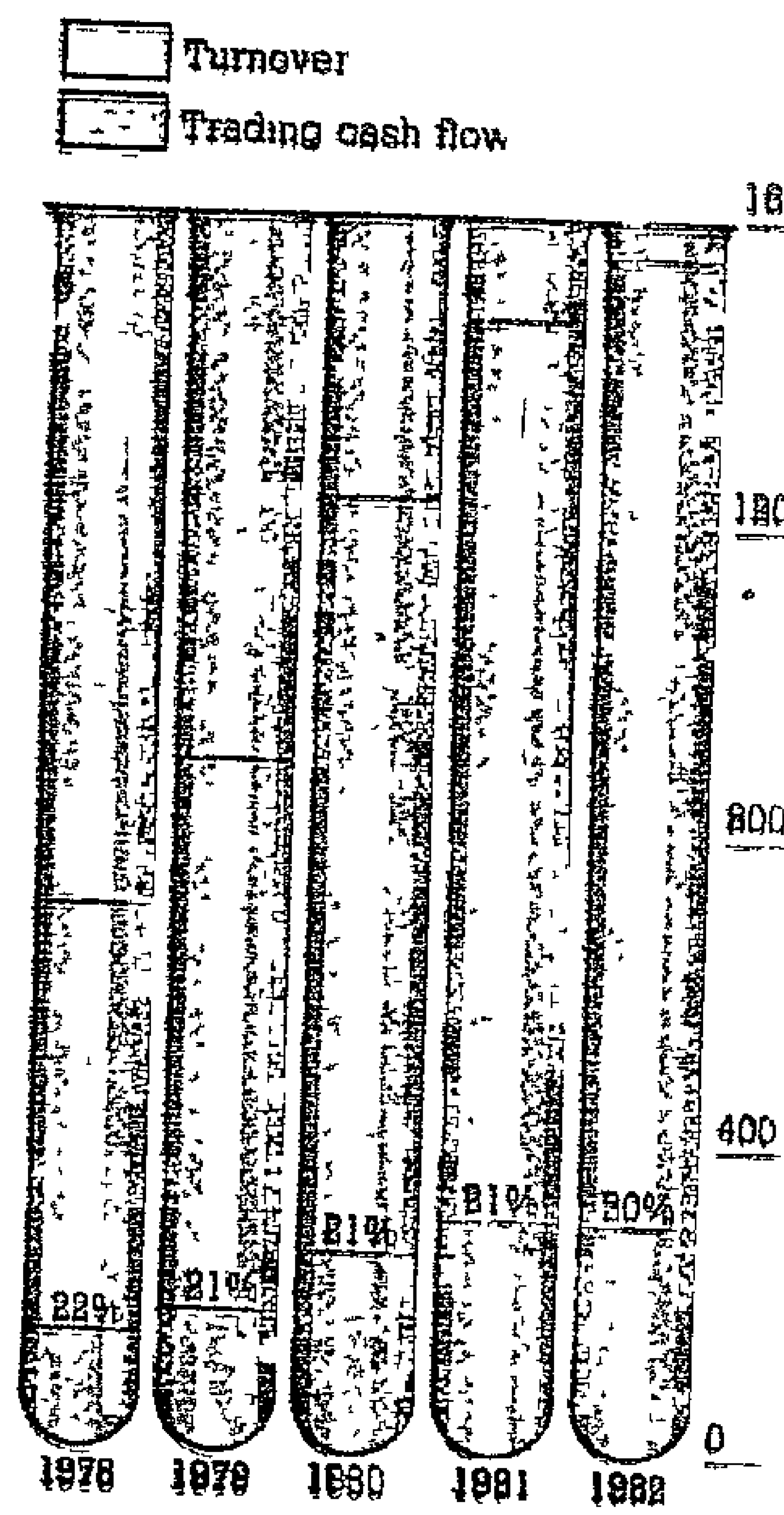
Such a split could entail reverting to the original merger agreement, when Triomf contributed the Potchefstroom factory and AECI the plants at Somerset West and Chloorkop The Richards Bay factory came after the merger and will complicate negotiations

While at this stage the precise reasons for the parting are not clear, the writing has been on the wall at least since September when Triomf took AECI and Sasol to court over supply agreements

The presiding judge, Mr Justice Gert Coetzee, made the observation that one of the parties in the AECI/Triomf marriage had committed an act of immorality (*ontug*), and it has been patent from that time that divorce proceedings were inevitable

Unconfirmed reports circulating last week suggested that Dr Luyt was a keen seller of the fertilizer interests, but that the price he was looking for was well in excess of what AECI was prepared to pay

Turnover and trading cash flow (R millions)



AECI is again in the news, this time involving discussions with Triomf to end their merger agreement Later this week AECI will announce its preliminary results for 1983, with turnover and profit likely to be somewhat lower than 1982

This is speculation and the facts of t… now are that Triomf will be in a … situation, which must have positive im… as indicated by the submission to be … JSE this morning, but the negative imp… are possibly more significant

The financial muscle that AECI br… partnership has always added points to rating as a borrower, and its bankers … little more circumspect about the heavy… ings after the group achieves indepe…

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The looming split between AECI and T… only one more chapter in the increas… pressing chemical industry saga

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Mr Hill's problems were also founde… extremely depressed fertilizer industry, … result of the liquidity problems faced … group will be the probable sale of the pot… lucrative National Explosives

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-EN MULCAHY RDM 20/2/84 (183)

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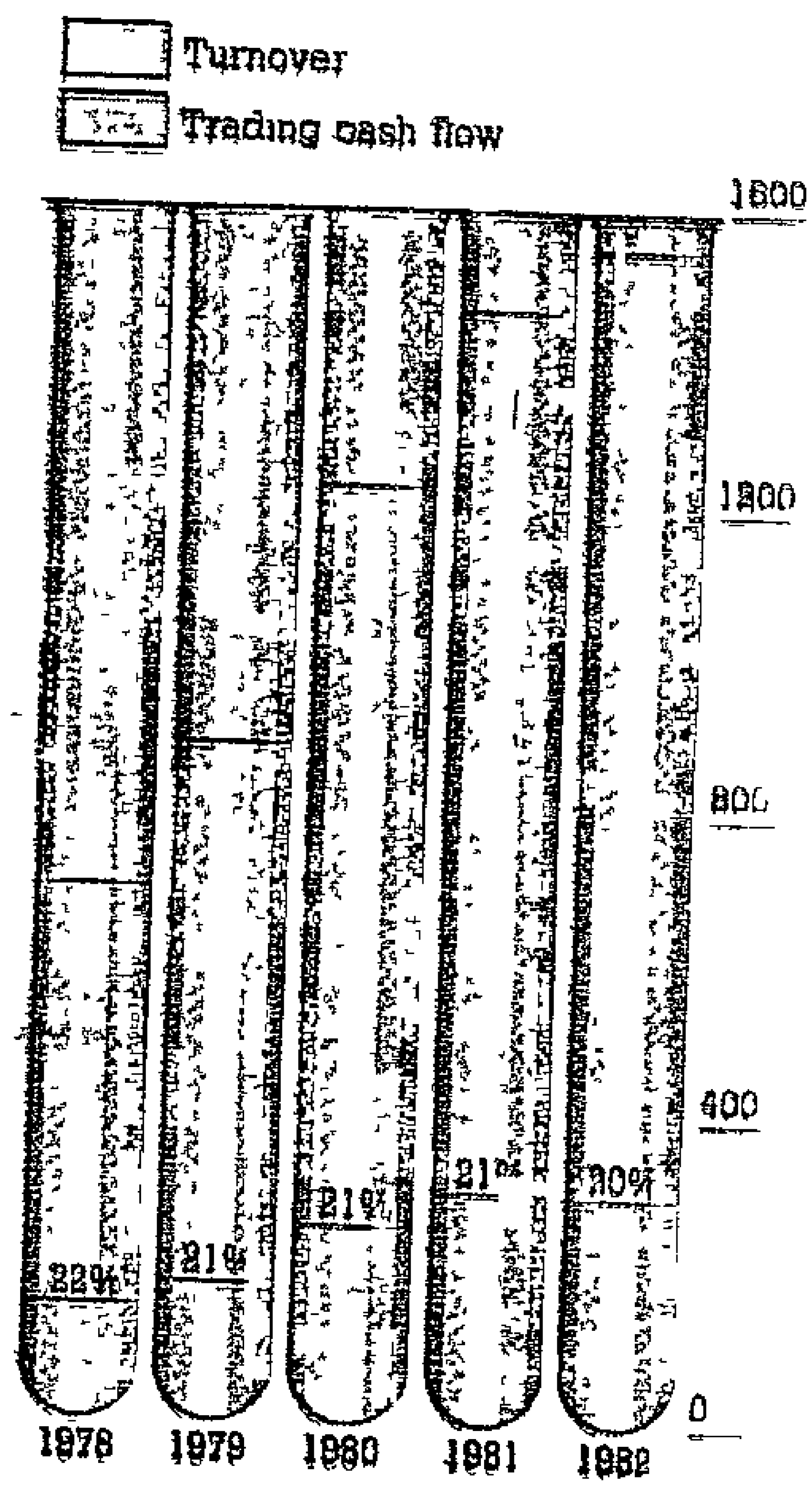


AECI is again in the news, this time involving discussions with Triomf to end their merger agreement Later this week AECI will announce its preliminary results for 1983, with turnover and profit likely to be somewhat lower than 1982

This is speculation and the facts of the matter now are that Triomf will be in a float-alone situation, which must have positive implications as indicated by the submission to be made to the JSE this morning, but the negative implications are possibly more significant

The financial muscle that AECI brought to the partnership has always added points to Triomf's rating as a borrower, and its bankers might be a little more circumspect about the heavy borrowings after the group achieves independence

At the last published balance sheet date, December 31, 1982, Triomf did not consolidate the operating company and its interim income statement to June 1983 also failed to reflect Triomf Fertilizer (Pty) results

But, according to AECI's interim results, published in August, its share of the loss in Triomf Fertilizer (Pty) was R5,1m, which suggests the company lost about R10,5m for the six months to June

If anything, the fertilizer market deteriorated in the second half of 1983, and the company must have lost at least R20m for the full year

On the plus side, Triomf's submission with regard to future earnings is unequivocal and there will be obvious benefits in the split with AECI, in that Triomf will no longer be tied to one raw material supplier

And in the absence of import controls it is at least a possibility that Triomf will start importing product

The looming split between AECI and Triomf is only one more chapter in the increasingly depressing chemical industry saga

In other developments in recent months, Sentrachem sold its 40% stake in the huge Coalplex PVC plant to AECI for R60m, while negotiations now taking place will lead to the carve-up of chemical maverick Mr Oliver Hill's Hanhill Industries

Mr Hill's problems were also founded in the extremely depressed fertilizer industry, and one result of the liquidity problems faced by his group will be the probable sale of the potentially lucrative National Explosives

AECI made an offer of R20m for National Explosives several weeks ago, but the deal was blocked by the Competition Board, and Sasol is now widely tipped to be the main bidder for the explosives producer

Meanwhile, the trimmed down Triomf Fertilizer Investments expects to make handsome returns this year, but it will have its work cut out in what is building up to be an even more difficult year for fertilizers than 1983 or 1982

183 22/2/84

Explosive new force enters market

By JOHN MULCAHY

WHILE attention has been focused on Mr Oliver Hill's National Explosive Industries, two of his former employees have been quietly working to establish their own niche in the market.

Mr Steve Middleton and Mr Dave Start have formed a new company, Southern Explosives (Pty), licensed by the Nitro Nobel group of Sweden to produce emulsion explosive systems in South Africa.

Both have worked for AECI and for National Explosives and believe the market has reached the stage where customers should have access to a variety of explosives suppliers.

The dismantling of AECI's monopolistic agreement with the Chamber of Mines has eased the path for National Explosives.

But it also means the way is open for anyone to enter the market.

As the biggest explosives market in the world after the US, it is natural that a supplier such as Nobel should be interested in carving out a share of the action

Mr Middleton and Mr Start believe the major advantage of Southern's brand of explosive, Emulite, over other products is that none of its ingredients is self-explosive.

Its components can be stored on site, with significant transport cost savings.

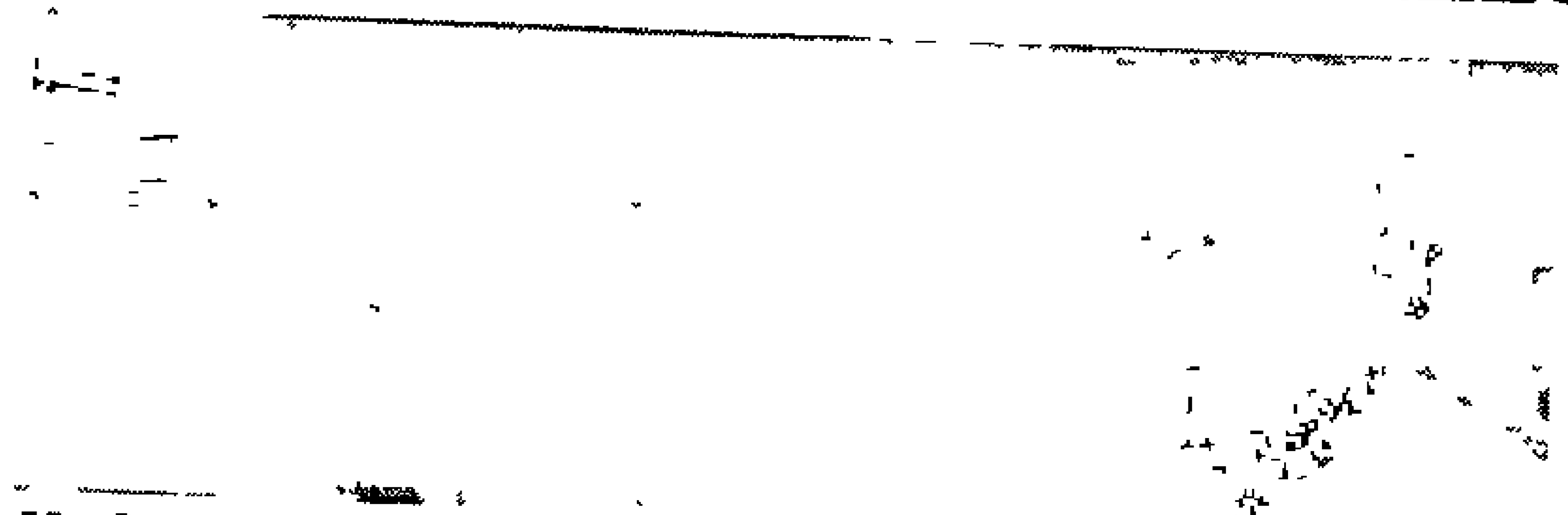
Mr Middleton says many explosives products are outdated and that Emulite represents the new generation.

Although Southern Explosives is not yet operating, the agreement with Nitro Nobel includes initial development support.

A plant will be installed by Nobel by the middle of this year.

Before introducing Emulite, Nitro Nobel tested nine types of water-based explosives in 1978 and 1979, including Tovex, the Du Pont product manufactured in South Africa by National Explosives

After evaluating the tests, Nitro Nobel decided to acquire the licence for Powermax from Atlas Powder Company of the US and is now marketing the product under the Emulite brand name



Mr Steve Middleton, left, and Mr Dave Start yesterday.

The two segments of the market Southern will initially aim at are bulk explosives and cartridge products.

The intention is to aim for production of about 50 000 tons of bulk product a year.

"We would like to give the mining industry a choice of products and ultimately offer a full range of explosives used in mining"

Some of the areas Southern will be looking at are heavy anfo, a surface explosive, for which it has the technology, as well as an underground coal-mining explosive now being evaluated by mining authorities in the UK

Mr Middleton and Mr Start left National in August last year and have spent the intervening time tying up the Nobel licence and speaking to potential customers and possible backers

"The potential is definitely there, although we would like a big brother with enough capital to capitalise on it," says Mr Middleton

He estimates that the first five years of development will require about R8m in capital

That would include a bulk plant and several modular plants at strategic sites close to customers

Users of explosives have expressed interest, but many are waiting to see which way National Explosives goes before taking any firm decisions on new suppliers.

"Some NPI customers have been a little disappointed at the way things have gone after giving their support to the new company."

Southern Explosives intends offering customers sub-licensing agreements so that mines or quarries will be able to manufacture the explosives themselves

Some of the ingredients would be supplied by Southern, but the bulk of the raw material could be bought by the mines at the best prices available

While conceding that AECI and National Explosives have been investigating emulsion products, Mr Middleton says Du Pont has already been sued by Atlas for infringing the Powermax patent.

AECI untimely re-entry adds to confusion

Beleaguered fertiliser industry faces woe

183

RDM 22/2/84

By JOHN MULCAHY

THE fiercely competitive and over-supplied retail fertiliser market will soon be thrown into more confusion by the re-entry of AECI into the fray.

After ten years of association with Triomf Fertilizer Investments, AECI will again be tackling the fertiliser market and it could not have chosen a less opportune time.

As the agricultural community braces itself for another year of crippling drought, it has been estimated that total fertiliser demand will be about 2,5-million tons Capacity is almost 5-million tons

Sasol, which is about to start commercial production, has already begun active marketing

In terms of this week's agreement, Triomf holds on to the Potchefstroom factory and AECI regains control of the Chloorkop and Somerset West plants AECI is to sell its stake in Triomf Fertilizer (Pty) to the LLG Group, Dr Louis Luyt's family company, for an undisclosed sum

A source close to the deal said neither party was prepared to reveal the price paid by LLG for the Triomf Fertilizer stake, but that, "they are both happy with the price"

This will give the Luyt interests control of the export-oriented Richards Bay plant, which has a replacement value of about R350m

The export market for phosphoric acid has been depressed for some years and though the outlook has improved considerably, it is a market that is highly cyclical and competitive The price struck could well be substantially below the replacement cost of the plant

Ironically, the negotiations are believed to have begun with control of Triomf being offered to AECI It now seems as though cash will be going in the opposite direction

The price at which Dr Luyt is believed to have been a seller is 700c a share, which is more than three times the market price Industry sources say AECI was prepared to talk at about half that price

While the split will enable Triomf to choose the sources of its raw material, it is likely that for the time being the Potchefstroom plant will continue to be supplied by AECI

But the price at which AECI supplies must be highly negotiable now, especially after the dismantling of import controls, which means that Triomf can take advantage of distressed prices elsewhere

But what is not immediately clear, and neither AECI nor Triomf can be drawn on the subject, is to what extent the supply contract has been affected by the collapse of the merger agreement.

In terms of the original merger, Triomf was bound to take up as much material as AECI supplied, which in times of depressed market conditions was a major problem for Triomf

For AECI, the problem now is to re-establish a presence in the farming community, which in the Transvaal is already served by a barrage of suppliers — Triomf, Sasol, Bonus (Hanhill), Fedmis (Sentrachem) and Omnia

Triomf's early success was based largely on service to farmers and the establishment by the company of a close association with the farming community, offering an equity stake in the fertiliser producer.

An announcement from Triomf yesterday said the group would serve the inland fertiliser market from the Potchefstroom factory and with product from Richards Bay

It stressed, however, that the Richards Bay plant would still be predominantly aimed at the export market, "which has substantially improved over recent months"

The merger agreement between Triomf and AECI will be cancelled with effect from March 9, restrospective to January 1

Three hours of talks end strike at Kohler Plastics

22/2/84 (183) Star

Labour Reporter

Kohler Plastics yesterday decided to re-open its Robertville plant and reinstate the entire workforce of 220 at the end of this week.

The decision was made after three hours of negotiations with representatives of the Metal and Allied Workers Union.

The plant was closed on Monday and the 220 workers were dismissed after a strike over retrenchments which resulted from the extension working shifts.

In a statement, released yesterday the company said it advised the works council of the change in shifts in mid-December. The plan to change from a 45-hour two-shift, five-day week to a 40-hour, four-shift, seven-day week, was designed to enable the plant to work continuously.

When workers arrived on Monday to start the new shift 46 were told they were being retrenched because of the rationalisation programme. When the night shift started, another 22 were told they were being retrenched. At this stage the entire night shift left the plant in support of their colleagues.

The strike continued yesterday morning when all of the workers were dismissed and the plant was closed.

Union representatives met management under the auspices of the National Industrial Council for the Metal Industry and the dispute was resolved. The workers are to return on the four-shift system on Friday.

AECI re-enters fertilizer market

CMB Times 22/2/84 (183)

Own Correspondent

JOHANNESBURG — The fiercely competitive and over-supplied South African retail fertilizer market will soon be thrown into increased confusion by the re-entry of AECI into the fray.

After 10 years of association with Triomf Fertilizer Investments, AECI will again be tackling the fertilizer market itself, and it could not have chosen a less agreeable time

As the agricultural community braces itself for another year of crippling drought, it has been estimated that total fertilizer demand will be about 2,5m tons this year, and capacity is almost 5m tons

Sasol is about to start commercial production, and has already commenced active marketing

In terms of this week's agreement, Triomf will hold on to the Potchefstroom factory and AECI has regained control over the Chloorkop and Somerset West plants

AECI is to sell its stake in Triomf Fertilizer (Pty) to the LLG Group, Dr Louis Luyt's family company, for an undisclosed sum

A source close to the deal said neither party was prepared to reveal the price paid by LLG for the Triomf Fertilizer stake, but that "they are both happy with the price"

This will give the Luyt interests control of the export-oriented Richards Bay plant, which has a replacement value now of about R350m

The export market for phosphoric acid has been depressed for some years, and while the outlook has improved considerably, it is a market that is highly cyclical and competitive, and the price struck could well be substantially below the replacement cost of the plant.

Ironically, the negotiations are believed to have commenced with control of Triomf being offered to AECI, and it now seems as though cash will be going in the opposite direction.

The price at which Dr Luyt is believed to have been a seller is 700c a share, which is more than three times the market price, and according to industry talk AECI was prepared to talk at about half that price.

While the split will enable Triomf to choose the sources of its raw material, it is likely that for the time being the Potchefstroom plant will continue to be supplied by AECI

But the price at which AECI supplies must be highly negotiable now, especially after the dismantling of import controls, which means that Triomf can take advantage of distressed prices elsewhere

But what is not immediately clear, and neither AECI nor Triomf will be drawn on the subject, is to what extent the supply contract has been affected by the collapse of the merger agreement

In terms of the original merger agreement Triomf was bound to take up as much material as AECI supplied, which in times of depressed market conditions was a major problem for Triomf

For AECI, the problem now is in re-establishing a presence in the farming community, which in the Transvaal is already served by a barrage of suppliers, in Triomf, Sasol, Bonus (Hanhill), Fedmis (Sentrachem) and Omnia

Triomf's early success was based largely on service to farmers and the establishment by the company of a close association with the farming community, offering an equity stake in the fertilizer producer

Before the entry of Triomf to the market, it was dominated by British-controlled Fisons.

An announcement from Triomf yesterday said the group would serve the inland fertilizer market from the Potchefstroom factory, and with product from Richards Bay

It stressed, however, that the Richards Bay plant would still be predominantly aimed at the export market, "which has substantially improved over recent months".

The merger agreement between Triomf and AECI will be cancelled with effect from March 9, restrospective to January 1

In a separate announcement, AECI said the dissolution would not have any effect on its earnings or net asset value

Chemical men shun open-door policy

AFTER spending about R1bn on capital expansion over the past decade, chemical group AECI's outlook for the next 10 years is internal rationalisation and acquisition

Mr Denys Marvin, AECI's managing director, said yesterday the Government's new view on protection of strategic industries meant that the rules had changed and the threat of dumping was real

Mr Ted Smale, AECI's deputy managing director, said that while there were occasions of dumping now, it was not prevalent, but the group's concern was with what could come if the Government went through with its plans on removing and reducing protection

Mr Marvin said he doubted whether the Treasury, the Board of Trade and the Department of Industries and Trade were in phase

He was dismayed to hear a prominent member of the Steenkamp committee on textiles suggest recently that cheaper imports could be used to keep local industry on its toes, eventually encouraging South African producers to export

"This is absolute nonsense Australia virtually destroyed its secondary and tertiary industry through opening its doors Why do you think Japan was so successful? It is because it protects its local market"

Mr Marvin said he firmly believed SA had a tremendous future, provided the labour force was harnessed to produce all of its own products

The Government would have to decide on what it wanted "There is hardly anything we can produce here that cannot be imported cheaper"

RDM 23/2/84 (83)

AECI attracted by fertiliser sales idea

By JOHN MULCAHY

AECI's managing director, Mr Denys Marvin, is "most attracted" by the idea of selling fertilisers and is confident the group will succeed

He told a news conference in Johannesburg yesterday he had always believed it was preferable to both make and sell products, instead of depending on someone else to do the selling

Implying that the agreement with Triomf — which is about to be cancelled — might not have taken place had he been at the helm at the time, Mr Marvin said that the agreement had been signed on April 1, 1970, "and I arrived in the country in June 1972"

He said he had been happy to see the agreement through, but that when the merger was signed there were price and import controls over fertiliser products

Triomf obviously felt that in the absence of these controls, it might benefit the company to go it alone

Mr Marvin said AECI expected earnings to improve as a result of the split, but could not throw any light on the apparent anomaly of both parties benefiting from the new arrangement

In submissions to the Johannesburg Stock Exchange earlier this week, Triomf said the split would have a significant effect on its earnings potential AECI clearly takes a similar view of its own prospects

The obvious question is why the agreement continued for so long if both parties are so happy to be out of it

AECI's view is that the results will tell Mr Marvin said "I think our partner (Triomf) sees the outlook for Richards Bay as rosier than we do"

AECI will walk away from the arrangement unencumbered by debt, with the Chloorkop and Somerset West plants and presumably with some cash from the sale of its 49% in Triomf Fertilizer (Pty) to the Luyt family company, the LLG group

The Richards Bay plant is known to be heavily encumbered, although the extent of the debt has not been disclosed In Triomf's statement to the JSE on Monday it referred to the long-term debt as being "irrelevant"

Assuming the cancellation of the merger agreement with Triomf is signed on March 8, when the AECI board considers it, the company will immediately begin marketing fertiliser

In terms of the deal thrashed out with Triomf, AECI has the option to acquire any staff from the Chloorkop and Somerset West Plants The decentralised nature of the Triomf operations means that each plant has its own technical, administrative and sales staff

"It will take time to get into gear to market fertilisers, but we have the freedom to choose the people we want in the marketing area I believe we will very quickly build up a highly motivated sales force," Mr Marvin said

Mr Marvin said that as the biggest producer of ammonia in South Africa the outlook for AECI was good "The question for Triomf is — will they be able to get cheaper ammonia elsewhere?"

● See Page 20

RDM 24/2/84 (183)

4 000 recruited brings 'a breakthrough at Sasol'

By STEVEN FRIEDMAN
Labour Correspondent

THE Chemical Workers' Industrial Union (CWIU) says it has achieved a major breakthrough by recruiting 4 000 workers — a majority of unskilled and semi-skilled workers — at Sasol's Secunda plant

The CWIU affiliated to the Federation of SA Trade Unions (Fosatu), says Sasol has granted it "stop order" facilities whereby union dues will be deducted from workers' pay It says it will now seek recognition at Secunda

The union says it will hold recognition talks with Sasol soon

A spokesman for Sasol confirmed yesterday that talks were planned, but said the granting of "stop orders' to the union had not yet been finalised He said "administrative details" still had to be sorted out before this was done

He also confirmed that the CWIU had members at Sasol

If the CWIU reaches an accord with Sasol, it will give emerging unions their first foothold at the key Secunda complex It would also be the biggest advance yet for these unions in State and semi-State enterprises

The CWIU says its Sasol recruiting drive has more than doubled its Transvaal membership It believes it now "stands on the verge of massive expansion"

However, observers believe that recognition talks between the CWIU and Sasol will be tough and could develop into a major test for both sides

The company's position is strengthened by the fact that Sasol is an "essential service" in terms of labour law and its workers cannot strike legally

The CWIU says it began organising workers at Sasol more than a year ago

During the recruiting drive, the union says it approached Sasol for facilities but was told it could not have "stop orders" until it had recruited a majority of workers

A union representative said yesterday that since the CWIU recruited a majority, Sasol had granted it "stop orders" and the first ones had been processed this month

The union says it will now seek a "full recognition agreement" at Sasol

Sasol's spokesman said a meeting would be held shortly "to discuss the union's request for stop orders" He said "a number of things still have to be cleared up" before the union is granted these

At the meeting Sasol would also discuss with the CWIU its policy on union recognition, he added

DISPUTES FM 24/2/84

Ministerial muscle

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Labour lawyers and industrial relations experts are watching with interest the Minister of Manpower's apparent moves to stamp his authority on the way certain disputes are handled

The issue this time is a dispute involving five members of the SA Chemical Workers Union who won temporary reinstatement orders from the Industrial Court after being sacked by Pest Control (Transvaal) (Pty) Ltd They were sacked after they failed to clock in and out during a lunch break

Although the court granted a temporary reinstatement order, it refused to do so on the grounds that the sackings could constitute an unfair labour practice Instead, it was granted on the grounds that the five had made a *prima facie* case of unfair dismissal — something that does not necessarily constitute an unfair labour practice

The union in this case is a party to the Industrial Council for the Chemical Industry, Transvaal It asked the Minister to appoint a conciliation board — which he has now done — to examine the cases of four of the workers

Why the fifth worker was excluded is not known — except that the Department of Manpower says that "no doubt the Minister has good reason for his decision"

The board's terms of reference, however, effectively debar the union from returning to the Industrial Court to allege an unfair labour practice in this case Unfair labour practice allegations can usually be heard by the court only if the Minister agrees to appoint a conciliation board whose terms of reference include the allegation

Conciliation boards are generally made up of an equal number of members from each side in a dispute In the case of failure by one of the sides to capitulate or compromise, this makes it extremely difficult for

FM 24/2/84 (183)

Minister P T du Plessis . . . terms of reference

them to reach a decision

In the event of failure by a board to reach a compromise, the way is open for the union concerned to take further action up to and including a strike But most disputes are not carried that far However, the union cannot go to the Industrial Court on matters not contained in the terms of reference decided by the Minister

Unions have had several significant successes in unfair labour practice cases in the Industrial Court which has led to some agitation by employers to have the court's powers reduced — or the definition of an unfair practice to be more closely defined

Department of Manpower officials deny, however, that the interpretation of the Pest Control decision which is causing most concern is accurate Some observers believe the Minister's decision means that the workers will not be entitled to relief once the temporary reinstatement order expires — which it does this weekend

Manpower officials, however, assure the *FM* that there is nothing to prevent the workers returning to the court to have the order extended pending the outcome of the conciliation board "It has happened before and there is nothing to stop it happening again," an official source said

BY-ELECTIONS

The why of winning

There was understandable jubilation within both the Progressive Federal Party (PFP) and the Conservative Party (CP) at the results of last week's by-elections Each scored what it was entitled to regard as "a famous victory" — although the circumstances, and likely consequences were very different

The PFP probably has more reason for celebration, although the CP certainly does not need to go into mourning The official opposition party was widely regarded as being in deep trouble following the mass defection of its supporters in the referendum, plus its municipal troubles in Johannesburg and Randburg

That it could hold the Pinetown seat serves to demonstrate that it is not a spent force and that its voters, having demonstrated their disagreement with party policy on the referendum issue, are now prepared to return to the fold

Whether this is true countrywide will not be known until some sort of elections are held in comparable Transvaal and Cape areas However, the result does give the PFP a new lease on life as it prepares to cope with the complexities of opposition under the new constitution It also demonstrates that the party decision to work within the new system was the correct one

The CP, by contrast, achieved less in its Soutpansberg win It certainly turned a small National Party (NP) majority into an equally tiny CP one But there were unusual circumstances surrounding the resignation of the previous MP — former Manpower Minister Fanie Botha

The victory was also within one of the CPs accepted areas of strength Soutpansberg falls within the only region to return a "no" majority in the referendum What the party still has to demonstrate is that it can muster significant support outside the platteland plus a few urban constituencies where the mineworker vote is large

Nonetheless the signs are that the CP could probably carry between 25 and 35 seats in a general election The NP, after all, started from a smaller base in the Thirties

What the by-elections have also shown is that the way people voted in the referendum is no guide to which parties they will support in future

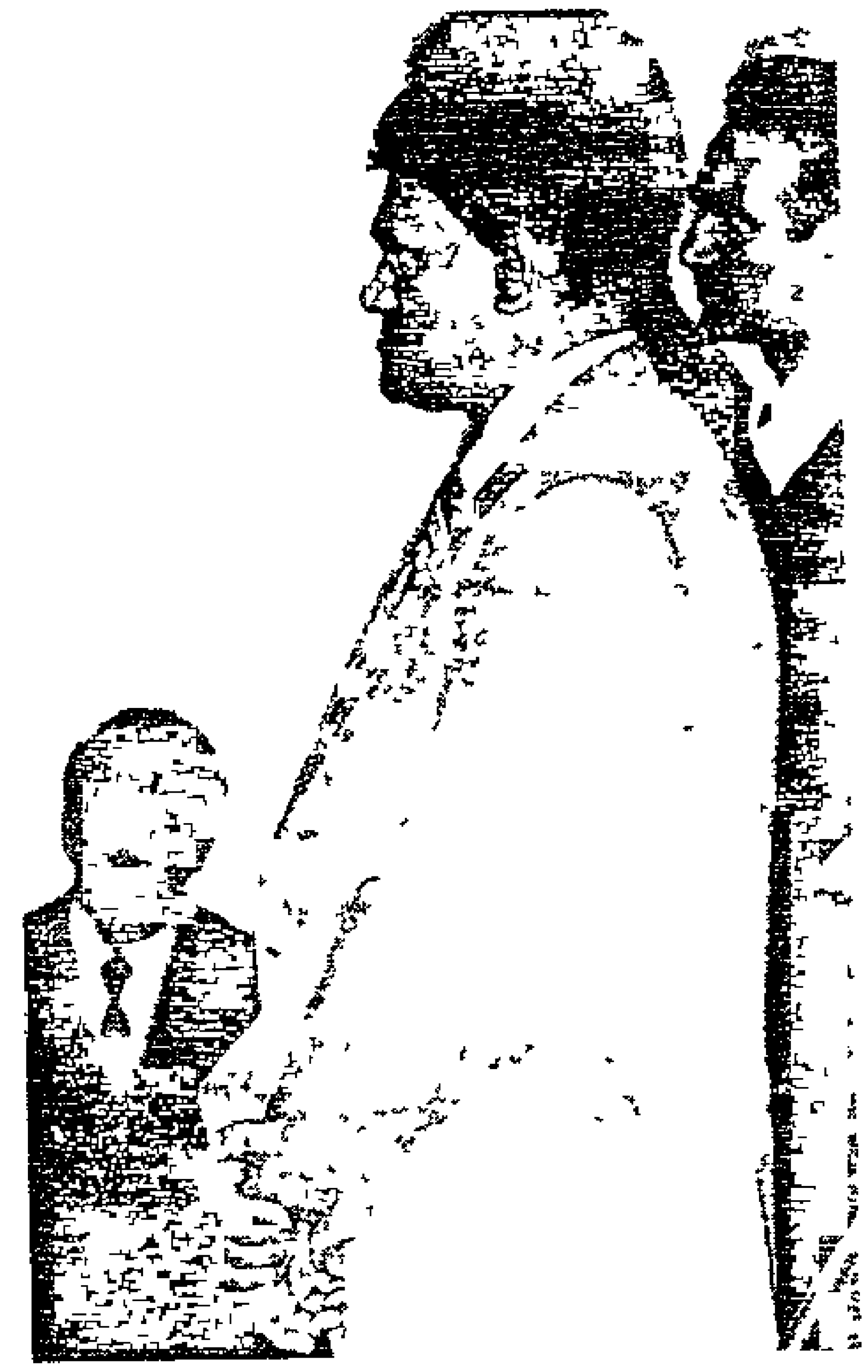
BROWN ELECTIONS

Positions for August

FM 24/2/84

It is expected that the four Indian political parties will take part in the August 22 election for the Indian house of the new tricameral Parliament They are the National People's Party (NPP), the Democratic Party, the Reform Party, and Solidarity Three of them however — Solidarity being the exception — originally demanded that government hold an Indian referendum to measure the acceptability of the new deal

Amichand Rajbansi, leader of the NPP and executive chairman of the SA Indian Council, says although he is disappointed by the government's decision, his party will



Rajbansi . . . 'disappointed, but willing to take part'

contest the election

Solidarity party leader Pat Poovalingham, who preferred an election, welcomed the decision He says the various congress organisations — the Natal Indian Congress and the Transvaal Indian Congress (TIC) — would use a referendum to cause confusion in the community

But Yantilal Bhailal Patel, Democratic Party leader, says he is disappointed by the election decision "Prime Minister P W Botha and Constitutional Affairs Minister Chris Heunis had said it was for us to decide whether we wanted elections or a referendum," he says "Almost all us including the SA Indian Council (SAIC), asked for a referendum So I don't know on what basis the government made its decision

"The government should have taken into consideration the feelings of groups rather than individuals I'm terribly disappointed" A decision on whether the party would participate is expected soon

Yelman Chinsamy leader of the Reform Party, was not available for comment — but it is widely expected that his party will decide to contest the election

Organisations opposed to the new constitution interpreted the election decision as justifying their opposition Essop Jassat, president of TIC, says "The government's decision reinforces our view that this is a fraudulent scheme perpetrated by the government on the people of this country" He says the TIC, as an affiliate of the United Democratic Front, would continue calling for an election boycott Meanwhile Allan Hendrickse, leader of the coloured Labour Party, says his party is already registering voters for the election

CHEMICAL INDUSTRY

Chain reactions

83

The whole question of protectionism in the chemical industry has come under the spotlight It has done so with the relaxation of import controls, and the substitution of a tariff structure for the fertiliser, plastics and rubber industries

Sentrachem senior GM Johan van der Walt gave the *FM* the industry's viewpoint "The added cost element in SA's chemical industry, because of its reliance on coal as a basic feedstock, would make it difficult to reach a stage where it could operate without *some* form of government protection"

Van der Walt is responsible for the group's agri-chemical and synthetic rubber divisions "While most other countries rely on natural oil or gas as feedstock, it cost SA about R6 billion to complete Sasol 2 and 3 — just to get the stuff which other countries merely have to pump out of the ground and refine at substantially lower costs," he notes

A further example of this kind of SA-based drawback is Sentrachem's cost projection of its aborted ammonia plant — which was due for completion in 1985 The calculated cost of this 1 500 t/day plant was about R650m, against R350m for a similar natural gas-based one

Van der Walt is therefore cautious when it comes to talk of "opening up" SA's largely protected chemical industry in a move towards greater market freedom But he adds that government's actions so far — to replace import control with tariff protection — have been "objective and positive"

According to him "The chemical industry is going through very interesting albeit very difficult times A lot depends on government's decisions for specific industry sections, while drought and recession are also putting many sectors under severe strain

"During the next year or two the industry will have to give urgent attention to greater rationalisation of production between producers, as well as within groups, and also to the successful implementation of higher efficiency"

Van der Walt feels these challenges can be met Then the industry will be leaner and tougher and also better placed to grow strongly from a consolidated base Cost effectiveness and productivity are therefore the watchwords for survival

This is especially true for the fertiliser industry, where Hanhill's Bonus Fertiliser is set to disappear shortly

Apart from the "coal feedstock" consideration, costs of local plants are also raised by the much smaller size of SA's market for chemicals Plants are smaller, based on lower local turnover, and capital investment becomes correspondingly more costly Without tariff protection it could become uneconomical to build local chemical plants

Why, then, the necessity for local production at all?

Van der Walt argues that the SA labour situation is such that job creation must sometimes take priority over such factors as price competitiveness under all circumstances Government and the private sector have a responsibility to train and provide high-technology skills to the workers, he says This could also serve the interests of future economic growth

In the chemical sector, this means that government has to take various socio-political factors into consideration when planning "to open the market up further"

The important roles played by various chemical sectors in the total economy — for example fertiliser for food production, fuel for transport, and plastics for housing — must also be considered when deciding on abolishing protectionism, says Van der Walt He feels government should develop a special strategy for the long-term growth of the industry

The strategy should also allow for plans to attract foreign investors to decentralised areas

TROLLEYS FLOP

Johannesburg's great trolley bus experiment, financed 60:40 by the State and the Johannesburg City Council, seems to have come to grief

The blame it seems, lies at the feet of some of the manufacturers who supplied seven buses for evaluation, and not the State or municipality Johannesburg would probably be within its rights if it charged storage fees for some of the buses, since they have spent so little time on the road

One bus suffered severe chassis distortion while being towed from Port Elizabeth to Johannesburg before the launch of the experiment in August 1981 A second was damaged when it fell into an inspection pit at the municipal transport workshops And a third had to be towed to the much-publicised launch That, incidentally, was the last time as many as six of the seven buses were fit for service on any one day

At the beginning of 1983, the manufacturers were given until May to get their vehicles in order — or withdraw them

The best performer since the start of the experiment was the double-decker Mercedes-Benz By January 31 it had covered 30 600 km Each of Johannesburg's ageing trolley buses covers on average 30 000 km/year

Johannesburg Municipal Transport (JMT) technical manager Ed Curtis says that since the May ultimatum, the trolleys have "behaved a bit better," but that their availability is nowhere near that of JMT diesel buses

"The trolleys are prototypes and unique Their electrics result, with one exception, from new technology, and the companies trying them out have no trained specialists to cope with breakdowns," he explains "Experts have to be flown in from overseas whenever there's a hitch"

ELECTRIC MOTORS

Import overload

SA's electric motor manufacturers are clamouring for tariff protection — following major inroads into the market by imported makes Imports have traditionally held around 10% of the R160m/year electric motor market, but managed to capture about 30% of the trade during the last boom when local manufacturers could not meet demand

The manufacturers — including GEC, Hawker Siddeley, Siemens, Brown Boveri and Femco Distributors — say they are hamstrung by protection for local raw material producers, and by dumping They claim that they are being undercut by as much as 40% on some imports and are asking for tariff protection based on weight for small motors and 20% on the value of larger motors

"The main problem is that we cannot get local raw materials cheaply," says GEC MD Paul Hatty "We sometimes pay double for essential materials that make up 70% of our final costs"

Although they are unable to substantiate the charges, the manufacturers claim that some (unspecified) East bloc nations are dumping smaller motors in SA through Spain and Italy The smaller motors have traditionally benefited from tariff protection ranging between 20% to 30%, but it is possible to get around the restriction by bringing in components as spares, which only pay a 5% duty, and assembling the motors locally As a result, claim the manufacturers, component imports have increased from R4m in 1978 to R16m today

The Japanese have also made substantial inroads in the large motor market which has never been protected But, here again, dumping has not been proven

Most of the manufacturers have been forced to retrench staff GEC, which has been badly hit by the imports because it relies heavily on local content, says its substantial investment in SA might be threatened "It is getting harder for me to justify new capital projects to my shareholders," says Hatty

The importers reply that local manufac-

The Star/Bl

Luyt takes a hop ahead of the competition

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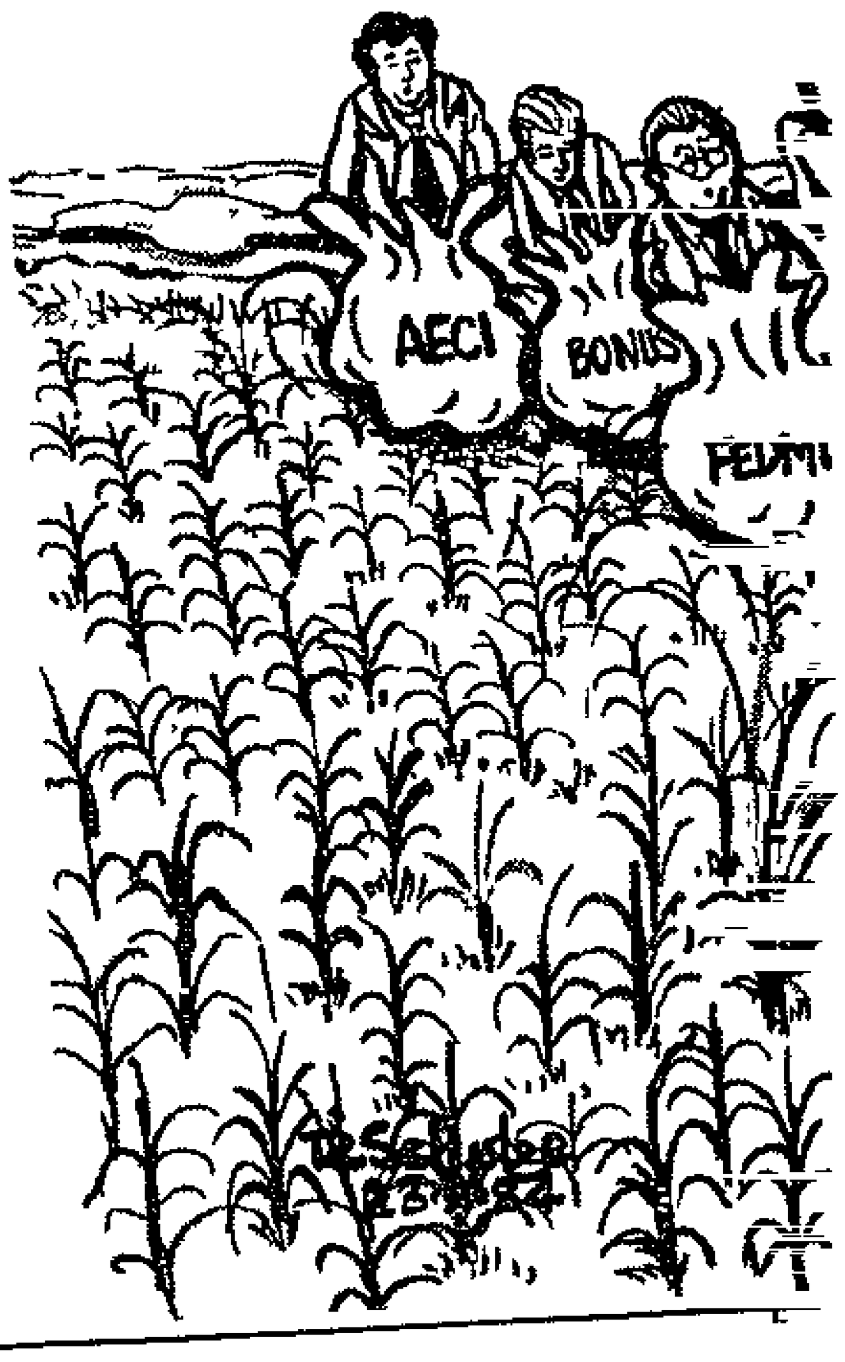
25/2/84



By Peter Farley

The re-emergence of a Triomf completely in charge of its own destiny, following the dissolution of the partnership with AECI, spells bad news for the rest of the firm's competitors in the fertilizer industry.

Chairman Mr Louis Luyt says that Triomf already has over 50 percent of the market and will now be gearing up to full production at its Potchefstroom factory to ensure this slice of the market is retained

Under the terms of the agreement he will keep the Potchefstroom factory and will buy out AECI's 49 percent stake in the Richards Bay fertilizer operation AECI will keep the two factories at Chloorkop and Somerset West

Mr Luyt says this move will considerably strengthen Triomf due to two major factors. The two AECI factories are both around 50 years old and extremely costly to keep in operation. In addition there are massive stocks at both factories.

DEBT BURDEN

Under the terms of the previous arrangement Triomf was bound to take all the raw material production from the explosives factories that the two fertilizer plants are attached to. He says the return of these stocks to AECI will effectively remove half Triomf's debt burden

Another important aspect will be Triomf's ability to now purchase its raw materials from any supplier, rather than being tied to AECI This was one of the prime reasons behind the break as, since the removal of price control at the beginning of this year, Triomf and AECI have been unable to agree on prices.

Mr Luyt says that Triomf may well continue to buy supplies from AECI, but points out that there is a glut of nitrogen at the moment and the most competitive price will win

He adds that the Potchefstroom factory alone uses the equivalant of 40 percent of AECI's total annual nitrogen output.

Although running at idle at the moment he says production will be stepped up next week and should shortly reach the maximum 800 000 tonnes per annum output.

SASOL

He does not see Sasol's entry into the market as a threat at this point, because he feels it will initially just fill the gap left by the withdrawal of Hanhill's Bonus He estimates that Bonus had around 11 percent of the market

The Richards Bay plant is currently running at full tilt, with about half the production exported Export prices have risen by some 25 percent in the past three months and profitability from this side has been additionally strengthened by the weak rand

Mr Luyt says the present strength of international demand is such that he could considerably increase the amount exported, but this would not leave sufficient supplies for his estimate of needs for the local market

He says that the Potch factory needs only 8 percent of the local market to be profitable With the drain on resources from the two old operations now removed, this will be able to be translated into a significant bottom line improvement almost immediately.

He declined to detail the state of earnings for last year, they are due to be announced next week, but added that the losses will be considerably less than the R17 million figure achieved by doubling the losses in associate companies announced by AECI last week

CASH FLOW

Some R12 million was retained from 1982 in anticipation of difficult cash flow, though much of this was absorbed by the losses from the Sasol agreement These amounted to nearly R9 million last year.

Mr Luyt does also not expect the re-entry of AECI into the fertilizer market to pose much of a threat, particularly in the early stages He says they will have to establish a complete sales network, in addition to having to launch a completely new brand name on to the market.

Some staff have left Triomf to go to AECI, but Mr Luyt says that the strength in depth of his management team means they will be easily replaced in most instances There are, however, two exceptions as two senior marketing directors have been lured from head office to AECI.

NEW SHAPE

The Triomf group, when the new shape after the restructuring is announced next week, will certainly be in strong fettle. Gearing will be minimal as the Richards Bay operation, apart from a R34 million granulation plant, has been paid for. The Potch factory also carries no debt.

But Mr Luyt does not intend using this strong gearing position as a platform for acquisitions or expansion He says that he wants only to get the most out of existing operations.

However, when the 1983 figures are announced next week they will not reveal the full extent of last year's problems which forced the group into the red Although Mr Luyt has decided to re-consolidate the operating company into the listed investment company, the move has not yet been made

While the decision was taken to make the move to buy a further 1,5 percent in the operating company the purchase will be made only next week equivalant of 40 percent of AECI's total annual nitrogen output

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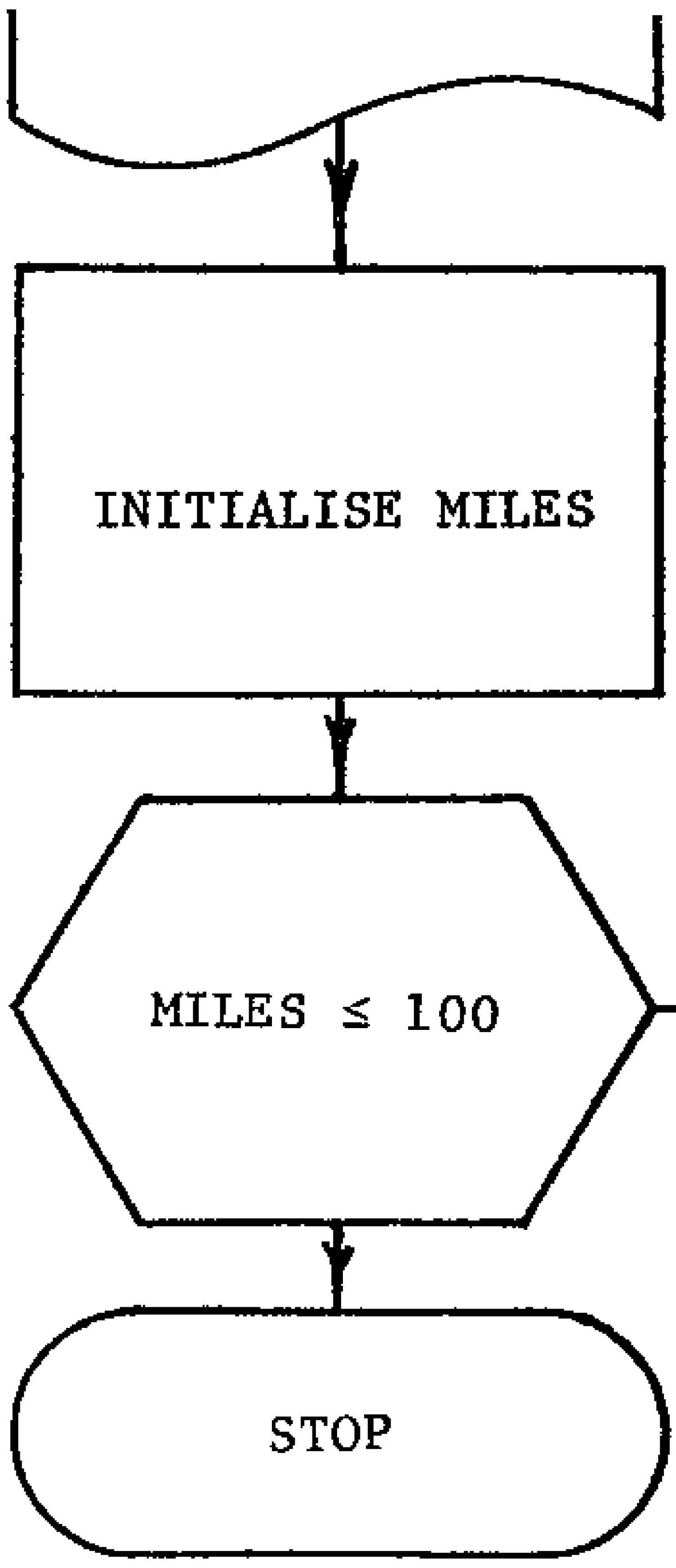

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S. Times

By David Carte

AECI finds another bedmate

HARD on the heels of its divorce from Triomf, AECI is to co-operate in fertiliser with Fedmis, SA's biggest fertiliser company.

Chemical industry sources said there would be no takeover, but some kind of agreement on distribution and manufacture was imminent

AECI directors were at meetings on Friday and would not be drawn on the matter Sentrachem, 100% owner of Fedmis, is to hold a news conference on Wednesday, but it is not known if this is the subject.

With Sasol joining the fray in fertilisers and AECI a relatively small contender in the industry after the bust-up with Triomf, the Competition Board will not bar a link between AECI and Fedmis

From AECI's results it is possible to deduce that Triomf lost at least R17-million before its divorce from AECI.

This compares with a profit of R10-million or more in the previous year, suggesting a R27-million after tax decline in its fortunes in 1983

No matter to Mr Luyt. His personal company, LLG Group Investments, is increasing its stake in Triomf Fertilizer Industries (Pty), the unlisted operating company in his empire.

While TFI retains the Potchefstroom and Richards Bay factories, AECI takes the Chloorkop and Somerset West factories. The first two are bigger and more valuable than the others and Mr Luyt will therefore pay an unknown sum of net cash

AECI's results this week disclosed the deteriorating fortunes of TFI AECI showed that its share of its associates' losses was R8,5-million compared with a profit of R7,5-million in 1982

Triomf is by far the biggest associate and the rest of AECI's associates are known to be profitable If 49% of Triomf lost a minimum of R8,5-million, the entire company lost at least R17-million last year.

Triomf contributed most of the R7,5-million profits of AECI's associates in 1982 As AECI held 49% of TFI, this suggests Triomf's profit was more than R10-million in 1982.

Both parties are claiming victory after the divorce settlement, whose terms may never be known

A spokesman said Triomf would soon unveil a pro forma balance sheet and income statement reflecting Triomf after the divorce This would be a pleasant surprise to shareholders

He said that after the parting of the ways, Triomf's profitability would improve dramatically

One source who saw the numbers said "an entrepreneur will always beat an institution in negotiation and Louis has beaten AECI hands down"

AECI insists it is happy with the terms

It is conceivable both parties will win in the end, but who does best depends on performance of Triomf's Richards Bay phosphoric acid plant and AECI's success as a less than dominant competitor in fertiliser

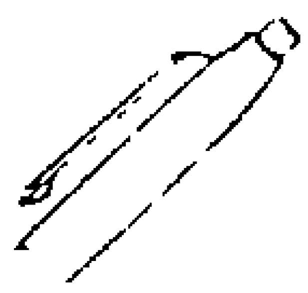
Mr Luyt's personal company, LLG Group Investments, has 49% of Triomf, the listed company, which has 50% of the operating company TFI At the current deflated market value, Mr Luyt's personal stake is worth R23-million This may have been used as security to raise funds to consummate the divorce

Turmoil in chemicals, particularly in fertiliser, is expected to continue

Most of AECI's progress in the second half of 1983 was achieved by laying off more than 4 000 employees On an annual basis, reduction of the work force saved AECI R50-million before tax and R30-million after tax

AECI is at a crossroads It becomes a small force in the fiercely competitive fertiliser market In addition, it faces more of a challenge in explosives with Hanhill about to become part of Abercom, which has Sanlam in the background

In addition, a new top man takes over the helm soon



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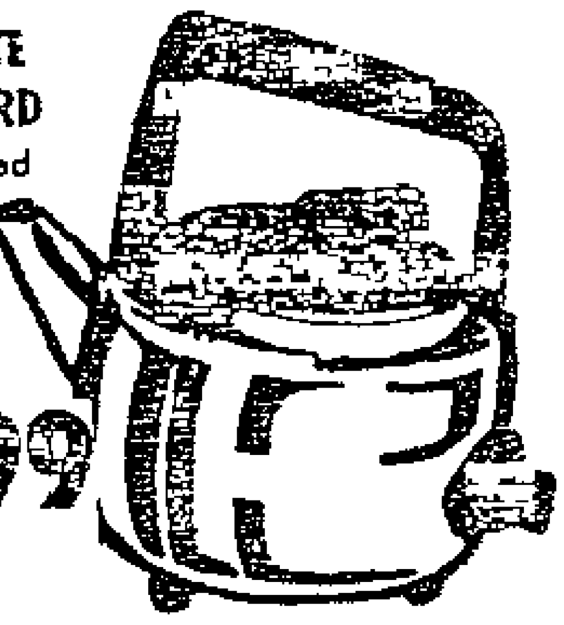

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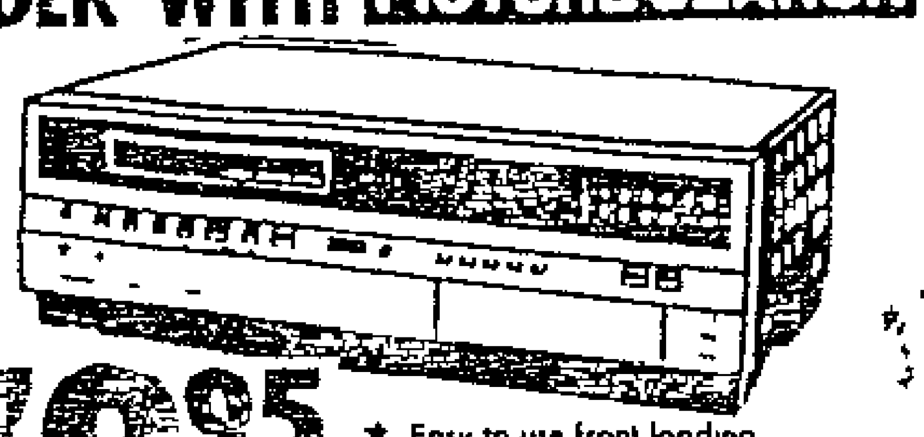

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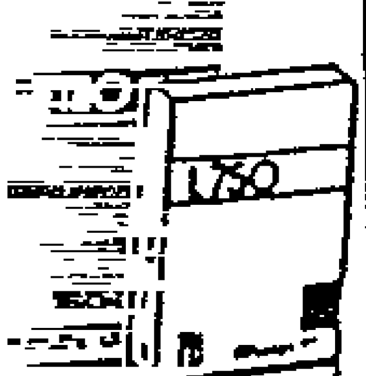

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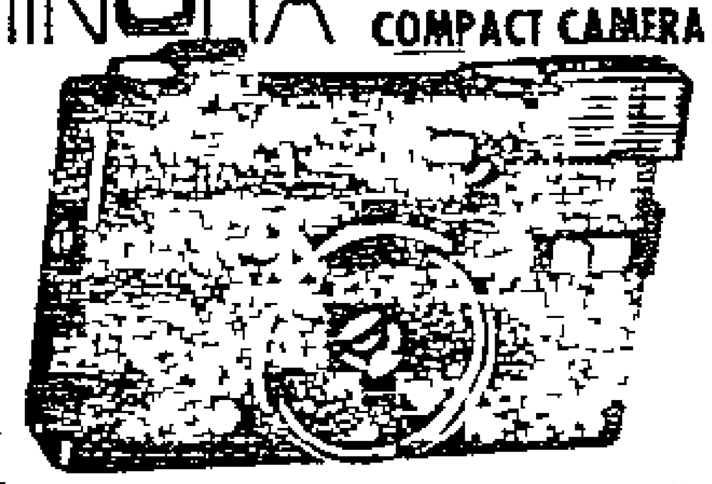

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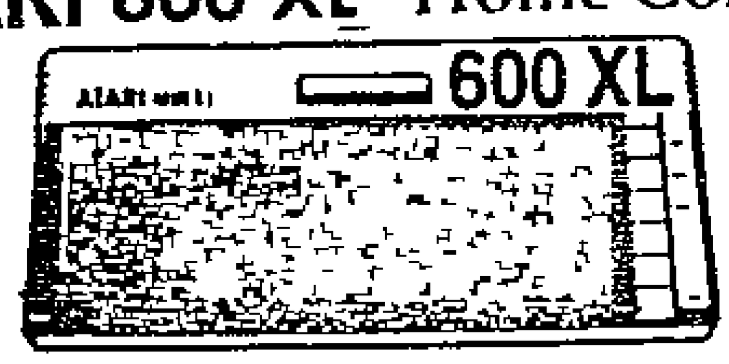

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Free market fertiliser cost may fall

Star 28/2/84

183

By Hannes Ferguson, Farming Correspondent

As fertiliser manufacturers battle it out on the free market, the price of their product may well drop

Following the split between Triomf and AECI, which comes into force on March 8, both will soon have a complete sales force in the field

With Sasol also going it alone, Omnia trying to expand and Fedmis already established, five expensive marketing organisations will be competing for the favours of 70 000 drought-stricken farmers

The SA Agricultural Union welcomed the free competition that has been brought about by the scrapping of price import controls but it felt unhappy about the prospect of higher selling costs

A spokesman for the giant Central Western Co-Op said about 85 percent of all fertiliser sales were being administered, financed and distributed by a small number of grain co-ops

If they would extend their part in the marketing process, five co-ops could do all the farmers' bargaining on an equal footing with the five manufacturers

Co-ops were also better placed to introduce new fertiliser marketing concepts such as custom mixing according to soil requirements

Dr Pieter Gouws, the general manager of the National Maize Producers' Organisation, said the drastic decrease in fertiliser prices since the lifting of price control proved that prices could have been brought down years ago when bumper crops could not be exported profitably

He said reserves built up by the fertiliser companies during those years were evidently now being used to finance the competition between the fertiliser manufacturers

If these reserves had been in the hands of the farmers they could have withstood the present drought much better

Dr Louis Luyt, executive chairman of Triomf Fertilisers, said his company was well placed to meet any new competition that might arise on the free fertiliser market

After returning the Somerset West and Chloorkop factories to AECI and buying out his former partner's 49 percent interest in the Richards Bay plant, the remaining debt burden on the Richards Bay factory was insignificant in relation to the assets of the group as a whole, Dr Luyt said

Richards Bay could produce the modern types of fertiliser economically

But economists say the real test is the leverage manufacturers have with farmers' co-operatives

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Jobs go and pay packets are cut

Sowetan 28/2/84

By STAN MHLONGO

ABOUT 69 workers at Fedmech in Vereeniging have been retrenched and the rest face the prospect of pay cuts.

This was announced by the company's managing director, Mr P K Prentice, who said that of the 69 workers, 41 were black weekly-paid and seven white weekly-paid and 21 salaries personnel

He said as an alternative to retrenchment, 30 black workers were offered lower-skilled positions at corresponding lower rates of pay

Of these 30, 24 accepted lower-rated positions and pay while the rest were retrenched

The company's retrenchment policy makes provision for a maximum of six weeks' pay, dependent on length of service, according to Mr Prentice

"We have applied to the National Industrial Council for an exemption to reduce the rates of those employees who have accepted lower-rated positions. No wage reductions will be made until such time as authorisation is received from the Industrial Council

He said that the agricultural business had been dealt a "double blow" by the last two years of drought

Striking workers warned

MORE than 200 striking workers at Kohler Plastics at Robertville on the West Rand have been warned to return to work by tomorrow or face dismissal.

This was confirmed to The SOWETAN yesterday by a company spokesman who said that they were hoping that the workers would return.

"If they do not return we will be forced to take on new workers," the spokesman said

The black workforce went on strike last week.

Sowetan 29/12/82

Crowded market means some will go to the wall

RDM 1/3/84

(183)

Shakeout looms in fertiliser industry

By JOHN MULCAHY

THE embattled South African fertiliser industry is facing an even more torrid time than in 1983 and several producers will have to merge or go to the wall.

Mr Dave Marlow, managing director of Sentrachem, said the maize harvest had been written off three weeks ago, and if the winter wheat areas in the Transvaal did not get at least 150mm of rain by the end of April, the wheat crop was also doomed.

Paradoxically, there have never before been as many fertiliser producers in the market, and the competition has intensified with the entry of Sasol into the market and the Triomf/AECI split, which has brought AECI into the fray as a separate entity

Mr Johan van der Walt, Sentrachem's general manager, said the South African market could support two, or a maximum of three producers, and the next 12 to 18 months would see a significant shakeout

There are now six producers Triomf, Fedmis (Sentrachem), Bonus (Hanhill), Omnia, AECI and Sasol

While most participants agree there is a great deal of discussion taking place, no-one is prepared to concede defeat or even to submit to rationalisation at this stage

An obvious form of rationalisation would be a trade-off similar to the newsprint industry

Sappi and Mondi have an agreement to supply the markets closest to their plants, thereby saving on transport costs

Depending on how far such an agreement went, it could be construed as a cartel arrangement, and attract the distaste of the farmers, but the current degree of intensity in competition among the producers will probably preclude such a close alliance

But the producers seem as close to rationalisation now as the Lebanon is to peace, and all seem confident of escaping the bloodletting that will undoubtedly come if the rain stays away

AECI and Triomf have both professed their satisfaction at the split, and expect great things for the future, Sasol as a new producer clearly has no intention of withdrawing from the market, Omnia has recently completed an expansion phase, and Fedmis has definite intentions of being one of the survivors

That leaves Bonus, and with its control situation unresolved there is no telling what its new owners might have in mind for the fertiliser market

The facts, however, point to a dramatic restructuring in the industry Production capacity now stands at about 5,2-million tons, and the total market this year is likely to be less than 2-million tons.

The first casualty has already been identified, but its position has yet to be resolved Abercom has an option to buy Hanhill Investments, but there is no certainty the deal will be consummated

Meanwhile, industry estimates put Hanhill's fertiliser stocks at 50 000 tons, and the total surplus stock looking for a home at about 300 000 tons, which includes some of the urea the Maize Board received after its curious maize importing arrangement last year

The results so far available for the nation's fertiliser producers provide an indication of how serious the problem has been.

Triomf, which does not consolidate its operating company, Triomf Fertilizer (Pty), seems to have lost at least R17m last year, judging by the provision in AECI's income statement of an R8,5m loss attributable to associates

It is known that none of AECI's other equity-accounted associates lost money last year, so the R8,5m is all related to its share of Triomf's loss.

The one silver lining, as always, is faith in the weather, and the view that the rains must come, if not this year, then definitely in 1985

The farmers will be forced to plant extensively in an effort to recoup some of the huge losses incurred during the drought years, and demand for fertiliser products will take off

But this optimism is familiar, and it is difficult to foresee all six producers remaining in their present form by the end of 1984. Whether by merger or acquisition, someone will have to go.

Workers disrupt Pinetown factories

183

Star 2/3/84

Own Correspondent

PINETOWN — Strikes and labour unrest continued to disrupt production at two Pinetown factories today

At Smith and Nephew, almost the entire 600-strong labour force downed tools on Tuesday over a pay dispute.

At Ninian and Lester, 120 of the 1 000 workers — mainly in the circular knitting and warping department — stopped work because of objections to the shift system They have been fired for refusing to return to their jobs

A spokesman for Smith and Nephew said the labour force came to the factory each morning and assembled in an orderly fashion on the recreation field inside the factory premises

"We prefer to have them there than blocking the road"

The workers from Ninian and Lester have been told to collect their pay later today

A group of about 40 is alleged to have attempted to intimidate workers still on the job at the factory this morning They then moved off into Pinetown

EXPLOSIVES (183)

Big bang or damp squib?

Just when it began to look as if AECI would regain its monopoly of the R400m explosives market — because of the shaky performance of Hanhill's NEI — a new contender has emerged. It remains to be seen whether it can find a niche for itself — but its plans appear ambitious enough, and some of the necessary connections are there.

Celtite SA, which already sells roof bolting systems and allied products to the mining industry, has announced its intention to put up a R5m plant in the PWV area to produce a range of slurry explosives MD John Payne says the company plans to capture 7%-10% of the market initially — and expand from there It already has good contacts with the mines, which account for the lion's share of explosives sales, since it is market leader in the R12m-15m market for mine roofing products.

Delay

It is expected that for the first three to four years the plant should provide employment for about 200 people

Celtite is a wholly-owned subsidiary of a Franco-British organisation run by the British-based Exchem Group and its French partner SAEPC The group has been involved in explosives since the turn of the century Last year it recorded a global turnover of R125m in the explosives market Total group sales are R179m

Payne says the SA market had been under consideration for some time But the decision to come in was delayed until AECI's monopoly was broken by Oliver Hill's National Explosive Industries in 1982 "We hope to have our manufacturing plant on stream in 15 months," he says "We believe we can offer a full range of explosives as a viable and rounded alternative to the products made by AECI

"Celtite will be doing the groundwork locally and when we are ready to go ahead, we will draw on our European experts to tie up the deal We recently constructed an explosives plant in Europe, our biggest market, and will apply what we learned there when local construction starts"

Payne says the London office already has people in SA looking for suitable land for the plant "What we are looking for is a happy marriage between our company and a local partner," says a director from Celtite's London group head office "We will supply the technology and marketing expertise and the partner intimate knowledge of the local market."

Reports of the Celtite venture have surprised NEI MD Hill, who has expressed concern that its products may contravene patent laws protecting his own Tovex slurry explosives But Payne says "We have our own range of water-gel explosives and there is no danger of us infringing any patent."

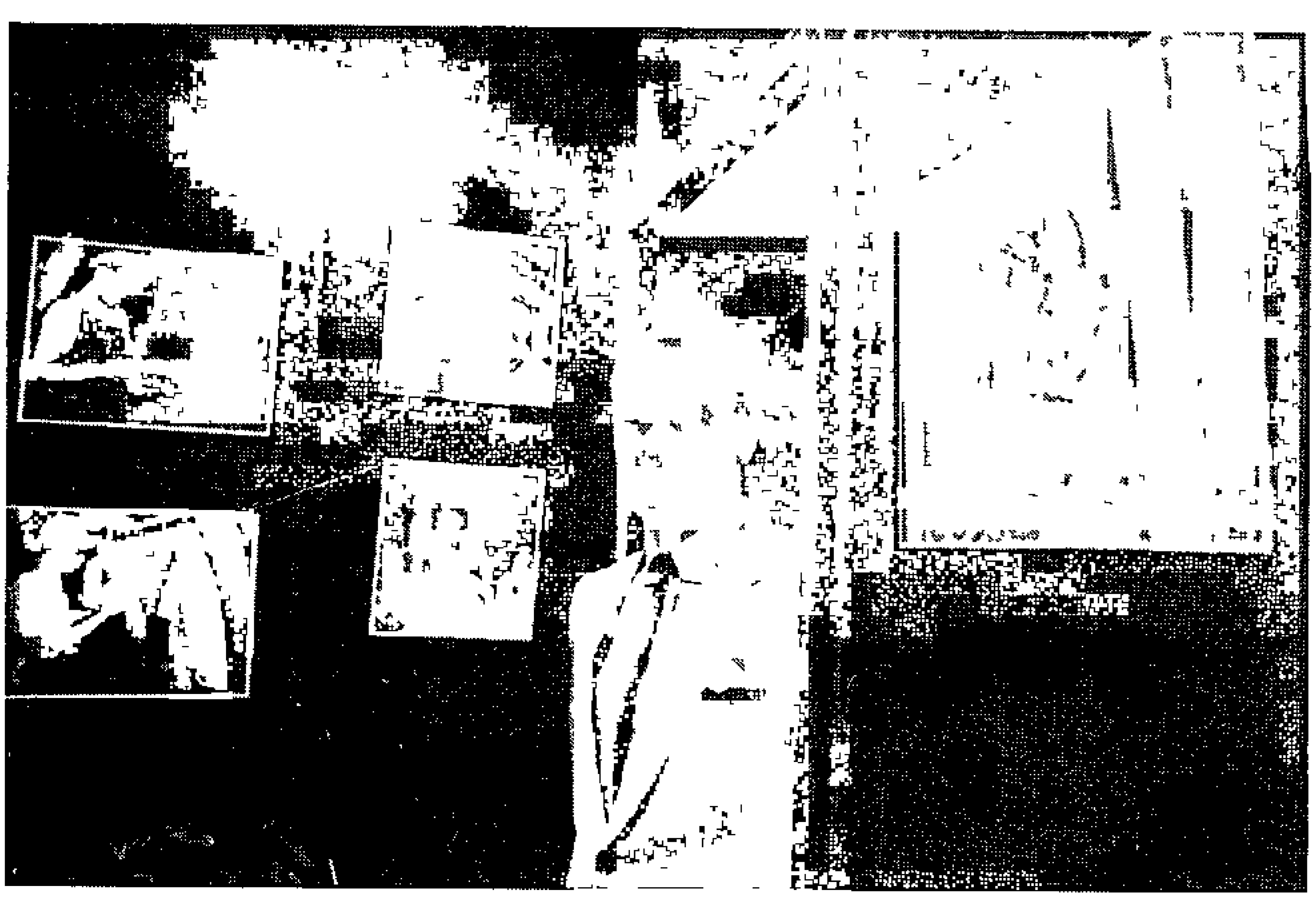
He points out that his group has plants in the US and Europe It is represented in 15 countries worldwide with the British company dealing with the English-speaking countries and the French partner dealing with the rest

Payne says that as mining costs increase there has been great pressure to reduce them to a viable level

"I believe that our product will capture our estimated market share based on quality and service."

Permit

Industry sources say it normally takes about a year to meet all necessary government requirments to have a permit issued enabling a company to manufacture explosives, but Payne says all documentation will be taken care of and they will stick to their original timetable



Celtite SA's Payne ... new contender in explosives

Financial Mail March 2 1984

(123)

LOUIS LUYT

Luyt's labours lost?

FM 2/3/84

Triomf chairman Louis Luyt has the satisfied, contented look of a man who has shed a weight he no longer wants to carry

Triomf's new independence from AECI, he says, "will give us the necessary freedom of movement to shop around for the best deal in the marketplace for our raw material, without being tied to one supplier." And with the abolition of price and import controls on fertiliser, Triomf can now buy from overseas suppliers — "should local prices not be accceptable," he adds

Luyt has always had strongly independent leanings But now he speaks with a confidence that belies reports about Triomf being in a weak position, without AECI's "muscle" to back it up. "This is so much hogwash," says Luyt He flashes his balance sheets convincingly Financial details will be disclosed this week, he says

Luyt insists that Triomf has no need of extra funds. The undisclosed "divorce" consideration to AECI, to obtain full control of the Richards Bay and Potchefstroom plants (with total fertiliser capacity of 1,4 M/t), will be paid "in cash" by the LL group (LLG) The new Triomf is not even considering the possibility of fresh share issues, as "we don't need the money"

Luyt is critical of AECI's contribution to the former "partnership." He claims that it never contributed more than its 49% liability, while Triomf "in the last few months" contributed about R8,2m above and beyond its 51% commitment

Luyt is also in the news as a prospective "saviour of Ellis Park" But spokesmen say his only involvement is "in his capacity as an experienced businessman providing his considerable management expertise" And as far as the *FM* can determine, neither Luyt nor Triomf seem to be involved financially — yet.

The 51-year-old Louis Luyt has come far since since his rugby-playing days and since his creation of Triomf Fertilizer in 1965 His personal stake in the public company is about 72%, through the controlling family-held LLG He is probably worth tens of millions personally

CONSOLIDATED GLASS

Putting it all together

Greater competition in the field of glass packaging prompted Consolidated Glass to diversify A well-timed move into plastics and paper packaging should enable the company to maintain its momentum

Consolidated Glass has long been the star industrial performer in the Anglovaal stable Its impressive compound growth record over the past six years reflects the success of a decentralised management team which has operated in a monopolistic environment

This needs some qualification Though Consol's monopoly in glass containers was recently challenged by Nampak's entry into glass packaging, the role of glass in the larger packaging sector has not diminished And Consol's astute timing in expanding into other areas of packaging has considerably enhanced its long-term prospects

Interestingly, the lines of control in the Anglovaal camp have been structured so that ultimate holding company Avhold (see chart), which owns the equivalent of 18% of Consol's equity, has effective control over a company with a market capitalisation double its own

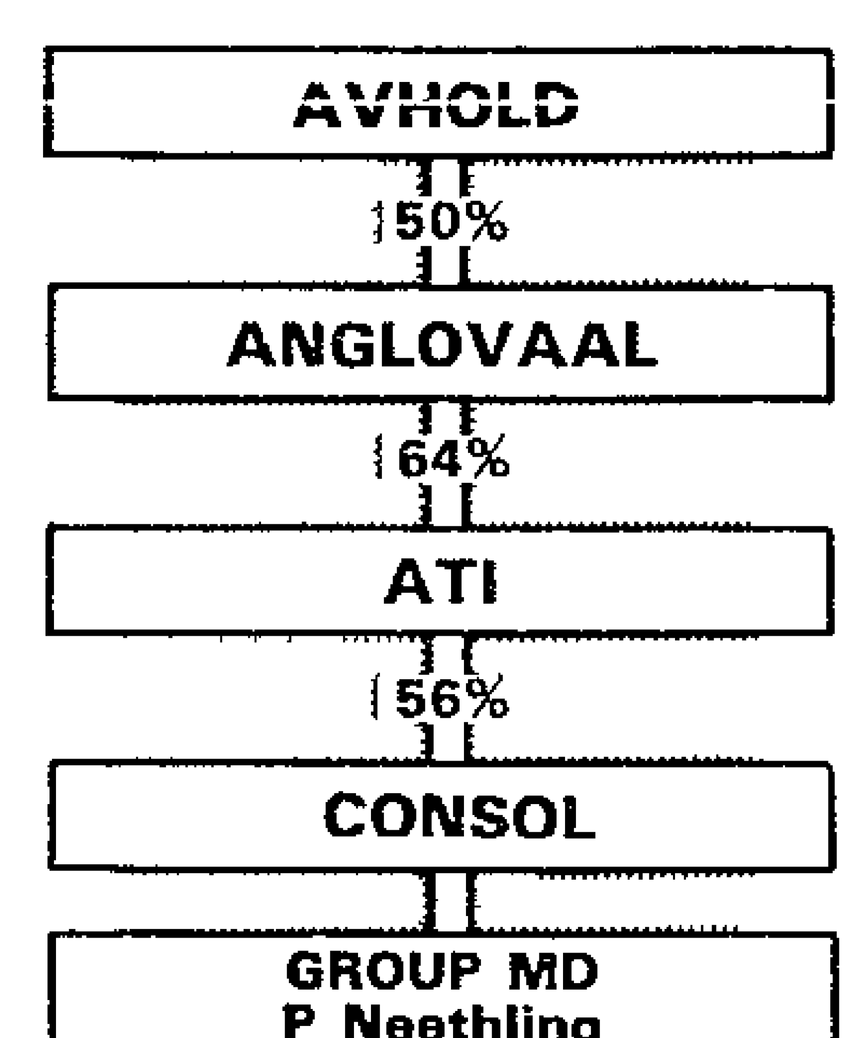
Anglovaal has clearly elected to adopt a management style that places operational control firmly in the hands of Consol s group MD Piet Neethling and his management team Even so, head office plays an important role in evaluating the corporate strategies presented to the parent company's board by Neethling each year On a broad basis, the strategic plan outlines Consol's short-term and longer-term objectives and is backed by a profit forecast which projects profits three years ahead But even the best of plans can be upset by rapid changes in the consumer cycle, and changing tastes and preferences

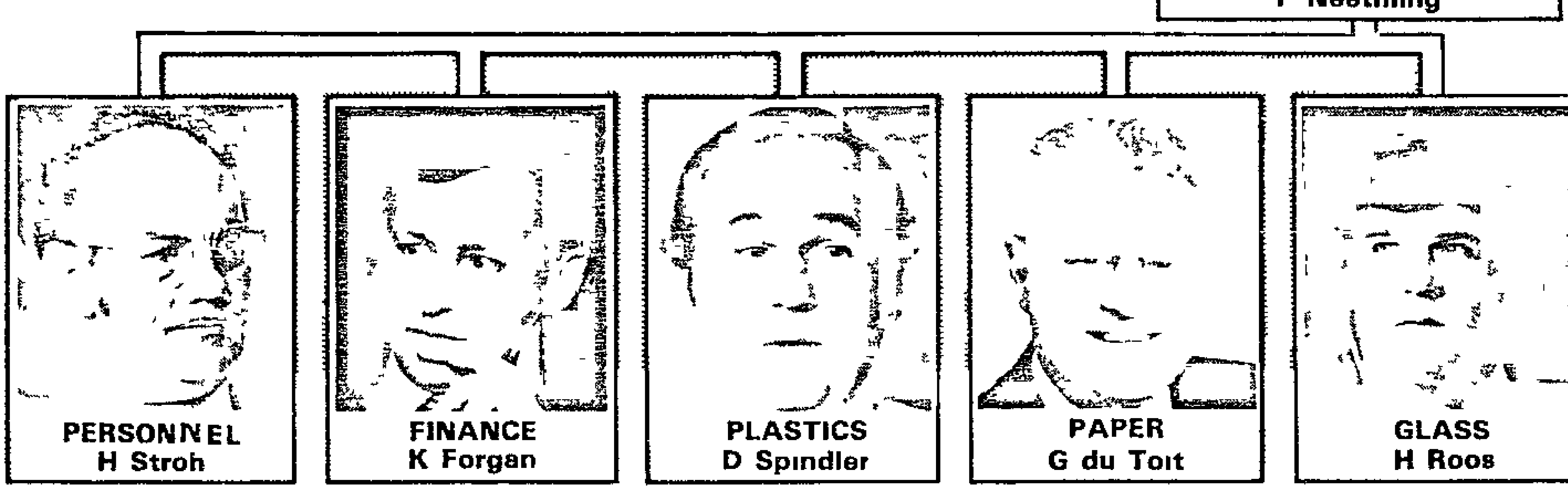
The packaging industry in SA has a combined turnover of some R2,5 billion and its growth rate outperforms that of the country's gdp by at least 1% per annum This is because the trend is towards packaging as many different types of commodities as possible Shelf appeal of any product including vegetables is enhanced by attractive packaging The ingenuity of the industry continually creates new opportunities for growth

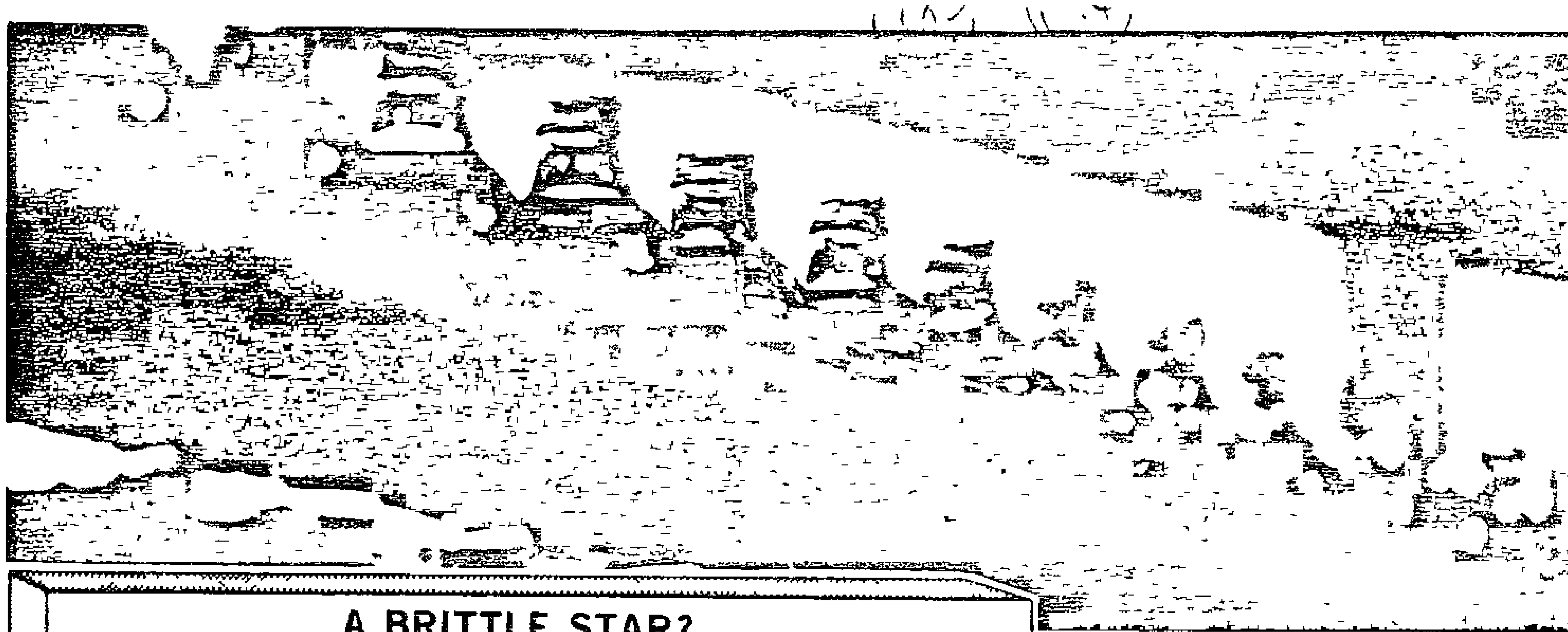
MD Neethling .. holding operational control

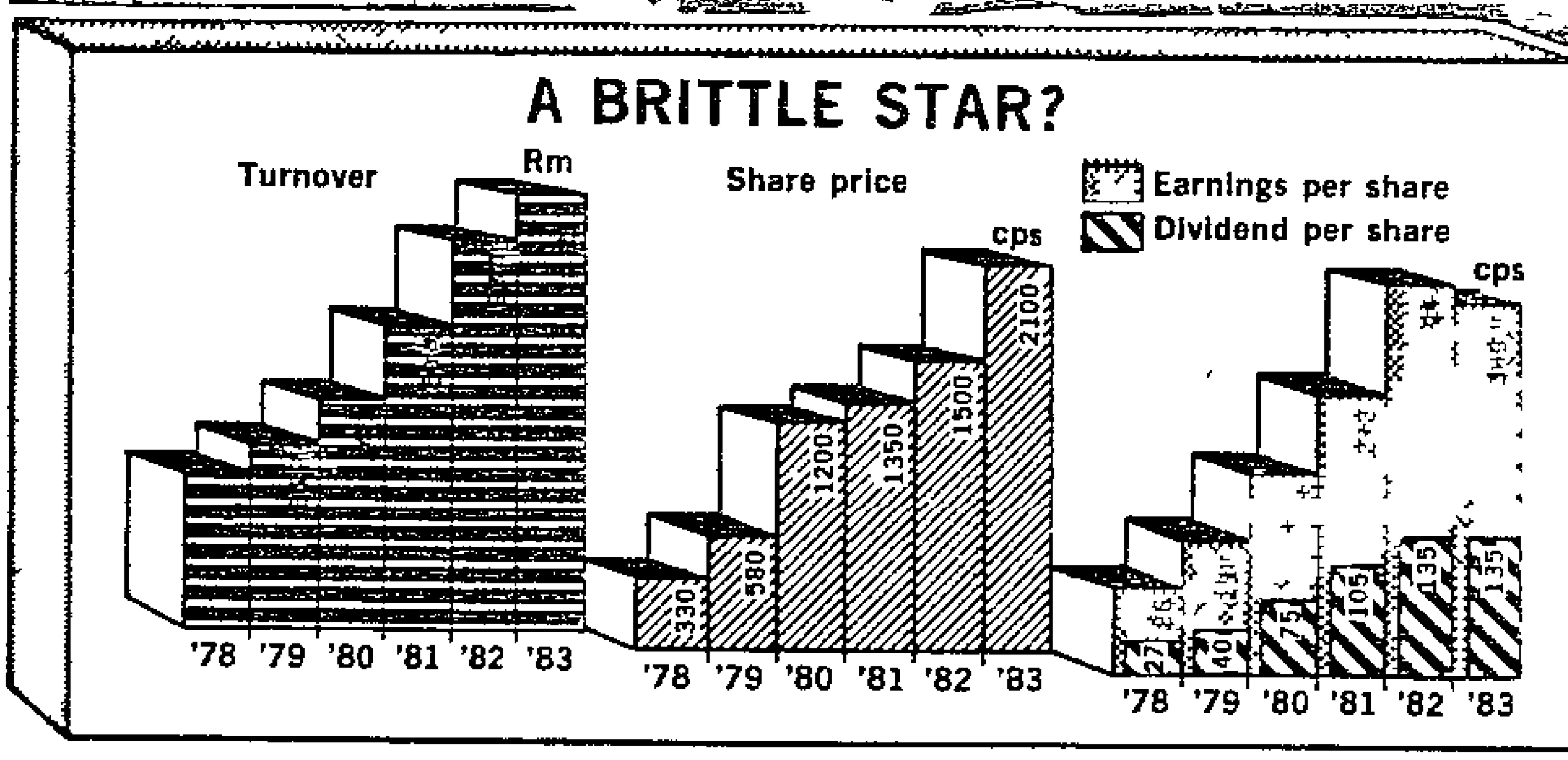
The kind of profits being made in glass packaging has naturally attracted competitors to a market previously monopolised by Consol This has led to an intriguing fight for market share between Consol and its chief competitor, Nampak Consol's glass operations comprise only 8% of the total packaging market Nampak mounted its challenge last year when it followed its production debut from its R48m grassroots factory with an aggressive marketing cam-

LINE OF CONTROL









paign which started in November Total output of glass containers is said to be in the region of 350 000 t, with Nampak's production capability estimated to be roughly 45 000 t In full production, Consol has the capability to produce some 400 000 t

The extent to which Consol's profitability may be eroded remains to be seen Neethling points out that the company's diversification into plastics and paper packaging should not be seen as a retaliation against competition in glass, but rather as a logical development of Consol's corporate strategy In a sense, the group s plastic, paper and glass divisions compete with one another But each division is run autonomously by a managing director who is primarily interested in the performance of his own division

Glass has apparently lost ground to plastics and other packaging materials However, glass packaging costs less than other materials and new technological developments are continually expanding and creating new markets Owens-Illinois of the US — a giant in the world glass-packaging industry — has 20% of Consol's equity It also has representation on the board and provides Consol with the latest technical know-how and new design concepts

Hennie Roos, MD in charge of the glass division, believes that glass containers will stage a comeback in popularity, particularly in the beer market Glass, he explains, is a refined medium of packaging and experience has shown that consumers in developed countries have shown a distinct preference for it In addition, glass containers are becoming lighter and those covered with protective plastic are making deep inroads into the soft-beverage market

The beer market has traditionally accounted for a major portion of glass-packaging output Recently the rate of growth in consumption in the beverage market (which is highly dependent on consumer-spending patterns) has tailed off Beer containers, the market's largest segment, are made up of roughly 60% returnable bottles, 25% cans and 15% "one-way" bottles There has been a move away from returnables with the emergence of a throw-away society A popular revival of the returnable bottle would doubtless help to improve the environment

In times when the consumption cycle is weak, the life expectancy of the average bottle is extended by the beverage manufacturers, and inventories are kept to a bare minimum When the cycle reverses its current trend, the turnaround could be dramatic Experience has shown that a 20% growth rate in consumption is sustainable for a good few years

The costs of setting up a competitive glass-container factory are prohibitive because of the high capital requirements The replacement cost of Consol's glass plant would be in the vicinity of R200m compared with a book value of less than R50m The demand for glass packaging has slackened considerably and volumes have fallen over the last six months However, according to Neethling, Nampak's recent debut has so far had little impact on glass sales By improving mechanisation and productivity implementing production cutbacks and reducing staff, Consol has managed to maintain profitability

Within the bounds of ordinary business strategy, it is natural that the plastics and paper divisions are fighting for a bigger slice of the cake Dave Spindler MD of Consol's plastics division, maintains that an investment in this area of packaging has a very high-risk profile Technological advances can result in equipment becoming outmoded virtually overnight

It is estimated that there are over 3 000 plastics converters in SA many of whom are backyard operators Consol is carefully identifying niches in the market which it sees as worthwhile These are usually operations requiring large volumes and sophisticated technology In the 2l carbonated soft-beverage market the company has been noticeably successful The possibility exists of beer being marketed in similar-size plastic containers

In the R450m/year corrugated paper-packaging market, Neethling is looking to capture an initial 15% of the overall market Factories have been established in the Transvaal and the Cape And by June 1984 the Natal plant should be in full production The paper division is in the process of establishing itself as a national supplier When the Cape factory came on stream last year, a price war broke out in the highly competitive Cape corrugated-cardboard market But attempts to keep Consol out failed

Consol's balance sheet is in fine shape, with short-term borrowings at an insignificant level and gearing on the low side The group is well placed to extend its diversification Financial executive Keith Forgan reckons the group could fund an acquisition to the tune of R50m without seriously weakening the financial structure

Consol's share price has tended to reflect the company's sound profit record One exception was the share's upward price movement over the past 18 months, despite the company's relatively static profits since the onset of the economic slowdown At its current price of 2 700c, the share yields a respectable 5% on dividend and 14,3% on earnings And Consol should be back on the track of sustainable profit growth when the current economic cycle finally does a U-turn ■ Brian Zlotnick

MARCH 4, 1984

Shockwaves and claims of corruption as industrial giant faces collapse

S. Tribune 4/3/84

183

R30m Swazi disaster

By Luke Zeeman and Foreign Service

Minister hints at involvement of some 'high political figures'

THE giant Swazi fertiliser company SCI faces collapse amid claims of corruption in what has been called a R30 million national disaster

The shockwaves have stunned shareholders and creditors in South Africa

Swaziland Chemical Industries, owned by Hanmill Industries — now suspended on the Johannesburg Stock Exchange — owes Barclays Bank and Standard Bank of Swaziland about R29 million in overdrafts

Minister of Finance Dr Sishayi Nxumalo claimed in Parliament this week that the debts had accumulated through loans which had been won as a result of pressure from "high political figures"

Meanwhile nervous creditors in South Africa and Swaziland have urged immediate action, fearing that the chances of any return from National Process Industries, the listed associate of Hanhill, were shrinking

The developments have been the inverse of Hanhill's expectations It was hailed as a developing giant in the chemical sector about to blossom into an R80 million fertiliser and explosive group because of its acquisition of SCI exactly two years ago

Dr Nxumalo claimed that senior political figures had threatened top Swazi executives that experienced expatriate managerial staff would lose their work permits if the loans were not granted

He asked the House to approve an order for the removal of all the officials who had bowed to the pressure, to be replaced by others capable of withstanding it.

Dr Nxumalo also said that the company was riddled with other shady deals, but did not give any details

In its best financial year, 1982, the fertiliser company exported R55 million worth of fertiliser, and was Swaziland's second biggest revenue-earner

Complete figures for 1983 are not yet available, but the records show that in the first quarter of that year just R3,8 million worth was exported

The Swazi Government has shares in the company through the National Industrial Development Corporation, a semi-Government body

Hanhill Industries, which specialises in fertiliser sales in the region, has itself run into difficulty because the demand for fertilisier is low through prolonged drought

Hanhill's managing director, Mr Oliver Hill, was asked by a local business magazine recently how he saw the future of SCI, and he replied "The Government has to decide in the end whether it wants the employment of 400 people, the electricity and rail revenue, and so on"

Figures show, for example, last year, that Swaziland Railways earned R5 million in transporting the fertiliser exports

In his speech this week the Minister of Finance also spoke of corruption and mismanagement in other areas, without giving details, and asked all MPs for their support in his fight against the problem

Cryptic

He ended on a cryptic note by referring to a car accident he had early his year

After the accident the local Press reported that the Minister had been driving alone in a lonely part of the country, and noticed a car following his The car then overtook him at speed, and some minutes later his car hit some logs strewn across the road, rolling several times

The Minister was not hurt At the time there was speculation that the logs may have been strewn on the road deliberately, but there has never been any official reference to the possibility

Now, however, Dr Nxumalo's reminder of the incident could possibly be seen as recalling that speculation to the minds of his political colleagues

Hanhill's performance began to slide shortly after its acquisition of the Swaziland fertiliser company (SCI) By November 1982, about six months after the deal, its performance was interpreted as somewhere between "a damp squib and something of a disaster"

According to informed circles the timing of the move could not have been worse for Hanhill. They pointed to the drought, the smaller than expected controlled fertiliser price increases and the fierce competition in the fertiliser field

Guess

It has been speculated that the NPI debt is in the region of R60-R70 million It is also difficult to asses the assets The SCI plant probably has a replacement value of about R50 million as a going concern In today's market it's anybody's guess

183 RDM 5/3/84

More competition for AECI in explosives

By JOHN MULCAHY

YET another explosives producer is making arrangements to capitalise on the misfortunes of National Explosives.

Celtite South Africa, after almost 17 years in the country as a supplier of strata control to mining, is negotiating with an unnamed SA company with a view to establishing a slurry explosives plant in the Transvaal

The partner will be expected to finance the slurry plant — at a cost of about R5m — and the Franco-British Exchem group will provide know-how in technology and marketing

Celtite is the SA subsidiary of Exchem which specialises in explosives, fixing systems for the construction industry and engineering

Mr John Payne, Celtite's managing director, says he believes everyone in the explosives business will benefit from competition

He has no illusions about tackling the giant AECI in its main markets but believes there are segments not serviced adequately

Mr Payne says explosives allow little leeway for price wars "The emphasis needs to be on service and quality, and on cost rather than price"

The distinction between price and cost is derived from the mines' requirement for the most cost-efficient explosive product

Mine managers are less interested in the price of the product than in its ability to do the job efficiently

Celtite introduced roof-bolting as a form of strata control to SA in 1967 and is now market leader in the field It produces a range of strata control products, from resins and epoxies to cement capsules, but is fundamentally a service company, says Mr Payne

He describes Celite as a young, lightweight boxer "on his toes, able to move quickly"

AECI's view on competition in explosives is well known Commenting on the prospects of a more muscular competitor coming into the market if National Explosives were sold to a major group, AECI's managing director, Mr Denys Marvin, says the market will decide on which is the better product

He doubts whether sentimental associations would have any influence on the mines' use of explosives

"There is no way a mine manager will be dictated to on the products used on his mine If someone manages to produce a more cost-effective product than AECI then the mines might change their views on explosives But this has not yet happened in all the years (AECI's) Tovex has been around"

Mr Payne says he has no ambition to turn the explosives market upside down but there is room for at least one competitive producer to AECI, and Celtite is confident of securing between 7% and 10% of the R400m-a-year market

The timing for the launch of Celtite's explosives division hinges on negotiations under way with the proposed SA partner Once the go-ahead is received there will be little delay, says Mr Payne

Exchem recently completed in Europe a plant identical to the planned SA operation

Although holding company Exchem produced nitro-glycerine explosives, Mr Payne says there is no intention of establishing a nitro plant here

The group's view on nitro-glycerine could change if the Government decided it was a strategic necessity but the capital cost of such a plant was prohibitive and AECI already has this sector wrapped up

In any case, he says, nitro-glycerine explosives in mining applications are approaching obsolescence with slurry and water-gel products coming to the fore

Mr Payne says Celtite is accustomed to operating in highly specialised narrow fields and the close association with the mines built up over the years in the strata control area will serve it well in explosives

With Nitro-Nobel coming into SA via the new company, Southern Explosives, National Explosives possibly ending up in the Sanlam camp, whether in Abercom or Protea Holdings, and Celtite gearing up for an attack on the market, the explosives industry seems set for a dynamic chapter in its history

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Union dispute after 'undertakings broken'

ROM 6/3/84

157 146A

Labour Correspondent

THE Metal and Allied Workers Union has declared a dispute with Kohler Plastics at its West Rand plant after alleging the company broke undertakings to take back about 400 striking workers

This follows a deadlocked meeting between MAWU and the company yesterday in which the union again tried to secure the reinstatement of the strikers, who have been off work for nearly two weeks

The company, by Gencor, says it is recruiting new workers and that strikers who want their jobs back must apply for them in the same way as other work-seekers

MAWU says workers reject this, charging that it will mean that many will not be re-hired. Only 14 strikers have re-applied for their jobs

The dispute follows a strike last month over retrenchments and Kohler's decision to introduce a new shift system. Kohler fired the strikers.

The two sides met at the metal industrial council to settle the dispute and, after the meeting, Kohler issued a statement saying it had agreed to reinstate the workers provided they returned to work the next day, a Friday.

It said workers agreed to accept the new shift system.

MAWU alleges that, after this Kohler sent it an agreement to sign which contained different work conditions to those agreed to at the council

The union says it asked the company for an extension of the return-to-work deadline so its lawyer could study this agreement and that the company agreed

But when workers returned to work the ~~next Tuesday~~ and offered their services, they were told by Kohler the deadline had passed

MAWU says workers refuse to apply in this way because they believed Kohler planned to rehire some of them but not others

"We believe Kohler is guilty of an unfair labour practice. It attempted to go back on the agreement reached at the council and then went back on its undertaking to extend the return-to-work deadline.

"We also believe the new shift system may have been introduced without informing the industrial council as the law requires," a MAWU spokesman said

A Kohler spokesman said yesterday that the company believed the settlement agreement contained "fair conditions of employment".

~~173~~ 183 ~~3/78~~ ~~157~~

D. Dispatch DAILY DISP

7/3/82

Bid to break Triomf deadlock

JOHANNESBURG — A government-appointed conciliation board, yesterday failed to settle a wage dispute between the Triomf fertiliser company and Cusa's SA Chemical Workers Union at the company's Potchefstroom plant, a company statement announced

This means the union is allowed to begin planning a legal strike at the plant

A union spokesman said yesterday, however, that fresh attempts would be made to break the deadlock This could, he said, mean appointing a mediator or calling a new meeting of the board, but it was "premature" to say what action would be taken

Triomf's statement said the company "is confident that a settlement between the two parties will be reached"

Yesterday's meeting of the board, which consists of company and union representatives under the chairmanship of a Department of Manpower official, follows the union's decision to declare a dispute with Triomf

The union also asked that the board consider its charge that Triomf was guilty of an "unfair labour practice" by allegedly refusing to disclose financial information to it — which would have allowed the dispute to go to the industrial court — but this was turned down by the Department of Manpower

Triomf's statement said a "deadlock had been arrived at" at the meeting

A union spokesman confirmed this, saying the company's final wage offer was "unacceptable" to the union and that "neither side is prepared to move" — DDC

Board fails to settle pay row

7/3/84 RDM 183

Labour Correspondent

A GOVERNMENT-appointed conciliation board yesterday failed to settle a wage dispute between the Triomf fertiliser company and Cusa's SA Chemical Workers Union at the company's Potchefstroom plant, a company statement announced

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And Triomf's statement said the company "is confident that a settlement between the two parties will be reached"

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Triomf's statement said a "deadlock had been arrived at" at the meeting

A SACWU spokesman confirmed this, saying the company's final wage offer was "unacceptable" to the union and that "neither side is prepared to move" SACWU, he said, believed Triomf "had more money available to pay higher wages than they say they have"

Neither side disclosed details of the union's demand or Triomf's offer

Rdm (183) 8/3/84

SCI put in provisional liquidation

By JOHN MULCAHY

THE affairs of the National Process Industries group, which includes the listed Hanhill Industries, seem to be approaching a climax

The group's R50m Swaziland Chemical Industries (SCI) was yesterday placed in provisional liquidation by the Swaziland government, to "protect the company from its creditors"

A simultaneous application was made for the liquidation of Swaziland Nitrates, an agent of SCI, which distributes explosives and other chemicals manufactured by SCI

Both applications were approved by the high court and a provisional liquidator appointed to assume control of the companies until their final liquidation

The total debts of the NPI/Hanhill group have been estimated at between R55m and R65m, but reports from Swaziland allege that SCI alone owes R50m

According to papers before the court SCI's bankers had refused further credit to the group, but had expressed willingness to extend additional credit once a liquidator was appointed.

Hanhill was relisted yesterday after a short suspension, and was immediately bid at 10c, after suspension at 110c, but closed at 50c, less than half the pre-suspension price. There were no sales at 10c

The National Industrial Development Corporation of Swaziland (NIDCS), one of SCI's creditors, submitted in an affidavit to the Swaziland High Court yesterday that SCI had no money to pay the salaries of 400 workers who were due to be paid tomorrow

The affidavit formed part of the application for provisional liquidation, which alleges that SCI has debts totalling R50m

Chemical industry sources say SCI's assets would probably be worth about R50m as a going concern, and in a healthy market, but the present chemical environment in Southern Africa suggests the assets would be worth a great deal less than R50m if sold on a piecemeal basis

Several of the group's creditors last week expressed to Business day their concern for NPI's future, and feared negotiations involving Abercom, the Swaziland government and NPI might not be in the best interests of those creditors not involved in the talks

It was disclosed in the Swaziland parliament during last week's budget debate that SCI owed Standard Bank of Swaziland R9m and Barclays Bank of Swaziland R22m

According to an NIDCS representative, the banks have refused to advance any more credit to either SCI or Swaziland Nitrates, and therefore the companies had no cash to pay their workers

Business Day established last week that SCI owed Swaziland Railways R750 000, and the company had been refused further carriage on the rail system

The amount owing to Swaziland Railways is over and above guarantees provided by SCI's two bankers, which had already been claimed from the banks

It was not possible yesterday to establish the status of the Abercom Industries option to acquire Hanhill, as Mr Oliver Hill, Hanhill's managing director, said he was "legally bound" not to speak to the Press, while Abercom Industries chief executive Mr Peter Herbert was likewise unable to comment.

But sources in the chemical industry said an asset in the group had been sold for R23m In the absence of comment from the two main parties involved, this could not be confirmed, and the asset involved is a matter for speculation

The group's main assets, apart from SCI, include National Explosives, an ammonia terminal at Maputo in Mozambique, a blending plant at Richards Bay and Bonus Fertilisers, which has 50 000 tons of fertiliser stocks, but little else

It is believed Hanhill will remain listed for the time being, in spite of the provisional liquidation of a major subsidiary, to provide minorities with the opportunity to trade their shares

Stage may be set for final scene in Hanhill saga

Weekly Mail 8/3/84

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Financial Editor

THE STAGE may be set for the final scene of the Hanhill saga in which the explosives and fertiliser manufacturer is struggling to stay in the market.

Yesterday the Swaziland arm — Swaziland Chemical Industries (SCI) — which is chiefly concerned with making fertilisers — was placed under provisional liquidation by the Swaziland Government, according to a formal statement from Hanhill Industries

In a newspaper notice published yesterday Hanhill said 'negotiations were continuing for the disposal of a minor portion of the company's assets Tentative arrangements have been reached subject to a number of conditions'

No further details were disclosed

A few weeks ago various companies eyed Hanhill with Protea Holdings putting in a R9m bid This was passed by AECI, who offered R20m but this deal was vetoed by the Competition Board

Since then there has been a formal announcement from Abercom that they had acquired an option and the exercising of it could lead to a split in the company's operations

Hanhill's problems revolve mainly around its cash situation, brought about by the reduced cash-flow from the slump in fertiliser sales and heavy stocks now carried by most manufacturers

Battle

But it has also been tied up in a long battle to get its Du Pont-licensed explosive Tovex onto the local market and in more recent months accepted by mines

Hanhill told Reuters that SCI has been placed in provisional liquidation by the Swaziland Government to protect the company from its creditors

Negotiations about SCI's future are continuing and shareholders are advised to exercise caution in their dealings'

Hanhill share re-listed yesterday were bid at 10 cents and offered at 90 cents, compared with a pre-suspension price of 110 cents

RDM 14/3/84 183

Triomf buys some NPI assets for R23m

By JOHN MULCAHY

TRIOMF Fertilizer Investments has emerged as the buyer of assets of R23m in the troubled chemical group, National Process Industries (NPI).

The assets are the Maputo ammonia terminal, which has gone for R11m, and fertiliser stocks worth R12m

The deal amounts to a coup for Dr Louis Luyt's group, which has stepped in ahead of Abercom Investments

It puts Triomf in an immensely powerful position over ammonia supplies, imports of which are now free of restriction

The site of the terminal will open doors to imports from countries traditionally hostile to South Africa, which means that Triomf has unlimited sources for its raw materials.

According to Business Day's sources, the financing for the Maputo deal was readily agreed to by the Swaziland banks, which are under pressure from the their government to keep Swaziland Chemical Industries (SCI) afloat

The link between the Maputo terminal and the SCI is that Maputo is the closest port to land-locked Swaziland

Exports from SCI have previously been channelled through Maputo

A spokesman for Triomf confirmed yesterday an initial agreement had been reached and the company would issue a statement once details had been finalised

The stocks bought by Triomf have a theoretical market value of R18m, which explains why Triomf has been able to sell fertiliser at discounts of up to 30%

Abercom is understood to have made an unacceptable bid for the Maputo terminal.

The snatch by Triomf makes Abercom's option to acquire Hanhill Industries less likely to materialise

It seems the tortuous Abercom negotiations were moving too slowly for the interested Swaziland parties, who snapped up the Triomf offer

Abercom is clearly holding out for as long as possible, in the belief the price will be reduced in time

But the longer it delays, the more opportunities present themselves to others

Perhaps this is precisely what Abercom, or big daddy Sanlam, would like to see The first prize, and possibly the only worthwhile prize in the NPI group is National Explosives If the bits and pieces are sold off piecemeal, Abercom will be left with the explosives company and none of the headaches

But the ace in the hole, as far as the present controllers are concerned, is the licence to produce Tovex explosive

There is no certainty about which way the licence will go, as it is vested in a private company controlled by Mr Oliver Hill The decision on what to do about South African production of Tovex rests with Du Pont Industries

As much as AECI likes to dismiss the Tovex challenge, that did not prevent the group from approaching Du Pont for the licence last year, and there is still an outside possibility the licence will eventually go to AECI

Meanwhile, NPI is continuing to operate, largely on a hand-to-mouth basis, with the co-operation of its customers, while the wolves fight among themselves over the scraps

INVEST YOUR TIME IN OUR SHARE

RDM 16/3/84 (183)

Move to widen dispute at plastic bag firm

By STEVEN FRIEDMAN
Labour Correspondent

FOSATU's Paper, Wood and Allied Workers Union has vowed to turn its dispute with Johannesburg plastic bag maker Transpoly into a "test case" on the labour practices of small firms in paper and similar industries

It says it has contacted workers at companies which use Transpoly products and asked them to back strikers fired by the company this week

Yesterday, the union and company met for the first time in an attempt to settle the dispute since workers struck at the plant over the weekend PWAWU says the company refused to talk to it until now

The talks did not produce a settlement and the two sides meet again today

During the strike, a union organiser, Mr Jeremy Baskin, was arrested outside the plant and charged with holding an illegal gathering

PWAWU has threatened legal action against the company, charging that workers are forced to work an 84-hour week. Transpoly management refuses to comment on the dispute.

A PWAWU spokesman said yesterday that, if the talks did not produce a settlement, the union would intensify its campaign against the company

"We have contacted workers at companies which are customers of Transpoly, such as Pick n Pay and Triomf, and asked them to support Transpoly workers," he said "We may also take other steps in support of the workers"

Although Transpoly employed only 85 workers, the union was "taking the dispute very seriously because we want to show that small firms, who get away with unacceptable labour practices, can do so no longer," he said

Yesterday, he added, workers demanded their reinstatement, that management pay them for the time they were on strike, that it agree to union recognition talks and that it ask police to withdraw charges against Mr Baskin

He said management agreed to reinstate some of the workers, but they were demanding that all be re-hired.

Fertiliser prices warning

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Star 24/3/84

By Hannes Ferguson

Fertiliser manufacturers would sow ill-will if they used the decontrol of fertiliser to increase prices at short intervals

This was the warning given by the president of the SA Agricultural Union, Mr Jaap Wilkens, at the 25th annual meeting of the Fertiliser Society in Sandton yesterday

After the two first years of drought, farmers' unpaid debts totalled R800 million This year, their debt arrears will increase to R1 350 million

Mr Wilkens said that while the fertiliser industry also suffered from the drought crisis, they were not saddled with an debt-arrears problem. They had been paid in total for all the fertiliser the farmers had bought from them

Agriculture had fully supported the decontrol of fertiliser prices Farmers expected, however, that there would now be real competition and that prices would not be increased regularly.

Rationalise fertiliser industry — chairman

Pretoria Correspondent

With the disastrous decline in fertiliser sales, rationalisation of the industry was unavoidable, said the chairman of the Fertiliser Society, Mr J J Adriaanse

The sale of fertiliser had dropped by 45 percent in three years, he said.

Mr Adriaanse was addressing the society's annual meeting, held in Sandton this week

Comparing the demand of two million tons with a production capacity of 4,7 million tons, and considering the bleak prospects for 1984, large losses were clearly unavoidable, he said.

This necessitated some adjustment, but rationalisation should not be associated only with takeovers and mergers.

Experience and logic would bring the industry out of the red, Mr Adrikaanse said

At the end of 1983 the fixed capital of the industry amounted to R2 000 million, and working capital to R300 million

Figures also showed about 7 000 people were employed, and turnover from local sales were nearly R700 million and from exports was R100 million

The chairman said when price control was removed at the beginning of this year, after more than 40 years, prices did not initially rise — but a rise towards June seemed unavoidable.

The fertiliser industry had been repeatedly accused of influencing farmers to buy excessive amount of fertilizer, but it was priority for the society to promote the most economical use of fertiliser, he said

Fertile is as fertile does

The fertiliser industry and the farmer are partners, according to the new director of the Fertiliser Society, Mr Hilmar Venter

Commenting on his task in the years ahead, he said at the annual meeting of the society in Sandton on Thursday, that the economic stability of the fertiliser industry was directly linked to the prosperity of agriculture

Under normal circumstances the industry would not have found it difficult to adapt to the lifting of price control, the phasing out of import control, the entry of new competitors and increased competition.

But the prolonged drought and plummeting fertiliser sales had compounded the crisis in which the industry found itself

The Fertiliser Society would have to continue to co-ordinate research, streamline its structure and formulate new objectives, Mr Venter said

(183)

AECI to retrench more of its labour

E. Pol 27/3/84

JOHANNESBURG — AECI "is committed to the objective of improving efficiencies still further this year and manpower reductions remain an important ingredient in this process", Mr Gavin Relly, chairman of the group, said in his chairman's statement

Mr Relly, who said manpower numbers had been reduced by an effective 7% in 1983, expressed regret at any hardship which would be caused as a result

"While every effort is made to reduce the personal hardship factor associated with redundancies by taking maximum advantage of natural wastage and early retirement possibilities, and notwithstanding the fact that generous redundancy payments are made, some element of hardship will, unfortunately, be unavoidable and this I greatly regret," he said

Discussing industrial relations he said "The level of industrial action has unfortunately escalated across the AECI group over the past year" — Sapa

Fosatu settles 'test of strength'

By STEVEN FRIEDMAN
Labour Correspondent

A DISPUTE between Fosatu's Paper, Wood and Allied Workers Union and a Johannesburg plastic bag manufacturer, Transpoly, which the union vowed to treat as a "test of strength" with smaller paper companies, has been settled

The dispute recently led to a strike at the company's Amalgam plant and the arrest of a union official, Mr Jeremy Baskin, for allegedly holding an illegal gathering

The company reacted by firing its entire workforce

The union then took legal action against the company and also approached workers at major companies supplied by Transpoly to ask them to take action in support of the fired strikers

According to the union, workers at these companies responded sympathetically

Although Transpoly only employs 85 workers, the union said it regarded the dispute as a key test It said the industry was dominated by smaller firms whose labour practices, it charged, were "often abysmal" and said it hoped to use the dispute "as a warning to other companies with similar practices"

According to a PWAWU spokesman, yesterday's settlement, which was negotiated with the help of the two sides' lawyers, will see half the fired strikers reinstated They will return to work today, he added

The other strikers, the spokesman said, would receive an out-of-court settlement totalling R35 000 in compensation for their dismissal It is understood that this is equivalent to around three months' pay for each worker

The reinstated strikers will also be paid for the time they were on strike, he added

A further feature of the settlement is that two workers who were fired before the strike for alleged disciplinary infringements will have their case reviewed by both sides' lawyers

The union's spokesman said that PWAWU was "not entirely satisfied" with the settlement, but added that it had been a "compromise"

Transpoly has refused to comment on the dispute and the Rand Daily Mail was told yesterday that no company officials were available to comment

RDM 28/3/84

(183)

RDM 30/3/84 (183) (143)

500 Triomf workers go on strike

By STEVEN FRIEDMAN
Labour Correspondent

MORE THAN 500 workers at Triomf Fertiliser's plant in Potchefstroom went on strike yesterday in protest against the company's refusal to refer a long-running wage dispute to an independent arbitrator

The strikers' union, the SA Chemical Workers' Union — affiliated to the Council of Unions of SA (Cusa) — claims the strike is legal But Triomf disputes this and has given workers an ultimatum to return by 10am today or be fired

The strike follows wage negotiations between Triomf and the union, which is recognised at the plant These deadlocked and the union declared a dispute

An official conciliation board attempted to settle it, but it too came to a deadlock about three weeks ago

A union spokesman said that, in the wake of the deadlock, the SACWU had suggested the dispute be referred to an arbitrator, whose decision both sides would agree to accept Triomf had rejected this

"Workers struck early this morning in protest and they are demanding that the company's chairman, Dr Louis Luyt, or one of two other company executives, meet them," he said

The spokesman said the strike was legal because workers had held a strike ballot in which the majority had voted not to work

Despite the ultimatum to return to work, the strikers would not do so unless one of the three executives met them

The spokesman claimed the minimum wage at the plant was R180 a month, which he labelled a "starvation wage"

"Workers want a living wage and want to know why Dr Luyt has money to save Ellis Park but not to pay them what they are asking," he said

A spokesman for Triomf said that, in terms of the company's recognition agreement with the SACWU, workers would have to negotiate with people chosen by the company, rather than by the workers

"It is our right to decide who will represent us," he said

He added that Triomf did not believe the strike was legal He said labour law stipulated that workers had to wait 30 days after a conciliation board deadlocked before striking, and the workers had not done this

Wages at Triomf "are in line with those of other employers in the area"

Triomf had made a "substantial wage offer" which workers rejected "despite the fact that the fertiliser industry is in the midst of its biggest crisis in the country's history"

RDM 21/3/84 (183)

Triomf dispute: Luyt steps in

By PHILLIP VAN NIEKERK
Mail Reporter

THE chairman of Triomf Fertilizer, Mr Louis Luyt, yesterday personally intervened in the wage dispute which brought more than 500 workers out on strike at the company's Potchefstroom plant on Thursday

The workers returned to their jobs yesterday following a management ultimatum that they return by 10am yesterday or face dismissal

The strike was over the refusal of the company to submit the wage dispute — which has been continuing for some months and reached deadlock three weeks ago — to an independent arbitator

A company spokesman said they had not changed their increase offer but that Mr Luyt had offered to compensate the workers at the end of the year if the company's financial position improved by then

The company argues that the fertilizer industry has been badly affected by the drought

A spokesman for the union said they were still demanding that new increases by negotiated for July

They had agreed to accept an offer that the minimum wage be increased to R260 a month from the beginning of April

The union spokesman said the wages in Potchefstroom were far below the company's wage rate in the rest of the country

AECI sets up fertiliser retailer

RDM 4/4/84 183

Financial Reporter

AECI has formally announced its entry into the retail fertiliser market, with the establishment of Kynoch Fertilizer Ltd

Kynoch will supply the entire country from its factories in the Transvaal, the Cape and Natal, and product will be available in granulated form as well as in bulk blend mixtures

Dr John Skeen, Kynoch's managing director, said this week "The company appreciates the dilemma and the problems faced by the farming community due to the drought, which has assailed large parts of the country

"We believe that it will take at least five normal cropping years for the effects of the drought to work out of the system.

"Because of this, one of our main objectives is to contain costs by emphasising cost-effectiveness and efficiencies in production and by running an absolutely lean and efficient organisation"

Kynoch's board, with Dr Skeen as managing director, will comprise. chairman — Mr Chris von Solms; Mr Ossie Smith — marketing director; Mr Bob Fogel — technical director; and Mr Terence Woolley.

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Profits before politics and boo to churches

HOW does Hoechst regard its South African investment?

The company's policy is to trade in every country, particularly where its big international competitors BASF, Bayer, Dupont, Dow and ICI are represented — regardless of politics

Hoechst has come under fire from German churches for dealing with South Africa, but it points out that it is also represented in Moscow, Lagos and Peking

First duty

German churches are extremely wealthy as 10% of all taxes collected accrue to them They are pillars of the World Council of Churches, which is strongly anti-South African, and are therefore militant.

But Hoechst stands its ground, pointing out that its first duty is to make money for shareholders and employees and that its presence is positive for the people of all countries in which it is represented

I asked a company spokesman on international affairs about risk

"You could say we face greater risk in France, where the Mitterrand goverment seriously thought about nationalisation."

Commercial risk, he says, is far greater in countries like Brazil, which has 400% inflation, or Argentina, which is burdened with debt.

The company is open about its SA operation and even brings union members to SA to see the country and Hoechst SA It reckons this has tended to soften attitudes

Hoechst adheres to the EEC code of employment, paying more than the recommended wages and appointing people regardless of race

Still, I was told forcefully in Frankfurt. "Hoechst condemns apartheid. We don't believe this is a method to run society We try to have a liberal tolerant attitude towards all people

"Of course, we are aware of the complexity of politics in your part of the world and don't expect overnight change But we welcome the signs of evolutionary reform that we see"

R400-m sales

Hoechst SA represents 2% of Hoechst internationally, but is certainly no minnow in the industry, ranking third after AECI and Sentrachem

Its sales in this country are about R400-million Hoechst prides itself on being a manufacturing company, not a trading house in this country Seventy percent of its sales are manufactured here The company has invested R150-million in the past five years in SA.

Plastics

For historical reasons, the market penetration in pharmaceuticals in SA is not as big as it is internationally. Plastics rank first, followed by fibres and textile products, chemicals and veterinary and agricultural products

There is no great desire to go for a bigger slice of the pharmaceutical market as Hoechst maintains there are 80 contenders for R400-million of business

Hoechst's R100-million biological purification works treat 60 000m³ of water a day and remove 92% of all impurities before letting the water back into the Main River

Hoechst — awesome German juggeranut

Business Times editor DAVID CARTE visits one of the world's largest chemical companies

PERHAPS the most forceful of many lessons for a South African visitor to Hoechst in Germany is that without protection, the SA chemical industry cannot compete

Hoechst's world-wide sales last year were R17 600-million — three quarters of SA's Budget and more than 10 times AECI's R1 620-million

Depending on exchange rates, Hoechst is the biggest chemical company in the world There are several others, such as Bayer, BASF, Dupont, ICI and Dow in the same league — dwarfing even the biggest contender in our industry

With sales of R6 199-million, the German operation of Hoechst accounted for only 35% of total sales The rest were made by overseas subsidiaries, such as Hoechst of SA More than 54% of Hoechst Germany's sales were exports, so more than 70%, or R12 000-million, of the worldwide group's sales were exports

Pharmaceuticals are most important, accounting for 18% of sales, followed by plastics (10%), organic and inorganic chemicals (10%), fibres (8%) and paints (7%) Otherwise the group is well spread over dyes and pigments, agricultural chemicals, biochemical and other products

It is hardly surprising, facing giants such as these, that the SA industry is in disarray as the Government lowers the barriers that have shielded it against international competition until now

Another enormous disadvantage for our industry is that it is coal based, while others are oil based in an oil glut.

Not that the local boys are doing so badly Hoechst of Germany's pre-tax profit in 1983 was R438-million compared to AECI's R186,4-million So Hoechst's pre-tax profit on sales was only 7% compared with AECI's 13%

Import protection is one reason AECI's margins are relatively fat Another is that margins are unusually generous in the explosives business, in which there is little competition

Another relative advantage that AECI enjoys is that it does not carry the research and development burden of Hoechst, which spends a staggering R714-million on R&D a year AECI spent R10-million last year, but also benefited from untold millions spent by its parent, ICI, on research

Judging by the thick black smoke emanating unapologetically from its Holland Electro Chemicals plant near Newcastle, AECI is not spending as much on pollution control as Hoechst either

Spin-off

With the environmental protectionist Green party ascendant in Germany, Hoechst spends R238-million annually combating pollution It spent no less than R100-million on cleaning up the Main River at its main plant — and this is one of dozens worldwide

No fever than 13 000 of Hoechst's 180 000-strong labour force are engaged in research and perhaps a fifth are scientists and chemical engineers!

Hoechst has not had a strike since 1952 and that was a minor industrial tiff It has never laid off workers for economic reasons When it closed its cellophane plant and its naptha cracker because they were no longer competitive, moved redundant workers were placed in other areas

The company has never had a serious industrial accident or explosion and the only fatalities at work have been road accidents

Most astonishing, labour has 50% of the votes on the supervisory board

South Africa has been full of free-market talk for the past three years Business is there to make profits, seems to be the new attitude and to hell with the rest But the super-efficient juggernaut, Hoechst, makes one wonder

Perhaps there is a return on investment not only in plant and research, but in people and the community at large

Rich harvest from billions on research

HOECHST needs to spend billions of marks on research because competition in basic chemicals is becoming too hot internationally

More and more Opec competitors are trying to diversify their exports by down-line processing of their cheap crude oil

Unable to compete far from their home bases in such run of the mill areas as fertiliser and PVC, European and American chemical companies have to move into higher technology areas or lose out

Chemical technology is every bit as exciting as computer technology Indeed, were it not for Hoechst-developed chemicals, certain printed circuits that are pushing electronics into new areas would not have been available

Nobel Prize

Hoechst spends R700-million a year on research, R300-million of it in pharmaceuticals, where it has a proud record Several Hoechst researchers have won the Nobel Prize

For every 10 000 pharmaceutical and pesticide products the company tests, only one reaches the market Some researchers have spent a lifetime at Hoechst never to see a product they work on reach the market

More than 13 000 Hoechst workers worldwide are engaged in research One research area across the Main River from the main plant is bigger than the Council for Scientific and Industrial Research

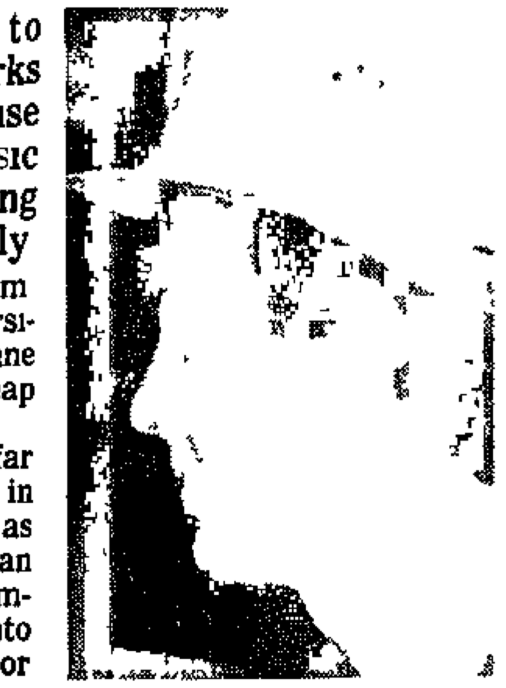
R&D has certainly paid off in terms of human progress and profit Hoechst scientists discovered the TB bacillus and the first TB vaccine, then went on to discover cures for diphtheria, syphilis and many other diseases

It has been a leader with the development of insulin and antibiotics It should soon have a new nasal spray birth control device on the market

Pest control

It is a leader in herbicides and pest control, a vital area as a third of the world's crops are destroyed by pests One of its important research farms scattered all over the world is at Malelane in the Eastern Transvaal lowveld

Hoechst has come up with many new plastics and fibres, including its winner, Trevira The main drive in plastics research today is in new applications. Hoechst improve fuel consumption, more plastic is being used in cars — one reason the world steel industry has struggled



HANS M DEGER . head of biotechnology research

Protein

Hoechst is tinkering with molecular and cell structures of living organisms in its biological research unit It has produced protein from methanol, removed the fat and has come up with a tasteless, high protein powder than can be used to enrich all kinds of food

This has been achieved in a R25-million pilot plant Work is expected to begin soon on a R1 000-million production plant.

These developments could alleviate world food shortages Hoechst is working on such diverse projects as new low calory sweeteners and the use of lasers in printing

I visited the pest control laboratories, where many of the world's most virulent insect and bacteriological pests are bred, often in tropical conditions, placed on plants and exposed to new pesticides

Equally impressive were the plastics laboratories and the bioengineering workshops where the DNA molecule is being manipulated to help mankind

It was a fascinating view of the future — and an encouraging one insofar as the solutions to many of today's problems are in the making in these laboratories

Call to ban job discrimination

Cape Times 9/4/84 180

Political Correspondent

THE MAN who started recent labour reforms believes South Africa now needs laws to make discrimination in the labour field a criminal offence

Professor Nic Wiehahn, whose commission reports in 1979 led to recognition of black artisans and black trade unions, said yesterday that this was no longer enough

In an interview published in the Nationalist newspaper Rapport, he said South Africa could face the sort of labour unrest which broke out in the United States in the 1960s unless labour discrimination was prohibited legally

Professor Wiehahn called for laws to forbid labour discrimination on the grounds of race, colour or sex

It was no use removing discrimination from labour legislation while allowing it to continue in practice

He said America's "black revolution" arose largely because US legislation paid only lip-service to non-discrimination The laws were non-discriminatory, but discrimination was not actually prohibited

"It was only after the coloured minority in America, prompted by discrimination in practice, began burning down the cities that the American government realized it had explicitly to prohibit discrimination"

While white workers might resist such legislation because they felt threatened, Professor Wiehahn believed all minority groups, including whites, would benefit in the medium and long term from anti-discriminatory legislation

'Affirmative action'

There were indications that multinational companies would be forced by labour codes and legislation in their own countries to apply reverse discrimination and the promotion of racial quotas irrespective of merit — the American phenomenon of "affirmative action"

Everybody, including whites, would be protected against this by anti-discriminatory legislation It would also help whites get away from their obsession with colour

Professor Wiehahn regretted the reaction of some who regarded his ideas as revolutionary Not only were labour reforms irreversible in that it would be disastrous to reintroduce job reservation and ban black unions and apprentices, but prophesies of doom made when the reforms were instituted had not materialized

The abolition of job reservation had not produced white unemployment, nor were there indications that black unions were about to dominate the labour field in a sort of "black Solidarity"

It reminded him of when the government changed the law to allow black people to buy liquor They had not become alcoholics as was predicted, in fact their drinking habits had changed little if at all

Professor Wiehahn also called for "ideologization" of trade unions in favour of the free-market system Employer bodies made public comments and took part in symposiums, but nothing was done to encourage similar activities by the unions.

The unspoken fear was that they would not come down in favour of free enterprise But what was happening instead was that black union leaders attended seminars from Socialists International and communists in Europe and America

He believed it was no foregone conclusion that black unionists here would be overwhelmed by communism or similar ideologies, especially if their support for the free-market system was actively sought

Professor Wiehahn pointed out that black unions had existed since 1919 and Trotskyites and communists, even when legal, had not had much influence or success

RDM 11/4/84 (183)

Explosive activity on chemical front

Financial Reporter

TWO unrelated developments on the SA chemical front this week point to hectic activity behind the scenes

The first is an announcement from Sasol to the effect that its Sasolchem subsidiary has reached a licence agreement with Nitro Nobel of Sweden and Atlas Powder Company of Dallas, US

Sasolchem has been involved in explosives in SA for several years, according to this week's announcement, and the licensing agreement will enable it to extend activities in this sector.

The second announcement concerns a long-term distribution agreement between Triomf Fertilizer and Nitrophoska

Nitrophoska is based in Stellenbosch and provides Triomf with a vast extension of its supply routes.

Nitrophoska distributes agricultural products throughout the Cape coastal region, with offices, depots and technical service facilities covering the area

The two developments, in explosives and fertilisers, are a reflection of the substantial metamorphosis going on in both sectors.

The explosives sector is in confusion because of the provisional liquidation of several companies in the National Process Industries group.

While National Explosives, which produces the Tovex range of explosives, has so far escaped the liquidator's net, the problems faced by the group have encouraged various chemical groups to consider developing into explosives.

At different times Sasol is known to have looked at National Explosives, as have AECI and Sentrachem. Celtite, the SA subsidiary of a British explosives manufacturer, has announced plans to establish an explosives plant here

For various reasons the fertiliser industry has been in the news frequently over the past couple of years

At the route of the industry's difficulties is the worst drought in living memory which has led to a huge oversupply problem.

It has been accepted by most fertiliser producers that a significant degree of rationalisation will have to take place in the industry, and already Sasol has moved closer to Omnia Fertilizers, which has supplied large quantities of product to Sasol, pending the launch of its own brand of fertiliser

RDM 14/4/84 (183)

365 fired in alcohol test dispute

By STEVEN FRIEDMAN
Labour Correspondent

MAJOR fertiliser company Triomf yesterday fired at least 365 workers at its Potchefstroom plant after a strike in support of workers who refused to undergo an alcohol test, a company spokesman said yesterday

The plant employs more than 400 workers and the spokesman said more could be dismissed if the night-shift did not obey an ultimatum to return to work

The strike is the second to hit Triomf's Potchefstroom plant this year

Triomf's spokesman said yesterday that the latest dispute had begun early on Thursday morning, when the company conducted an alcohol test on black workers

"This is a routine test and we have been doing it for 18 years We are obliged to in terms of the Factories Act," he said He added that white workers were subjected to the same test last week

According to Triomf's spokesman, eight workers refused to take the test and subsequently walked off the job They were joined by the entire workforce

He said the company had later given workers an ultimatum to return to work or be dismissed and had allowed them a "period of grace" which meant they could return after their shifts began However, they refused to return, he said, and were fired

"We will now hire new workers and begin training them We have sufficient stocks of fertiliser to last until September," the spokesman said

Asked whether strikers were being invited to re-apply for their jobs, the spokesman refused to comment

He added, however "If strikers want to come back to work and say they stopped work because they were intimidated, we would obviously have to look at that"

Comment from the union could not be obtained yesterday

ADCOCK-INGRAM

Profits from pharmaceuticals

183

With its strategy of caring for people, Adcock-Ingram has remained largely undeterred by recession and produced growth rates well ahead of most in the intensely competitive pharmaceutical industry.

People are very much the business of pharmaceuticals manufacturer and distributor Adcock-Ingram It is not only that the company bases its activities on health and hygiene products, which are basic human needs. More than most companies, deputy chairman and MD Norman Nossel builds Adcock's corporate strategy largely around people, both inside and outside the company. "Our basic philosophy is to improve the lives of our customers and the people who work for us," says Nossel

Although a technical man (a qualified pharmacist), Nossel is keenly interested in the humanities Since he joined Adcock-Ingram in 1978, when he left the chairmanship of R-M Pharmaceuticals, the company has sponsored arts, theatre and musical events, many of them for charity In January, for example, it supported the second international pianoforte competition at the University of SA, and last month it backed *A Tribute to Siegfried Mynhardt* at The Wits Theatre

Quality artworks line the walls and tables in Nossel's office His personal interests include membership of the board of control of the Adler Museum of the History of Medicine at the University of the Witwatersrand. Clearly, it is more than a mere business strategy Nossel, indeed, is fond of the biblical quotation "Without visions, people will perish."

The up-front, social responsibility approach has helped cushion the R125m turnover company's earnings from recession and produced growth rates well ahead of many in the highly fragmented pharmaceutical industry. Earnings a share in the year to end-September rose 12% and the dividend increased 36% to 177c, keeping the five-year trend moving steadily upwards (see graph)

This is some achievement, considering that Adcock operates in an intensely competitive industry About 80 other companies contest the pharmaceutical industry, although Adcock is the only listed firm that both manufactures and distributes pharmaceutical products There is one other listed pharmaceutical company, Alex Lipworth, but it is involved only in manufacture

Nossel claims to know of few problems with his industry other than the dearth of other public companies, a situation that makes comparisons and market research difficult SA Druggists, now wholly-owned by Federale Volksbeleggings, is the industry's largest company in sales, but not necessarily in profits Nossel rates Adcock second in sales and largest in profits He estimates that the firm has 12% of SA's total pharmaceutical sales, and 15% of profits.

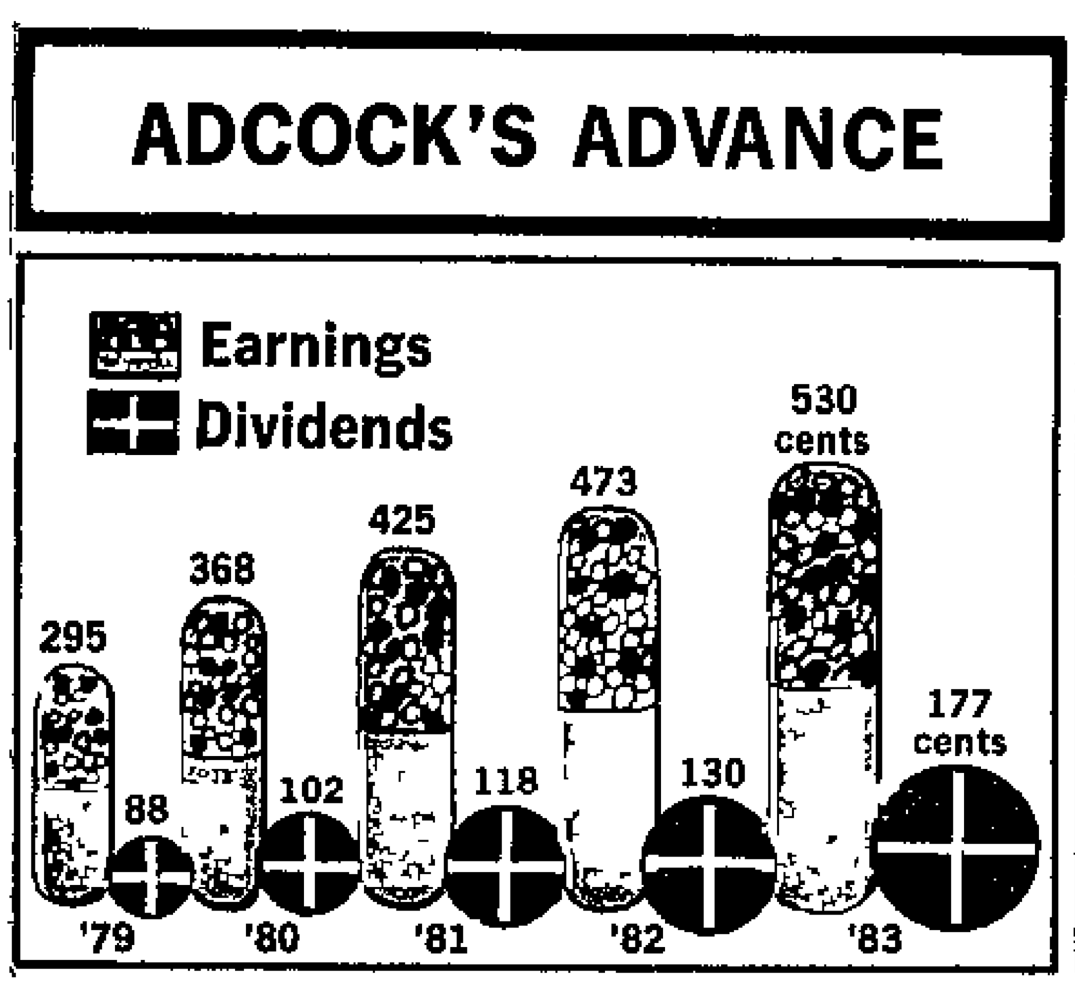
The company's performance in recent years is undoubtedly partly a reflection of the strong and solidly-based growth in demand for its products Nossel points out that demand for pharmaceutical and medical products is largely insensitive to recessions

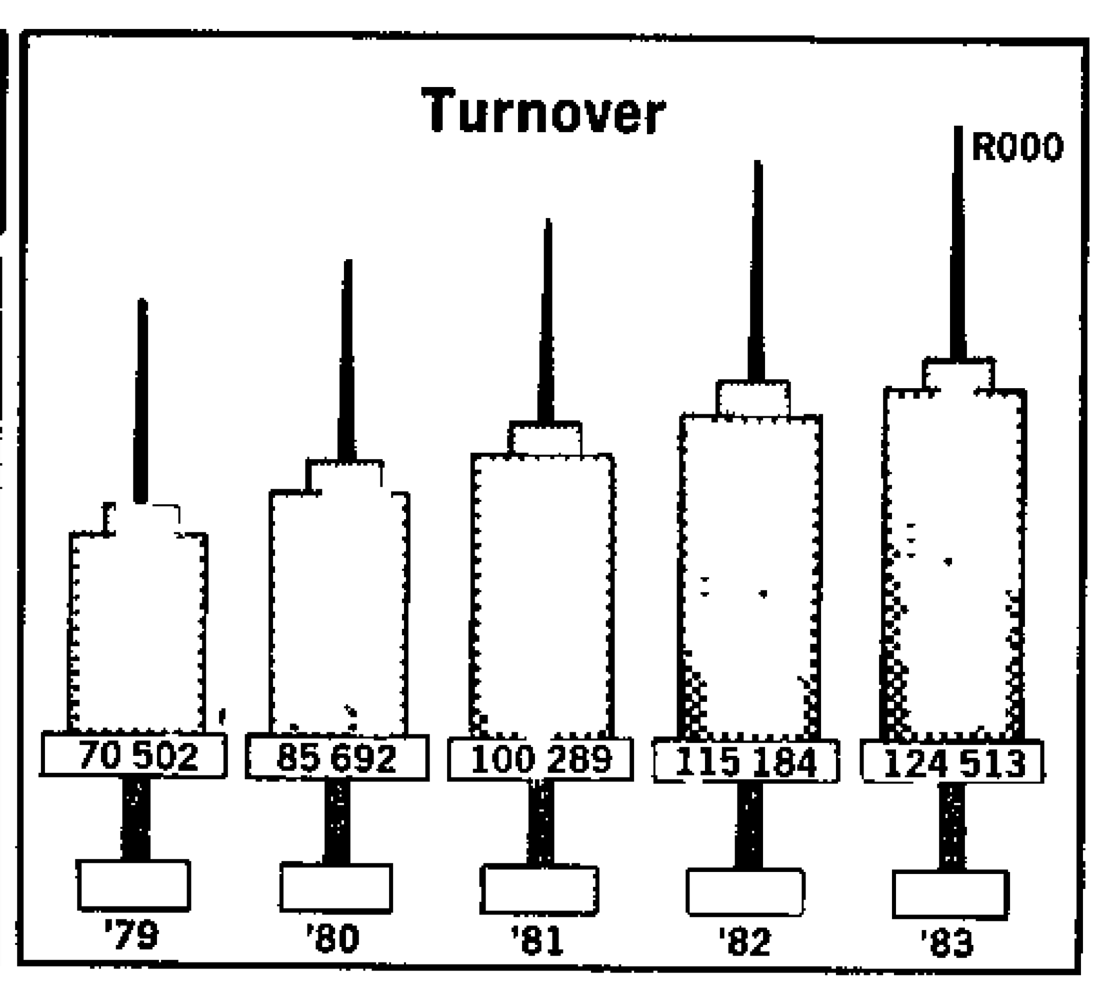
In the longer term, he contends that growth rates will be expanded considerably as black consumers enter the market in larger numbers and buy more non-essential pharmaceutical goods Nossel says he is confident that Adcock's people-oriented management style should ensure that the company grows at a faster rate than the rest of the industry

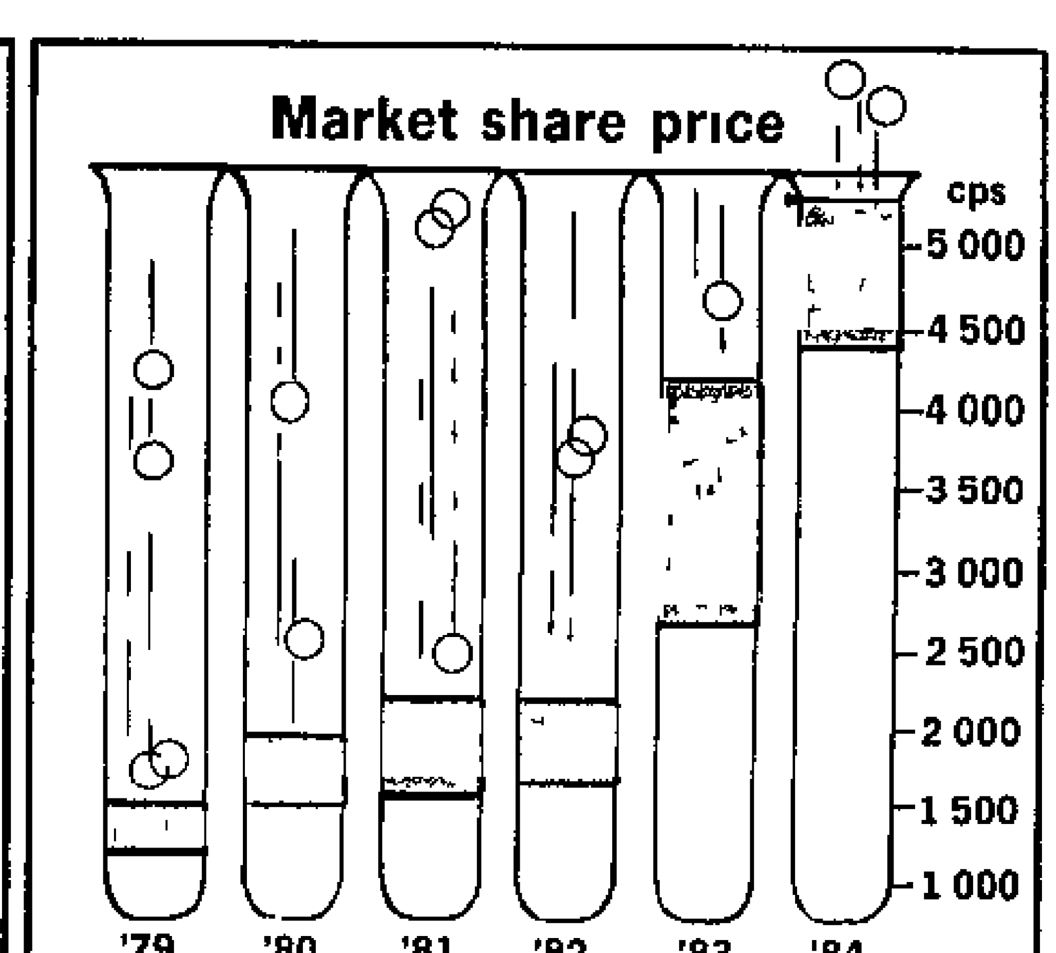
What should help, is Adcock's active expansion plans, and the fact that overall, very little investment is currently taking place in the industry Nossel contends that companies in the pharmaceutical industry are generally carrying heavy debt burdens at present Adcock, on the other hand, is virtually ungeared

To improve the utilisation of its assets, management is currently looking for acquisitions, which could take the group out of its traditional activities, although the emphasis will be on expansion of existing operations The debt equity ratio will probably not move higher than 0,30, but this should still leave well over R15m available for expansions The company also plans to spend R18m on capital projects this year, and more than R36m by 1986 New capital projects will be funded easily from internal resources

Tight controls on costs and current assets have enabled Adcock to maintain margins, which, according to Nossel, are the







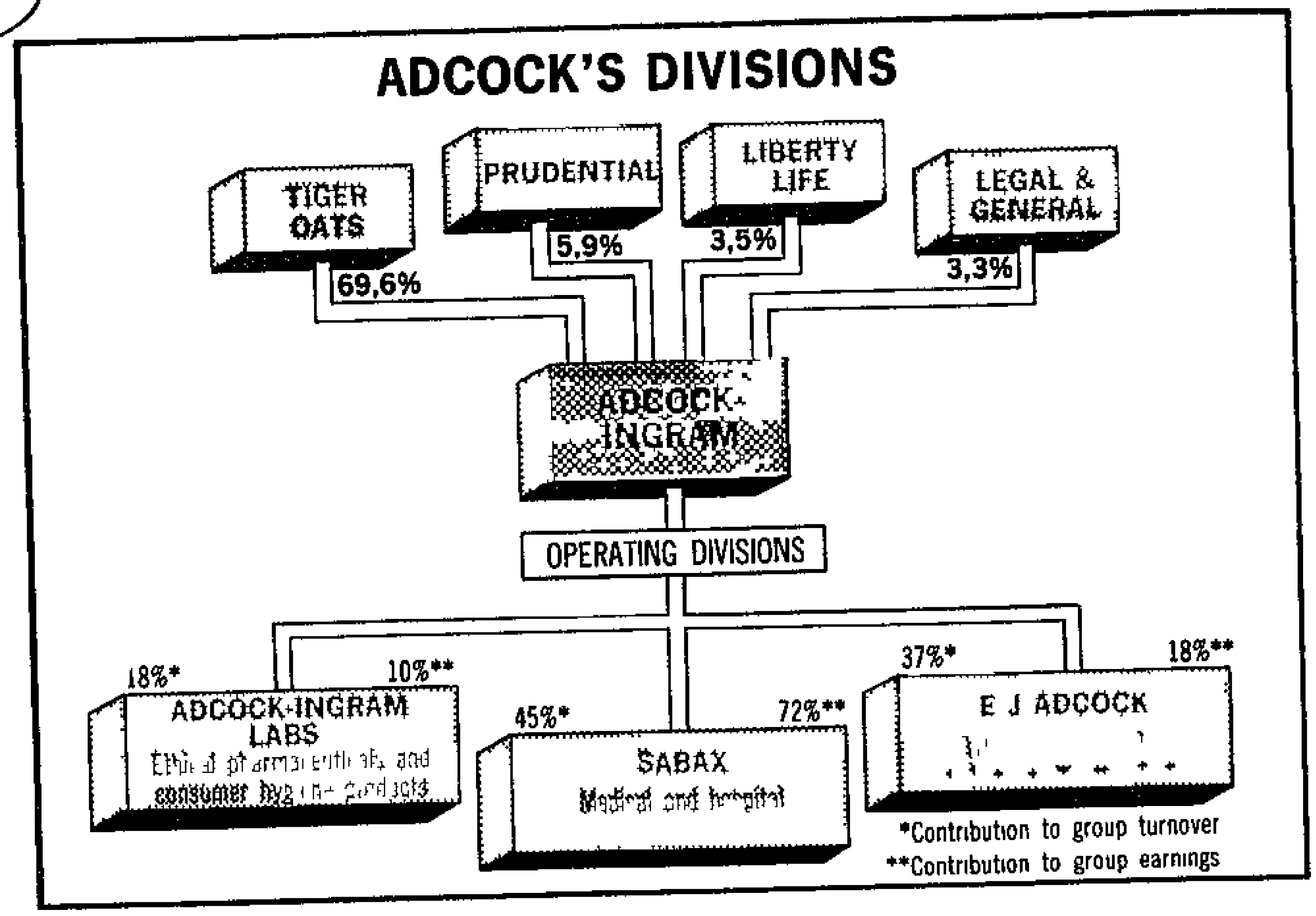
187

highest achieved by any SA pharmaceutical manufacturer and distributor Nonetheless, the firm's return on assets declined last year from 22% to 21% Not surprisingly, efforts to improve returns will be based heavily on squeezing further improvements in productivity from employees

Management monitors internal operations by inviting overseas professionals to work in the divisions and later make recommendations of possible improvements. Nossel was also involved with a US-based consultant, Mel Sorcher, in setting up an Interface Project, which aims to improve communication between supervisors and employees on the factory floor Studies identified 68 points of potential conflict on the factory floor, all of which are receiving attention.

Nossel maintains that people perform best if they are given the chance to grow and develop. The company runs or supports extensive training programmes that teach job skills or literacy, and workers are encouraged to learn more about Adcock's diverse operations

The philosophy of caring for people that management likes to project is reflected, again, in the Family Circle name that appears on the retail chemist divisions This operation comprises about 120 outlets, of which 52 are either wholly or partly owned by Adcock The rest operate on a franchise basis. Although currently confined mainly to the Transvaal and Natal, the plan now is to establish a strong retailing presence in the Cape



Wholesale as well

Family Circle is supplied by the group's wholesale division, E J Adcock, which has warehouses in Welkom, Durban, Klerksdorp and Krugersdorp E J Adcock competes against 12 other wholesaling companies, and, while Family Circle is E J Adcock's primary customer, Nossel says the company will supply anyone wishing to buy from its wholesale division

E J Adcock uses sophisticated electronic equipment, like computerised inventory systems that provide the customer with an itemised list containing quantities of items ordered, and the suggested retail price Adcock is planning to update this system further by installing an automated inventory selection system Robots will then select items from the shelves and group them according to each customer's order

Adcock-Ingram Laboratories produces and markets ethical pharmaceuticals in addition to hygiene and consumer products Its ethical division mainly supplies professionals in medical services, while the division's other products are sold mainly to the public

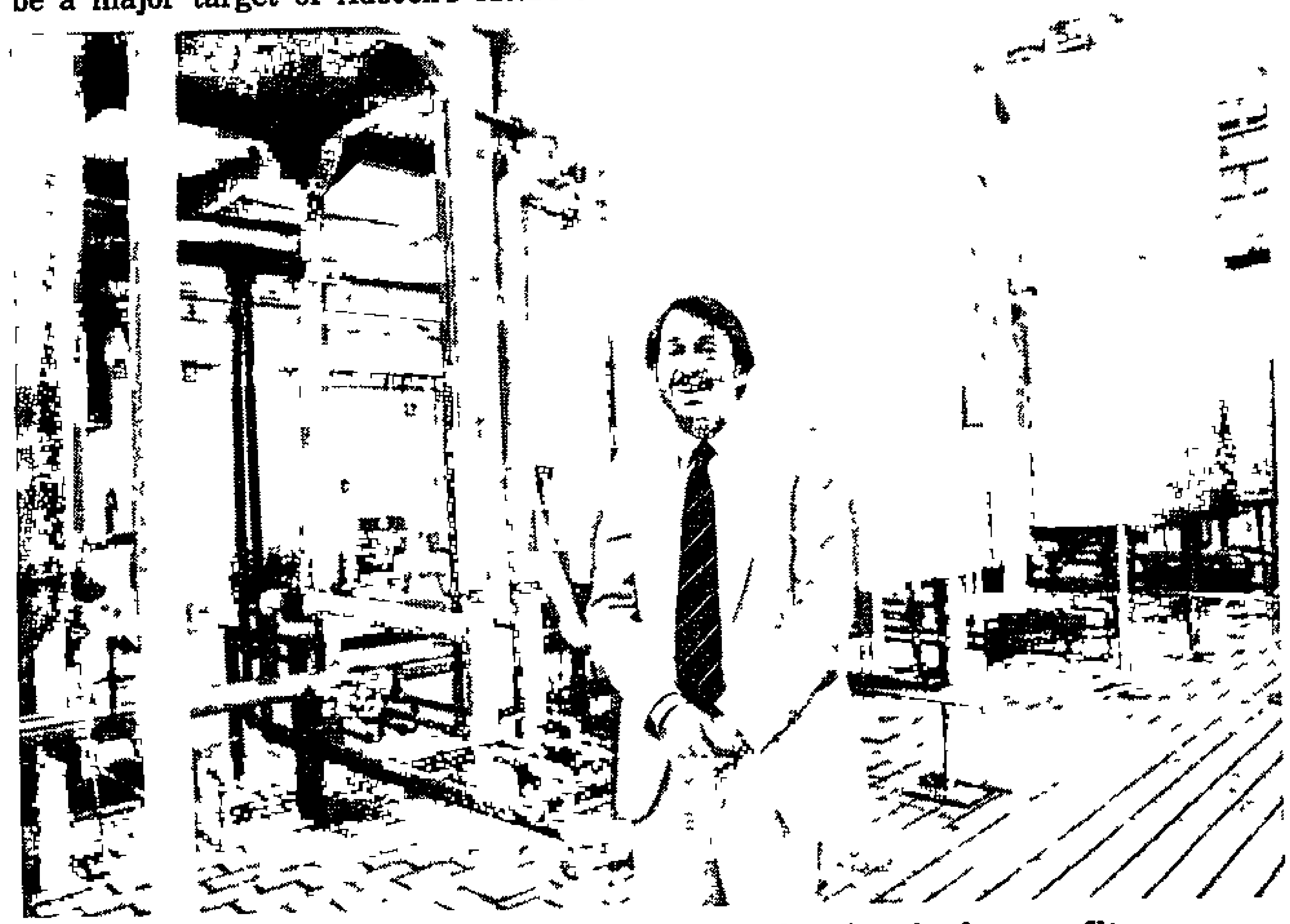
The group spends some R350 000 on research and development While large for an SA company, this is negligible by world standards — development of new pharmaceutical products is highly capital intensive Nossel says SA is creating new chemical products at a snail's pace that leaves his company little alternative but to look overseas Several leading overseas companies provide Adcock with research assistance These include Mundi Pharma of Switzerland, DeBat of France, Aztec of Holland, Jeyes of the UK and Jung of the US

Development times needed for promising new drugs are protracted, partly because of past shocks such as harm caused by thalidomide, which led to extensive controls It now takes some ten years before a new drug reaches the market

New products are, however, introduced where possible Recent examples are medicines to control asthma and to promote the healing of skin tissue Black consumers will be a major target of Adcock's future research programmes, and emphasis will be on marketing new and better proprietary medicines

Adcock shares are tightly held. Its controlling shareholder is Tiger Oats, which is part of Barlow Rand Indeed, only 9 000 changed hands in all of last year However, the group looks set for continued expansion and should meet its objective of increasing earnings at an average rate at least 4% above the inflation rate This suggests that the current year's earnings a share could rise to roughly 600c Present policy is to maintain the retention rate at three times, so the dividend could be about 200c, which is a prospective yield of 3,8% on the price of R53 The share should increasingly assume the status of a blue-chip investment

Stephen Richter



A-I's Nossel . . . developing people, developing profits

RDM 25/4/84

Union accord at drugs firm

183

By STEVEN FRIEDMAN
Labour Correspondent

A RECENTLY-formed trade union for black workers in companies serving the medical profession, has signed its second recognition agreement with an employer

The union, the Black, Health and Allied Workers Union of SA (BHAWUSA), recently became the first union to be recognised by a pathologist's laboratory

Now it has won recognition at SA Pharmaceutical Development Corporation (SAPDC), a Johannesburg pharmaceutical firm.

The agreement is significant for BHAWUSA because the union was originally formed by workers at SAPDC

BHAWUSA has no full-time officials and was formed by SAPDC workers without the help of any of the existing emerging union federations. It began recruiting workers in laboratories as a result of contact between SAPDC workers and the laboratories, which the company supplies with drugs

Members of the union have been involved in one strike — at a Johannesburg laboratory over retrenchments

A joint statement by BHAWUSA and SAPDC announced that a "full recognition and procedural agreement" had been signed by them last week

It said the union negotiating team had been headed by BHAWUSA's president, Mr Tlou Komape, and the company team by Mr Leon Sarnak, managing director of SAPDC

According to the statement, the agreement was preceded by five months of negotiation.

The statement also noted that this is the second recognition agreement signed by BHAWUSA within a month.

"Both parties are looking forward to continuing the excellent spirit of co-operation between management and the union to their mutual benefit," the statement added.

RDM 26/4/84

Police action centre of row

Labour Correspondent

ARRESTS of strikers fired by Triomf Fertilisers at its Potchefstroom plant a fortnight ago have sparked a row between the company and the SA Chemical Workers Union.

Sixteen strikers were arrested on the day of the strike and a further three several days after it.

All 19 were released on paying bail of R500 and have been charged with intimidation. They are to appear in court on May 2

Yesterday, another six fired strikers were arrested at their hostel and charged with trespassing They appeared in the Potchefstroom Commissioner's Court yesterday and are due to appear again today

A spokesman for the union, which belongs to the Council of Unions of SA, charged yesterday that in both cases the arrested workers had been pointed out to police by a company security officer, Mr J J van Zyl.

He said Mr Van Zyl was listed as the complainant in the intimidation charges and alleged Triomf called in police and actively co-operated with them.

He said the police action had prevented a return to work by the strikers.

A Triomf spokesman yesterday confirmed that the company alerted police to the strike, but denied it had been a party to the arrests

He said Triomf offered strikers the use of facilities on company premises to enable them to avoid arrest, but that they turned this offer down.

The strike was sparked by the refusal of several workers to undergo alcohol tests Workers downed tools in their support and were given an ultimatum to return to work or be fired

Triomf fired the entire workforce — about 400 workers — when they ignored the deadline. None has returned to work and Triomf's spokesman said yesterday that the company began a campaign to recruit new labour on Tuesday.

27/4/84

…vorkers dispute

for improvements in …by and call-out allow… production bonuses, … pay and the special … paid to artisans substitute for others

… yesterday the Chamber … offering an 8,5% pay … with no improve… in fringe benefits This was upped to a total … increase of 10% at …day's talks

… CMU dropped yester… … a 15% pay demand … with the fringe benefit … added up to a total … of 20%, to a 10,5% package increase

Johan Liebenberg, in…al relations director for Chamber, declined to … "at this stage"

… Chamber and the unions settled on an 8% … last year plus a 1% in employer contribu… to the Mine Employees … Fund.

Dumped baby boy 'doing fine'

Mail Reporter

AN ALBERTON schoolgirl who will appear in court soon in connection with a newborn baby found abandoned on Monday, was discharged from hospital yesterday and is at home with her parents

The baby boy, currenty at Germiston's Willem Cruywagen Hospital was reported to be "still very badly bruised, but otherwise fine"

He was found head down and naked in a plastic bag in the back yard of a service station by garage owner, Mr Peter Kandralidis, who said he was "ice-cold and crying weakly" The umbilical cord was still attached.

Police said yesterday the girl would probably appear in court next week.

She received blood transfusions earlier this week.

RDM 27/4/84 (183)

400 workers at Reef factory in pay strike

Labour Correspondent

ABOUT 400 workers at the Dunlop Industrial Products plant in Benoni went on strike yesterday after the company and the Chemical Workers' Industrial Union — affiliated to the Federation of SA Trade Unions — deadlocked over wages, a union representative said

She said the number of strikers could grow as it was possible that night shift workers would join the stoppage

The strike comes as Dunlop and another Fosatu union, the Metal and Allied Workers' Union are locked in a continuing dispute over wages and other issues in Natal.

Mawu and Dunlop remain deadlocked over wages at the company's Durban tyre plant and, at one point, the union declared a dispute with the company over union recognition at its Ladysmith plant as well.

The union has declared a dispute with the company at the Durban plant and, in a secret ballot last year, workers voted to strike

Workers at the Durban plant have held talks with Dunlop workers at Benoni and Ladysmith in an attempt to launch joint action in support of their wage demands

The strike at the Benoni plant began yesterday afternoon after CWIU officials reported back to workers that wage talks had deadlocked

The union's representative said the CWIU was demanding a rise in minimum wages of 35c an hour from May 1, but that the company was offering an 18c rise to come into effect on June 1

Comment from the company could not be obtained yesterday

RDM 27/4/84 (187)

R3m spent on housing workers

Mail Reporter

THE BMW motor company yesterday opened a R3-million section of a major housing project for their employees at Mabopane, Pretoria

Mr D P Kirby, the company's industrial relations executive, said the project had been BMW's number one priority The company intended to complete it by the end of September

"We realised that the need of workers should be fulfilled for they are the people who are doing the work and who need to rest after the heavy, all day labour," he said

MATTER OF FACT

TO CORRECT specific errors of fact, write to the Editor at P O Box 1138, Johannesburg, or telephone the Editor's secretary at 710-9111 between 9am and 5pm on weekdays

If you have broader complaints about the Rand Daily Mail these can be taken up with the Mail Ombudsman, James McClurg, c/o the Editor's secretary

POLITICAL comment in this issue by David Hazelhurst and Peter Bunkell newsbills by Pat Carfax, headlines and sub-editing by Paul Holroyd cartoons by David Anderson all of 171 Main Street Johannesburg

…ty insurance renewal reminder

… parties as they could be …ased from so many …

… said many motorists … not aware that, according to law, third party discs … to be placed on the left-… bottom corner of the windscreen and that if new third party was put before April 30, the old disc should not be removed until that date.

Mr Denzyl said the price of a third party for a private vehicle was R20,60, a vehicle used for a lift club was R23,60, rental cars were R54,60, taxis R56,60, trucks R50,60, buses R220,60, school buses R34,60 and motor cycles R4,60 (under 50cc) and R12,60 (over 50cc) Third parties for caravans will cost R4,60

Sapa reports that the AA has said insurance companies were concerned at the slow renewal of compulsory third-party insurance

"The recent announcement by the Department of Transport Affairs of an increase in the third-party insurance premium could have caused some delay in the forwarding of renewal notices, so some motorists may not have been notified in time," the spokesman added

"Nevertheless, it is a serious offence to drive a vehicle without third-party insurance on a public road It is also illegal to replace the old token before the time"

…NT

…ans mask redeems all

…ALLET

…AEFORD DANIEL

…MEO AND JULIET

… State …eatre, Pretoria

… variations are eye-… but this very prom… dancer has, as yet, little …jection in repose

Consider, for instance, the …ceful, menacing presence Malcolm Burn in the role Tibalt. Even when he has … to do, he is there.

The company acquits itself … throughout Highlights … the lovely *pas de deux* … by Weller and Rais…ch, particularly those …graphed for the balco… and bedroom scenes by …tley Killar, the bravura dance of the troubadours in the second act by Kit Lethby, Dewi Fairclough, Nigel Hannah, the harlots of Dianne Finch, Marion Lindsay and Mandy Brak, and most exciting of all, Joseph Clark's impressive debut in the role of Mercutio

With his incredible agility and engagingly impudent air, Clark makes immediate impact, notably in his taunting of Tibalt in the ballroom scene

But is he mature enough, I found myself wondering, to realise the full potential of his complex character, to give credence to that subtle blend of mockery and bitterness that so exemplified Edgardo Hartley's memorable reading of the role?

The duel scene quickly resolved my doubts. Clark is — well — mercutial.

Malcolm Burn, making a welcome return to the company after his triumphs in "Swan Lake" and "Giselle" in Utah, is in excellent form as Tibalt and Phillip Betley is a rollicking, mischievous Benvolio

Jeremy Coles dances Paris with sympathy and elegance

Kenlynne Sutherland is again the Nurse — is there a better? I have not seen her

Ian Harper and Liane Lurie make strong debuts in the roles of Lord and Lady Capulet, as does Spanish dancer Theo Dantes in that of Friar Lawrence Ken Yeatman's entrance as the Duke of Verona has impact

There is attractive ensemble work, notably from Beverly Bagg, Stella Horwitz, Sandra Bloch, Karen Henning, Rolene Menachemson and Annette Everitt as Juliet's friends, and again from Horwitz, Bloch, Everitt and Bagg as troubadour girls

Guitarist Yepes for SA concerts

INTERNATIONAL guitarist Narcisco Yepes is in Johannesburg for a three concert season, starting next week

His first will be in Wits Great Hall this Tuesday, the second in the Linder Auditorium on Sunday, May 10, and the third in the Johannesburg Civic Theatre at 8 30pm on Wednesday, May 30

Yepes will be conducting two master classes on Saturday, May 19 These have been made possible through the collaboration of Adcock-Ingram Ltd, L'Alliance Musicale and the Classical Guitar Society of South Africa.

The closing date for applications, either as participants or as observers, is May 9

For further information, contact the secretary of the School of Music at (011) 716-3879

RHODES PARK

RESTAURANT

executive chef Keith Morris invites you to sample his

NEW WINTER MENU

achieving some depth

V REVIEW

to "Midweek", although Murphy did say that the pro… … mainly because of the ace interviewer, Willem de Klerk, and his guest, the former …

RDM 28/4/84 (183)

Strikers return, but dispute unresolved

By PHILLIP VAN NIEKERK

STRIKING workers at the Dunlop Industrial Products plant at Benoni returned to their jobs yesterday but will decide this weekend what action to take over the deadlocked wage dispute with the company

About 650 workers went on strike on Thursday in support of wage demands

A spokesman for the Fosatu-affiliated Chemical Workers' Industrial Union said the workers were demanding a 35c an hour increase from May 1 while Dunlop was offering an 18c increase from June 1

Both the union spokesman and a Dunlop statement confirmed that the workers returned to their jobs at 9.30am yesterday after which union officials met with management.

They said neither side was prepared to budge and union officials addressed the workers at lunch-time. The situation at the factory remains deadlocked

The Dunlop statement, issued by Mr B H Beebee, director of the company, said the company was still prepared to talk but warned that there would be no further negotiations if the strike action continued

The union spokesman said there was a 36-hour no-dismissal clause — preventing management from dismissing workers 36 hours after the start of a strike — in the recognition agreement with the company

The union believed this clause meant the workers could return and then strike again whereas the company had warned the union that if the workers went out agair they faced dismissal.

ument

RDM 5/5/84

Talks fail to end pay dispute

183

By STEVEN FRIEDMAN
Labour Correspondent

MANAGEMENT at Dunlop Industrial Products in Benoni met Fosatu's Chemical Workers Industrial Union yesterday in an attempt to settle their wage dispute which led to a strike by 400 workers last week — but the meeting failed to produce a settlement.

According to a statement yesterday by a director of the company, Mr B H Beebee, both sides changed their stance at the talks, but the union withdrew its reduced demands after rejecting a new company offer

Mr Beebee said Dunlop "remains available for further negotiations" but added that CWIU had "given no indication" on when it would seek further talks

Workers struck last week after negotiations between Dunlop and CWIU deadlocked. CWIU demanded a 35c an hour increase from May 1, and the company offered an 18c an hour rise from June 1

They returned to work pending further negotiations.

Mr Beebee said CWIU had reduced its demands yesterday and requested a 30c increase from May or a 25c rise in May, followed by a further 8c in September

"In good faith", the company changed its offer to 14c in May followed by 9c in November

After reporting back to its members, however, CWIU had withdrawn its reduced demand "and returned to its previous position of 35c per hour immediately," Mr

183

Competition hots up in rapidly changing explosives market

By Malcolm Fothergill

Behind the dust thrown up by the Hanhill group's problems, South Africa's commercial explosives market — the world's second biggest — is changing fast.

Until recently it was monopolised by the giant AECI. Then, in 1982, the Hanhill group succeeded in breaking AECI's stranglehold on the industry and getting a foot in the door

Now, with the Hanhill group in disarray — an offer of compromise to group shareholders is being drawn up and should be presented formally in the next few weeks — two new contenders have appeared to battle it out with AECI and Hanhill group survivor National Explosives

One, Sasolchem, the chemicals arm of the oil-from-coal giant, is playing its cards as close to its chest as it can

After announcing some weeks ago that it had concluded an agreement with Nitro-Nobel Aktiebolag of Sweden, under which it would become the exclusive licensee in South Africa of the explosives products technology of Nitro Nobel and the Atlas Powder Company of America, it has kept its lip buttoned.

The other, Celtite SA, is busy with a R5 million slurry explosives plant in the PWV area which should come on stream in the next 15 to 18 months.

Managing director Mr John Payne says talks are still going on with an unnamed South African company on establishing the plant.

"There are many ways to skin a cat," he says enigmatically, adding that Celtite does not intend to upset the entire market: "We're aiming for a sensible slice"

Celtite, wholly owned by the Franco-British Exchem group, is no stranger to South Africa's mines. It has supplied strata control to the industry for 17 years and is a market leader in the R12 million to R15 million market for mine roofing products

While AECI will probably continue to dominate the country's explosives market for the foreseeable future — its size, synergies and long-standing relationships with the mines make it a tough nut for newcomers to crack — it might well be feeling more vulnerable than it would care to admit

As recently as January this year it made an attempt — blocked by the Competition Board — to buy National Explosives for R20 million.

This suggests it believes there is a place in the market for NEL's products, particularly its watergel explosive Tovex

Mr Chris von Solms, chairman of the AECI explosives arm, says the company has supplied the mining industry for the past 80 years and intends to carry on doing that, no matter what competitors appear on the market.

Asked whether the company is planning any new products to meet the threats from NEL, Celtite and Sasolchem, he says new products are being introduced all the time.

"We've always made a big research effort to stay ahead of the game and make the cost of breaking rock cheaper. Nobody must ever sit back and be content with what he's done in the past."

AECI spokesmen might insist that Tovex, which NEL makes under licence from the Du Pont group of America, is no threat to AECI, which has made a similar product for many years, but NEL, not unnaturally, believes otherwise.

NEL director Dr Max Hahn says its directors believe it will have around 15 percent of the South African explosives market within the next five years

Sales for January 1984 were more than double those for January 1983 and exceeded budget by 17 percent, he says

"NEL held some five percent of the cartridged explosives market during 1983. Penetration is steadily increasing and sales continue to exceed budget on a monthly basis for the year to date."

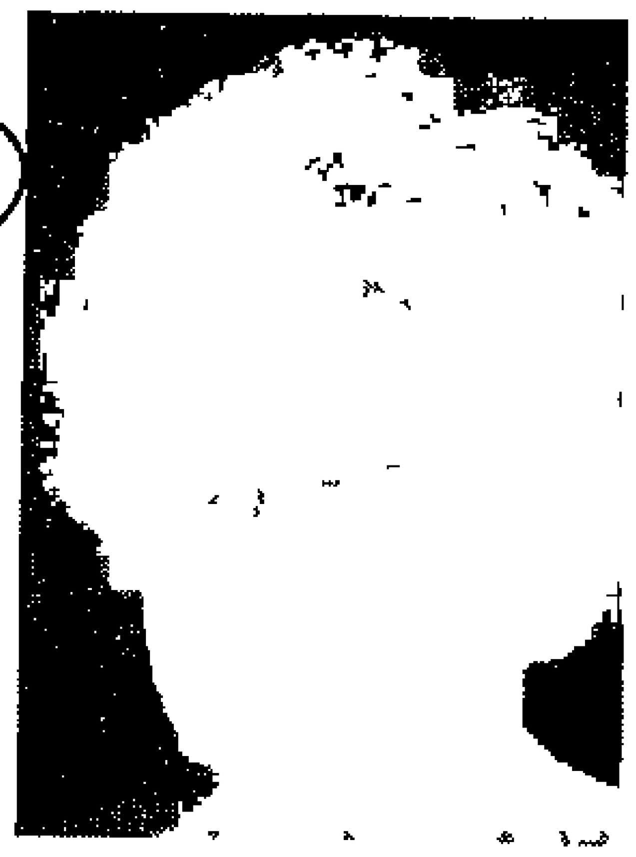
The company's raw materials, mainly ammonium nitrate, are still coming from Swaziland Chemical Industries, one of the Hanhill group's companies now in liquidation

"If SCI is not able to supply requirements, this raw material will be purchased from one of four alternative sources, which are keen to assist."

It's early days to forecast what South Africa's explosives market will look like in, say, two years' time But one thing is certain: competition has arrived, with a vengeance

Dispatch 25/5/84 (184) (128)

Union leader to quit after merger



DR SCHEEPERS

JOHANNESBURG — Dr Anna Scheepers, president of the Garment Workers' Union of South Africa for 46 years, is to quit at the end of the year when her union merges with the Garment Workers' Union of the Western Province

Gwusa, which is to disappear after 68 years of existence, has, according to observers, been a historically important organisation though in recent years its membership and its influence have dwindled

From a high point of 16 000 members in the '50s, Gwusa today has a membership of under 6 000 with branches in Johannesburg, East London, Kimberley, Port Elizabeth and Bloemfontein

The merger will mean a shot in the arm for the GWU (WP) which has a membership of over 60 000 in the Western Cape, and which will become a national union for the first time

Dr Scheepers, who is also a former senator and past president of the Trade Union Council of South Africa (Tucsa), said yesterday she felt "heartsore" to be leaving the trade union movement with which she has been associated for more than half a century — DDC

Reborn Kynoch confident

(183) S. Times 27/5/84

By Don Robertson

THREE months after re-entering the competitive retail fertiliser market, AECI's Kynoch Fertilizer, is confident that it will show a profit on operations this year

This forecast by the chairman, Chris von Solms, follows a devastating drought in which demand fell by about 30%, and a loss by the major producer, Triomf, of an estimated R17-million

Agreements

Mr von Solms believes there will be no growth in the industry this year as farmers are likely to manage with less fertiliser and rely on what is already in the ground The only fertiliser which might be needed is nitrogen, of which the Maize Board still has 50 000 tons

However, demand could be sufficient to absorb the estimated fertiliser stock overhang of about 300 000 tons

However, associations which Kynoch has maintained with farmers since the name was introduced in 1924 and a series of distribution agreements, which it has seemingly concluded in haste, hearten Mr von Solms

In three months, Kynoch has tied up with Vetsak and its 400 co-operative outlets, established a marketing plan for Natal, acquired a distribution operation, set up field forces in the Western Cape, the Northern and Eastern Transvaal and concluded agreements with Agritek and the Farmers Organisation

However, because of the competitive nature of the industry, Mr von Solms, is reluctant to discuss marketing strategy or production figures

He is confident that "farmers will buy from anyone who offers a good technical service, a quality product and reliable delivery"

Explaining the decision to enter this overcrowded market, Mr von Solms says the abolition of price control changed the basis of inter-company sales of raw fertiliser products and made it more tempting to sell directly to farmers

This is the main reason why AECI split with Triomf "We would not have done it if we did not think we could do better," says Mr von Solms

"We don't share the bullish view that Triomf has on exports and that's why we sold our share in Richards Bay"

EVENING POST, TUESDAY, MAY 29, 1984

Rumanian barter deal 'helped SA farmers'

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PRETORIA — A barter agreement through which South Africa had exchanged 200 000 tons of yellow maize for 208 000 tons of urea from Rumania in 1982 had benefited South African farmers by R6,8 million, the chairman of the Maize Board, Mr Crawford von Abo, said yesterday

Mr Von Abo was responding to Press reports that the barter transaction had resulted in a loss of R20 million and that the Maize Board should shoulder full responsibility for the transaction

He told a Press conference that despite the restrictions imposed on the Maize Board by the Government, the country's farmers had paid R6,8 million less for fertiliser as a result of the deal

Moreover, a loss of R17 million would have been suffered had the maize been exported normally, but the Maize Board had managed to reduce this amount by R838 000, and still had another 56 000 tons of urea in storage which it could sell, Mr Von Abo said

He said that if the board had been allowed to sell the total 200 000-ton maize consignment in 1982, the financial benefits from the urea deal would have amounted to more than R27 million.

Referring to the restrictions imposed by the Government regarding the deal, Mr Von Abo said the Maize Board had had to sell 60 000 tons of urea to the fertiliser industry at a special price of R202,50 a ton, which was the price laid down by the Minister of Commerce and Industries, Dr Dawie de Villiers

The retail price of urea at the time was R341 a ton

In addition, a 10% surcharge was introduced after the barter agreement was concluded

The Minister of Commerce and Industries had also instructed that the urea be handled and stored by the fertiliser industry The urea was stored outside under sails

"The Maize Board had to pay R13 per ton for this inadequate storage The Maize Board's own agents were prepared to store and handle the urea for only R10,10 per ton," Mr Von Abo said

Despite these restrictions, however, the deal had sharpened competition in the fertiliser market and the maize farmer was still reaping the benefit from this, he said

"It is known today that the agreement widened South Africa's maize market and certain steps were initiated which could also benefit other South African products

"The positive results which have already resulted — and are still flowing from this deal — cannot be questioned," Mr Von Abo asserted

Asked why South Africa had exchanged the maize for urea, Mr Von Abo said Rumania had indicated that it wanted maize, but that it was unable to pay for it, so had instead offered urea in exchange for the maize

A parliamentary select committee has been appointed to look into the barter transaction — Sapa

CAPE TIMES 4/6/84 183

AECI to expand factories

JOHANNESBURG — AECI is to embark on a programme of constructing a network of explosives factories costing an estimated R100m, the chairman of AECI Explosives & Chemicals, Mr Chris von Solms, said

The network would make it possible to supply up to 92 percent of customers' requirements by road on a daily basis, he said

The first of the new plants in the current decentralization project is to be erected near Bethal at a cost of R30m It will have a production capacity of 40 000 tons per annum

Construction is expected to commence in the last quarter of this year

Mr Von Solms said a site for a factory near Welkom has already been acquired, and a further two sites selected Their location would be announced once negotations were completed

The project is a further phase of AECI's decentralization policy begun in the late 1970s

"The first phase was the installation of 14 bulk on-site facilities at a cost of R10m over a period of six years, to serve individual mines in Southern Africa This was followed by the commissioning of the R60m Mankwe factory in Bophutatswana in 1982," he said

Mr Peter Gush, an executive director of the Anglo American Corporation of South Africa Ltd, has been appointed to the board of directors of Nefic

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KOHLER

A position in plastics

Gencor subsidiary Kohler has used acquisitions to establish itself as SA's largest manufacturer of plastic packaging — the fastest growing sector of the packaging industry But the strategic investments were made at a high price Profits dived over the past two years and the return to former growth levels may be slow

In recent years Kohler has become the lame duck of the packaging sector Until the year to end-December 1982, the company enjoyed growth in annual profits of about 30%, but last year earnings a share plummeted to below 1979 levels The accompanying charts show how critical financial indicators have deteriorated since 1981 Yet major competitor Nampak lifted earnings 84% in the same period — so the recession is clearly not the only cause of Kohler's profit slide

In the 1981 financial year — Kohler's best — the company's senior management team changed considerably Towards the end of that period, when the company was already showing signs of heading for a steep decline in profitability, former Sappi Kraft MD, Ian Willis, joined Kohler as chief executive Undaunted by the management upheaval, and the erosion of profit margins, he embarked aggressively on the acquisition trail

After seriously considering the various alternative forms of packaging, management decided to stick to plastic and paper packaging — Kohler's traditional line of business Glass and tin packaging had been contemplated, but it was perceived that this could be a fruitless route for expansion At that stage, both Consol (in glass) and Metal Box (in tin) already had significant excess plant capacity So a decision was made to use the latest Japanese technology, especially in plastics, to compete directly with their products

The packaging industry relies heavily upon the whims of the consumer In fact, the role packaging plays in determining a consumer's preference for any commodity — compared to another which is basically identical other than how it is presented on the shelves — cannot be underestimated Manufacturers and retailers are fully aware of this This partly explains why the packaging industry's growth rate has consistently exceeded gdp by about 1% a year

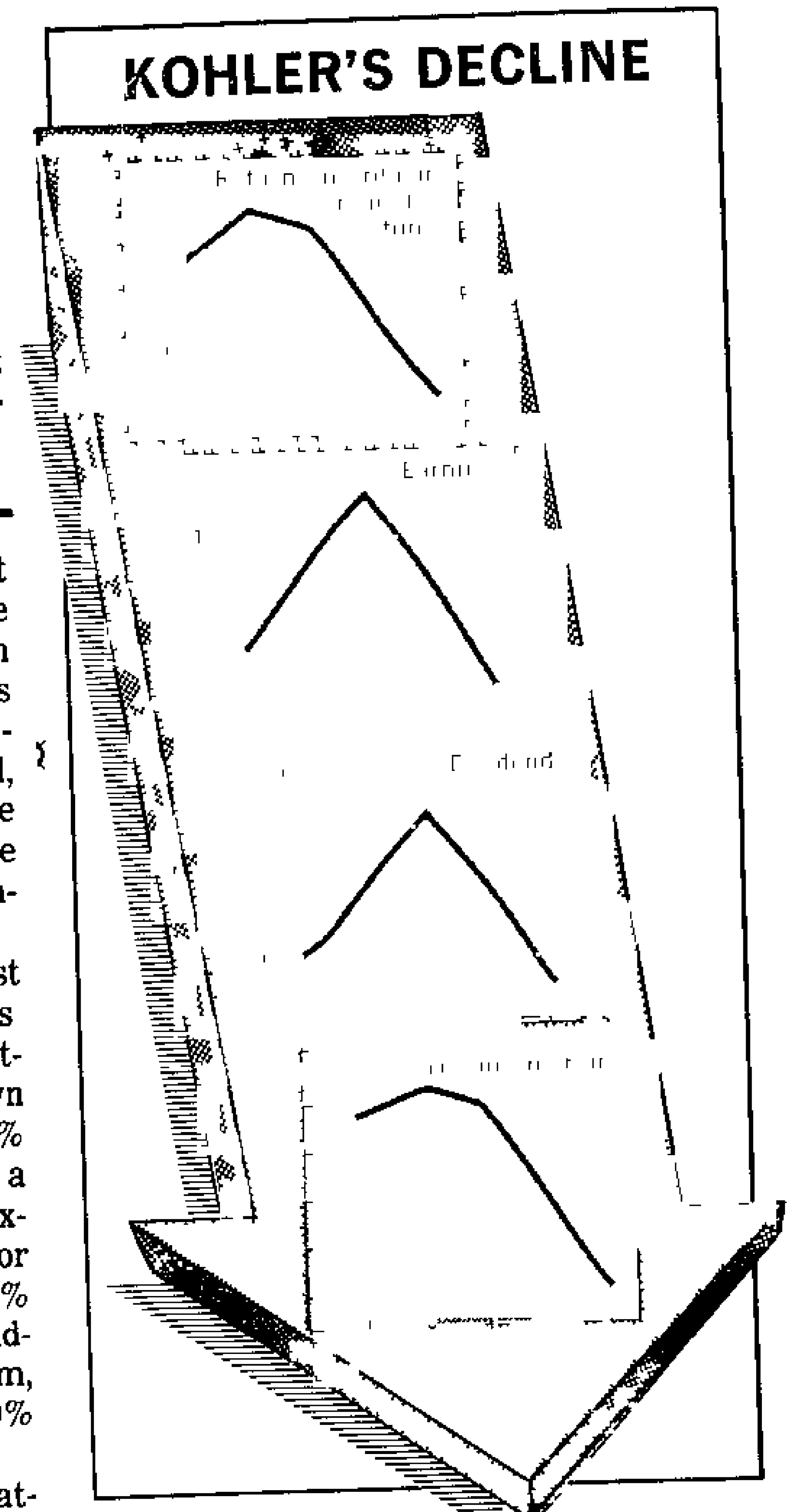
Market strategy

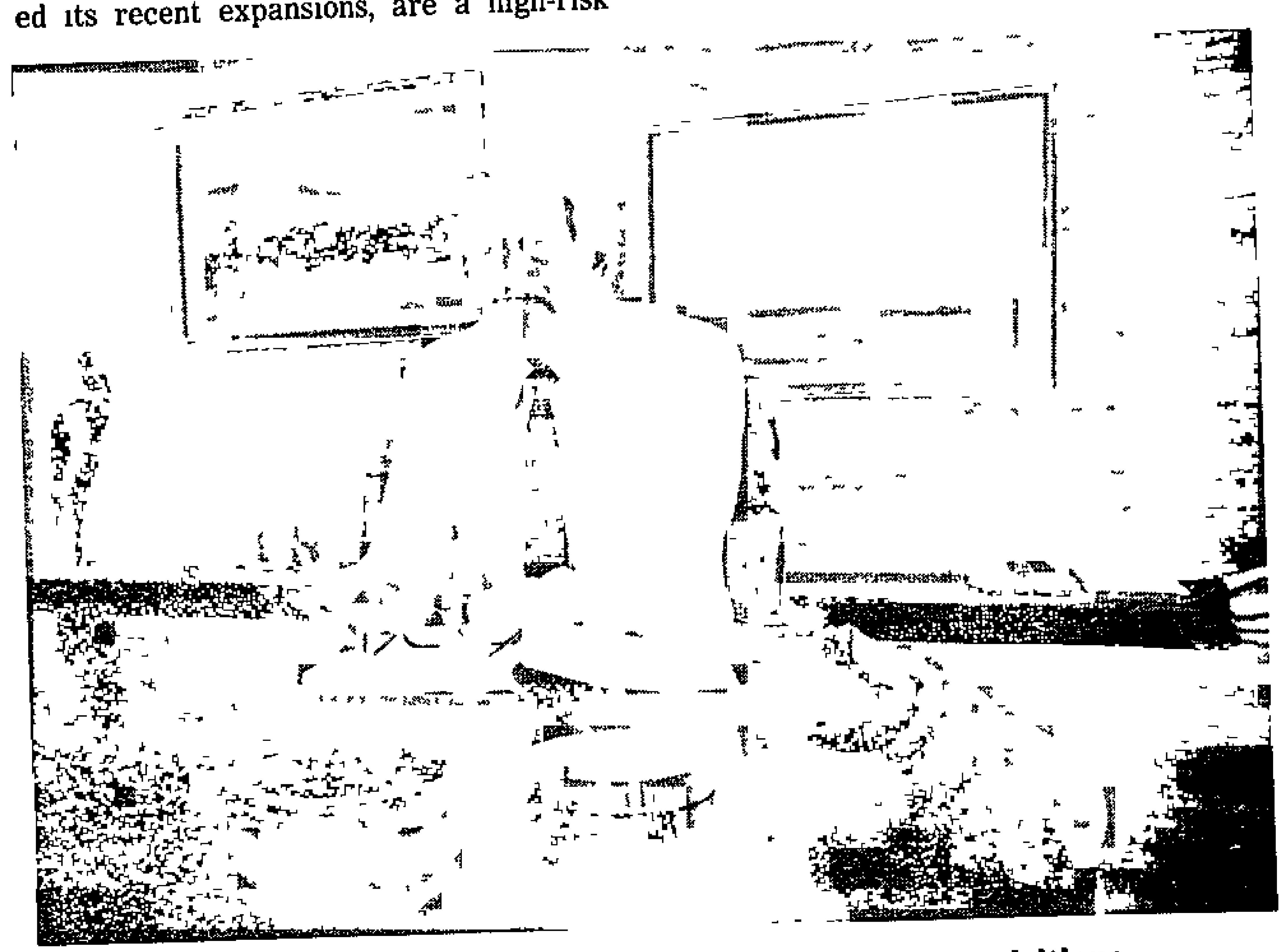
Kohler has a simple strategy in plastics It says, in effect, that it is free to try and carve out market share from traditional glass and metal containers But as yet the strategy has not paid off The acquisition of Wiggins Teape's and DRG's packaging interests (it sold DRG's stationery division) has, if anything, been a drag on profitability so far These acquisitions were mainly financed by borrowings, and last year interest costs exceeded any profit contribution Overall profits slid

The debt equity ratio weakened following the recent purchase of Xactics, though it is still too early to determine if this investment will also worsen overall negative gearing in the short term Gencor bought Xactics last year, but resold it to Kohler at a price several millions of rand below the original figure Kohler wrote off about R7m relating to goodwill paid for Xactics This year the business systems division of Kohler was sold to Nampak for R12,5m and, simultaneously, certain Cape-based flexible packaging operations of Metal Box were bought for R5,3m The debt position improved by R7,2m

It seems difficult to justify the high cost of this expansion route But, Willis says "These acquisitions are strategic investments and I expect them to pay their own way in 1984 ' Kohler now has at least 50% of the plastic packaging market, though a high price has been paid for this rapid expansion In two years Kohler's turnover for the year to end-December leapfrogged 67% to R291m Nampak, in its two years to end-September, lifted turnover 47% to R674m, but its (lifo) earnings a share advanced 30% in the period

Plastics, in which Kohler has concentrated its recent expansions, are a high-risk





Chief executive Willis . . . confident about acquisitions

183

Kohler's operations . . . a long haul to health

business New technological developments can render sophisticated plant uneconomic virtually overnight Nonetheless, plastic packaging markets are growing faster than any other sectors of the packaging industry, as plastics become substitutes for certain traditional materials

The plastics sector is contested by many, relatively small entrepreneurs Willis does not see them as a serious threat to Kohler but admits they keep the giants on their toes. Further acquisitions large enough to significantly increase market share have become difficult to find, but management is still on the look-out for specialist operations which fit into Kohler's strategy niche For the next few years, though, expansion will be led by organic growth

Margins lowered

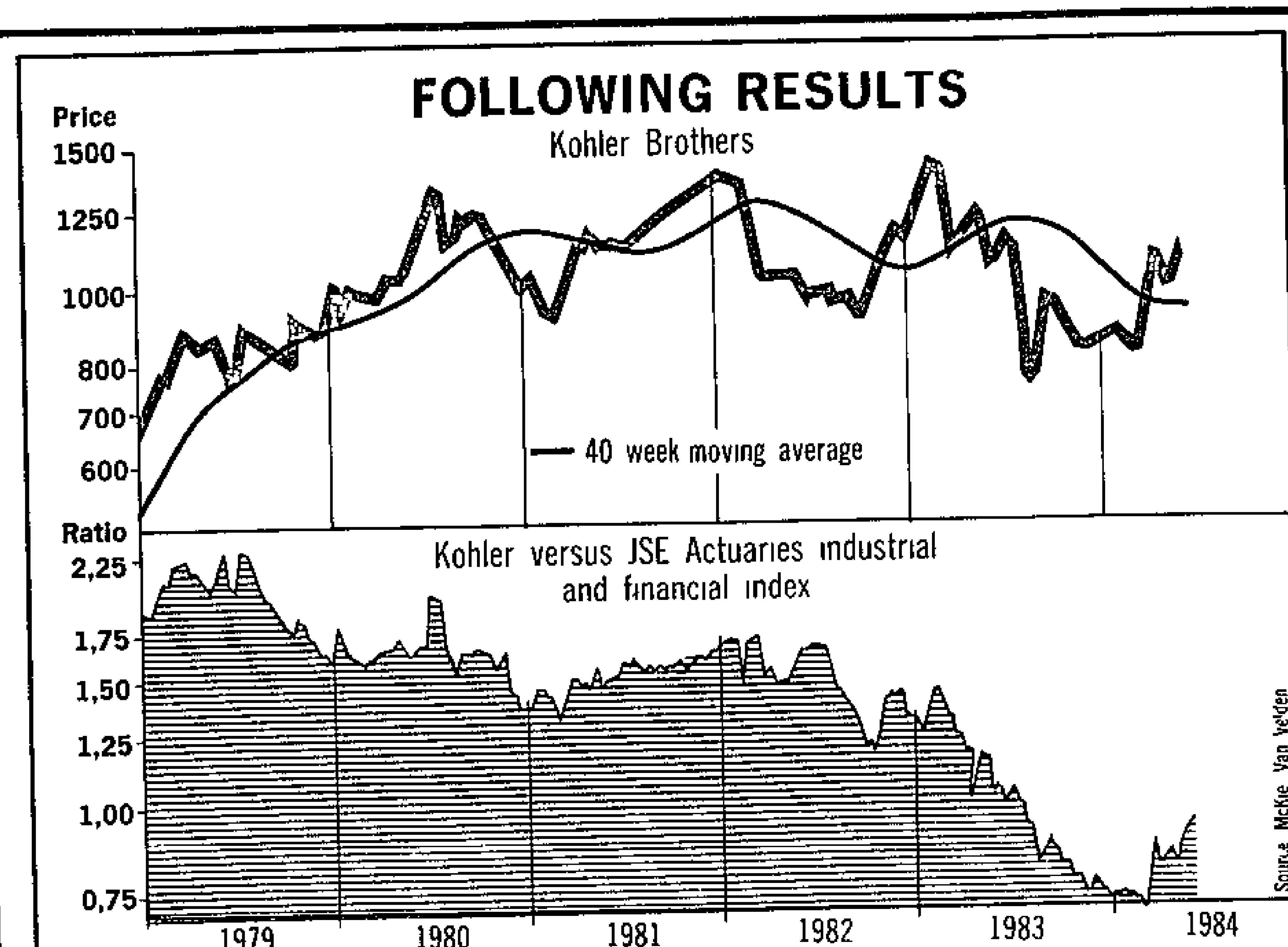
Numerous competitors were spawned out of the 1980 boom in corrugated packaging A dozen new competitors nationwide have emerged in the last 18 months alone All of which has lowered margins — and a battle royal for sales has been taking place in the Western Cape The competition has inevitably affected the profitability of the division, which is the second largest producer in SA

In an effort to stop the profit slide and get the company back on to the right profit growth track, Willis has simplified and reorganised the management structure and the various operations He is confident that Kohler will soon have successfully digested the acquisitions, and with performance ahead of budget at this stage he expects to report improved results for the six months to end-June

Results for the second half of last year show that earnings had improved The share price has advanced 37,5% this year, which seems to suggest that the market is taking a more positive view of the company Investors who believe that profitability is recovering are probably right But the road back looks likely to be long and arduous

At the current price of 1 140c, the stock yields 4,6% on dividends and 9,8% on earnings There is no apparent reason why Kohler should be rated more highly than Nampak or Consol Without hard evidence of consistently better trading results, the upward re-rating seems premature and overdone

Brian Zlotnick



The accompanying charts, which show both the price and relative strength action of Kohler, clearly reflect the company's poor earnings performance during the past two years

Though the packaging company's share price rose strongly during the bull market of 1978-80, until it peaked at 1 400c, its action since that time has left much to be desired After falling to support at 900c in both 1981 and 1982, Kohler made two unsuccessful attempts to rally substantially above the 1980 high And last year, the share lapsed into a bear market which carried it below the support level

This poor showing is evident on the relative strength chart which compares Kohler's price to the JSE Industrial and Financial Index. While the price peaked in 1980, the share's relative strength topped out during the previous year when the ratio moved above 2,25 Since that time, Kohler has not kept pace with the overall market and the relative strength chart has been in a long-term downtrend

However, 1984 could be painting a different picture The price has rallied strongly from its recent lows and the long-term moving average is turning bullish This strong showing is also being reflected by the relative strength ratio which has advanced from 0,75 to 1,00 in a very short time

This all suggests that Kohler's price could remain in an uptrend for a while longer. But the real test will be whether the price will finally move above the 1 400c-1 450c resistance area And this should not occur until investors are convinced that the fortunes of the company have indeed improved

Stephen Richter

RDM (183) 6/7/84

Substitutes could destroy us, say drug companies

By **DAVID FURLONGER**
Industrial Editor

WIDESPREAD use of generic — or substitute — drugs could destroy the pharmaceutical industry.

Dr Hugo Snyckers, president of the Pharmaceutical and Chemical Manufacturers' Association of SA, says suggestions that medical costs could be slashed by the use of generics are reckless

"The possible savings aren't worth the problems," he says "If you want to destroy the South African pharmaceutical industry, this is the way to do it"

Manufacturers of generic drugs have enormous advantages in keeping down prices

Built-in costs like research, marketing, advertising and specialised packaging all push up the price of brand-name products Generics bear none of these costs.

Nevertheless, complaints that the pharmaceutical industry is charging too much has prompted the Government to suggest generic drug substitution The industry is fighting this

Dr Snyckers, managing director of Noristan Holdings, insists that the industry is not opposed to generics as such — "they are a fact of life"

However, there are fears among manufacturers and some doctors that widespread use of cheap generics could have unfortunate side-effects

They argue that a free-for-all would force smaller manufacturers out of business, push bigger groups into a cut-price war and encourage unscrupulous elements to offer bribes or indulge in unethical deals with pharmacists

HUGO SNYCKERS . . . savings not worth the problems.

It could also have more serious side-effects

According to a leading SA medical journal "Generically manufactured products have a well-known track record for poor quality control and inconsistent bio-availability The patient will not respond to treatment as rapidly nor as effectively as he would to a product which has the name of a reputable company to maintain

"Worse, an inferior generic could result in unacceptable side-effects with the resultant added cost of treating the side-effect, if not the cost of possible litigation"

Given all that, there is no doubt that widespread use of generics would drastically cut medical costs

Dr Snyckers, however, denies that brand-name drugs are overpriced

"We don't accept the cost of medicines is too high, particularly if you take the average between the State and private market Increases in the last few years have been below the rate of inflation Why should we be singled out for particular criticism?"

Some industry critics point to the huge difference in prices paid by the Government and individuals.

Dr Snyckers admits the discrepancies are "rather wild" but says the Government cannot afford to increase its price

However, the Government, which buys its drugs by tender, has reportedly offered to pay a higher tender price if private-sector prescription drug prices are reduced

The pharmaceutical industry believes generic drugs introduce a new element into this argument

"As soon as generic products are given full rein, the State will be obliged to give the tender to the lowest bidder," according to Dr Snyckers "The main suppliers can either not compete and lose business, or go down in price and get some money back

"Either way, it is an unsatisfactory situation for companies that have invested huge sums in research and quality and would discourage research-based investment in this country"

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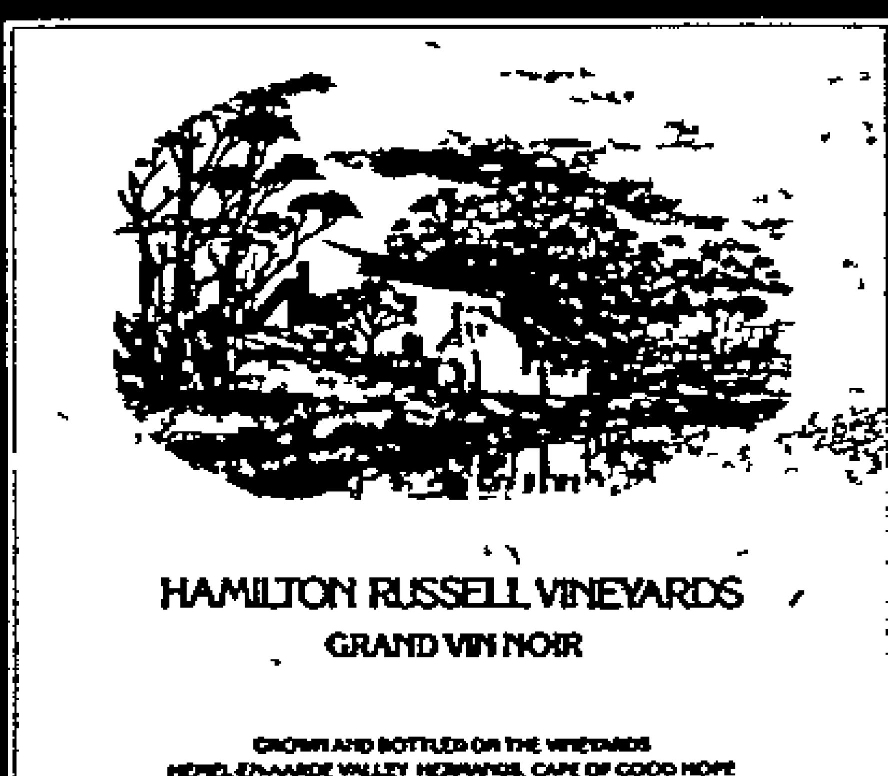

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53445/1

trate on getting the party message to rural Afrikaners in a more effective way. Nel believes that the difficult economic situation favours the CP. When the new constitutional dispensation is working, the platteland will lose its feeling of being threatened and return to the NP, Nel says.

Transvaal NP leader F W de Klerk calls the Potgietersrus result "disappointing" and points to a significant lie factor in the election. "We will immediately start with follow-up work to get to the underlying reasons for the negative reactions to government policy, especially in the northern Transvaal," he says ."I believe we are on the verge of making a breakthrough in the platteland."

Hartzenberg believes the NP will not again have as favourable a climate for elections. The new constitution has not yet been implemented and there is still some propaganda value from PM PW Botha's European tour.

After September it will be much worse for government because the people will see all the implications of the new dispensation and the economy will have deteriorated even further, he claims

But some NP MP's believe the new constitution will have the opposite effect. "I think all reasonable South Africans will then feel the excitement of the new future," one MP says. "And the people will then see that CP propaganda was false — the Afrikaner is not about to be swamped by coloured and Indian people. Life is going to go on as before, but we will be significantly closer to peace and racial harmony."

The NP seems resigned to losing some more ground in the mini election that will take place if a number of MP's — there could be as many as 10 — resign before the new tricameral Parliament is instituted. They are mostly MPs who are reaching retirement age who want to give their successors the opportunity to start with the new dispensation.

Several Cabinet ministers may also resign or be moved to the new President's Council The names most often mentioned are those of Posts and Telecommunications Minister Lapa Munnik, Community Development Minister Pen Kotze and Co-operation and Development Minister Piet Koornhof.

LABOUR DISPUTES

183

Trouble for Triomf

The SA Chemical Workers' Union (Sacwu) has applied to the Minister of Manpower to appoint a conciliation board to try and secure the reinstatement of 440 workers dismissed earlier this year at Triomf's Potchefstroom fertiliser plant.

The application follows the acquittal of 19 Triomf workers who were tried under the Intimidation Act in the Potchefstroom Regional Court last week The

Triomf's Luyt ... offer dependent on company profits

charges resulted from a work stoppage at the plant on April 12 when workers struck in support of colleagues who refused to undergo an alcohol test.

On that day, according to the union, workers were warned they would lose their jobs if they did not return to work by 10 am the next day When they arrived at the plant the next day they found a contingent of police waiting outside the gates and 19 workers were arrested. Included among them were Sacwu members and shop stewards

Last week, Potchefstroom Regional Court magistrate T F Veldman dismissed the case against them because the State failed to produce sufficient evidence to support the charge.

A spokesman for the union told the *FM*: "We are applying for a conciliation board for the reinstatement of all the workers If the board fails to resolve the issue, we will take the matter to the Industrial Court."

A Triomf spokesman told the *FM* he could not comment on the union's action as the company was not yet aware that an application had been lodged. However, he did say that most of the 440 dismissed workers had been replaced. This factor could cause a headache for Triomf if the conciliation board decides in favour of the union.

Sacwu has had a difficult relationship with Triomf In March the Potchefstroom plant was hit by another strike when workers protested against the company's refusal to refer a long-standing wage dispute to arbitration The strike was settled when Triomf MD Louis Luyt personally intervened and offered to compensate the workers at the end of the year if the company makes a profit.

☐ Trade unionists point out that in recent months there has been a growing trend for security legislation to be used against unionists and striking workers.

Business Day/LABOUR RDM 9/7/84

183

Employee victory on maternity rights

AN AGREEMENT signed between the Chemical Workers' Industrial Union (CWIU) and a Pinetown company, NCS Plastics, last week comes as a significant worker victory in the increasingly important field of maternity rights.

While most emerging unions are restricted at this stage to demanding unpaid maternity leave, which amounts to the right to return to work, the NCS deal is the first time a union has won the right to paid maternity leave

The company has agreed to pay 33% of normal wages for three months obligatory maternity leave with a further three months optional unpaid leave

There is to be paid time off to attend post-natal clinics and mothers are to be guaranteed job security without any loss of benefit or good standing

This, though it sounds quite sane and reasonable, is a right virtually unheard of in SA industry

The plight of working mothers — the lack of legal protection and the hostility of many employers towards providing for their needs — was highlighted in a paper recently published by researchers at the University of the Witwatersrand

They concluded that only trade union pressure on employers could start to change the vulnerable situation of mothers who often do the most unskilled, low-paid, labour-intensive jobs

The NCS agreement also includes an unusual precedent in that fathers have been granted two days paternity leave

□ □ □

THE National Union of Furniture and Allied Workers (Nufaw) has been defeated in its attempt to prevent a Fosatu affiliate, the Paper, Wood and Allied Workers' Union (PWAWU), recruiting members in the furniture industry

In so doing it has further weakened the closed shop in the industry which — despite protests from established unions that it is a hard-won right serving the interests of workers — is seen as a means of preventing workers joining the unions of their own choice

The attempt by Nufaw (which has a nationwide closed shop in the industry compellling every worker to belong to it) to block the PWAWU is a good example of this

Nufaw asked the Rand Supreme Court to stop the PWAWU recruiting workers in the furniture industry after a dispute at a Brits factory, Pat Carrick, in which workers wanted to resign from Nufaw and join the PWAWU.

The Rand Supreme Court handed down a judgment last week in which Nufaw's case was defeated with costs

tion, particularly among coalminers, and there could be more spontaneous industrial unrest this month.

While the National Union of Mineworkers (NUM) has members at all four mines hit so far and is in dispute with the Chamber of Mines over the increases, they have not called for a strike and in fact don't want their members out at this stage

According to Mr Cyril Ramaphosa, general secretary of the NUM, they want to go through all the legal channels first and are determined to opt for a legal strike if no settlement is reached.

This means the labour situation on the mines looks set to be interesting for some time to come

LABOUR NEWS

RDM 12/7/84

1 400 striking workers 'fired'

183

Mail Reporter

THE Federation of South African Trade Unions (Fosatu) Johannesburg shop stewards council have pledged their support for more than 1 400 workers allegedly dismissed for striking at Illman Plastics.

In a strongly worded statement yesterday the council — which represents four Fosatu unions — said they would not let the dismissals rest and appealled to other workers not to "divide" them by taking jobs at the company.

According to the statement, the workers, members of Fosatu's Metal and Allied Workers' Union, were fired on June 27 after striking at four of the company's plants in protest against the dismissal of a colleague

Negotiations for the workers' reinstatement had been held, but no settlement had been reached.

The council statement said they would "campaign in all our factories until the Illman management comes to their senses"

They appealed to Illman to continue negotiations on the workers' reinstatement

The statement said the dismissals came at the same time as increases in general sales tax, rent, water and electricity and that the loss of employment to about 1 500 workers would create problems for the community.

A spokesman for the company said about 99% of the council's statement was "science fiction" and that the board would study the complete statement before "maybe" responding to it.

Sowetan 13/7/84 183

Workers want to be reinstated

THE South African Chemical Workers' Union (Sacwu) has applied to the Minister of Manpower to appoint a conciliation board in an attempt to secure the reinstatement of about 440 dismissed strikers at Triomf's Potchefstroom fertiliser plant.

A union spokesman told The SOWETAN yesterday that if the board fails to resolve the matter, they will take it to the Industrial Court.

The application follows the acquittal of 19 Triomf workers who were tried under the Intimidation Act in the Potchefstroom Regional Court recently

The workers were arrested following a strike at the plant on April 12

The strike was in protest against colleagues who refused to undergo an alcohol test

According to the union spokesman the workers had been warned that they would lose their jobs if they did not return to work On arrival at the plant they found police waiting outside the gate and 19 of them were arrested

In a subsequent court trial the workers were discharged after the magistrate found that the State had failed to prove its case beyond reasonable doubt

The spokesman said it was in the light of the court trial that "we have applied for the board to settle the dispute — failing which we will go to the Industrial Court."

The union felt that the workers had been "unfairly dismissed and have to be reinstated "

A company spokesman said that they intended to defend the matter because, the sacked workers had gone on an "illegal strike."

160 back on the job at AECI

Star 19/7/84

Labour Reporter

The three-day strike by 160 workers at AECI's Vynide plant in New Germany, Natal, ended today when they returned to work

The strikers had downed tools at 6 am on July 16 in protest over what they called "unfair distribution of short time" at the plant

Discussions were held by shop stewards and officials of the Chemical Workers' Industrial Union in an attempt to resolve the dispute

In a statement released yesterday, AECI said a number of meetings had been held between management and the union, and employees would today return to work, resuming their normal hours

Workers arrested and hurt in police clash

183

Star 20/8/84

By Carolyn Dempster, Labour Reporter

At least six chemical workers were admitted to hospital and 34 others arrested after a clash between riot police and a crowd of dispersing strikers outside Sentrachem's Karbochem plant in Newcastle last week

More than 200 members of the SA Chemical Workers' Union (Sacwu) gathered outside the factory on Friday and refused to resume work until a shop steward dismissed earlier in the week had been reinstated

Lieutenant-Colonel Vic Heynes of the South African Police public relations division in Pretoria, said today that police had warned about 200 workers who had gathered outside the factory and told them to disperse

"They moved on to the public road leading to the factory and started stopping passing motorists," he said

The police used sjamboks and patrol dogs to disperse the crowd and arrested the workers, of whom 11 received dog bites and had to have treatment

Those arrested were to appear in the Newcastle Magistrate's Court today on a charge of holding an illegal gathering

RDM 24/8/84 (183)

Union, firm dispute over foremen ends

By STEVEN FRIEDMAN
Labour Correspondent

A DISPUTE between the Chemical Workers' Industrial Union and a Wadeville company, Chesebrough Ponds, has ended with the company agreeing that black supervisors can belong to the union.

But the CWIU has agreed in exchange that supervisors will be represented by it in discipline cases only and that it will not negotiate pay for them.

This agreement comes at a time when, according to unionists, there are growing demands by black supervisors to join emerging unions.

They say the issue is "popping up increasingly" as more black workers become supervisors, but that employers often argue that the supervisors are part of management and should not be represented by a union.

According to a CWIU representative, Chesebrough Ponds is one of a number of companies at which black supervisors have joined emerging unions.

The union says most supervisors at the plant belong to it and that many have been CWIU members for nearly two years.

Last year, however, a supervisor was fired, which led to a stoppage at the plant. When union shop stewards attempted to take up his case, they were told he was part of management and that they could not act on his behalf.

This led to a dispute which ended recently in an agreement allowing supervisors to be represented by the CWIU in discipline cases, but not if they have grievances. The union will also not negotiate pay for them.

"This accords with what supervisors wanted — they didn't feel strongly about being covered by wage agreements," the CWIU's representative said.

A company spokesman, Mr Dale Ralph, confirmed the agreement, but added that supervisors would not be allowed to stand in union shop steward elections.

He said Chesebrough Ponds had "grave reservations" about allowing supervisors to be represented by stewards, who were their subordinates in the factory.

If they were union members, they would also be "torn between union policy and their duty to management".

He said supervisors at Chesebrough Ponds were more managers than workers.

Strike was legal, staff were fired

24/8/84 Star

183

Dispute process fails the worker

Within an hour of embarking on a legal strike 1 200 workers at a Natal company were fired en masse last week. The action has focused attention on a growing debate of critical importance in industrial relations: why should a union follow statutory dispute-settling procedures if an employer can still legally resort to mass dismissal — and what are the implications for the resolution of future industrial conflicts? CAROLYN DEMPSTER reports.

The face of South African labour relations has undergone rapid and dramatic change in the five years since Wiehahn, but one crucial feature remains unchanged

Under the Labour Relations Act, South African workers still face the threat of dismissal in the event of strike action — legal or illegal

The lack of protection for the worker who has religiously followed the official dispute-settling procedures, only to be faced with firing at the end of the process, may be the rock on which a system of sound industrial relations will founder

There is growing consensus among labour experts that there is little incentive for unions to observe the legislation if they gain nothing by it

To facilitate sound industrial relations, South Africa's strike law will have to change to afford some protection to strikers, and employers will have to recognise the employee's right to strike, they argue

At present employers can resort to lock-outs, mass dismissal and the threat of dismissal to coerce striking employees to go back to work

This happened in South Africa in January this year when a national legal strike by 8 560 members of the SA Chemical Workers' Union (SACWU) was broken by threats of dismissal by AECI management

SACWU general secretary Mr Manemi Samela stated the union's case simply "There was nothing we could do The workers were in a position where they were not protected by legislation and management could have carried out the threat."

Last week at Dunlop Tyre in Durban 1 200 members of the Metal and Allied Workers' Union (Mawu) were fired shortly after embarking on a legal strike

"The fact that workers can be dismissed within the first hour of a strike in terms of the Labour Relations Act proves how totally inadequate current labour legislation is," said Mawu "There is obviously little incentive for workers to follow the law in respect of strike action"

Professor Loet Douwes Dekker ofWits Graduate School of Business has said the practice of dismissing striking workers is unfair and the ability to strike must be protected

Unions that faced the prospect of mass dismissal of their members on a legal strike should be able to challenge the dismissal in the Industrial Court and seek a Section 43 reinstatement order on the basis of an unfair labour practice Alternatively they should be able to seek damages and take the matter to the Supreme Court

The past few years have seen an increasing use by emergent and largely black unions of official dispute-settling machinery. This trend could well change if unions see no point in following the lengthy procedures for dispute resolution, he said

In a recent paper on "The right to strike" he says the AECI case demonstrated that employers in South Africa "are not prepared to grant workers the right to strike"

This runs counter to current practice in Britain and on the Continent where striking workers are protected against being dismissed although they do forfeit all pay and benefits for the period

In Professor Nic Wiehahn's view the dismissal of workers participating in a legal strike could be considered an unfair labour practice — of both the statutory and non-statutory kinds

"If the employee has chosen the legal strike route he should be afforded some protection I don't think we can allow a system in South Africa where there is no distinction between the effects of a legal and an illegal strike," he added

Professor Johann Piron of the University of South Africa's School of Business Leadership agreed that workers should have greater rights in a legal strike

"But you have to remember the whole industrial relations system in this country is in the melting pot Up until now strike law hasn't been touched"

Mr Clive Thompson a prominent labour lawyer and lecturer at the Wits Centre for Applied Legal Studies, has said it is likely that unions, to guard against mass dismissal, will build some protection into recognition agreements with employers

However, this was likely to happen only with enlightened employers "The inadequacies of our law are not conducive to sound industrial relations"

FERTILISER EXPORTS

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Triumph for Triomf?

Triomf is set to acquire a US partner for its Richards Bay facility, which produces phosphoric acid and di-ammonium phosphate (DAP) mainly for the export market

"We have been negotiating for two months with several parties, including four overseas companies," says Triomf chairman Louis Luyt "We have made good progress with one of them to come in as a partner and for the supply of raw materials at attractive prices"

The news has puzzled many in the local industry who maintain the operation is not competitive by world standards Nonetheless, Luyt says an announcement could be made "in the next week or so" The new partner is expected to buy a stake of between 25% and 50%

If the deal goes through, Triomf will obtain a major raw material, phosphate rock, through its partner from the US, instead of the local IDC-controlled producer, Foskor Prices will apparently be lower and determined by an agreed formula

"This would be unlike the present monopoly situation where we simply have to accept price increases as and when they are conveyed to us on the telex," says Luyt

Cabinet approval

Triomf has already imported phosphate rock at prices claimed to be lower than Foskor's (*Business* August 3) And Luyt again denies reports that it made big foreign exchange losses on these imports, since they are used in exports which earn dollars

"We have Cabinet approval to import this rock for re-export," he says "It is just unfortunate that we are not allowed to use it for the local market as well"

He adds that transport costs will also be lower — about $8/ton to ship from Florida, US, to Richards Bay compared with about $14/ton to rail from Foskor's mine at Palabora

"At present, our phosphoric acid is the cheapest in the world for these reasons and because of the lower value of the rand," he says "And we have sold every drop of phosphoric acid we can produce until the end of the year"

But there is no way of knowing whether or not these sales were profitable, since Triomf has not divulged figures for its export operation

Luyt insists the Richards Bay exports are profitable.

The export scheme was established after the 1973 oil crisis when Morocco, a major supplier of phosphoric acid, pushed prices through the roof In those days prospects looked good But this changed when world prices dropped a few years later after a number of big US producers came on to the market This was one of the causes of the dispute between Triomf and Gazocean in the late Seventies, when the two parties could not agree on selling prices

The new arrangement could thus be a way for the Louis Luyt Group to lessen its exposure in the world market, which is not as attractive as it appeared a few years ago

It is also held by some that SA does not have the natural advantages to make it a competitive exporter of either phosphate rock or phosphoric acid at present world prices Local rock quality is good but has to be mined from beneath far heavier overburden than in mines in Morocco and Florida, US


Phosphate partner . . . months of negotiations

Rail distance from Foskor's mine to the coast is about 1 000 km, but distances to the coast from other world producers are far shorter

Triomf could well score on transport costs under the new envisaged import/-export arrangement But imported phosphate rock is of lower quality than the local material This could put up the cost of making the final product, even if the imported rock is cheaper, as claimed This could necessitate increased imports, probably from Canada, of sulphur, which is another vital ingredient of phosphoric acid

Luyt disputes this and says, in addition, that the increased throughput from the new business opportunities estimated at 30%, will make the operation even more profitable

It may be sour grapes, but most of his competitors agree that Luyt will need more than his usual charisma to compete against US companies in an export business which involves shipping in rock from the US and sulphur from Canada to make a product which is then shipped back to South America

New printers' union will strive for labour unity

Star 3/8/84

By Carolyn Dempster, Labour Reporter

A new national printers' union has been formed with the aim of uniting all trade unions operating in the industry

The National Union of Printers and Allied Workers (Nupawo) was launched this week at a meeting at the Ipelegeng Community Centre in Soweto

The union's new president, Mr Alfred Mtsolongo, said some of the objectives of Nupawo were to foster and promote a working class leadership and to work towards trade union unity

The meeting decided to conduct continuous negotiations with other unions to bring this about

Other members of the executive are Mr Albert Mhlungu, vice-president, Mr Martin Mphoreng, general secretary and Mr Ben Mthombeni, treasurer

The union intends holding its second congress shortly to launch a Transvaal branch

* * *

The SA Chemical Workers' Union has applied to the Minister of Manpower for the appointment of a conciliation board, in a bid to win the reinstatement of 440 workers dismissed early this year at Triomf's Potchefstroom fertiliser plant

Izwilethu, the newsletter of the Council of Unions of South Africa, said the decision to apply for a board had been taken after the case against 19 Triomf workers charged under the Intimidation Act had been thrown out of court in June

The State failed to produce sufficient evidence to support the charges

The workers were arrested following a stoppage at the plant on April 12

They downed tools in support of colleagues who had refused to undergo breathalyser tests

If a conciliation board fails to resolve the dispute, the union has indicated it will take the matter to the Industrial Court.

* * *

A call by the Trade Union Council of SA (Tucsa) for stiffer penalties for employers who withhold industrial council contributions is being considered by the Department of Justice

The matter was referred to the department by the Industrial Registrar, who told Tucsa that legal provision for more stringent penalties would not necessarily lead the courts to take a tougher line

Argus 13/9/84 (184)

Worker dies in explosion at Epping factory

(183)

Staff Reporter

A WORKER was killed this afternoon in an explosion at a chemical factory in Epping Industria

An ambulance took the worker, whose name is being withheld, to Conradie Hospital, where he was certified dead

Cape Town fire brigade were called to the plant of Fine Chemicals in Hawkins Avenue

A brigade spokesman said the worker was fatally injured when a lid of a centrifuge separator machine came off and hit him following an explosion

Dispute over 'segregated' buses

STAR 21/9/84

By Carolyn Dempster, Labour Reporter

AECI's segregated internal busing system at their Modderfontein plant could turn into an explosive labour issue.

The busing system was introduced about a year ago to ferry 5 000 employees from the gate to manufacturing areas of the plant

With the later introduction of an enlarged service, AECI segregated the buses - but according to status, never race, says Mr Bokkie Botha, group personnel manager.

Members of the South African Chemical Workers' Union (SACWU) are incensed because the category division effectively means a racial separation.

The SACWU branch secretary, Mr Norman Hlatswayo, said white unions were adamant buses should not be integrated.

The black employees are equally adamant that the buses should be integrated, in line with enlightened AECI policy.

At a meeting this weekend, SACWU members resolved to board "white" buses.

Mr Hlatswayo said when they attempted to do this yesterday, they were hauled off by armed security officials.

AECI admitted the system had resulted in complaints, by black and white employees.

"Some white employee representatives wanted to see more segregation, while others wanted totally integrated buses," said Mr Botha

"There is currently a sub-committee of trade union representatives discussing the problem"

He said the issue had not been formally raised by any unions.

President Ronald Reagan sip... ...st celebration in Milwaukee this week. Mr Reagan spoke to a large...

... 10% by South African Airways to restruct... air fares announced this week by the Minister of Transport, Mr Hend... Schoeman has angered tr... el agents.

Mr Karl Flateau, man... ing director of a travel ag... cy and chairman of the re... council of the Association...

RDM 28/9/84

183

200 back after stoppage

By PHILLIP VAN NIEKERK

ABOUT 200 workers at Mathey Rustenburg Refiners in Wadeville, Germiston, who stopped work on Wednesday in protest against a supervisor who allegedly called their colleagues "kaffirs", were back at work yesterday

They returned after management agreed to investigate "allegations of bad language and unfair treatment"

A South African Chemical Workers' Union spokesman said the entire workforce downed tools after the suspension of 14 workers who stopped work on Monday in protest against the supervisor, who shouted and swore at them and called them "kaffirs"

The workers are demanding the immediate dismissal of the supervisor

'Sexist' judge drops ruling

INDIANA — Judge James Clement wants the men to wear the pants in his courtroom but he will not push it.

The Superior Court judge drew a refusal this week from the county prosecutor Jack Crawford, who said he would not require women prosecutors to wear skirts

The judge backed off, saying the memo was only expressing his preference

Mr Crawford, who employs the women deputy prosecutors, said. "I have told Judge Clement I will not require my female attorneys to wear dresses and skirts"

"In fact the reaction was pretty much that it was sexist." — UPI.

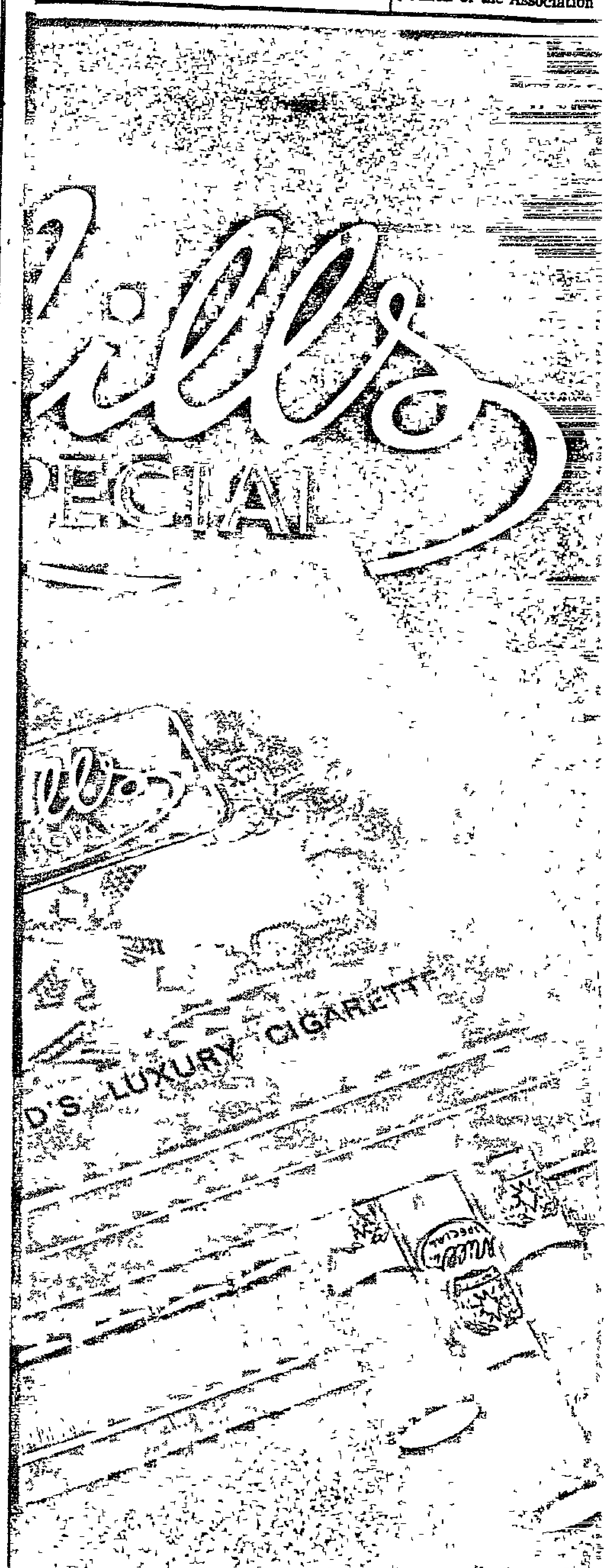
Chicken load disappears

Mail Reporter

THE TRUCKLOAD of live chickens that stood in central Hillbrow, Johannesburg, since Sunday vanished without trace yesterday

The chickens keeper, Mr Shadrack Mnyayi, told the Rand Daily Mail this week that he and his employer, Mr Louis Changuion, had arrived from Amersfoort and had not managed to sell the chickens they brought with them.

Presumably the two have sold the chickens or found an alternative venue for their sale.



Govt to sell off sorghum breweries

183 3/10/84 C-Times

Own Correspondent

JOHANNESBURG — The government is to start selling off its highly lucrative sorghum beer business to the private sector

But it is likely to face strong objections by black local authorities who derive a large proportion of their income from sorghum beer sales

The sorghum industry, which was recently consolidated into a number of consortiums under the control of the development boards, will become seven companies whose shares will be available for bids by private interests, Dr Gerrit Viljoen, the Minister of Co-operation, Development and Education, said yesterday

Production

Sorghum beer production in the 24 breweries brought in profits of almost R70m last year on a turnover of about R250m for the development boards (known as administration boards until a name change on April 1 this year)

The profits have traditionally been ploughed into social projects in black areas and it is the loss of this important source of development revenue which the black local authorities object to

When plans to privatise the industry were mooted last year, the then chairman of the Soweto Council, Mr David Thebehali, said he would object in the strongest possible terms to sharing sorghum beer profits with white entrepreneurs.

Yesterday, the opposition spokesman on finance, Mr Harry Schwarz said the government should not have decided to privatise the industry without asking the black local authorities, who are "very short of income"

Dr Viljoen said the new measures will give time for the local authorities to find alternative sources of income and they will also allow for shares to be bought by members of the black community.

The chairman of the Central Management Committee for the Sorghum Beer Industry, professor Tinie van Vuuren said last night that the Government's policy was not to turn the industry immediately over to private interests, but to hand it over gradually

"I think there has been a commitment to eventual total privatization but in the initial period it will be a slow process of privatization After three years the government will review the situation to see how far the process has gone," he said.

He added that it would not be "fair" to allow entrepreneurs to set up their own breweries at this stage because the industry is operating at only 40 percent to 45 percent capacity.

"However, clearly the end result should be a completely free situation"

Sales of sorghum beer have declined marginally over the last five years to about one billion litres a year and Professor Van Vuuren believes the injection of private interests into the industry will improve the marketing of the product

Shareholders

When new legislation is in place the development boards will become shareholders in the breweries and new management companies to accommodate the private sector will be formed

The major private contenders for the industry are likely to be SA Breweries and Kirsh Industries Both companies operate breweries in the homelands and Kirsh also produces the dry form of the beer for the "homebrew" market

SAB already brews about 500m ℓ in Botswana, Lesotho and Swaziland and it has recently acquired a breweries in Ciskei, Venda and Gazankulu

AECI's policy on jobs ignores race, colour and creed, says MD

4/10/84 Star 183

The Star Bureau

LONDON — If anyone working for AECI in South Africa is capable of doing a job "he will get that job, irrespective of race, colour or creed, and he will also get paid the same wage", according to the company's managing director.

In an interview with Richard Rolfe, published as an AECI-sponsored advertisement in the Financial Times in London on today, Mr Denys Marvin said: "In AECI we are colour-blind in the way in which we treat people, and that is the way it is going to stay."

Asked about the building of the "mega-methanol" plant which he has talked about in the past, Mr Marvin said "It is strictly related to Government's attitude to investment in liquid fuels.

"Policy has always been to have at least a certain percentage of fuel requirements indigenously produced, for obvious reasons

"As the market grows it is going to be necessary to build another plant," he said.

"Now, as to whether it is Sasol 4 or the 'mega-methanol' plant, leading to the use of methanol as a replacement for diesel, is something we are still waiting to hear about from government.

"If we do go ahead, it would be financed off-balance sheet — a separate entity in terms of financing."

On a related question about the development of diesanol,

Mr Marvin said that it had progressed to the point where the technology "has been completely proved in road trials with diesel engines"

He added that it was the company's belief that the product could well have "very interesting saleability overseas.

"Not only does diesanol enable methanol to be used as a diesel, but it will upgrade inferior diesels, and we see a potential use there"

22/10/84 The Star Monday Octobe

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Minister's Triomf decision angers SACWU

By Carolyn Dempster, Labour Reporter

The South African Chemical Workers' Union (SACWU) is incensed over the Minister of Manpower's rejection of an application for a conciliation board in the dispute involving 440 workers at the Triomf Fertiliser plant in Potchefstroom.

The action has effectively barred the SACWU from taking the dispute to the Industrial Court to seek the reinstatement of the dismissed workers.

At a Press conference at the weekend, SACWU general secretary Mr Maneni Samela said that the union would be lodging a Supreme Court appeal against the Minister's decision

DOWNED TOOLS

Application for the conciliation board arose from the dismissal of 440 striking Triomf workers on April 13 this year. The workers refused to take part in a breathalyser test and downed tools in protest

Triomf management issued the strikers with an ultimatum — return to work by 10 am the next day or face dismissal.

On April 14, when a number of the workers returned to resume their jobs, 16 were arrested by the police, and subsequently a further three were held

All were charged under the Intimidation Act, but the case was quashed in Potchefstroom's Regional Court on June 27 because the police failed to produce evidence of intimidation.

Committee members present at the time of the strike have alleged that Triomf management had conferred with the police before certain strikers, among them shop stewards and union members, were arrested

RDM 24/10/84 (183)

Triomf row: Union to appeal to court

Mail Reporter

THE South African Chemical Workers' Union (SACWU) is to appeal to the Supreme Court to overturn a ruling by the Minister of Manpower in a dispute with Triomf Fertiliser.

The union will ask the court to overturn the Minister's refusal to appoint a conciliation board in the dispute which was over the firing of 400 workers.

The workers — from Triomf's Potchefstroom plant — were dismissed after stopping work in April in support of nine fellow-workers who refused to undergo an alcohol test.

Charges of intimidation against 16 of the workers were dropped in the Potchefstroom Magistrate's Court in June.

The union applied to the Minister in mid-July to appoint a conciliation board, alleging that the workers were locked out and that their dismissal was an unfair labour practice.

Last week — they received a letter from the Minister of Manpower telling them their application had been turned down.

Mr M Samela, general secretary of the SACWU, said the union would appeal to the Supreme Court to have the Minister's decision reversed.

He alleged that Triomf, whose chairman is Mr Louis Luyt, had a close relationship with the State.

He said this explained the Minister's decision to block the conciliation board and the use of police to arrest workers at the time of the strike.

FM 26/10/84

DISPUTES

No joy at Triomf

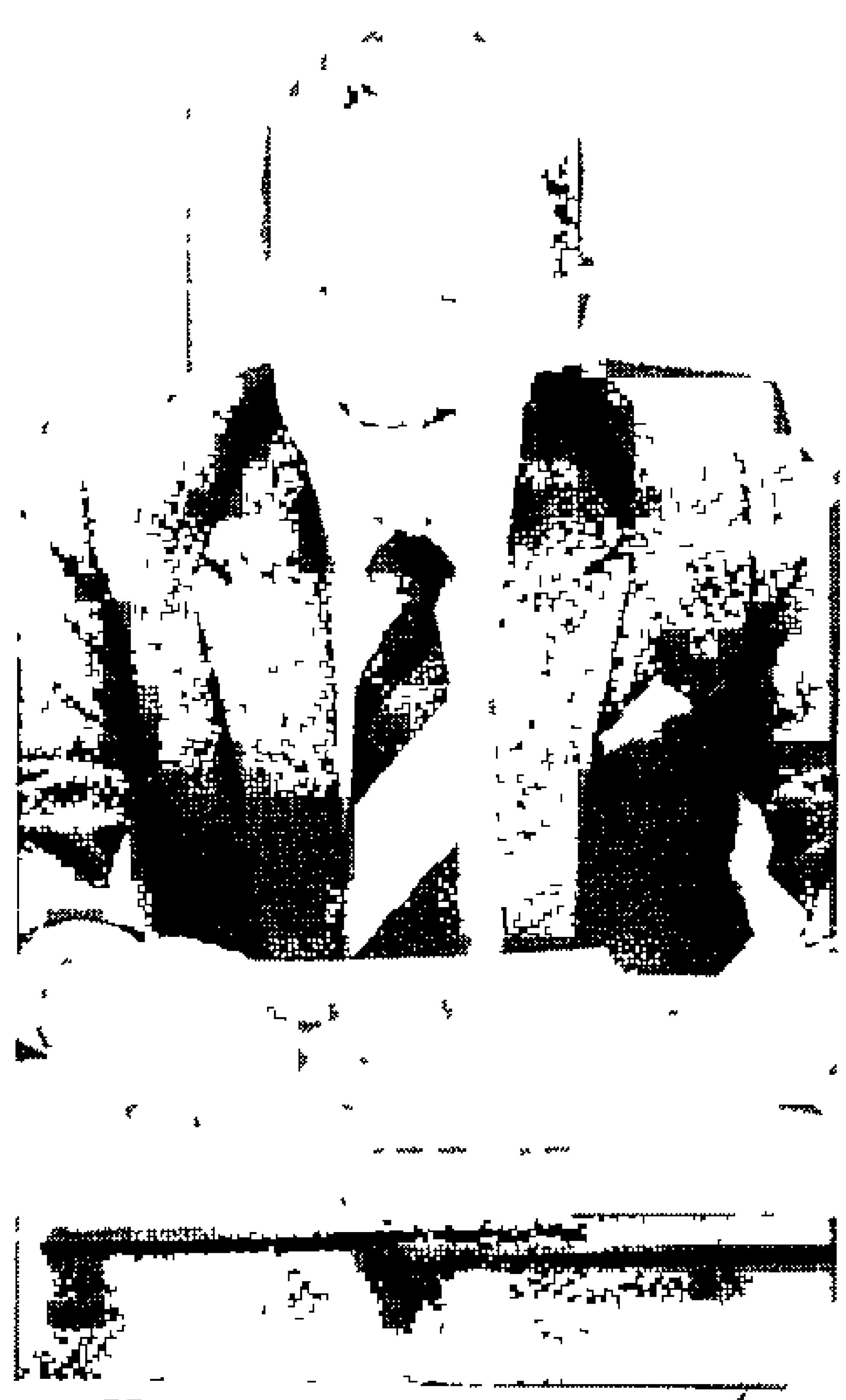
Manpower Minister Pietie du Plessis has rejected an application by the SA Chemical Workers' Union (Sacwu) for the establishment of a conciliation board to consider the reinstatement of 440 workers dismissed for striking at Triomf Fertilizer's Potchefstroom plant.

The strike occurred when Triomf dismissed nine employees who were accused of refusing to undergo breathalyser tests. Last month Du Plessis approved the establishment of a board to consider the original nine dismissals, although he barred it from viewing the dismissals as an unfair labour practice (ULP) Dates for the board's meetings are still to be set

Sacwu, an affiliate of the Council of Unions of SA, has attacked the Minister's refusal to appoint a board to consider the mass dismissals, accusing him of showing "no concern for the interests of workers."

The department's acting director general, Skippie Scheepers, describes the accusation as "totally incorrect." He also calls the union's statement "unfortunate" He says such statements are "not conducive to dispute settling and are bad for the image of the official system."

Scheepers declined to tell the *FM* why the Minister had decided not to appoint a conciliation board. He also declined to give reasons why the Minister had not included the possibility of an ULP in the board considering the nine dismissals



Manpower's Du Plessis ... no need to give any reasons

Scheepers says that when the Minister considers such matters he canvasses the views of all concerned and bases his decision on the available evidence and in terms of the framework of the Labour Relations Act It could "create problems to open discussions on the reasons for these decisions," Scheepers told the *FM* He points out that the Act stipulates that the Minister is not bound to make the reasons for his decisions public.

Several unions and labour lawyers have in recent weeks criticised other ministerial decisions to block the consideration of ULPs by conciliation boards, and therefore by implication the Industrial Court They argue that these decisions render the official dispute-settling procedures unworkable and that the court should be left to decide on these issues without ministerial interference

Most of Secunda's workers dismissed

183

Star

Labour Reporter 6/11/84

Sasol this morning told most of its 6 500 Secunda workers they had dismissed themselves by observing the two-day regional stayaway and asked them to collect their pay tomorrow

Ultimatums were issued to morning-shift workers by the management of Sasol 2 and 3 in Secunda last night and a return-to-work deadline of 10 30 am was set.

The assistant general manager of Sasol, Mr Robin Hugo, today said notices had been distributed to all employees warning them the stayaway constituted a breach of their contracts

Most employees who participated in the stayaway live in hostels in the eMbalenhle township

The Chemical Workers' Industrial Union (CWIU), which claims a representative majority at the plants, held a meeting there at 4 30 am today but failed to persuade workers to return

They refused to enter buses laid on to transport them after the meeting, and in spite of an extension of the deadline to 11.30 am most failed to return to work

The afternoon and night-shift workers have been warned to return within two hours after the normal clock-in time

Sasol's sacked 6 000 will wait to be evicted

183

Star 7/11/84

By Carolyn Dempster and Langa Skosana

Buses were waiting and a makeshift pay-out point had been erected in the Secunda township of eMbalenhle to prepare for the removal of the 6 000 Sasol workers who were dismissed yesterday for taking part in the two-day regional stayaway.

While a mass meeting of dismissed workers at the eMbalenhle township hostel this morning resolved to wait to be evicted, police with dogs patrolled the township in hippos and vans with dogs.

More than 6 000 workers at Sasol's two Secunda plants — Sasol 2 and 3 — were told yesterday that they had "dismissed themselves" by observing the stayaway and failing to meet return-to-work deadlines

Arrangements have been made to pay out the workers and send them home by 6 pm tonight, a spokesman for Sasol said

But the company has given a verbal undertaking to the Chemical Workers' Industrial Union (CWIU) that the workers will not be unlawfully evicted from the hostels

Workers who arrived at the gates of Sasol 2 and 3 this morning were turned away by security and told they were no longer employees

Mr Michak Ravuku, branch chairman of the CWIU, said the workers would not voluntarily be sent back to the homelands to starve

● To Page 3, Col 7

Quiet return to work after stayaway

By Staff Reporters

Normality returned to Transvaal townships today as workers streamed to work after observing a two-day stayaway in protest at the Government's intransigence in attending to black people's grievances.

The stayaway was accompanied by violence in which at least 22 people, including one policeman, have died since Sunday.

The army was deployed to help police in the townships, but this has not been confirmed or denied by police spokesmen.

Workers in townships of the East Rand, Vaal Triangle, Johannesburg and Pretoria went to work today without incident

In Tembisa, the scene of intense violence over the two days, thousands of residents flocked to work.

Several people who had managed to sneak to work yesterday were severely assaulted when

● To Page 3, Col 7

Workers urged to unite

The Minister of Manpower, Mr Pietie du Plessis, today called on workers involved in the mass stayaway of the last two days to stand together and not allow themselves to be exploited for purposes which were not in their interests.

"The fact that there had to be such widespread victimisation and intimidation to force people to stay away from work proves that certain revolutionary and political cowboys do not have the popular support they claim," he said.

"Intimidation is one of the lowest, most undemocratic and unchristian tactics that can be used to make people subscribe to your particular political view."

The Minister said there was adequate provision in existing labour legislation for all workers of every race to improve their working conditions Illegal strikes served only to cause unnecessary hardship, he said. — Political Correspondent.

SADF involvement 'should be quite clear'

The police will not issue statements on future joint South African Police-Defence Force operations

"The State President himself as well as prominent members of the Government have already spelled out the situation clearly," said a spokesman for the Police Division for Public Relations in Pretoria today.

"The Defence Force assisted us in the past and will do so in future whenever it is required," the spokesman said

"When members of the Defence Force are seen taking part in a police operation, their involvement should be quite clear and the issuing of statements unnecessary"

● Some vehicles of the Defence Force which moved into Tembisa on Monday to help quell fierce rioting during the two-day stayaway, were seen pulling out of the area today

Police however continued to patrol the township and armed soldiers in a Casspir stood guard near the shop of Tembisa mayor Mr Lucas Mothiba, one of the few shops to escape being stoned and set alight during the riots

A road grader of the East Rand Development Board started removing debris which had been used to barricade the streets

Dismissed Sasol workers will wait to be evicted

● From Page 1.

But most of them wished to avoid bloodshed and would not resist management attempts to get them out of the hostels

The CWIU has sent a telex to Sasol advising it that any attempts to remove the workers from the hostels will be regarded as unlawful action.

In a statement released today, Mr Rod Crompton, general secretary of the CWIU, accused Sasol of using the stayaway as a means of getting rid of the union

By refusing to allow the workers to return to work, the corporation was sustaining massive losses "which, with its access to taxpayers' money, it seems prepared to sustain to an extent not possible in the private sector", he said

Unofficial estimates are that Sasol has lost about R12 million due to the stayaway

But a spokesman for Sasol said production had not been unduly affected over the two days and recruitment of a new labour force would begin immediately

Stayaway ends quietly

● From Page 1.

they returned in the afternoon despite the presence of troops and police in Casspirs

At Kalafong Hospital outside Pretoria, at least 17 people from Atteridgeville — including two youths who died — were treated for bullet wounds, superintendant Dr G Joubert confirmed

John Phefo (17) of 44 Masemulo Street and Wallace Ramskin (13) — died during confrontations with police Both were shot in the neck

The police public relations officer in Pretoria, Major Quinton Papenfus, said policemen had used only rubber bullets "which could not cause death".

"If people feel the deaths in Atteridgeville were caused by police, I strongly deny this because we did not use sharp ammunition but only rubber bullets and teargas to disperse mobs"

The allegation that the youths were killed by police would be investigated, he added

Only 24,6 percent of the 2 832 East Rand pupils scheduled to write biology and physical science matric examinations yesterday turned up.

No pupils attended any of the East Rand's 53 schools and all pupils in the Vaal Triangle and Atteridgeville continued to boy cott classes yesterday

RDM 7/11/84 183 80

Sasol fires 90% of workforce

Mail Reporter

SASOL yesterday dismissed 90% of its workforce — believed to be 6 000 — for not coming to work despite warnings that failure to do so would constitute a breach of their employment contract.

In a statement last night Sasol said workers were repeatedly requested to to resume duties yesterday

They were told that those who had not reported for duty by 10am yesterday would automatically be regarded as having been dismissed

Thousands of workers stayed home yesterday — especially on the East Rand — on the final day of the two-day stayaway called by the Transvaal Stayaway Committee

Stayaway figures released by Federated Chamber of Industries members were

Kempton Park 100%, Springs 90%, Germiston 85%, Wadeville 95%, Industria between five and 50%, Boksburg up to 98%, Denver 20%, Vanderbijlpark 90%, Benoni 50%, Benrose 60%, Elandsfontein 20%, Randfontein 3% and Sandton 20%

27c + 3c GST Sku JOHANNESBURG THURSDAY NOVEMBER 8 1984 183

Massive show of force made workers go home — union

By Carolyn Dempster, Labour Reporter

A massive show of force by police and army units at Sasol hostels in Secunda yesterday forced many of the 6 000 dismissed workers to return home, the Chemical Workers' Industrial Union's general secretary said today

Mr Rod Crompton said that in one incident four Hippos and four Land-Rovers containing South African Defence Force personnel surrounded the hostel block in eMbalenhle where the CWIU's shop stewards' committee was meeting.

"Stewards ran for their lives, some jumping from second-floor windows and balconies. One union official was caught and detained," he said.

Police said the claims could not be confirmed and the situation in Secunda had been reported as quiet.

By late last night more than 2 800 of the workers had been paid off and 43 buses dispatched to various homelands

The employees were told they had "dismissed themselves" after failing to report for work on Monday and refusing to heed management deadlines to return to work

A Sasol spokesman said production had not been affected and the recruitment of new employees was in full swing.

He conceded the situation could not go on "indefinitely" and said work usually done by skilled employees would be contracted out.

Union allegations that the mass dismissal constituted an unfair labour practice were dismissed

"We would not fire that number of people without taking expert legal advice," the spokesman said

"We cannot allow grievances which have nothing to do with our labour relations to affect the running of the plant," he said

The 150 000-member Federation of South African Trade Unions (Fosatu) today lashed Sasol for its "deliberately provocative" action.

"If the mass dismissal was carried out on the instruction of the Government, then it is that kind of insensitive provocation that gave rise to the stayaway," Fosatu's general secretary, Mr Joe Foster, said.

Fosatu's central committee fully supported the stayaway "as an act of protest against specific Government policies and against the state of civil war that has been created in the Transvaal townships".

Sasol had now chosen to provoke a massive industrial relations confrontation by responding to the stayaway with mass firings, Mr Foster said.

"Sasol has made a gross error and unless its decision is reviewed, the cost in terms of production and future industrial relations will be extremely high."

● See Pages 3 and 13, World section.

The workers . . . thousands of Sasol employees gather outside their hostels just before hundreds of them were repatriated to their homelands.

Pay-off . . . and a grim future for Sasol workers

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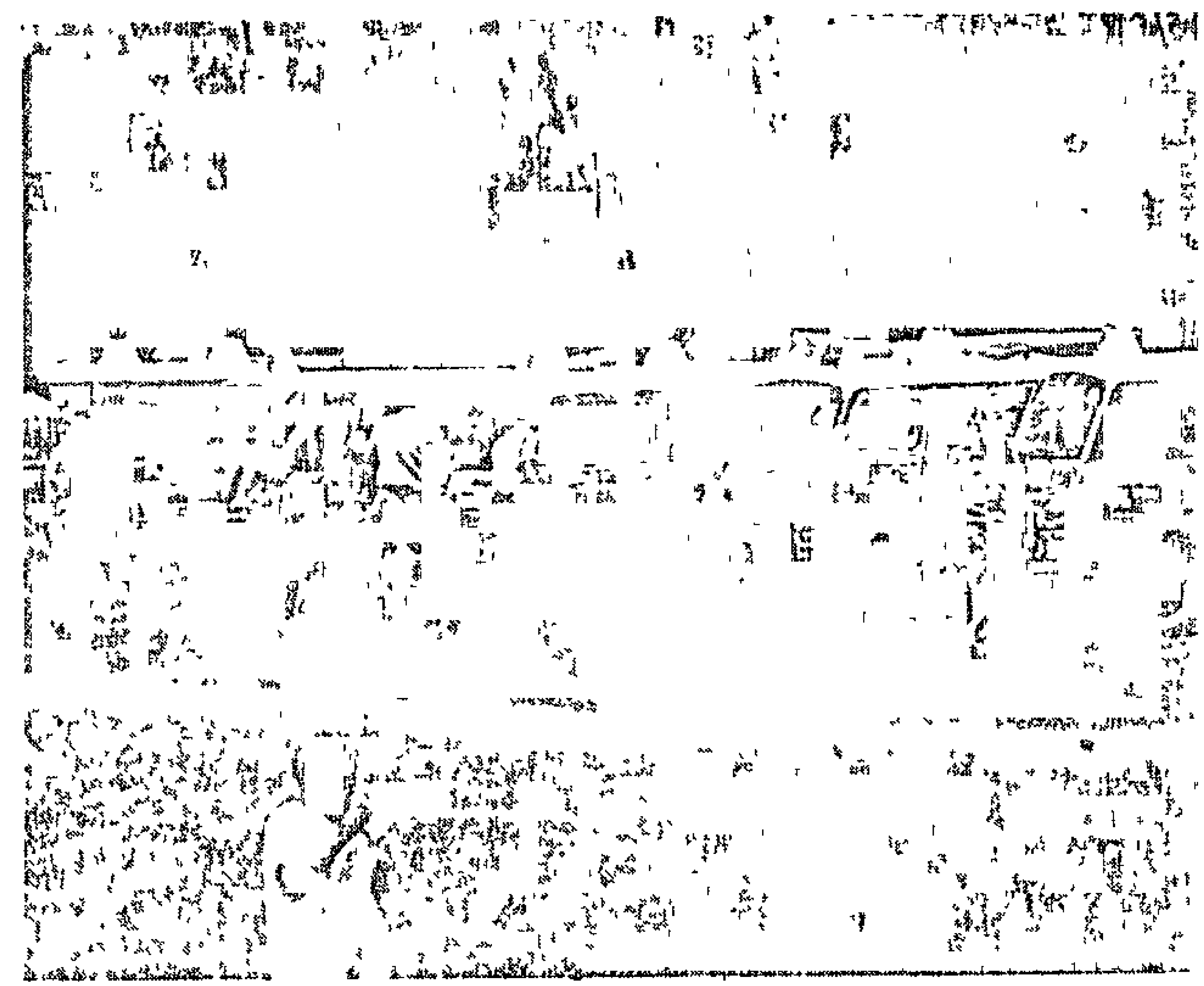
S for 8/11/84



The money . . . kombis with cash for the dismiss

By Langa Skosana

Hundreds of grim-faced workers at the Sasol plant in Secunda in the Eastern Transvaal reluctantly vacated their hostels last night

They had been ordered to leave after taking part in a politically motivated two day work stoppage

The workers told touching stories of the bleak future they faced when they reached their homelands after repatriation

About 30 buses laid on by Sasol ferried the workers to their homes

Some workers were confused and near tears.

Police in riot gear kept a watchful eye as the workers were paid off and taken away

A worker from Keiskamahoek in the Ciskei, Mr Mzwenkosi Dantsy said he had been without work for almost two years before he got a job at Sasol

WORK

"Just when I thought I had found a job this is what happens," he added

His wife and child and some of his relatives sometimes went without food because of lack of employment and the drought that ravaged the area, he said

Without a job, he went on, his situation was going to be worse

Influx control, said Mr Dantsy, added to his miseries

He said the law required that he got permission from local authorities to reside and work in any area in South Africa

This would be difficult because prospective employers would not want to employ a striker

He said he joined the strike because he did not want to be the odd-man-out when the majority voted for staying out.

He felt that scabbing would be risky so he decided to join

He understood the purpose of the stayaway was to protest against an increase in bus fares in Secunda and also in sympathy with students who were boycotting classes on those days.

"I did not expect the company to take such drastic action and dismiss us without consultation with our union leaders," he said

ACTION

"I believe there is something wrong and the authorities will have to put this right"

Mr Patrick Lethibela, from Herschel in the Transkei, said that although he believed the workers were right to take part in the strike, he was shocked and dismayed at the action of the Sasol management

"I think the company should have just docked our pay for the days we were absent from work," he added

He said he had two small children who had to be fed

He did not know what he was going to do

Mr Thomas Chauke, an electrical operator from Gazankulu, is one of many skilled workers who live in three or four-bedroomed houses, which they rent from Sasol

He and his collegues are also affected by the quit order and have to leave at the end of the month

He said he had just bought a new kitchen and bedroom suite for his home and would have to carry the furniture back to Gazankulu

D. Dispatch (183) 5/12/84

Factory recognises May Day

JOHANNESBURG — An Eastern Cape glass factory, Pilkington Glass, has become the first employer in decades to allow workers to take May 1, International Labour Day, as a paid holiday.

The company agreed to this in recent negotiations with the Chemical Workers' Industrial Union, according to the latest issue of Fosatu's newspaper, Fosatu Worker News.

May 1, May Day, is celebrated by workers in many countries as a holiday in honour of the labour movement and worker rights. — DDC

RDM 8/11/84 183

Thousands of workers paid off at Sasol

By JEANETTE MINNIE and SIPHO NGCOBO

AS thousands of Sasol workers who heeded the stayaway call were paid off yesterday, Fosatu charged that "Sasol, a State-linked company, had chosen to provide massive industrial relations confrontation" and said the union organisation was looking for the support of other unions to take action against Sasol

A Sasol spokesman said yesterday 2 500 had been paid off yesterday and Sasol had begun recruiting from the homelands

Sasol replied accusing the Chemical Workers Industrial Union, a Fosatu affiliate, of "surreptitiously organising a secret walk out" which could have seriously harmed the industry.

Sapa reports the Minister of Home Affairs and National Education, Mr F W de Klerk, yesterday warned that the Government would not tolerate destablising activity in any sphere, including that of labour relations

Mr De Klerk said the principle of South African labour legislation — keeping politics out of employer/employee relations — was under pressure and trade unions were being seen by some as a launching pad towards political power that bypassed the normal political democratic process

Speaking at the annual congress of the Motor Industry Employers' Union in Cape Town, Mr De Klerk said. "Political rights will be achieved by everyone through evolutionary constitutional development ... South Africa cannot afford to allow its labour and economic spheres to become a political battlefield."

Sasol's workers were paid off at a field near Secunda's eMbalenhle Township

A contigent of armed police in camouflage uniform sealed off the field and some manned roadblocks at the entrance of the township, scrutinising every vehicle entering the township

Workers were getting their wages from about 11 security vehicles with the guards standing by.

The eMbalenhle hostel which housed thousands of

To Page 2

P.T.O.

From Page 1

Thousands of workers paid off

Sasol employees was almost an half-empty by 4pm as many had either already left or were still waiting for at a nearby field for transport to fetch them.

Hundreds of buses and private vehicles were packed with employees leaving Secunda.

Fosatu said it believed Sasol had made a "gross error" and unless the company reviewed its decision the cost in terms of production and future industrial relations would be "extremely high".

A Fosatu spokesman said last night it intended to approach other federations and unions as well as progressive organisations to join Fosatu in "action" against Sasol.

The Chemical Workers Industrial Union (CWIU), a Fosatu affiliate, meanwhile accused Sasol of using the two-day work stawaway "as an excuse to rid itself" of the union at its Secunda plants.

Concerning the police presence, the union statement said "The ease with which Sasol has been able to direct and control the heavily armed police and army contingents has allowed management to intervene at critical moments.

"For example, hippos were driven through a huge meeting of workers inside the Sasol hostel.

"Despite this extreme provocation union stewards have so far succeeded in preventing any violence erupting."

A Sasol spokesman said "at this stage" the company would not reconsider re-employing dismissed workers.

He said Sasol had threatened to evict all hostel dwellers and people in company housing by 5pm last night but the union had threatened to challenge that in court.

PLANNING RETIR

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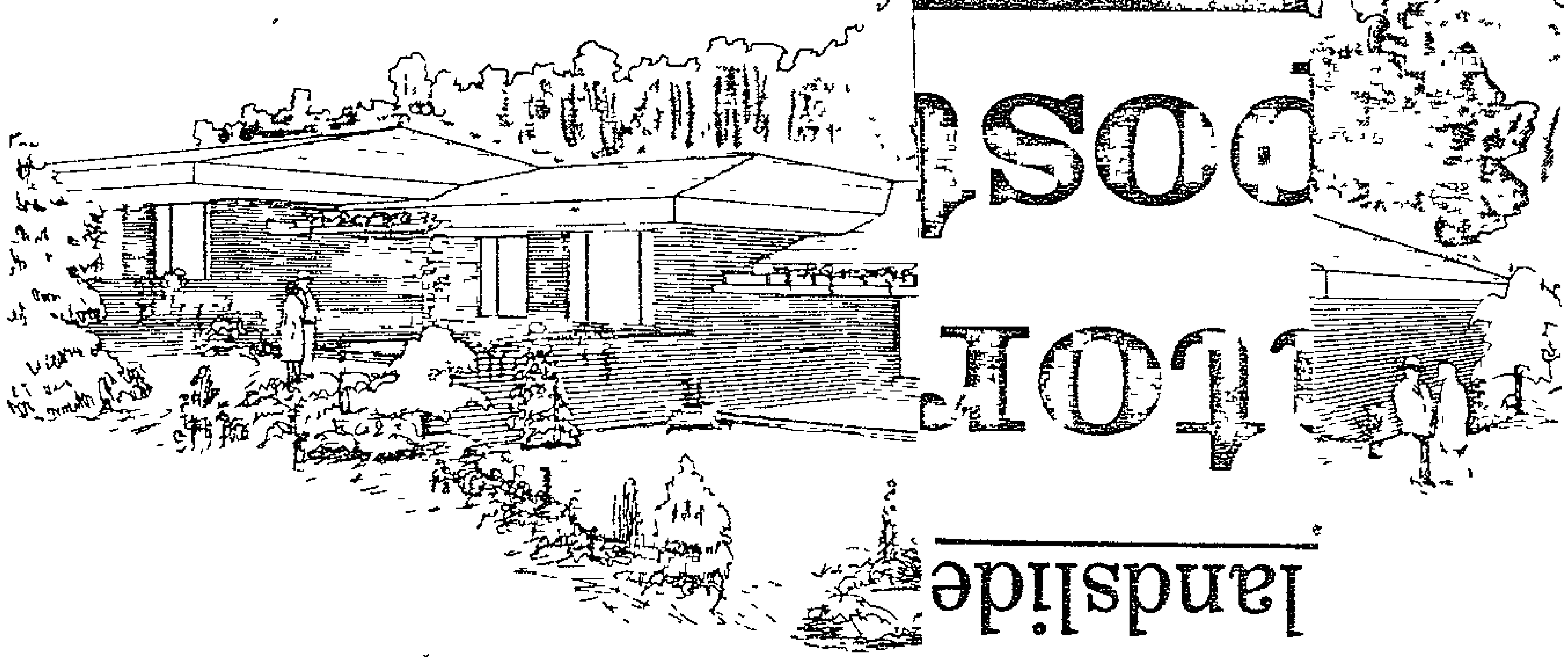

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Sasol workers confused

Star 9/11/84

By Carolyn Dempster and Chris More

Only a trickle of the 6 000 dismissed Sasol workers remained in the township of eMbalenhle yesterday, as the last of the hostel dwellers were paid off and bused home.

Confusion surrounded the position of skilled and semi-skilled workers in Sasol houses in Extension 4 of the township.

Some of the dismissed workers believed they had been given until the end of the month to get out, while others were told they would have to report back on Monday morning.

But a spokesman for Sasol said no notice had been given to those who occupied the houses, nor would any action be taken against them. He said there were 517 workers who resided in the houses.

MALICIOUS

In response to a query by the Federation of South African Trade Unions (Fosatu) that Sasol's action in firing the workers who participated in the two-day stayaway had been carried out on the instruction of the Government, the spokesman said this was a "malicious, gross untruth".

"Any intimation that the Government or any other governmental agency either instructed or expressed a wish in this regard is a gross untruth."

The bulk of the workers had been paid off and only a few had not yet collected their wages, he added.

11/11/84 (183) S. Times

Sasol union accuses Govt

By Angus Macmillan

THE firing of 6 000 black workers at Sasol 2 and Sasol 3 could spark a new confrontation between labour unions and the Government.

The workers were dismissed on Wednesday after taking part in the campaign organised by the Transvaal Regional Stayaway Committee.

Sasol denies any Government involvement in the wholesale dismissals, but the Chemical Workers Industrial Union (CWIU) and some industrial relations consultants suspect a Cabinet hand in the decision.

CWIU general secretary Rod Crompton says: "We know the decision came from high places. A company without strong Government connections could not fire so many workers just like that. The recruiting, screening and training costs would be prohibitive."

He claims there was collusion between Sasol and the army to disturb worker meetings and give ultimatums to return to work.

Insisted

CWIU representatives arranged exemption for its 4 000 Secunda members not to take part in the stayaway, but Mr Crompton says they insisted on joining.

Sasol assistant general manager Robin Hugo calls accusations of Government involvement in the dismissals a gross and malicious untruth.

"We are a private company listed on the Johannesburg Stock Exchange. The Government had absolutely nothing to do with our decision to dismiss the workers.

"We first warned workers on the Thursday before the stayaway was called not to take part."

An industrial relations consultant says Government involvement in the firings is likely, especially after Mr F W de Klerk's comment on the campaign.

Nightmare

C Press (183)

the jobs en

1/11/84

WHEN SOME of the 6 500 Sasol Two and Three workers reported for duty on Tuesday morning and were turned away, it was the beginning of a nightmare.

By ZB MOLEFE and CONAN MAHLANGU

Within hours they met with Chemical Workers' Industrial Union shop stewards to plan their next move

They agreed that their representatives would immediately drive to Johannesburg and contact their lawyers The rest would stay behind

But it was not to be — seconds later their hostels were surrounded by heavily armed policemen in camouflage dress

They were ordered to pack all their belongings into plastic bags and leave

Hostel inmates told City Press that one of their organisers, Tsidi Mothupi was assaulted by the police and arrested

When the workers trooped into an open space outside the eMbalenhle township, the message sank in

A neat row of buses on the side of the road faced a laager of payroll vans with police lines behind them

They were being paid off by Sasol

The workers boarded the buses marked with their places of origin — QwaQwa, Bushbuckridge, KwaZulu and Transkei

"This is very sad This is something bigger than Sasol We could not turn back after our solidarity with what was happening to blacks in the two days during the stayaway," said Manene Yoliswa from the Transkei's Qumbu district, who worked as an operator for 18 months

"Maybe this is the beginning of something but I can't say what There is no time for us to feel sorry or afraid We must show Sasol that we are brave " said Maxwell Mayekiso from Queenstown

HEAVILY armed police in camouflage dress mingled with thousands … were paid off and sent to their homes this week

He suffered a double blow — his brother Hamilton also lost his job

Queues formed at the payroll vans as men and women collected their pay packets and slowly walked to the buses which would take them home

A few fortunate ones went back to their rented rooms in the township to wait — uncertain of their future.

Young Mary-Jane Mahlangu summed up the painful situation.

She left Vrede, her

ghtmare as e jobs end

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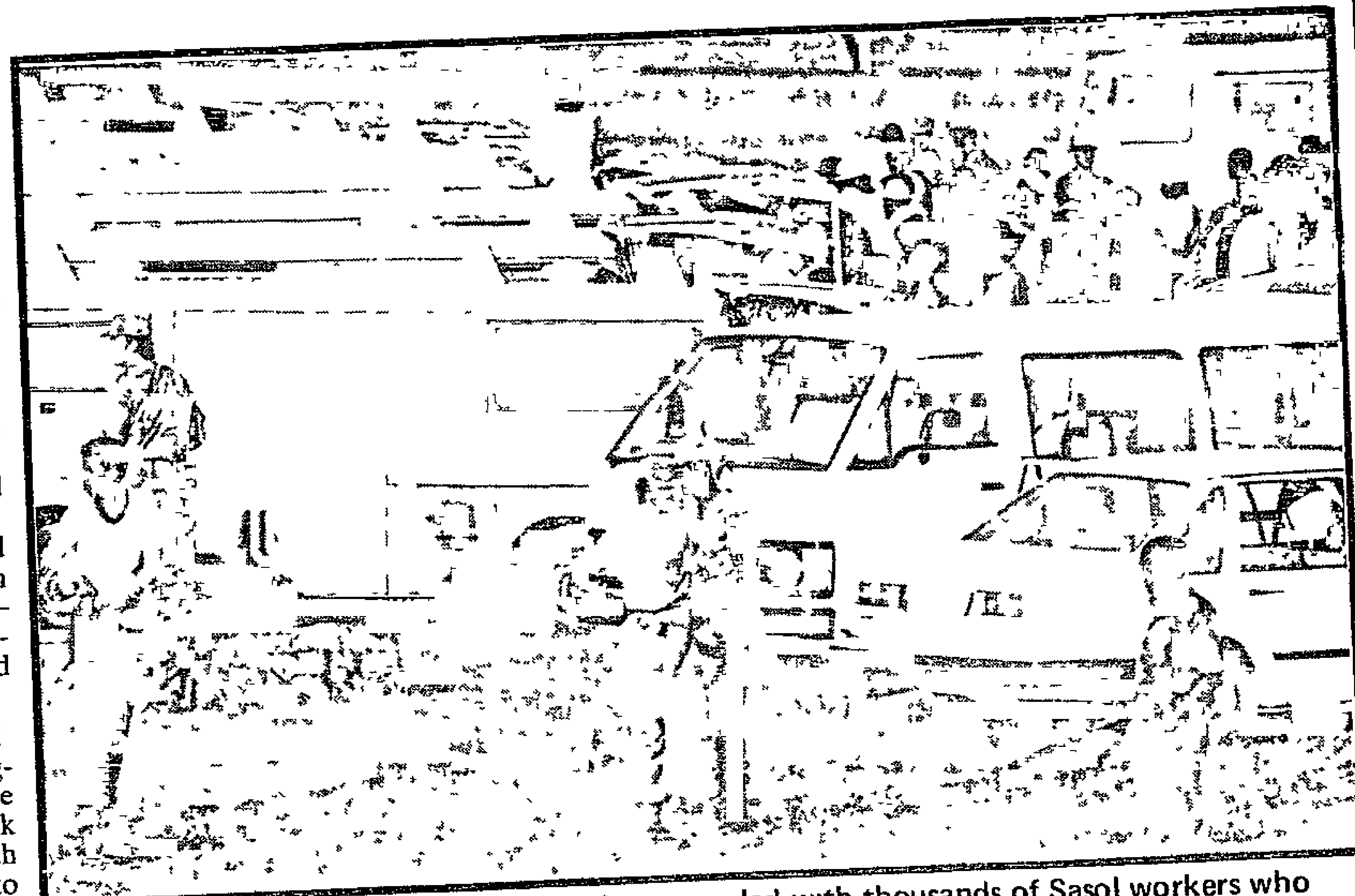
Young Mary-Jane Mahlangu summed up the painful situation

She left Vrede, her home in the Free State, in 1981 to seek employment at Sasol Her job at the giant petrol plant meant a world of difference to her parents — she was the sole breadwinner



HEAVILY armed police in camouflage dress mingled with thousands of Sasol workers who were paid off and sent to their homes this week.

Sowetan 28/11/84 183

Racism row hits AECI

By JOSHUA RABORÓKO

THE AFRICAN Explosives and Chemical Industries management is currently holding talks with black and white trade unionists about racial slurs and segregation in buses transporting workers at the Modderfontein plant.

The Cusa-affiliate South African Chemical Workers' Union has alleged that its members have been withdrawn from integrated buses because whites complained of their "nasty smell" in the vehicles.

The union has also accused management of practising apartheid by introducing a separate bus service for the race groups. Buses used by blacks have no seats and those used by whites were "luxurious and have comfortable seats"

Matters came to a head this week when black workers defied the company's regulation by boarding white buses. This was allegedly followed by the arrest of several black workers at gunpoint

However AECI's PRO, Mr Bokkie Botha, said that there were two categories of bus services which operated at the plant The first was for workers in A-F group — mainly lowest paid blacks — and the G-and-above group which was integrated

They had serious overcrowding in buses and were hoping to settle the issue soon Management had been approached on several occasions and held meetings with union leaders on the segregation issue

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SEIFSA ~~184~~ 183

Plastics breakaway?

The Plastics Manufacturers' Association of SA (PMA) has been investigating the workability of its position as a member of the employers' association in the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry

The investigation was prompted by concern within the PMA about the role of the plastics sector in the council in which metal industry interests are predominant In addition, although many plastics companies fall under the council, some do not Questions have been raised about whether the plastics and metal sectors are similar enough to be covered by the same industrial council agreement There is also some confusion over which parts of the plastics industry fall under the terms and conditions of the council agreement.

The investigation is likely to result in the plastics sector playing a more prominent role in the council in the future However, the possibility cannot be ruled out that it might also lead to a breakaway from the council.

The council, whose wage agreements cover about 350 000 workers, is the largest industrial council in SA. Most of the 45 employer organisations party to the council, including the PMA, are affiliated to the Steel and Engineering Industries Federation of SA (Seifsa) There are 13 registered trade unions also party to the council.

Sectors covered by it include. automotive parts and manufacturing, electrical, electronics and telecommunications; engineering; ferro-alloys, foundries, iron and steel, manufacturing and plastics The plastics sector is closely allied to the metal sector because of the versatility of its materials

PMA chairman David Uys tells the *FM* that sub-committees of his association have looked into the pros and cons of council membership They have considered the possibilities of conditions of employment being covered by a separate industrial council agreement or a wage determination

Uys points out that the markets and structures of the plastics industry differ in a number of respects from the metal industry The composition of the plastics industry's labour force differs considerably from the metal sector as its factories are more capital intensive and employ fewer artisans. Another factor is that economic conditions for the two are not always similar, which means that they have different priorities when it comes to wage negotiations.

Seifsa's Van Coller . . . a very complex situation

Nevertheless, Uys emphasises that the advantages of membership of the engineering council are considerable and that no move away from it is likely in the foreseeable future One major consideration is that the infrastructure and benefits offered by the council are substantial.

In addition, no move would be considered without the agreement of all employers and unions concerned, and it is unlikely that the unions, as well as a number of employers, would agree to it A further obstacle would be that while the PMA is strongly representative of the industry in the Transvaal, it is less representative in Natal and the western Cape.

The *FM* understands that the Plastics Industry Group Committee of the industrial council is due to meet next March to discuss the matter. The committee will be asked to recommend to the council a suitable and clear definition of the plastics industry so that all companies will know whether or not they are covered by the council's agreement

Uys believes that the PMA has not been sufficiently active within Seifsa, and it intends to "play a greater role in the future" so that the interests of the plastics industry are better catered for

Seifsa director Sam van Coller says the situation *is* very complex and it will take a great deal of discussion before it is sorted out He adds "Seifsa itself doesn't have a view and it is up to the employers and the unions in the plastics sector to decide on their future direction"

RDM 15/12/84 (183) (185)

Deadly poison is being used in SA

By MAURITZ MOOLMAN and COLIN HOWELL

THE killer chemical that wiped out more than 2 600 people and left hundreds of thousands in hospital in India on December 3 is present in South Africa, but the Department of Health is not saying where

And, according to a senior spokesman for the department in Pretoria, a similar accident to the one at the Union Carbide plant in Bhopal could happen in this country

The spokesman, who asked not to be identified, told the Rand Daily Mail: "Yes, it could happen because we (the department) cannot be there at all times."

Where "there" is, remains a mystery — the spokesman refused to say which companies are importing the lethal chemical, methyl isocyanate, or in which products it is being used

He said that information was "classified"

A Mail investigation has also found that SA Transport Services (SATS) could be moving the methyl isocyanate without knowing

Meanwhile, the Johannesburg-based branch of Union Carbide has said it is not importing the chemical.

A spokesman for Union Carbide SA, which has a factory in Silverton, Pretoria, said company products, like Temik and Sevin, are imported into SA in their complete form.

The importation of methyl isocyanate, a reacting agent in the manufacturing process of both products, was therefore "unnecessary", he said

The SATS, a major rail and road transporter of hazardous chemicals, does not transport chemicals under their technical names, but according to a "schedule number"

And, according to SATS general manager of "dangerous goods", Mr J A Pringle, this meant that the SATS, unknowingly, could have transported methyl isocyanate

And, an official in the statistics section of the Department of Customs and Exise, Mr Roy Auret, told the Mail it was likely that methyl isocyanate was classified — for importation purposes — along with up to 50 other chemicals.

"We are only interested in the duty that has to be paid on it — not whether it is dangerous or not," Mr Auret said

Asked whether methyl isocyanate was available in SA, the Department of Health spokesman said "Yes, there would be."

Earlier this week, a Department of Agriculture spokesman told the Mail it was doubtful that methyl isocyanate was being imported because South Africa's pesticide market was too small to warrant the manufacture, locally, of pesticides and insecticides.

But, asked yesterday whether he was "certain" that the deadly poison was available in SA, the Department of Health spokesman said "Yes, because it is being used in various products which I cannot identify because the information is actually classified"

183

Factory boss confirms Natal effluent dumping

DURBAN — Mr Fritz Gassauer, general manager of the AECI factory at Umbogintwini on Natal's south coast, has confirmed that thousands of tons of caustic effluent railed from the Free State was being pumped out to sea

The pumping had been done for many years, he said.

"It is a sodium-based effluent and the best place to dump it is in the sea," he said, adding that it was done according to "strict controls"

He said the amount dumped was almost one-third less than that allowed in terms of a government-issued permit

But this week, angling officials reacted angrily when a railway consignment slip was released revealing that regular consignments of effluent were railed from the AECI plant at Sasolburg to the Natal coast for discharge into the sea

According to informed sources in the plant, three to five consignments are received weekly, each one being about 35 kg

Mr Lin Gravelet-Blondin, regional pollution officer for the Department of Water Affairs, confirmed that a caustic brine sludge was pumped out to sea, but said it was "no problem"

"In terms of the permit issued, the factory is entitled to pump out 23 735 kilolitres of effluent every year, which works out to about 65 kilolitres a day

"They pump only 20 kilolitres out to sea and the caustic sludge constitutes only one per cent of the total pumped out — almost two thirds less than they are allowed"

The effluent was dumped into the sea because it could cause problems with irrigation, if dumped in freshwater dams and rivers inland

Mr Tony Thorpe, honorary president of the South African Anglers' Union, said it looked as if Natal was being used as a "dumping ground" — SAPA

CONSTRUCTION — ~~[illegible]~~ GENERAL

1984

FEBRUAY — DEC.

HLH announces details of pyramid — Huntcor

32 Cape Times 17/2/84

By PATRICK McLOUGHLIN

JOHANNESBURG. — Flush with cash, Hunt Leuchars & Hepburn (HLH) yesterday took the first step on the road to aggressive organic and acquisitive growth with the announcement of details of its new pyramid company.

HLH will recommend to shareholders that a pyramid holding company called Huntcor be created through a scheme of arrangement

Subject to Johannesburg Stock Exchange approval, the Huntcor shares will be listed at the end of April and documents giving details of the scheme will be mailed to HLH shareholders in March

HLH, which announced that it intended forming a pyramid company in January, was recently in the news when it sold Wolsteel and W F Johnstone to Barlow Rand for a total of R96,2m

Wolsteel, the steel merchanting wing of Wolhuter Steel, was sold to Robor Industrial Holdings for R50m and W F Johnstone, which has 84 percent of building materials group Blaikie-Johnstone, went to Barlows for R46,2m

Pyramid companies are traditionally formed as a protection against take-over raids

But in HLH's case the main consideration seems to be to provide a base for expansion when the time is ripe, while also serving to protect the Hancock and Hepburn family interests

According to a statement from HLH, the creation of Huntcor arose from the wish to provide a group capital structure which would facilitate the future development of the interests and operations of HLH

Another important factor was to boost the marketability of HLH's shares on the JSE

"This is now proposed in a manner which will retain the control of HLH in the hands of its existing controlling shareholders on a formalized and secure basis," the statement said

The mechanics of the deal will mean that all HLH sharesholders will be allotted shares in the pyramid, which will in turn hold 66,7 percent of HLH

New shares

Huntcor will be created by a capitalization issue by HLH to Huntcor of two new HLH shares for each existing HLH

Each HLH shareholder will then be allotted and issued with one Huntcor share for each HLH share

Shareholders with 100 existing HLH shares on the deal's effective date of April 30, will then hold 100 HLH shares and 100 Huntcor shares

The group says that based on a market price for existing HLH shares of 900c a share it is expected that after the deal HLH shares and the Huntcor shares will have respective market prices of 300c and 600c

HLH chairman, Mr Chris Perry, said the group had been keen for some time to create a capital structure which would facilitate future development

"The formation of the pyramid had been under consideration for some months and the timing was now considered oppportune

"The new capital structure will allow us to continue to develop HLH's interests At the moment we have no major developments in mind which would require the issue of HLH or Huntcor shares, but we feel it important to create the necessary framework."

Asset value

HLH had a net asset value of 716c a share on August 31 last year Had the scheme been effective on that date, the NAV would have stood at 239c, while the NAV of Huntcor — which will have as its only investment its 66,7 percent HLH stake — would have measured 477c

After the Barlow Rand sales, the group said it initially aimed at earning 110c a share for the year to August 31, 1984, representing a 15 percent increase Dividends were projected at 52c

A spokesman for HLH said that after the formation of Huntcor and based on published forecasts, shareholders could — assuming the scheme had been effective for a full financial year — have expected Huntcor earnings of 73,3c and dividends of 34,67c. Their holdings in HLH would have netted them, under the same circumstances, earnings of 36,7c and dividends of 17,33c

HLH's interim dividend is likely to be about 5,3c for the six months to February 28 Shareholders can expect a maiden interim of at least 10,67c a share from Huntcor

Huntcor's policy, as in the way of most pyramids, will be to pay out all income through dividends

Strategy

Mr Perry, further explaining the strategy behind Huntcor, said HLH was "always looking" for new companies Huntcor was the first step towards expansion within the designated areas These comprised the areas of operations of the remaining two divisions after the Barlow sale — timber and steel processing

Comment: HLH is still consolidating its position after the sale of its divisions to Barlows and, aside from the new pyrmaid, no fireworks in the way of acquisitions can be expected this year

But with its structure now right, the following year could very well be exciting

Call rates

HLH, after having paid certain debts — which has taken the debt equity ratio down from 70 percent to about five percent — still has a significant portion of the R96m left With good money being earned on call rates, the company is obviously in no hurry for acquisitions

But there are a number of companies which HLH has its eyes on — nearly all private — as well as possible further acquisitions of timber acreage

At its current price, HLH could very well prove to become one of the growth stocks of 1985

Eglin: Housing inflation havoc

CAP. TIMES 15/2/84 32

Political Staff

HOUSE OF ASSEMBLY — Building costs had increased by 74 percent in three years, Mr Colin Eglin, Progressive Federal Party MP for Sea Point, said yesterday

"Inflation is playing absolute havoc with property economics in South Africa," Mr Eglin said during the debate on a private member's motion on housing

Inflation was not only pushing up the cost of building but also the cost of money

If the value of land did not go up by 20 percent, developers and property owners would lose money because they had to pay this rate of interest

As a result, home ownership was now beyond the reach of young couples and older people

Inflation encouraged speculation and the introduction of the Sectional Titles Bill had encouraged "an absolute orgy of speculation"

Mr Eglin called on the government to take action to reduce the cost of land and services, particularly by streamlining procedures

He also said that while the State contribution to the provision of housing had stayed the same, the private sector's contribution had dropped from 13,85 percent in 1960 to 12 11 percent in 1970 and to 7,16 percent in 1980

Mr Andre van der Walt (NP Bellville), who moved the motion supporting the government's housing policies, said it had a "proud housing record and much of the stability in South Africa is due to this"

Replying to the debate, the Minister of Community Development, Mr Pen Kotze, said he had been surprised that the Opposition had concentrated on the housing problems in the white community

However, 99,9 percent of the white people on waiting lists for housing, wanted cheaper housing although they already had accommodation The rents had increased with the higher building costs and interests

There was no shortage of housing but there was a shortage of housing that people could afford to pay for

South Africa had never had a more comprehensive housing strategy and it was time not for new schemes but rather for assessment as to whether current ones worked

Construction costs trail inflation rate

32

RDM 23/2/84

By PRISCILLA WHYTE

CONSTRUCTION costs are increasing at a slower rate than inflation, a trend expected to continue this year.

Mr Kees Lagaay, the director of the Federation of Civil Engineering Contractors says costs increased by a 4% to 5% annualised rate in the last quarter of 1983.

Costs in the construction industry are broadly speaking one-third plant, one-third labour and one-third material.

The cost of spares for earth-moving plant is skyrocketing, which Mr Lagaay says is a sore point in the industry.

There is a surplus capacity of cement, sand and crushed stone

The turnover in the construction industry in 1983 was R2,3bn In 1982 it was about R2,4bn and in 1981 about R2bn

About 70% of capital expansion programmes come from State or quasi-State organisations and 30% from the private sector

The March Budget should confirm the Government's commitment to infrastructure development

Some Escom projects have been postponed. Majuba power station is now scheduled for start-up this year, whereas the original plan was for 1983.

In the latter part of 1983 contractors benefited from more work from SATS. There is a major programme underway with improvements to the Richards Bay coal line

The normal budget for the National Transport Commission is R140m a year. An extra R50m has been allocated for national road expenditure

The additional funds are for the Warmbaths by-pass construction, certain sections of the Johannesburg/Durban road and the southern by-pass.

A pilot tunnel is to be built on the Dutoitskloof national road The major contract for R80m to R100m is at the tender stage

Provincial and municipal authorities are short of funds for roadworks

The labour situation in the construction industry has been affected by the recession

Mr Lagaay says 100 000 workers are currently employed In mid-1982 the labour complement was 120 000

Of the 100 000 currently employed by the construction industry, 80 000 are black, 15 000 white and 5 000 coloured.

There has been a change in attitude towards black operators and foreman, but there are still few black technicians and engineers

Mr Lagaay says one worry is the diminishing number of people applying to study civil engineering

32

RDM 29/2/84

Brickworks faces action after firing 31

Labour Correspondent

A BLACK trade union is to take industrial court action against an Olifantsfontein brick company which allegedly fired 31 workers, including 14 union shop stewards, for protesting against the dismissal of a worker leader

A spokesman for the Building, Construction and Allied Workers Union said the union would ask the court for a temporary order instructing the company, Sterkfontein Brickworks, to reinstate the workers

The union, an affiliate of the Council of Unions of SA, will allege in court that the workers were fired unfairly and the company was guilty of an unfair labour practice

A company spokesman refused to comment on the dispute yesterday

According to the union, the court action is the result of an incident at the brickworks at the beginning of this month in which Mr Bernard Dlava, chairman of the union's shop stewards' committee at the plant, was dismissed

A committee representing workers had taken up the firing with management, but without success

The committee had then gone to the company canteen, where workers were gathered for a meal break, to report back

Shortly after this, the union alleges, the plant's factory manager went to the canteen and told workers that any of them who supported Mr Dlava must go to the factory gate

"All the workers went to the gate and all were told they were dismissed But they were told to come back on the next working day

"When they did this, 31 out of 134 were fired, including 14 union shop stewards," the union spokesman said

He said attempts to persuade the company to reinstate the 31 had failed and the union had then decided to start legal action

Danger of skilled men leaving industry, BER

Survival the key word for many builders

RDM 22/3/84 (32)

By HOWARD PREECE

THE recession is hitting the building industry sharply and survival will be the key word for many companies in the short term.

This is the conclusion of the March building survey by the Bureau for Economic Research of Stellenbosch University

It warns of the dangers of many skilled workers leaving the industry

"In view of our forecast of a slowdown, starting from a very high level of activity and possibly reaching a trough towards year-end, this bodes ill for the next upturn The pressure on wages and salaries emanating from such an event, and thus on overall building costs, is likely to be severe"

In its overall conclusions the bureau says that, after starting to become less pessimistic about business conditions from early 1983, contractors and sub-contractors became once again more pessimistic in the latest survey

"This movement towards pessimism is underscored by a decline in the volume of work done during the survey quarter and an expected further decline in the quarter to come This downturn is reflected in a decline in the volume of sales.

As a result of the slackening in the tempo the material bottlenecks virtually disappeared with the exception of bricks Even there the position improved markedly

"Contractors, in particular, reported an increase in shortage of artisans and foremen This bodes ill for any future upturn Surprisingly, competition in tendering eased in the face of the slackening in the tempo of building activity and this is reflected in a faster rise in building costs

"This result is possibly an indication that it is becoming increasingly difficult for companies to continue absorbing a rise in input costs and it is expected that this will continue during the forthcoming year

"The survey results confirmed our forecast that, after a still very buoyant 1983, fixed investment in buildings will decline by about 5% in 1984"

The sharpest decline will probably occur in private housing where availability and cost of finance, and the inability of many individuals to afford housing, will have major negative impacts.

"A further decline in private non-residential buildings will occur while the public sector will continue to curb its own expenditure as far as possible.

"The building industry will thus, belatedly, enter the downswing that the economy has experienced for the past 30 months But it could be a fairly short recession with some improvement starting at the year-end

"Better planning and control over costs will be vital during this period This will establish a foundation to start off a new revival"

Looking at the non-residential market the bureau says "There is little doubt that the present squeeze on company profits, as well as the relatively low-capacity utilisation, will greatly constrain investment in factory buildings, although certain sectors of the manufacturing industry are already operating at virtually full capacity

"It would appear that office accommodation is in oversupply at present and that rents are already declining This must act as a deterrent against new investment in this field for at least the ensuing year.

"Shopping space, however, might still be created away from the established central business areas

"Overall it would appear that fixed investment in non-residential buildings, which remained relatively high in 1983 as a result of an overflow of projects from the previous year, will decline by more than 8% in 1984

"Fixed investment in non-residential buildings by the public sector is expected to increase marginally despite continued Government efforts to curb its overall expenditure but reflecting the need for, among others, more schools and hospitals."

M & R profits surge 27,7% — div raised

32

By JOHN MULCAHY Cape Times 23/3/84

JOHANNESBURG. — Murray & Roberts lifted attributable profit by 27,7 percent to R28,044m for the six months to December from R21,961m in the corresponding 1982 period.

Earnings rose to 108c a share from 85c and the interim dividend has been raised to 20c from 15c

M & R's directors note that profit for the six months should be viewed in the perspective of a relatively low base in the preceding half-year and the acquisitions made in the six months

The directors also warn that full-year earnings will not reflect the same growth rate as the first six months

Outlook

Mr J E D "Bill" Bramwell, M & R's chief executive, said yesterday the outlook for the general construction industry this year was clouded by the low level of government spending on infrastructure

Within the definition of construction there were several areas that were, however, doing well, including building, where the emphasis on black, coloured and Indian housing was continuing to grow

M & R was also fortunate in having a reasonable share of the central business district-type building work, such as the Reserve Bank building in Pretoria

The group also had work in Richards Bay, including the new Mondi plant and the effluent pipeline

Mr Bramwell said the heavy engineering sector was quiet, light engineering was buoyant, and the foundries division, whose main market is the motor sector, had started slowing down again

On the future, Mr Bramwell said acquisition targets for the time being would be companies that would give existing M & R operations a bigger share of the market

"What we are looking for is to acquire companies that fit exactly with our existing companies"

In pursuance of this objective M & R last year bought 60 percent of GMCE Holdings (Pty), the holding company of the Gillis Mason group of companies, as well as the more recent acquisitions of Armco Robson (Pty), B E Morgan & Associates (Pty) and Frigicool Engineering (Pty)

All of these acquisitions dovetailed into existing M & R divisions

The directors say in the interim report that the Suppliers & Services and Property subgroups are performing well, and the consumer-related interests are also showing real growth

"Industrial operations are, as is to be expected from the sluggish state of the economy, still operating below normal levels"

In spite of the acquisitions M & R's borrowings are below last June's level, and are not expected to increase materially for the rest of the year

BUILDING TRADE (32)

Into the trough

The building fraternity had better brace itself for the worst The industry is belatedly dipping into the general economic trough — and there is no relief expected until at least the end of this year

The hard truth is that investment in the housing sector, which kept the industry going throughout most of last year, is expected to decline by about 5% against 1983's high base, according to the March report of the Bureau for Economic Research (BER) at the University of Stellenbosch

The report cites the sharp rise in the cost of housing finance, the relatively low rate of salary increases and the already strained financial positions of consumers — evident in a decline in savings and more extensive use of credit — for the fall-off in residential spending

What is more, a decline of 4% is foreseen in real fixed investment in non-residential building, says the report The current oversupply of office and factory space in all the major centres — and a concomitant softening of rentals — must act as a deterrent to new investment in these sectors for the rest of 1984, says the bureau.

Total investment in buildings (residential and commercial), by both private and public sectors, is thus expected to drop more sharply than the BER predicted in its January report — by about 5%

Declining workloads

Says the survey "The respondents (contractors and sub-contractors) to our latest survey indicated that their workloads declined somewhat during the past quarter Furthermore, they expect this trend to continue for the better part of this year"

In line with the slowdown experienced by the building sector, materials, including bricks, were in better supply But, contrary to the overall trend, contractors reported increased shortages of artisans, foremen and unskilled labour — a sign that workers are leaving the industry in anticipation of hard times

All of which bodes ill for the next upturn But when it comes, the pressure on salaries and wages, and thus on overall building costs, is likely to be severe.

During the first half of 1983, tendering competition increased sharply, which led to a very slow rate of increase in tender prices during this period, as measured by the BER building cost index

However, from the third quarter of last year onwards, building costs started to accelerate again with an increase of more than 5% over the same quarter of 1982 And preliminary figures for the fourth quarter of last year indicate a rise of more than 10% in accepted tender prices against the same period in 1982 But the average rise in building costs, according to the BER index, was about 5% in 1983

And, continues the report, it will become progressively more difficult for builders to absorb further increases in input costs during this year — thus accepted tender prices will rise at a rate of about 9%, despite lower rises in building materials costs and wage rates

The rest of the year thus looks to be a good time for consolidation, planning and tight cost control But, even then, labour problems alone are likely to find few contractors prepared for the eventual upturn

CAPE TIMES 24/3/84

(32)

Cape builders doing better as downturn looms

By ALEX PETERSEN
Deputy Financial Editor

BUILDERS in the Western Province have been experiencing better times than their counterparts in other provinces, responses to the latest survey by the Bureau of Economic Research (BER) suggest

"Contractors in this region became more optimistic about business conditions in the survey quarter" (December to February), the BER reports

"This was the result of the volume of work increasing during the quarter, compared to the position of a year ago"

Contrasts

The Western Province contrasts sharply with other areas in the country In the Eastern Province work volume declined quite sharply, engendering pessimism among contractors.

Witwatersrand and Pretoria builders also reported a sharp decline in work volumes in the summer, and see the trend continuing into the March to May or autumn quarter

Western Cape builders, however, are also forecasting a "fairly sharp slow-down in the level of activities" in the autumn

Although the BER sees the building industry as entering the downswing, the report comments that "it could be a fairly short recession with some improvement starting at year-end"

What has been surprising, says the BER, is that building remained so buoyant in 1983

"The high level of building activity and property prices in that year were some of the baffling and contradictory tendencies in an otherwise recessionary economy"

Total building activities declined by about one percent in 1983, but the decline was strongest in the non-residential sector, and investment in housing by the public sector

Against this, private residential buildings increased by 11 percent, an even sharper increase than in 1982

Factors bringing this off the boil were less freely available finance from building societies, the sharp rise in the cost of housing finance, and the already strained financial position of consumers

Squeeze

On the private non-residential side, the present squeeze on company profits, and low capacity utilization are factors constraining factory development Office accommodation is seen as oversupplied, but shopping space might be created away from established central business districts

On the materials side, the slowdown nationally eased the previous bottleneck situation, although roofing materials and bricks still proved problem areas

Supplies in the Western Cape were "more or less adequate, with the exception of bricks," although doubtless influenced by the dramatic increase in brick-making plant in recent months, the brick supply position is seen as improved over the previous quarter

Weekend Argus BUSINESS/SPO
CAPE TOWN, MARCH 31 1984

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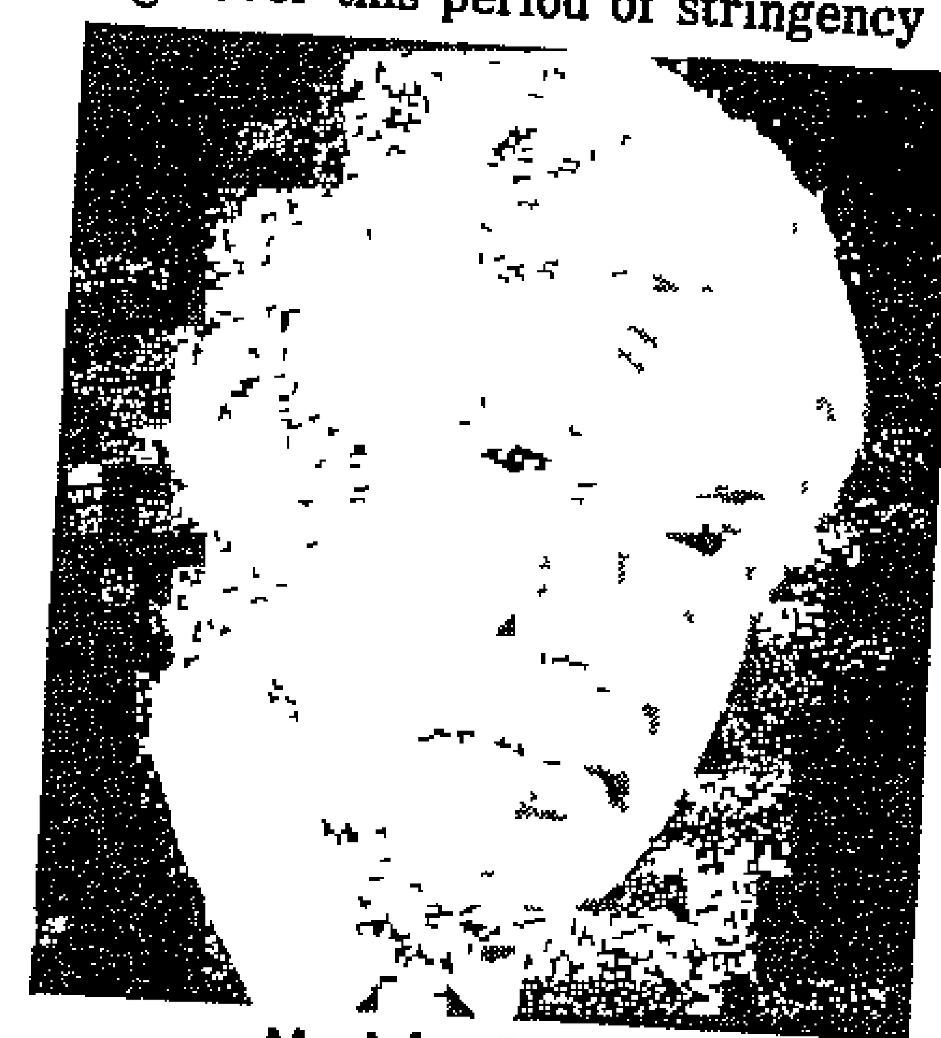
32

M & R expects to ride out downturn in construction

MURRAY and Roberts will emerge unscathed from the downturn now affecting the construction industry, its chief executive and deputy chairman, Mr John Bramwell, says.

He said in an interview in Cape Town "There is a definite decline in the amount of work on offer. But we are cushioned to some extent because we have quite a lot of work of reasonably long duration which will probably bridge over this period of stringency "



Mr John Bramwell

Some of the group's construction work is carried out in other parts of the world "where things are looking up in the construction industry "

About R250-million a year — or 10 percent of group earnings — comes from work done outside this country

But Mr Bramwell pointed out that, in spite of the fact that the group was involved with every segment of the construction industry, it had a wide spread of other activities

"About 50 percent of our earnings don't come from construction at all We have interests ranging from food to heavy engineering It is true that the heavy engineering industry has been hit badly by the recession but it is showing signs of recovery

"There is definitely a sign of improvement in business "

Real growth this year

The group's attributable earnings rose 27,7 percent to R28-million in the six months to December

"Our interim announcement stated that we expected real growth in the present financial year The tempo of activity is going to slow up but I think we shall see no drop in earnings in the next financial year either "

Mr Bramwell is confident that the group, which made after-tax profits of R53-million in 1983 compared with R9-million in 1974, will continue to grow

"I see no reason why we should not become as big as some of the giant American corporations "

ARGUS 28/4/84

Black managers

From Page 17.

tinue to grow at the same rate and he saw no reason why it should not become as big as the giant US corporations.

Its interests ranged from food to heavy engineering, in addition to its activities in the construction industry and it was already an international organisation, owning companies outside South Africa

But he was confident that its policy of decentralised management meant there was no danger that it would become a kind of bureaucracy in which initiative was stifled, however large it became

"We have always had a philosophy of heavily decentralised management combined with heavily centralised financial controls

"All our companies operate with a fair degree of independence

"We maintain financial controls We know what each company's cash position, borrowing position and earnings are at any time

"But we don't give advice on what business it should do or what contracts it should sign

Good managers

"Murray & Roberts' growth could be achieved only with good managers and therefore they must have a degree of freedom within carefully defined limits to develop their management skills

"We don't believe you can develop good managers if you are trying to do their job for them, and as an organisation grows you have to pass responsibilities down the line"

Although the group would continue to grow by acquisition, in addition to organic and innovative growth, it was unlikely to venture into any completely new fields

Market share

"Currently our policy on the acquisition front is clearly defined

"Our first objective is to increase market share by acquiring companies in the same field of endeavour

"If we go for a large acquisition it must fit in with the activities of one of the divisions within the group"

Mr Bramwell himself rose through the ranks in various divisions of the group

He left school intending to become a lawyer, but World War 2 broke out while he was in the middle of a BA course and he had a distinguished career in the Royal Parachute Regiment in the British Army, serving in North Africa, Italy, Greece and France

He was demobilised with the rank of major

"By that time I had decided I wanted to be a civil engineer

"I graduated from the University of the Witwatersrand and started working for the Railways because they give a very good basic training"

He left to join the Roberts Construction Company in 1952 and became assistant manager of its Natal branch in 1956 and manager in 1958

THE EXECUTIVES

Mr John Bramwell, chief executive and deputy chairman of Murray and Roberts, intended to become a lawyer but the war interrupted his studies and after demobilisation he decided to be a civil engineer instead. He is an immediate past president of Seifsa, a director of Senbank and Edesa of Zurich, a Fellow of the Institution of Civil Engineers in London and of the South African Institution of Civil Engineers.

M and R seeks black management

W/C ARGUS B95 28/4/84 22

By AUDREY d'ANGELO

THE number of black people in management positions will increase "steadily and dramatically," with many of them rising through the trades, says Mr John Bramwell, chief executive and deputy chairman of Murray and Roberts.

But he says this cannot happen immediately because many in the 25 to 45 age group are handicapped by the poor quality of the education they received

Murray & Roberts already employs black people in senior positions, particularly outside South Africa

"We give a lot of support to the universities, including the black ones, and we are always looking for management ability among blacks so that we can advance them

"We always have between 100 and 120 bursary students at universities

"The bursaries are given on a non-racial basis and although whites are in the majority the number of black students is increasing

"We also have several hundred technicians in training at technikons and there is a higher proportion of black people among these although there is still a preponderance of whites

"We have hundreds of apprentices in training, too, and here the largest proportion are not white and the number of blacks is increasing rapidly

"Further down the line we have in-house training to upgrade unskilled people and these are predominantly black"

Mr Bramwell said this process of rising through the trades was already far advanced among coloured people in the construction industry

The company started training coloured apprentices in the days when almost all foremen were white

Now almost all foremen were coloured men with 20 or 30 years' experience

Coloured people would move up into management in increasing numbers "and the same thing will happen with blacks"

Discussing the emergent black trade union movement, Mr Bramwell said Murray & Roberts had spent a lot of time training management at all levels in negotiating skills.

"We have also been trying to help black people to understand our problems and responsibilities, and to achieve a good level of communication between management and workers

"This does not mean that we shall have no problems but it does mean that we shall be able to understand and identify our problems."

Murray & Roberts, which made after-tax profits of R53-million in 1983 compared with R9-million in 1974, would con-

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CITY/INTERNATIONAL

Huge subsidy cut: City roads projects at risk

Municipal Reporter

MAJOR roads projects in Cape Town are in jeopardy because of a huge cut in the Provincial Administration's roads subsidy for the city for the next financial year.

City Engineer Mr Jan Brand says the "sudden, crippling reduction" of the provincial subsidy from R23,3 million to R11,7 million means Cape Town will receive money for only two projects which are nearing completion.

It eliminates almost the entire city road-improvement programme, which is already pared to the bone to cut costs No money will be provided for seven major projects

"Serious effects"

Notice of the 50 percent reduction and a report from Mr Brand were put before the city's utilities and works committee today

Mr Brand says "The very serious effects of this should be brought to the attention of the Provincial Administration and the Government through interviews with the Administrator and the Minister, if necessary

"Strenuous efforts should be made at least to reinstate the public transport projects, to ascertain what future provisions will be made for metropolitan transport development as well as to protest to what amounts to a sudden, crippling reduction of provincial subsidies on transport projects.

"No reasons given"

"It is a 50 percent reduction on a programme which conformed, in respect of Cape Town, with draft capital estimates already reduced to essentials

"No reasons for this drastic cut are given in the letter, but I understand it is basically due to a substantial reduction in contributions to provincial coffers from central Government

"The practical effect on Cape Town for the next financial year is that only two contracts — Vanguard Drive and Kromboom Parkway — will get money.

"This eliminates virtually the entire programme for road improvement, especially for public transport infrastructure in the city and metropolitan area"

CAPE TIMES 8/5/84

Another signatory for GWU

Labour Reporter

PREBUILT Products, a subsidiary of the Murray and Roberts group, has signed a recognition agreement with the General Workers' Union

In a statement, the powerful Cape-based union said the agreement recognized the union's right to represent members at the firm over "any matter affecting their employment"

The agreement also gave it rights of negotiation over wages, conditions of employment, health and safety and other matters

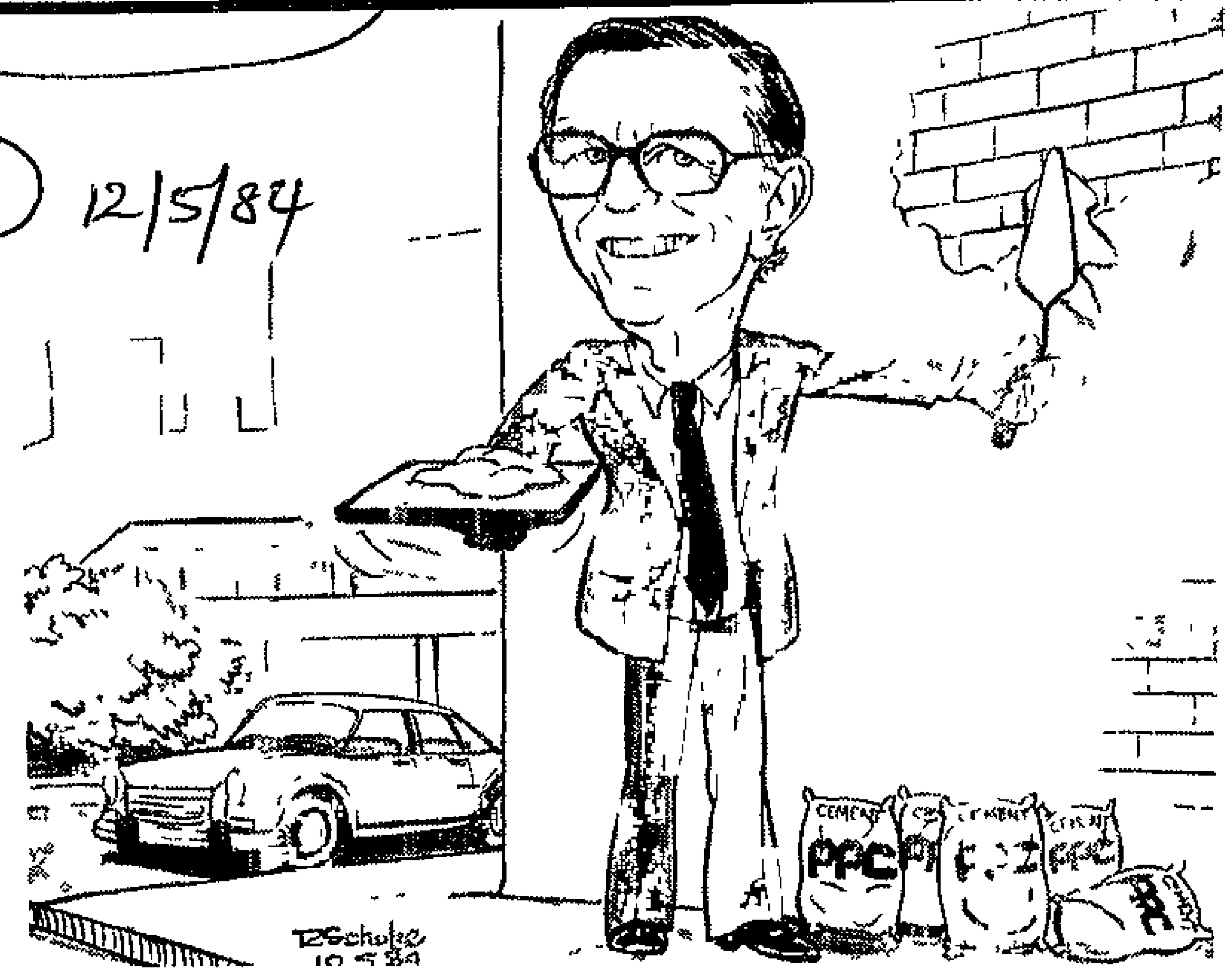
The signing followed several months of negotiations which took place in a "spirit of co-operation"

The union added that the management's attitude was "commendable to other employers, particularly in the cement and concrete industry"

The Star/BUSINESS

Building boom helps PPC to 70 percent first-half 1984 earnings surge

32 12/5/84



PPC's Guy Luyt . building the foundations for the future.

By Peter Farley, Investment Editor

A surge in demand for cement and a massive leap in investment income provided the platform for Pretoria Portland Cement to increase attributable earnings by almost 70 percent in the six months to end-March

Internal rationalisation and the benefits of additional contracts, through the failure of another cement company to fulfil obligations, accelerated this trend

But MD Mr Guy Luyt does not expect this growth to translated into a similar earnings leap for the full year Attributable earnings are forecast to rise to R56 million for the 12 months to end-September, from R47 million in 1983, and the total dividend is expected to increase to 42c from last year's 35c

The second half of the year is traditionally more important to PPC, usually generating some two thirds of the full year's earnings

But this time around it will be compared against a strong performance last year when the building industry experienced exceptionally buouyant demand.

Mr Luyt echoed the experiences of many other leading corporate figures when he said the second half of 1983 produced a mini-boom that later petered out

This has been particularly noticeable in the building industry and, although PPC has been able to operate at around 85 capacity for the past six months, it is possible that demand will falter in the current period

This high level of capacity use, in an industry where some 50 percent of costs are fixed due to its capital intensity, improves profitablity dramatically as maximum production levels are neared

The company is in the midst of a capital expenditure programme that will absorb some R344 million over the next five years

And while this will dramatically increase capacity, Mr Luyt says he expects it to come on stream just as the economy revives

The country's total cement useage increased from 3,3 million to 3,8 million, but during the six months PPC increased market penetration with its own volume sales rising to 1,9 million tonnes from 1,6 million

Lime sales also benefited during the six months and rose by some nine percent to 624 000 tonnes.

The increased sales performance and increased profitability also meant the higher effective tax rate — reduced last year because of the commissioning of new plant — had little impact in reducing the flow of profits through to the bottom line

But PPC has again been conservative with its distribution. And although payment has been raised by around 50 percent to 14c, cover has been bumped up to 5,6 times For the full year last time, however, cover was dropped marginally to 3,7 times

While Mr Luyt said these sort of retentions are necessary, as the aim is to finance as much of the expansion as possible from earnings, he would not be drawn on whether cover would be relaxed once the spending had been completed.

The leap in investment income to R7,6 million from R1,4 million a year ago was almost solely due to interest earned in the period from the R31 million cash raised in the recent debenture issue, which has been placed on call.

The debs carry an 11,5 percent dividend and the cash has been invested, until needed for the capex programme, at around 18 percent

But this has also had the reverse effect on the company's interest bill, raising payments for the first half to R3 million from R1,1 million a year ago

The future direction of PPC rests heavily on the current expansion programme, but this does not restrict acquisitive growth.

Mr Luyt points out that during the past six months, PPC bought a Natal-based processor of raw material for the ceramics industry — Boshoff Alumina — for some R2 million

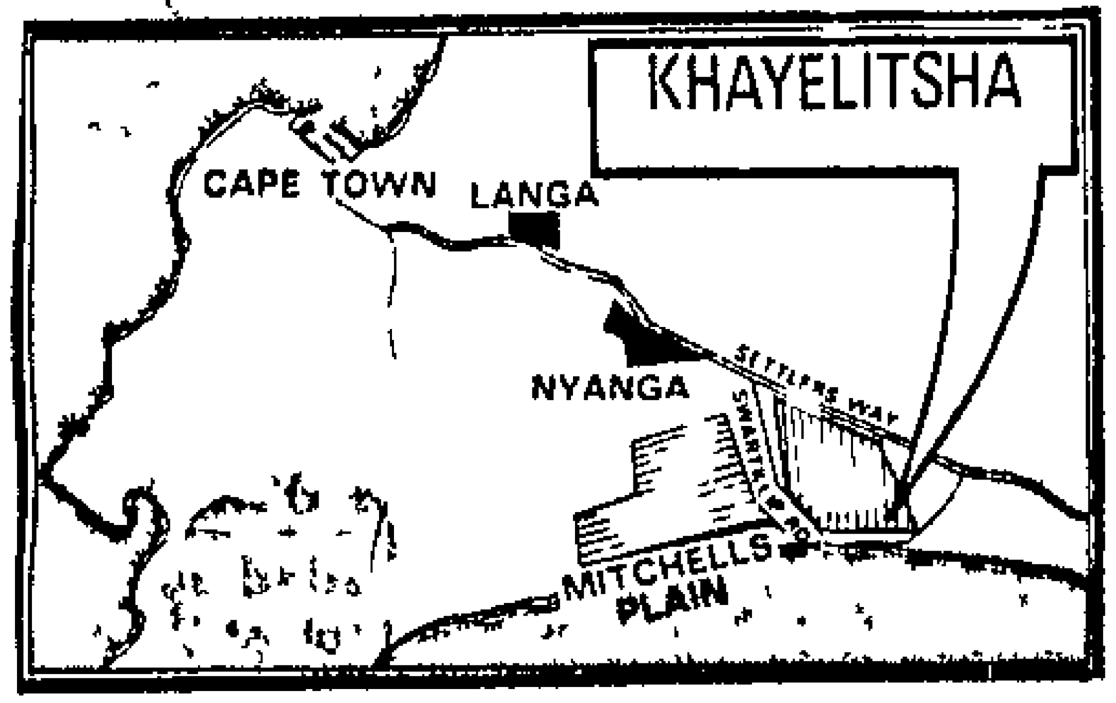
And while this does not have any product link with existing businesses it does involve allied technology, particularly with the use of kilns Mr Luyt says additional growth opportunities will be examined as they emerge, but they will have to fit in with the skills already inherent in PPC

The immediate future is for relatively flat earnings growth, particularly given the fact that investment income will dwindle as the cash is utilised

But Mr Luyt says he expects the company to be back on the track of strong growth by 1986/7

The group has made extensive use of the current economic climate to execute substantial efficiencies throughout the group. Apart from straight cost savings this has also involved the switch of production from less productive operations to the more efficient

These decisions have, however, been dictated by transport costs, which make up some 40 percent of the final cement selling price.



5 000 workers needed for black city's first phase

W/L ARGUS 12/5/84

32

By AUDREY d'ANGELO

ABOUT 5 000 jobs will be provided within a few weeks when a start is made on building Khayelitsha, says Mr Franko Maritz, chairman of the Western Cape Development Board

Khayelitsha is the township planned to house 250 000 black people on the False Bay coast — a project which will give a steady supply of work to the construction industry in the Western Cape for the next 12 or 13 years

Mr Maritz, who pointed out that the industry was now entering a downturn, said in an interview this week about 5 000 artisans and labourers would be employed on the site within a few weeks on the first phase of building 5 000 houses and installing services

Many of them would be black people, including members of the 300 families already living on the site in temporary huts

Construction was due to start at the beginning of this month but at the beginning of this week tenders had still not been awarded

Higher tenders

Officials admitted the reason was that tenders submitted by contracting firms were much higher than they had expected.

They were "of the order of R69-million or R70-million "

Project director Mr L A Rault said. "We want the work done in a hurry and, unfortunately, if you ask firms to do something in a short time the price you are asked to pay goes up."

Mr Maritz, who took over as chairman of the board last year, said the reason for haste in building the first phase was that "homes are urgently needed for the black people legally in the Western Cape who are living in temporary accommodation

"You cannot provide homes without services I could not live with a situation in which people were asked to move into houses without shops, schools and a clinic

"Two schools have already been completed and more than 300 children are going to them.

"Schools are essential because the first phase of Khayelitsha, due to be completed by the end of this year, will accommodate 5 000 families and that could easily mean 15 000 children "

Steady work

After the first phase Khayelitsha would provide a steady supply of work for the construction industry with 3 000 homes to be built every year, with neighbourhood shopping centres and other amenities

There would eventually be a city centre, similar to that in Mitchells Plain, with supermarkets and cinemas, and beach facilities were planned

The first 5 000 houses would have three rooms, one with a flush toilet and taps and another with a sink.

These "core houses" with 27 sq m of floor space were designed so that more rooms could be added by tenants as they could afford them, built with concrete blocks and other materials obtainable from a resources centre on the site, where technical advice on building would also be available

Each plot would include space for parking a car and, although the first houses would be built without electricity because they would be occupied by people in the subeconomic group, cables would be laid in readiness for installing it later when tenants became more affluent

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W/L ARGUS 12/5/84

5 000 workers needed

360

From Page 17

In addition to the core housing, 250 larger "elite plots" were available on higher ground near the sea for black executives to build their own homes and these would require electricity immediately

Admitting that these plots could, at this stage, only be rented and no 99-year leases were available, Mr Maritz said the board was pressing for a change of policy which would give black executives more incentive to build

Mr Nels Matthee, director of engineering and works on the site, said that even on the present terms there had been inquiries from executives interested in the sites

Distances to travel

Discussing the distances residents of Khayelitsha would have to travel to work, Mr Maritz said that although the centre of Cape Town was 25 km away, there were nearer centres of employment at Philippi 7 km away and at Epping

Buses "with heavily subsidised clip-card fares" were already available

There would also be jobs in service industries in Khayelitsha itself

The "informal sector" of business, which was flourishing at Crossroads, would be encouraged to develop at Khayelitsha with help from the Small Business Development Corporation if required

Market stalls

Market stalls would be available at the neighbourhood shopping centres and it was hoped residents would set up business in these in addition to the mini-market, hardware stores and post office each centre would have

Mr Maritz said he hoped there would be a railway "in three or four years."

But another official of the board said he thought three or four years "an optimistic estimate "

The present City Tramways 10-ride clipcard fares between Khayelitsha and places of employment are Bellville South R2,80, Parow Industria R2,80, Epping R2,70, Mowbray R3,20

Mr Franko Maritz, left, chairman of the Western Cape Development Board, and project director Mr L A Rault show models of the neighbourhood shopping centre and village centre due to be completed at Khayelitsha by December.

Philippi site sold for R2,5-m

AN upsurge in demand for industrial sites at Philippi, only 7 km from Khayelitsha, has occurred in the past six weeks, says a leading estate agent

Mr Jassie van Zyl of Divaris Properties said. "We have just sold a 12-ha site there for R2,5-million to an investor who plans to subdivide it into about 150 factory sites We have sold other sites there and so have other firms

"The demand for industrial sites generally has improved lately Philippi is definitely on its way up although land there is still favourably priced compared with other areas nearer the city centre

"The standard price for most sites there is about R25 a sq m compared with R45 in Epping Philippi is the nearest industrial area to Khayelitsha Firms already there are employing labour from Crossroads and from Nyanga and Langa"

WOODSTOCK/OBSERVATORY

ARGUS 22/6/84

Seven injured as scaffolding collapses

Argus Correspondent

JOHANNESBURG. — At least seven people were injured and four cars damaged today when scaffolding round a building under construction on the corner of Albert and Rissik streets collapsed

The scaffolding on the first floor of the building belonging to the Commercial Union Assurance Company collapsed under the weight of wet concrete while workers were extending the floor

Mr Andre Smit said he saw the construction workers throwing concrete over the platform

RUNNING

"The next moment I saw a man throw his hands in the air Several men started running for their lives and I saw about six workers falling with the collapsing platform"

Inside the semi-constructed building a man surrounded by several shaken workers was taking a roll-call

"I was badly frightened It all happened so fast," said one of the workers who escaped injury

The injured were taken to Hillbrow Hospital in an ambulance Their condition was described as "satisfactory" after treatment

Unique plan trains black PE builders

32 E. Post

2/6/84

THE launch in Port Elizabeth this week of a unique training programme for black builders — together with the parallel creation of a builders and allied contractors' association — promises to introduce a powerful new element into home-building in the city.

With the financial backing of the Urban Foundation, the academic backing of the Emthonjeni Training Centre, support in principle from building societies, and credit facilities already negotiated from a number of major building suppliers, the newly-created association is clearly geared to bring highly-trained and skilled black competitors into the house-building market.

Implications for an industry frequently accused by home-builders and renovators of overpricing their services, are obvious: low-geared and competitive black contractors are likely to introduce keener prices to the benefit of home-owners.

Details of the training programme and the role of the Eastern Cape Builders' and Allied Contractors' Association (both non-racial), were given to BUSINESS POST this week by Emthonjeni chairman Mr Bill Hayward and director Mr Dieter Küsel, the Urban Foundation's Mr John Andersen and Mr Sam van Aswegen, and the first chairman of the new association, Mr Richmond Vantyi.

A vital element to the successful operation of the association's members, said Mr Hayward, would be the appointment of a co-ordinator.

The position would in all likelihood be filled by an experienced quantity sur-

By Louis Beckerling

Business Editor

veyor or similarly qualified professional, and though he would be employed by the Emthonjeni Centre, the costs associated would be reimbursed by the Urban Foundation.

"It will be his task to ensure that the theoretical training received during the course is translated effectively into practice, and to do so he will oversee on-site operations by association members," explained Mr Hayward.

The six-month training programme at Emthonjeni centre in Struandale was aimed at developing the complete package of administrative, financial and technical skills required by a building contractor, said Mr Küsel. The course began last week with a first enrolment of 20.

The flexibly-structured course was designed on a modular basis and could thus be expanded to meet the needs of students, explained Mr Küsel.

Stage 1 was aimed at accurate estimating of labour costs, mastering legal documentation and associated local authority standards, and ordering materials.

Included in the subsequent four stages was instruction on materials estimating, keeping financial records, personnel practices, the interpretation of drawings, costing and profit calculation, and a narrow focus on all the technical aspects of building.

The course cost only R90 and lessons are given three nights a week (Tuesdays, Wednesdays and Thursdays) for six months.

The association co-ordinator would be available to "hold the hands" of graduates from the course, and closely oversee initial contracts until the newly-qualified course graduates were sufficiently confident to work alone.

Association chairman Mr Vantyi explained that members of the association would subscribe to a code of practice and be subject to the disciplinary action of an association sub-committee.

Approaches to building societies, suppliers and the East Cape Development Board had attracted active support and association members were anticipating becoming involved in building "spec" houses in the Motherwell development.

The training course is the first of its kind offered in South Africa and, emphasised Mr Küsel, was non-racial, as was the association. By its nature, however, it would serve largely the African community.

This did not preclude a gradually increasing involvement in building houses in so-called white areas, and already this was being done on a modest scale by some black contractors, said Mr Vantyi.

The "contractor development training programme" devised by Emthonjeni was the first of its kind in the country, and underlined the centre's rapidly growing stature as a training school, said Mr Hayward.

This stature was confirmed in comments from officials from a number of similar schools throughout the country, as well as inspectors of the Department of Manpower, who had recently visited the centre, said Mr Hayward.

The centre is funded by local industry as well as Government grants and in the year ended December 31, 1983, spent R1 million training 3 120 students — who spent on average a little under two weeks at the centre.

FM 29/6/84

INDUSTRIAL COUNCILS (32)

Whose jurisdiction?

A demarcation dispute that has bedevilled industrial relations in the building and furniture industries for almost 30 years is close to being resolved

At issue is whether workers making built-in kitchen and laboratory cupboards, as well as other fine woodwork such as church fittings, should fall under the jurisdiction of the industrial councils for the building industry or those of the furniture industries

All involved are believed to have agreed, in principle, on a solution Clarification is still awaited on a few minor areas of disagreement. No-one is prepared to reveal details of the settlement It is claimed that the matter is extremely sensitive and any premature discussion "could be prejudicial to the final negotiations"

However, the *FM* has learnt that, in essence, the agreement provides for dividing the contested functions between the jurisdictions of the different industrial councils The seemingly logical solution, however, is more complex than appears at first sight. The dispute has a legacy that stretches back to the post-war days and it has taken a year of "extremely sensitive negotiations" to get the parties to the point where they are now.

One of the problems is that employer groups insisted that no employees should be prejudiced in any way by the final settlement There are thousands of employees involved together with a number of trade unions and employers With some employees destined for a change in status in terms of the new demarcation agreement, which could mean they will be entitled to changed benefits under their new industrial council, negotiations became extremely tricky

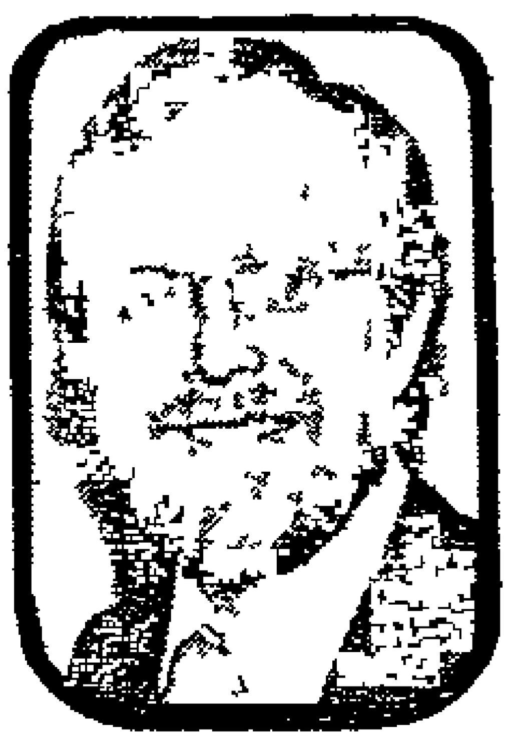
In addition legal sources say that there were principles of labour law at stake. The splintering of big industries through the emergence of new technology is leading to the demise of some large industries and the fragmentation of trade union groups This has major implications for SA labour law

However there seems to be a degree of elation that a settlement is finally in the offing Industry spokesmen say an anarchic situation existed with employers playing one industrial council off against the other — often to the detriment of employees

Black builders to bid in R7m township plan

32

E Post 14/7/84



By Louis Beckerling
Business Editor

BLACK builders are to bid for a major slice of a potential R6,8 million upgrading programme in Port Elizabeth's Motherwell township

The upgrading will be required to complete Phase 1 of the "Rive Plan" for improving Port Elizabeth's black residential areas

And members of the association of black builders formed to exploit the business opportunities presented by the programme predicted this week that their prices would be "considerably cheaper" than those already quoted on a number of upgrading contracts

In an interview with BUSINESS POST this week, a delegation from the newly-formed Eastern Cape Builders and Allied Contractors Association (Ecbaca), appealed to employers to call for quotes from members before awarding tenders

"They will find that we are able to perform the tasks professionally, and at prices which are lower than that at which several tenders have already been awarded," said association chairman Mr Richmond Vantyi

The association enjoys the backing of the Urban Foundation, the Emthonjeni Training Centre (which is currently conducting a six-month training course for contractors who are members of the Association), and the Eastern Cape African Chamber of Commerce (which acts, through its director Mr Mputumi Damane, as a secretariat for the association)

The financial backing of the Urban Foundation, skills training offered by the Emthonjeni centre, support in principle from a number of building societies, and credit facilities negotiated with several builders' merchants underlined the status of the association, Mr Vantyi said

"It should also serve to demonstrate that our members are highly professional, competent, and reliable builders, many of whom have had a lifetime of experience in the industry"

Immediate target of members, said Mr Vantyi this week, was to win a "rightful share" of the contracts for fitting-out the "shell houses" presently under construction in Motherwell neighbourhood unit 2

"Our members feel that as circumstances limit our freedom to compete in the white residential areas, we should be given much greater opportunities to do the work in the black areas," said Mr Vantyi

Though not prevented by law from working in white areas, said Mr Vantyi, the requirements of the Master Builders' Association and wage regulations determined in terms of the trade's industrial council agreement, severely restricted black builders' freedom to compete in white areas

Considerable opportunities were presented to emergent black businessmen by phase 1 of the Rive Plan, however, said Mr Vantyi

In terms of the plan some 2 147 houses are presently under construction in Motherwell neighbourhood unit 2 These were "shell-houses" of the 51/9 variety, built without floors, exterior doors or windows, interior walls, or ceilings

Mr Vantyi and his colleagues, Mr Solly Dondashe and Mr Sydney Nomoyi, gave a breakdown of the prices at which these elements could be added to the shell houses

The full cost of the most basic upgrading — the installation of a floor, exterior windows, and doors, would amount to some R1 400, building interior walls and fitting doors (excluding plastering), would add a further R750; interior plastering would cost some R350; and ceilings plus-minus R600 — for a total of about R3 200

"Despite the competitive nature of these prices, contracts do not seem to be coming our way — perhaps it because of ignorance on the part of employers who are upgrading houses on behalf of their employees," said Mr Vantyi

Mr Vantyi suggested a basic procedure to be followed by employers wishing to house their workers

"First they should check whether their workers qualify in terms of Section 10 rights (under the Black Urban Areas Act) for permanent residence

"Should they do so, applications for shell houses will be considered by the Eastern Cape Development Board in cases where workers earn R800 per month and less

"In the event that houses are allocated to their workers by the ECDB, employers should contact our association (via the offices of the Eastern Cape African Chamber of Commerce), for further information regarding upgrading of the shell houses"

Mr Dieter Küsel, director of the Emthonjeni Training Centre, explained that the "contractor development training programme" launched by the centre was the first in the country

Course graduates would be fully qualified in all aspects of building contracting and as members of Ecbaca would also enjoy ongoing assistance and support from a co-ordinator yet to be appointed

The six-month course at the centre's Struandale training complex was aimed at developing a "complete package of the administrative, financial, and technical skills required by a building contractor, said Mr Küsel

(32)

MURRAY'& ROBERTS

Constructing a success

M & R's track record in the construction sector is enviable Success has partly been due to diversification — which has brought some problems in its wake. Now it intends to take a closer look at its traditional trading areas in assessing growth prospects.

The construction industry is notoriously cyclical Within it, Murray & Roberts (M & R) has proved itself as SA's most profitable operator Crucial to the group's earnings performance, which grew by a compound 34,8% annual average in the four years to end-June 1983, has been its diversification

Construction and civil engineering remain M & R's core business But it is involved in a host of other activities, which can be broadly defined under three headings construction-related activity, and industrial and consumer product manufacturing

Diversification has not always proved successful As an industrial conglomerate, M & R's problems are both those of finding a corporate identity and ensuring that it does not grow for growth's sake — with increasing assets showing diminishing returns But M & R has avoided the wide earnings fluctuations that have plagued competitors LTA and Grinaker It has come through the present recession in good shape and is well placed to benefit from the next economic upswing

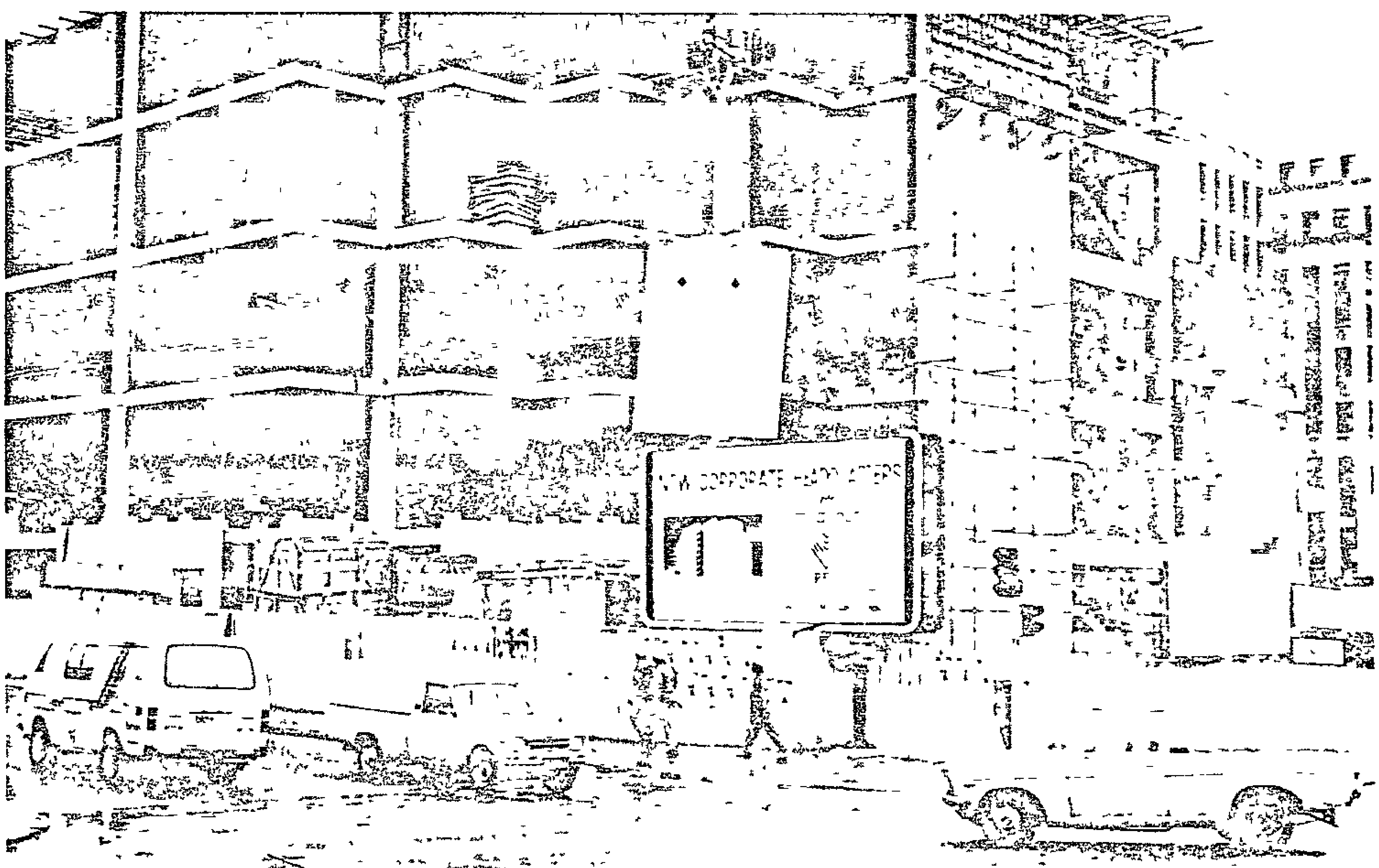
M & R has diversified in a number of different ways It expanded from construction into engineering and project management It is involved in engineering-related industrial activities such as foundries, repairing mining and security equipment and railway electronics It works in construction-related activities such as property development road surfacing, brickmaking, quarrying and glass distribution And, in a bold move out of its traditional trading areas, M & R makes caravans, mobile homes, foodstuffs and factory-built accommodation

On average, over the last four years, construction contributed 35%, industrial interests 31%, construction-related work 20%, and consumer products 14% Chief executive Bill Bramwell sees all four groups expanding more or less in parallel over the next five years But the group's consumer products, by virtue of their smaller 14% profit contribution look set to grow strongest Bramwell indicates that expansion will come from acquisitions as well as organically

Critics argue, however, that diversification has resulted in M & R having a less clear market identity and direction They claim the group's acquisitions have been haphazard and often unprofitable

As if to vindicate such comment, M & R announced in its 1983 annual report that it had redefined its investment policy and reorganised the group structure The number of sub-groups in M & R was cut from eight to seven Each sub-group enjoys a high degree of autonomy and operates on a rigid internal reporting system based on profits and targets Borrowings are channelled through head office and require the approval of the executive committee and financial directors

The investment appraisal, claims Bramwell, has produced a clearer focus on the group's activities Henceforth M & R will build on its existing markets to expand market share and move into related business Loss-making operations and subsidiaries of acquisitions peripheral to M & R's business have been sold off A three-year corporate plan to define the group's growth targets and areas of expansion has been



M & R at work ... business at the core

drawn up But Bramwell will not release details in advance of the annual report

Certainly, some past takeovers landed the group with heavy losses The Elgin industrial group, acquired some seven years ago and developed by further takeovers, has had to be rationalised Most of the smaller operations were closed down or sold, and Elgin's activities are now concentrated in ship-repairing and industrial engineering.

Neither has offshore expansion been an unmitigated success. M & R aims at generating 10% to 15% of its profit from abroad But losses from the group's US civil engineering and construction companies have reduced the overseas contribution in recent years to about 8% of group profit M & R is now divesting from the US But Bramwell is optimistic that the overseas profit contribution will reach the targeted 15% in the next few years.

Meanwhile, of the group's SA activities, construction faces the insidious growth of "in-house" trading in the industry All the big construction groups, except M & R, have been absorbed by mining or financial houses which award their building projects to their construction subsidiaries M & R has no access to this type of business M & R chairman William de la Harpe Beck describes tied business as inflationary and detrimental to competition Behind his sentiments is M & R's fear that, by default, it could find itself shut out of future, lucrative construction contracts

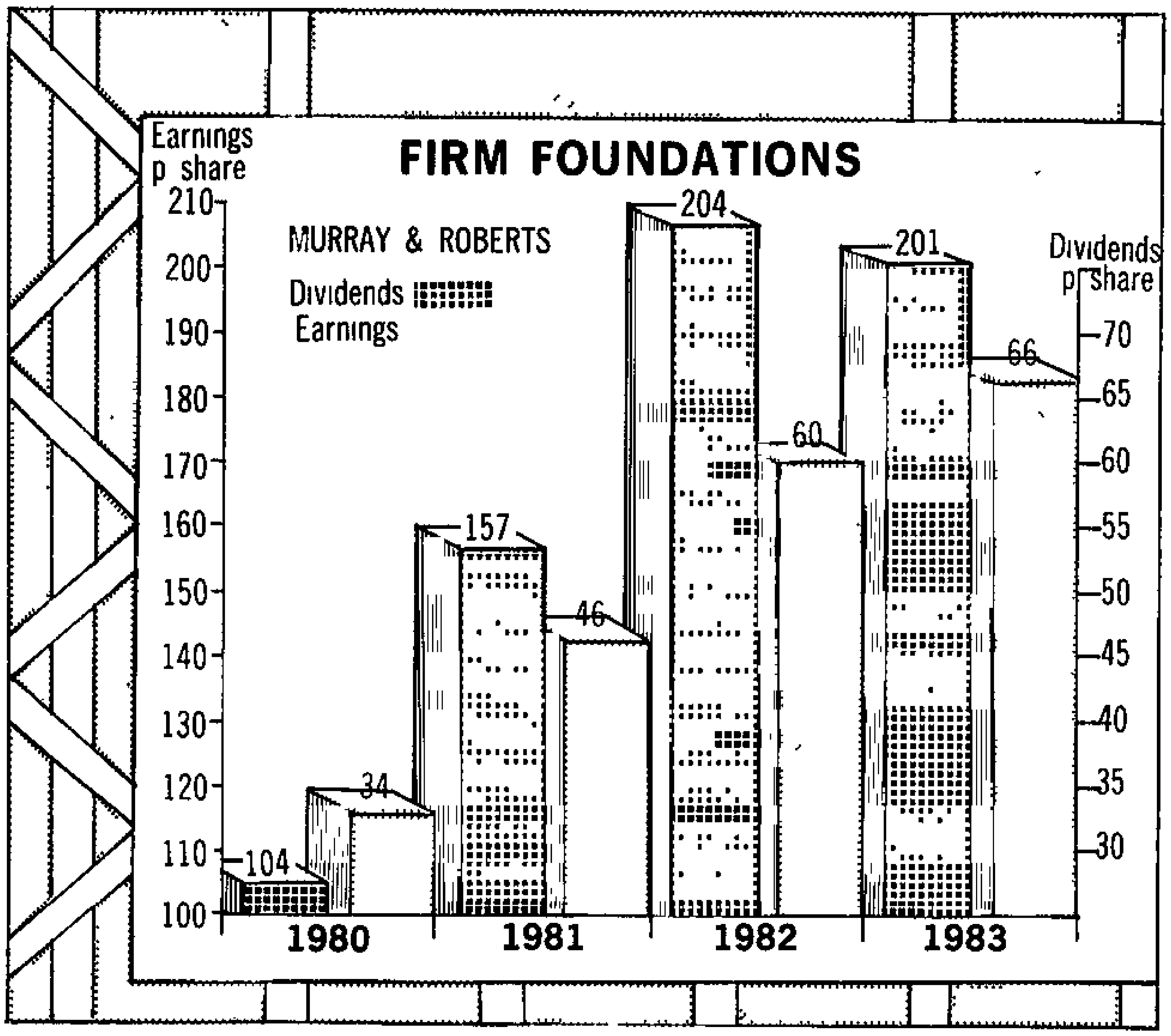
The longer-term need for tied business as a growth source may well encourage M & R to move into one or another institutional camp. A Sanlam alliance is most commonly mooted In the short term, though, M & R's diversified mix of construction activity will enable an earnings decline in one branch to be compensated for by improved earnings in another Strong growth in housing work is expected this year, increased profit from the group's Leeuwfontein coal mine, which supplies the Rand, is also forecast These will help offset an earnings fall from civil engineering, which is in the doldrums at present owing to government spending cutbacks

In line with engineering industry experience, the group's engineering, management and project management sub-group is having a torrid time Bramwell says this sub-group is the first to feel an economic upturn So the immediate outlook in SA is for a continuation of recession But parts of M & R's engineering business are doing well. notably insulation business, which is benefiting from Escom contracts and air-conditioning installation, which is fairly recession-proof

M & R's industrial sub-group operates foundries and manufactures machinery and equipment. It is slowly recovering from its reduced results of 1983 as industrial demand picks up, and in the wake of the Elgin group's earnings write-offs In the year to end-June 1984, the industrial sub-group is expected to show a reasonable profit Whether its nascent recovery will be sustained in the face of deteriorating economic conditions remains to be seen But, for the present, M & R expects an increase in profit in the present year to end-June 1985

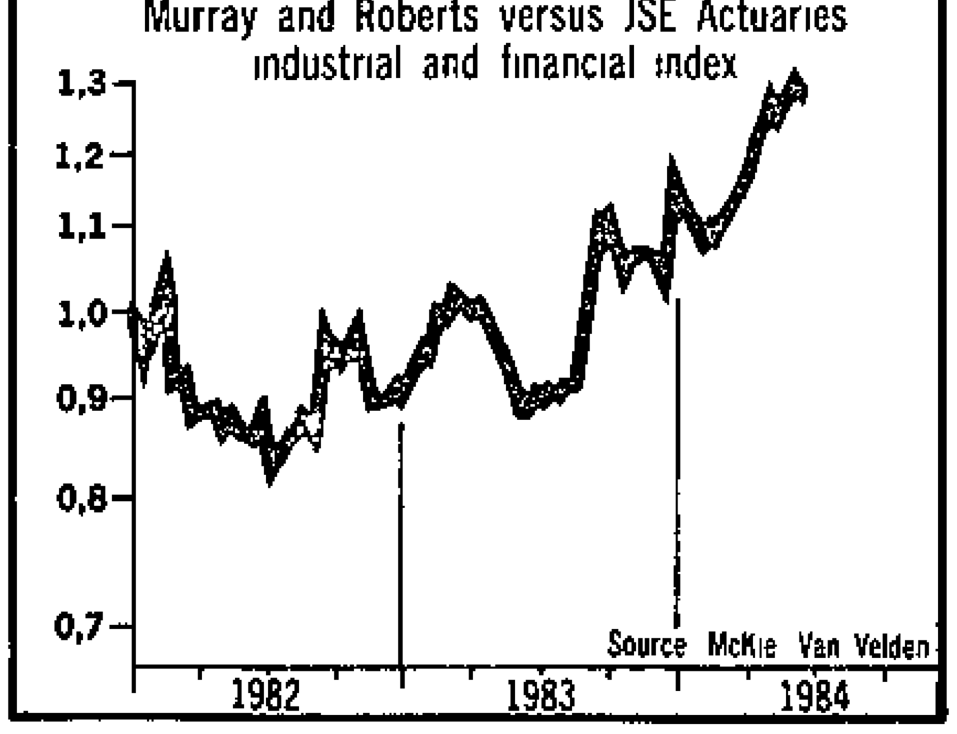
The suppliers and services sub-group presents a rosier picture Its tug, marine salvage and pipeline construction operations were profit-spinners last year Earnings were further improved by the sale of the loss-making Court helicopter division in Argentina and of the ship-chandling interests

The group's consumer products division, formerly the Manchusar division, is having



GROUNDS FOR SUPPORT

Murray and Roberts (M & R) has been one of the strongest-performing industrial shares since the beginning of the 1982 bull market Both the long-term moving average and the relative strength lines are in strong bullish patterns. However, the market's recent slide has caused the share price to decline sharply from its 1984 high of 1 620c.



Consequently, the price has now fallen to the 40-week moving average for only the second time since the bull market began. The only other time this occurred was in October 1983, when the price fell to roughly 1 000c. But M & R quickly rebounded and resumed its bullish trend.

Therefore, if the price continues to slide and moves substantially below 1 250c, this would give an initial warning that M & R is about to enter a period of consolidation. And should the share remain at these lower levels for a prolonged period, then the moving average would reverse direction, signalling a change in trend But M & R's relative strength ratio appears to have developed support above 1,0 and final confirmation of a bear move would occur only if this level is broken.

Stephen Richter

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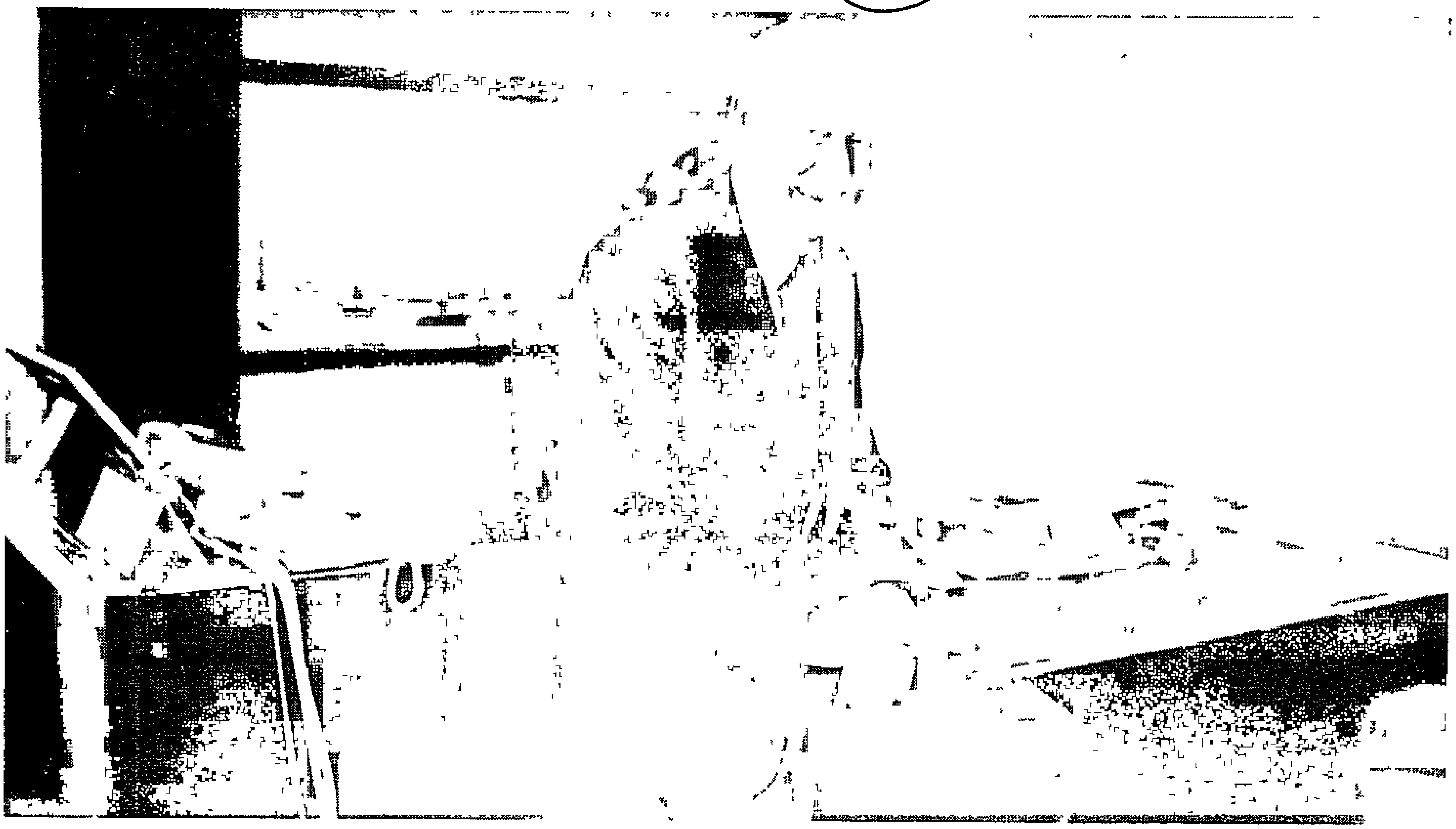

Chief executive Bramwell . . . on the lookout for investment opportunities

a harder time Caravan-maker CI Industries is benefiting from stronger demand But CI Industries' timber-framed housing interests are struggling in a depressed market The Elandsfontein factory has had to be mothballed M & R also plans to increase its presence in mobile homes manufacturing and retailing This concept, new to SA, is popular in the UK and US as a means of buying cheaper first houses, which are transported to a residential park M & R sees much potential in SA

In advance of the preliminary results, Bramwell is not letting on how the group performed in its financial year to end-June But the signs are that the group's target of a modest earnings increase on June 1983 has been bettered No major losses were sustained last year, and the debt equity ratio was cut from 0,37 to 0,30 This places the group in a strong position to continue expansion Bramwell, however, says that M & R is not interested in buying Goldfields Industrial Corporation, despite press speculation But he does indicate that M & R is continually on the lookout for investment opportunities

Inevitably, an assessment of M & R's future must include the possibility of changes in M & R's ownership M & R arose out of the 1968 merger of construction company Murray & Stewart, founded in 1902 by John Murray, and Roberts Construction, founded in 1934 by Douglas Roberts and Douglas Murray (the son of John Murray).

Douglas Murray died in 1964 Before his death, he set up a number of charitable trusts in which his personal stake in the two companies vested After the merger, the Murray trusts held 56% of the equity and 61% of the voting rights in M & R's holding company, Anchusa M & R, in turn, owns 23,8% of Anchusa

Bramwell says there is no chance of Anchusa selling off its stake in M & R But he concedes that it would be "sensible over time" for the trusts to broaden their investment base by selling off part of their Anchusa interest Market opinion has it that the most likely buyer is Sanlam, which at present owns 6% of M & R

Bramwell refuses to comment on this issue Still, if Sanlam or any other purchaser did take a large stake in Anchusa, a situation would arise similar to the present Kimet case The JSE committee argues that there has been a change in control of Kimet because Sanlam has taken a 49% holding in Kimet's holding company, Sanki Certainly, M & R, with its strong balance sheet, asset spread and profit record is a coveted prize for a predator

Christopher Marchand

THE MURRAY TRUSTS

Own 56% of the equity & 61% of the voting rights of Anchusa

ANCHUSA

Owns 47% of M & R

MURRAY & ROBERTS

*Average in the 4 years to end June 1983

CONSTRUCTION & CIVIL ENGINEERING 35%*
Includes M & R s international operations and
Coal mining & distribution on the Witwatersrand

CONSTRUCTION RELATED 20%*
Property development
Supplies & services quarries, glass, timber, bricks, road surfacing, marine salvage

INDUSTRIAL 31%*
Foundries
Ship repairs
Light & heavy engineering
Mining & security equipment manufacturing
Railway electronics manufacturing

CONSUMER PRODUCTS 14%*
Caravans
Mobile homes
Timber-framed factory-built housing
Food
Catering equipment

One of Reunert Handling's new Manitou series of imported rough terrain forklift trucks is put through its paces during the recent launch of the range at Benoni.

RDM 6/8/84 (32)

1 300c offer to Anchusa shareholders

Murray, Sanlam to control M & R

By DAVID ROSS

MURRAY TRUSTS, effective controllers of listed Murray & Roberts (M & R), have entered into an arrangement with Sanlam through which they will be effective joint controllers of the company.

Shareholders in listed Anchusa, the direct controlling company of M & R, are to receive an offer of 1 300c a share for 21% of their shareholdings.

Prior to Friday's suspension, Anchusa were trading at 925c Shareholders who accept the offer will still be entitled to the dividend due in October

At first sight, the new arrangements could have attracted criticism from the JSE Listings Committee.

It resembles, in some respects, arrangements between Kirsh Industries and Sanlam.

These led to quarrels between the two companies and the JSE over whether control of listed Kimet had effectively changed.

However, a major difference in the present instance is the offer to Anchusa shareholders

Direct control of M & R continues to be held by Anchusa But ultimate control, previously in the hands of the two Murray Trusts, is now equally shared between them and Sanlam

Anchusa's main asset was 46,6% of M & R's shares, and 42,9% of the voting shares The trusts in turn held 51,3% of Anchusa shares, representing 63% of the voting shares

The situation is further complicated by the fact that M & R holds 23,5% of Anchusa, of which 18,7% are non-voting Sanlam also holds 10% of the M & R ordinaries, making it the largest shareholder after Anchusa

Under the new arrangment, referred to as a contractual pool, the Murray Trusts and Sanlam will each hold 25,8% of the voting shares

Sanlam will put into the pool enough of the shares it holds in M & R to ensure that "at least 50,1% of M & R's voting shares will be held between the pool and Anchusa on a long-term basis"

The statement announcing the new arrangement says there is no change in control of M & R "Anchusa remains the *de facto* controlling shareholder of M & R

"The board of directors of M & R is made up of approximately equal numbers of non-executive directors of M & R," says the announcement "The trusts and Sanlam will be represented on this board"

They will have equal representation on the board of Anchusa

In the Kimet dispute, Sanlam claimed ultimate control of the company had not changed, and that offers to outside shareholders for a proportion of Kimet shares should wait until that happened

The present statement mentions that Sanlam will "in the first instance" make its offer for 21% of shareholdings in Anchusa The 1 300c share price "will be the same as that offered to the trusts"

The new arrangements underline the importance for investors to differentiate in their valuations between controlling or pyramid companies and underlying companies

Except for Pick 'n Pay and its pyramid Pikwik, rated almost equally on a yield basis, pyramids are not required to make similar offers to underlying companies if a change of control in the pyramid occurs

INTERBOU BUILDING AND CONSTRUCTION EXHIBITION

French join cheap import attack on SA building

S. Times 19/8/84

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RAW-material suppliers are coming under pressure from low-cost imports and declining investment in building. Real investment is expected to fall by more than 5% this year.

Steel, cement and tile imports are threatening SA manufacturers who are calling for tariff protection.

Sam van Coller, director of the Steel and Engineering Industries Federation of SA (Seifsa), says "A factor inhibiting any short- to medium-term improvement in domestic demand for structural and fabricated steel products is the continuing inflow of low-priced imports — in spite of tariff and quota barriers.

"Imports are unacceptably high and cannot be absorbed without seriously damaging SA industry."

Transport

Similar complaints come from cement producers.

Although demand for cement remained high in 1983 — rising to 8-million tons from 1982's 7,5-million tons — and continued to climb in the first quarter of this year, the threat of cheap imports has caused the industry to seek assistance from the Board of Trade and Industries.

Another factor which militates against producers competing with imported cement, especially those based at the coast, is the cost of transport. Cement can be imported from Japan for between $12 and $15 a ton. Railage costs from the Transvaal to Durban are about R40 a ton.

More foreigners are considering competing in the SA market.

French suppliers are also casting their net wider in Africa. They are no longer content with exporting to their traditional markets — the oil producers and former French colonies. They are now looking at South Africa for business.

A spokesman for a group of French exporters says this drive is paying off. "Like other French exports to SA, deliveries of building components and materials are increasing."

Third largest

Sales of building technology will not be ignored. The French also plan to export their advanced method of industrial construction. This explains why seven French companies will take part in this year's Interbou exhibition at Milner Park, Johannesburg, from August 20 to 25.

France is in a strong position to attack the SA market because it is the world's third-largest exporter of building materials. The building industry is the biggest sector of the French economy and accounts for a third of gross national product.

Among the seven French companies exhibiting will be Emaux de Briare, which specialises in ceramic tiles for floors and walls.

Sogeref Artilin supplies special paints and Solvay of Paris, high-resistance PVC sheeting. Cofra of Chateau-Renault specialises in pre-cast dwelling units.

Dear money

South Africa's building industry is being inhibited by high interest rates.

This is not the only threat to an early recovery in the building sector. The Stellenbosch Bureau for Economic Research says: "With interest rates in the money markets still very high, it will either force building societies to cut back further on the granting of bonds or to increase their mortgage rates.

"Both such developments, given the relatively low rate of increase in salaries and wages in the private sector, must have a negative impact on the ability of individuals to afford housing. The current low savings rate of individuals will not help."

Figures from the Central Statistical Services show that activity in the building sector is not as healthy as one would expect. Plans passed in May were valued at a little more than R528-million — only 2,1% more than for the comparable period last year.

This should be viewed against the more promising performances of the two previous months when compared with last year's March and April figures.

Buoyant

Statistics show a 9,1% increase for March and 22,2% for April in the value of plans passed.

With the number of plans passed for houses down from 16 813 to 14 494 the value fell 3,1% to R848,7-million in the first five months of this year. However, total residential plans rose 7,2% mainly because of an increase in the number of flats and other dwellings that were passed from January to May.

The number of houses completed rose from 10 087 to 12 236. The value of flats and other buildings completed dropped almost 7%.

According to BER statistics, tenders for houses have maintained a 12,2% average monthly increase, reflecting buoyancy in the market.

CAPE TOWN, SEPTEMBER 15 1984

Citizen 15/9/84

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Bankruptcies loom for Cape's building industry

By TOM HOOD, Property Editor

THE Cape building industry can expect many bankruptcies in the year ahead as a result of suicidal tendering and "murderous" competition

This is the view of Professor Wilsey Killian, professor of building management at the University of Cape Town.

"The industry didn't really feel the first part of the recession but it will hit them now," he said in an interview.

Latest figures for the second quarter of 1984, showed building prices rising at an annual rate of 14 percent as a result of the mini-boom, a worsening of inflation from the rate of 10,5 percent in the first quarter and average rate of 4 percent for 1983.

And the escalation of building prices was likely to slow down and drop to virtually nothing by mid-year

Fear to lose jobs

"Productivity in the building industry will go up because workers fear to lose their jobs"

There would be better management because there would be less work and fewer sites to manage

The poorest workers were usually the first to lose their jobs so that the level of skills in the industry increased and productivity rose even if nobody worked harder

Materials would be more readily available as work tapered off from the middle of next year.

"If work becomes scarcer there will be absolutely murderous competition which will force tender prices down"

The only factor that could help a number of builders would be if a large percentage of jobs came along with fixed prices, then there

To Page 2

Bankruptcies loom in Cape building

Argus 15/9/84

From Page 1

might not be so much of a reduction

"As in other industries, we are going to see bankruptcies in the building industry, largely through high interest rates coupled with suicidal tendering"

High interest rates now made the effective price of a house the monthly repayment figure for a bond

This caused selling prices to fall to accommodate that figure But to the buyer the effective price had gone up as a result of high mortgage rates

A year ago Professor Kilian warned that many investors could burn their fingers in the stampede to buy sectional title flats and let them to tenants

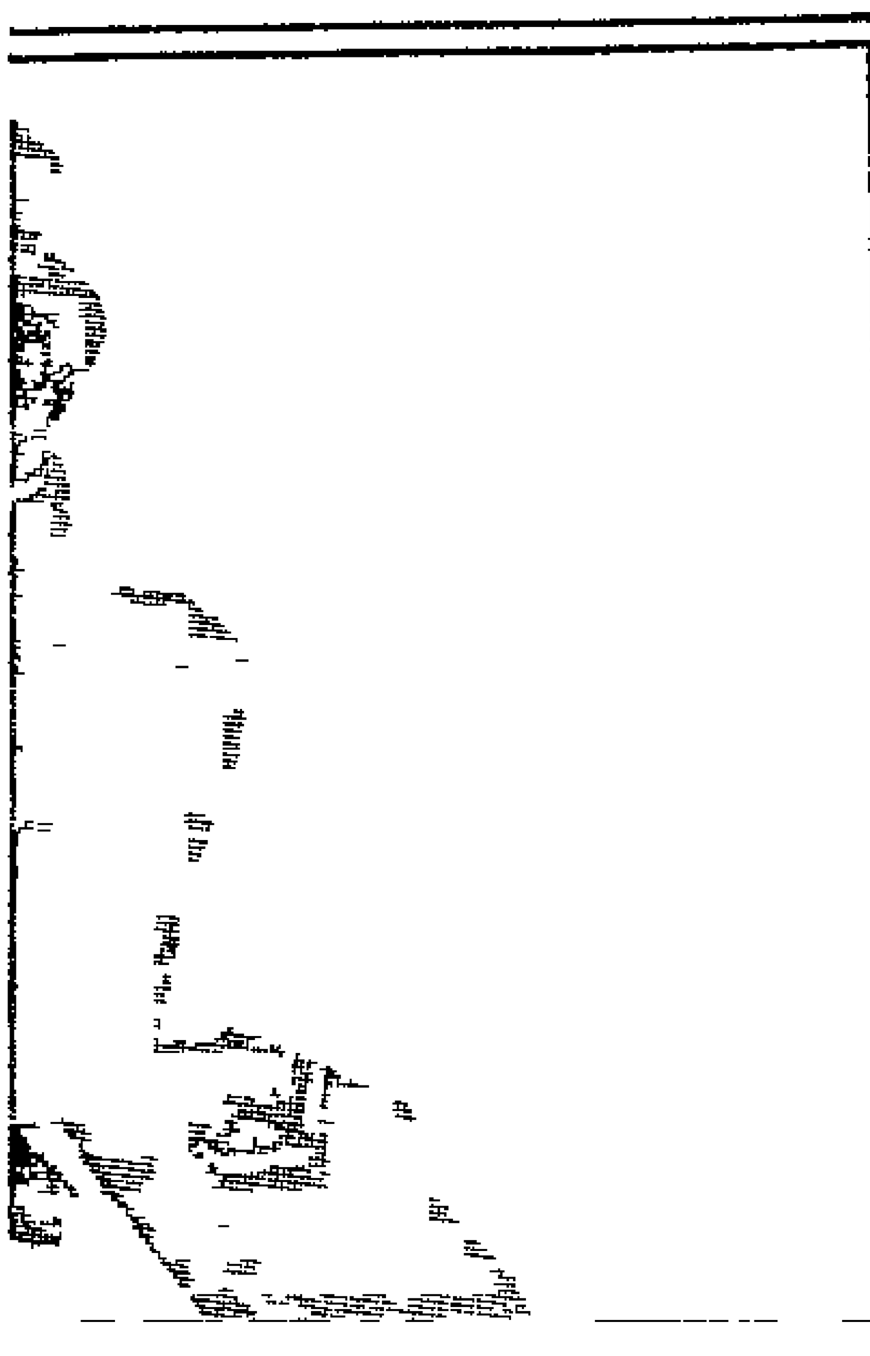
This meant a good flat costing only R60 000 was no longer a good investment proposition At that price the maximum monthly rent today was about R500 but the money was costing about R1 000 a month

Least hit would be the many buyers from South West Africa who bought flats for cash

Although houses prices in the higher income bracket were dropping, there was still a strong demand for houses costing around R50 000

Many people in the higher-income bracket had over-reached themselves and were moving down-market, becoming competitors for middle and lower-priced houses

● For the man wanting to build a house, however, the drop in building prices is a welcome change from four years ago when prices were rocketing at a rate of 32 percent in the fourth quarter of 1980



Railways to rev rates in bid to gain more traff

Weekend Argus Financial Correspondent

THE South African Railways hierarchy is determined to refashion railway rates on a more equitable basis as a result of the imminent introduction of a levy on heavy duty trucks, Dr Bart Grove, general manager, SA Transport Services, said in an interview here

The system of rates, which are labyrinthine, has hindered the railways for many years, hastening its decline as a competitive transport body

Dr Grove said for many years SA Railways battled to be a viable statutory body that did not require Government handouts But it was up against unfair odds from the start

In the financial year to March 31 1985, it expected a R888-million loss on passenger services, of which R430-million would be compensated by Government

The balance would be recouped from cross-subsidisation and the closing of certain uneconomic branch lines The final deficit, however, was estimated at just over R100-million

"Other measures such as the closing of more unprofitable branch lines, including many in South West Africa/Namibia, and the introduction of the levy on private road hauliers will help put the railways in a very healthy situation

"We are quite prepared to enter a more competitive environment, provided we are compensated for the socio-economic service we render, and provided we are allowed to close more of the uneconomic branch lines"

It was seen in May 1982 that things were moving in the wrong direction

"Our revenue was on target with our estimates but, quite suddenly, it started to decline.

Dr Bart Grove, general manager of SA Transport Services

We reduced staff from 279 000 to 240 000, purely as a result of wastage and no further recruitment

"More cuts on the same basis are planned and it is hoped that by 1986 the target of 230 000 employees will be reached

"Since 1981-82 our capital investment has come down by 40 percent and our operating expenditure, while it has gone up with inflation, cost of capital, wages and exchange rates has, in real terms, come down by six to 10 percent

"I think that is a real achievement, but we are not through yet Export volumes have been increasing for almost a year, especially those of minerals, coal and ferro-alloys as a result of the improvement in the economies of our trading partners

"While Government has decided to curtail expenditure, which we have been doing for the past two years, we cannot do it to a great extent But we will cut back on operating and capex Instead of halting projects we will most likely slow their development"

Capital expenditure in 1985-86 will be cut by at least 10 percent to R1,6-billion and operating costs by four percent to R7-billion

Hamstrung since it was established in 1910, the Railways' terms of reference were to open up the inland areas by building railway lines and tions Under the Act at time, it was to provide transport

As a result of its specific iff policy, it charged high on high valued imported and low rates on low v commodities

The result of this poli based on what the traffic bear — was the develop a strong measure of cross-sidisation, for example, harbours and pipeline dised passenger and o traffic

The result was a co rating structure which be continually re-adjus meet the needs of the day. the advent of road t competition became sever the railways lost business

Private hauliers

Although it had the structure and rolling st transport virtually any modity, its share in the transport market fell fr percent in 1981 to 38 this year This meant 62 cent of all traffic was by private road hauliers.

"With the construction maintenance of its inf ture, the battle for traffic ing easily won by road liers, who do not make, we consider to be, a fair bution towards the const and maintenance of road

"That amounts to competition We feel strongly about it and it aspect that should be cor before there can be full competition"

In the last session of P ment, a Bill was pass powering local authori make a special levy on road hauliers to enable t compensate for the cost struction and mainten roads

Dr Grove said the levy, introduced, would plac railways in a more comp situation.

Brokers forecast increasing dominance of Japanese cars

1000s TOTAL SALES

48

47

S Express 23/9/84

Asbestos is out in new Everite products

By LAWRENCE BEDFORD

UNDER pressure because of asbestos-related health hazards, South Africa's largest manufacturer of asbestos fibre cement products now plans to launch a number of asbestos-free building products.

With a 60% share of the R130 million-a-year domestic fibre cement market, Everite's net income on fibre cement sales in 1983 totalled about R12,2-million.

"We will publicly launch non-asbestos fibre cement products only when they have been throughly tested — after all, our customers have become used to the indefinite lifespan traditionally offered by asbestos cement products," said Dr Llewellyn Lewis, Everite's marketing manager

In the meantime, the flat sheeting made in the alternative asbestos-free material is being tested in ceilings, partitions and fascias in a number of housing and industrial schemes.

The company's research efforts continue, however, as asbestos fibre remains the only suitable reinforcing for a large proportion of its fibre cement building materials and pipes Much research and development remains to be done before it can produce profiled, corrugated sheeting and piping in new materials.

Everite's alternative fibre research programme started in 1967 with the criteria that the new fibre should not pose a health risk, had to be economically viable and should not only match the performance of asbestos, but lead to new product opportunities.

Replicate

Technicians discovered it was impossible to replicate the characteristics and performance of asbestos on a fibre for fibre basis. The breakthrough came when they recognised that a large proportion of the 10% asbestos used in the asbestos cement mix was to facilitate the production process rather than for reinforcing This process requirement resulted in asbestos cement products being 'over-qualified' when judged purely on the performance standards required for building products.

The design philosophy for the new products was then switched from a "quality backwards" to a "performance forwards" approach. Researchers stopped trying to match the brute strength of asbestos cement and started concentrating on matching the performance criteria for various products. They adapted the production process to suit available substitute fibres, leading to a new generation of building products

Everite are now using a mix of man-made and natural fibres with cement, instead of chrysolite or white asbestos

"The new fibres may not themselves be a match for asbestos but, in an advanced production process, they provide us with the necessary strength coupled with other innovative benefits," Dr Lewis said.

"Most importantly, the new approach will allow us to introduce asbestos-free fibre cement products at comparable prices"

Everite has conducted extensive laboratory tests, including accelerated weathering, for some years. Now certain of the new technology pro-

● To PAGE 2

Asbestos is out in new Everite range

● From Page 1

ducts — such as the sheeting — are undergoing field and test marketing trials.

"Assuming all goes well, we should be using alternative fibres in about 30% of our product range by late next year Naturally we have made the greatest progress in replacing the less-sophisticated asbestos cement products which, by co-incidence, are those frequently used indoors," said Dr Lewis

Under this heading come moulded plant pot containers Dr Lewis said there was "no risk" to consumers from asbestos cement as asbestos fibres were firmly locked into a cement matrix "However we are a market-driven company and if consumers have concerns about the use of asbestos in building products, we endeavour to provide alternative solutions."

Everite is confident that where no suitable alternative fibres are available, it can continue to use asbestos without undue danger to health

"The response of architects and specifiers to the launch of the new technology products has been extremely positive, particularly as the new products are not simply replicas of asbestos cement, but offer a number of additional benefits," said Dr Lewis

● From 1960 to 1970 total sales of asbestos increased by 236%, according to the Government's Minerals Bureau. Since then the domestic demand has declined. Asbestos sales totalled about R8,5-million in 1982 and about R6,6-million last year

(32) FM 5/10/84

table that a well-run company like Everite would produce good results. Turnover in the year to end-June rose 33% to R235,0m and earnings a share by 20% to 127,6c. The dividend was raised 20% to 60c on increased cover.

Financial: *Year to June 30*

	'81	'82	'83	'84
Debt				
Short-term (Rm)	5,4	12,0	1,2	3,3
Long-term (Rm)	—	0,10	0,80	4,7
Debt:equity ratio	0,05	0,09	0,01	0,05
Shareholders' interest	0,76	0,78	0,80	0,73
Int & leasing cover	29,8	34,8	47,8	45,2
Debt cover	4,4	2,0	15,3	4,7

Performance:

	'81	'82	'83	'84
Return on cap (%)	19,9	17,1	19,4	20,5
Turnover (Rm)	142	165	176	235
Pre-int profit (Rm)	28,7	28,1	37,8	50 0
Pre-int margin (%)	19,8	16,6	21,5	21,3
Taxed profit (Rm)	16,7	16,4	17,6	21,2
Earnings (c)	101,6	99,3	106,7	127,6
Dividends (c)	50	*50	50	60
Net worth (c)	685	826	955	1 078

* Excludes 25c special dividend in 1982

But chairman Hans Thoeni says that bad days have arrived "All indications show that the building industry will show a declining trend until well into 1985" he says. "Under the circumstances we must expect it will be extremely difficult to maintain profit in the coming year at last year's level."

Of course, it seems fashionable among some company chairmen, Anglo-Transvaal Industries chairman Jan Robbertze is an example, of playing up the bad news. This tactic makes management appear to have magical pulling-rabbits-out-of-hats talent when the results are far better than forecast.

Thoeni, indeed, does not quantify the extent of the likely fall in earnings. So most shareholders, like this writer, must be uncertain whether a forecast earnings fall is a ruse to depress shareholder expectations, or whether Everite is heading for a really bloodied nose next year.

Yet the group's trading outlook does look tougher in the present financial year. The fibre cement division, which contributed 59% of group profit last year, is forecast to be heading for a sales decline.

The concrete products division is expected to be hurt by the building downturn, while the plastics division is expected to have a grim year A price war erupted a few months ago, and finance director John Kennedy fears that prices could fall in coming months. Everite makes and sells plastic piping and fittings and it faces tough competition from AECI subsidiary Durapenta, the UK group Marley Construction and Main Industries.

Everite last year acquired a new division when it bought ceramic sanitary and bathroom ware manufacturer Vaal Potteries from Robin Consolidated Investments for R13,5m. The division, which holds 45% of its market, contributed R750 000 or 3% to group taxed profit last year and is expected to show an improved performance this year

Despite this purchase, and that of irrigation equipment supplier Agriplas for R3,2m, Everite remains ridiculously undergeared The debt:equity ratio at the year-end was 0,05 Kennedy says the group is looking for new investments and would like to strengthen its interests in the supply of non-asbestos roofing materials

With some half of its R235m turnover derived from the sale of asbestos-content products, Everite finds itself in the frontline over concern about the use of asbestos The group is researching the use of alternative cellulose-based fibres as a substitute for asbestos But Kennedy is not ready to publicise details of this research

At 850c, the share yields 7,1% on dividend, in line with the 7,0% sector average. Kennedy says that although earnings could drop by as much as 20% this year, the group's strong financial position makes it unlikely the dividend will be cut For the present, the share appears to have discounted appreciation potential

Christopher Marchand

920 000 oz, has been increased to match the higher take-off of the metal Pavitt does not say whether the mine is back to full capacity, but it is probably not far off Returning output to its former levels after a 26% drop will inevitably impact very favourably on profits Most of the immediate benefits of the production build-up have, however, largely been absorbed, but not entirely so, of course New, inexperienced labour had to be recruited last year, and efficiencies should improve as they become fully trained

Nonetheless, the major factor determining Impala's earnings this year will be price Rustenburg has moved away from strict adherence to the tried-and-tested producer price system, but Impala has given no indication that it intends to budge from the producer price, which has held at \$475/oz since 1982 Any re-emergence of speculative demand should substantially improve prospects of higher prices At this stage, the free market price has remained closely linked to the gold price and has yet to follow the patterns set in the thinner rhodium, ruthenium and iridium markets

The platinum market is, however, far smaller than the gold market, and will react quickly when investment interest returns In the short-term, industrial buying is expected to increase further as consumption expands in the automobile and electronics sectors The next few months will provide a better view on potential growth in jewellery demand, which should reach higher levels around Christmas

Part of the current year's US dollar turnover has been sold forward at exchange rates less favourable than the present spot rate Even so, Pavitt expects that the year's profits will at least equal those of last year In my view, Impala could do considerably better The 58,8% hike in the dividend is a fair indication of the board's confidence

Capital programmes, cut back when the market deteriorated, have been reactivated Spending rose to R38m last year, well above the forecast R25m and is scheduled to rise to R50m this year To some extent, this will curtail distributable earnings But it seems reasonable to expect a further advance in the dividend to, say, 150c On the present 2 185c, this places the share on an attractive prospective yield of 6,9%

Andrew McNulty

DATES TO REMEMBER

Last day to register for dividends
Friday Oct 12 HJ Cable 2,75c; Minorco 27,12c; Natprop 6c, Propgroup 8c; Retco 4c; W & A *25c; Waicor *10c; World 4,5c
Meetings
Monday Oct 8. ET Cons, Village
Tuesday Oct 9: Rale, Rand Leases, Spitz
Thursday Oct 11: Eriksen (S); GF Prop, New Wits, Quincor (S), Sel Min
Friday Oct 12 Beckett, Deelkraal, Doorns, Dries, Kloof; Libanon, Rusplat, Venters, Vlaks
All meetings are in Johannesburg unless otherwise stated
* = Second interim
S = Special meeting

EVERITE

Swiss strength

32 FM 5/10/84

Activities *Manufactures and markets products for the building and construction industries These consist of fibre-cement, concrete, plastics, pitch-fibre and sanitaryware products*
Control The Swiss Eternit group owns 35,1% of the equity Other foreign shareholders hold 16,0%
Chairman. *H Thoeni, managing director E L Arni*
Capital structure *16,6m ords of R1 each Market capitalisation. R149,4m*
Share market. *Price 850c Yields 7,1% on dividend, 15,4% on earnings, PE ratio, 6,5, cover, 2,1 1983-1984 high, 1 225c, low 845c Trading volume last quarter, 66 300 shares*

With SA's building industry impervious to recession until recently, it is perhaps inevi-

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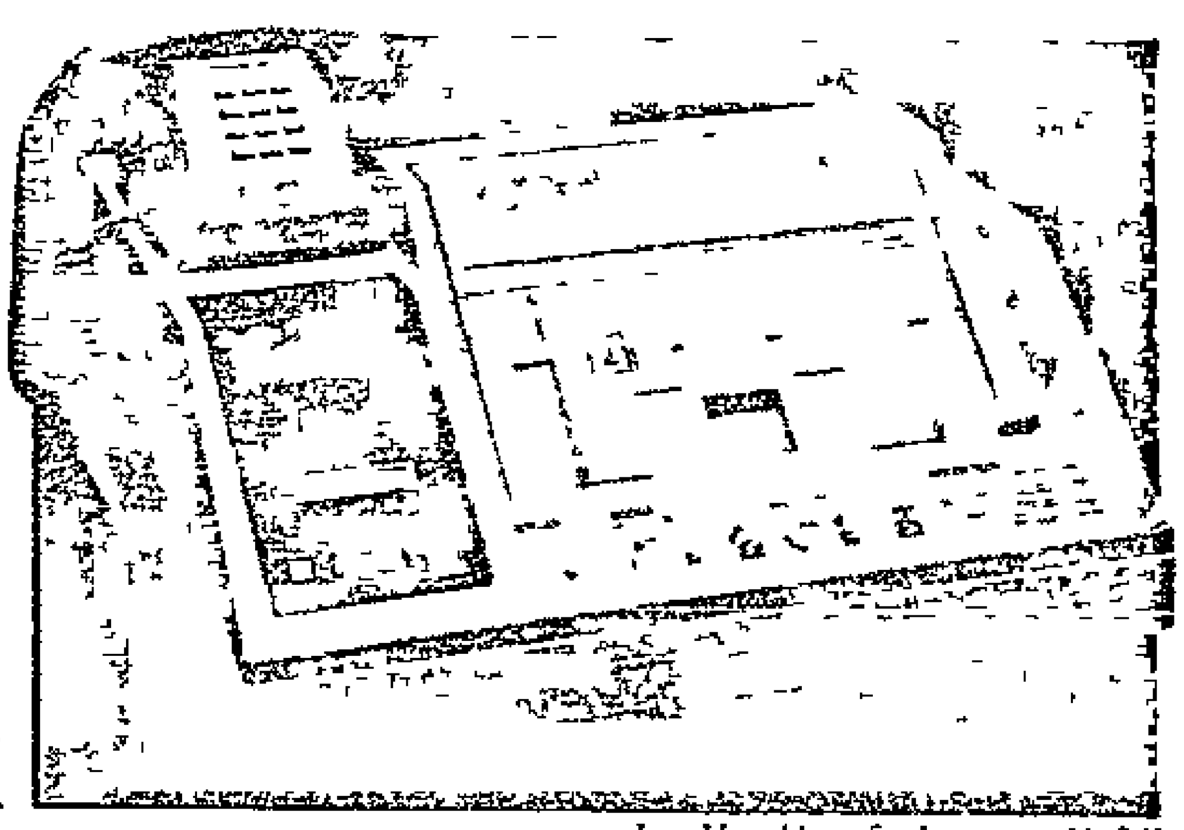

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'Bifsa aim to unite not fragment firms'

(32) Star 8/10/84

By Frank Jeans

Allegations that the Building Industries Federation is expelling companies from the industry are untrue, says Mr Lou Davis, executive director of Bifsa.

Criticising recent Press comment on the building industry, he said there were several inaccuracies which "distort the true picture"

The federation, he said, did not have the power to expel companies

"It can debar them from Bifsa, but cannot exclude them from the industry or even threaten their livelihood," he said

"Master builders' associations are responsible for imposing fines against member companies. Bifsa is not responsible"

The role of the federation was to unite companies — big or small — not fragment them.

"We do not operate as a cartel, nor do we fix prices," said Mr Davis

"And we have never attempted to interfere with the free enterprise principles which are inherent in our economy On the contrary, we support and encourage fierce competition among our members"

As building leaders prepare to meet for their congress in Kimberley in October 22-25, they might well ponder the words of Mr F W de Klerk, Minister of Internal Affairs who recently called on the industry to get together to form an "action club" so as to meet future demand for housing, flats, offices and schools

Opening the Interbou building exhibition in Johannesburg in August, the Minister said "A uniform body of builders and suppliers must be established.

"Many people in the industry are concerned that fragmentation of the building industry has taken place.

"There will be many advantages for the country if the various related activities could establish a forum within which closer co-ordination and co-operation could be assured."

Underlining this view, Mr Davis said the industry needed uniformity so as to maintain equitable contractual conditions "free from duress or any form of intimidation"

He said· "I do not see this leading to abuses, unfair conditions or disruptive controls being imposed on builders or clients around the country"

"By uniting the industry, the man in the street need not suffer from higher costs when conditions improve or face delays as a result of supply and demand factors"

ANGE Argus 11/10/84 (32)

BER expects building firm bankruptcies

BANKRUPTCIES in the building industry will probably increase in the last three months of this year, says the quarterly building survey by the Stellenbosch Bureau for Economic Research

The report, issued today, says a further worsening of conditions is expected, particularly in the residential building sector, "with survival the key word for next year"

Contractors and subcontractors have become increasingly pessimistic about business conditions, because of a decline in the volume of work done and in hand, keener competition in tendering and the lack of availability of funds as well as the high costs of funds

"The last two factors are hitting the residential building sector in particular with the result that this sector is more pessimistic about present conditions and the immediate outlook than those concentrating on non-residential buildings

"The downturn in building activities has also started to affect the manufacturers and suppliers of building materials with the volume of sales declining and many workers being retrenched

"As a result of this downturn in overall building activities the shortages of certain materials which were experienced until recently were virtually eliminated and the prices of these materials rose at a much lower rate"

In spite of this, builders' costs continued to rise with the result that profits came under pressure, preventing tender prices from reacting to the decline in overall building activity

"These conditions will probably lead to an increase in the number of bankruptcies"

Discussing the state of the economy, the introduction to the survey report says the authorities will have difficulty in curbing their own expenditure significantly in the short term and the burden of the adjustment process to bring down inflation rests mainly on the private sector

"On this basis it is clear that the downturn which began in July will accelerate in the coming months and will lead to more bankruptcies and unemployment

"As a result, the current account of the balance of payments will probably move into surplus not later than the fourth quarter of 1984 with imports declining rapidly

"Inflation will, however, still accelerate for a period as a result of the exchange rate depreciation and the rise in interest rates, before moving to lower levels as a result of the renewed recession in the domestic economy."

Property

Davis slams divisive reports as false

32

E-Post 13/10/84

ALLEGATIONS that the Building Industries Federation of South Africa (Bifsa) is actively expelling building companies from the industry are blatantly untrue and bear little relevance to the activities of Bifsa, according to its executive director, Mr Lou Davis

Responding to a recent article published in the Financial Mail, Mr Davis pointed out several inaccuracies which, he said, distorted the true picture These were

- There was no major contractors' division within Bifsa although an advisory sub-committee was being formed
- Master builders associations were responsible for imposing fines against member companies — Bifsa was not responsible
- The federation did not have the power to expel building companies from the industry

It could debar them from the federation but could not exclude them from the industry or even threaten their livelihood

"It is necessary to bring an element of organisation and unity into the building industry and the purpose of the federation is to unite companies — big or small — and not fragment them," he said

"We most certainly do not operate as a cartel, do not fix prices and have never attempted to interfere with the free enterprise principles that are inherent in our economy

"On the contrary, we support and encourage fierce competition between our members," he said

Mr Davis said Bifsa did not act in the manner of an irresponsible trade union but was a federation whose aims were directed towards the benefit of its members and the general public

"We have, over the years, maintained close ties with the trade unions in the building industry and are determined to keep these sound relationships on an even keel in a spirit of mutual trust

"Industrial relations are crucial for worker stability and, as the representative employer body, it is in the interests of the building industry to maintain industrial peace through the accepted industrial council system "

Mr Davis contends that South Africa's building industry needs some uniformity to maintain equitable contractual conditions free from duress or any form of intimidation

But he does not see this leading to abuses, unfair conditions or disruptive controls being imposed on builders or clients around the country

The federation brings some sanity to a potentially chaotic environment by organising this important industrial sector for the benefit of the national economy

"Experience overseas has amply illustrated the disastrous results of fragmentation in the building industry

"By uniting this industry, we will help to stabilise a commercial sector which is traditionally subjected to extreme peaks and valleys

"This in turn means that the man in the street does not suffer from higher costs when conditions improve or face delays as a result of supply and demand factors

"There is a real need to protect, most importantly, the general public from high price rises

"By bringing order to the building industry we are going a long way towards achieving this," he added

Mercury 26/10/84 (32)

Cutbacks expected in brick industry

Mercury Reporter

THE giant brick manufacturer Corobrik expects to cut production in Natal further and possibly lay off more workers within the next few months because of the slump in the building industry

The company already has reduced production and laid off 'a number' of workers at its plants in Northern Natal, says Tongaat-Corobrik Group managing director Cedric Savage

'The trend is there and we can expect it to get worse over the next six months

'We've had to cut back at some of our up-country plants such as Vryheid from a two-shift to a one-shift operation

'We expect 1985 to be a tough year, and further reductions in production could happen,' he said

'In Natal the market is still relatively strong, compared with the rest of the country, and we think we will have relatively good demand until after the builders' Christmas holidays

'After that we expect a rapid reduction in demand'

Production was already greater than demand in Natal and 'a limited quantity' of bricks was being stockpiled, Mr Savage said

'But up here the increase in the stockpile is comparatively slow compared to places such as the Western Cape We are looking at closing a factory in Paarl we commissioned a year ago and putting it in mothballs'

Of the unforeseen strength of the Natal market, he said, 'one of the development markets has been alterations and additions to private homes

'The residential market is still proportionately high in Natal'

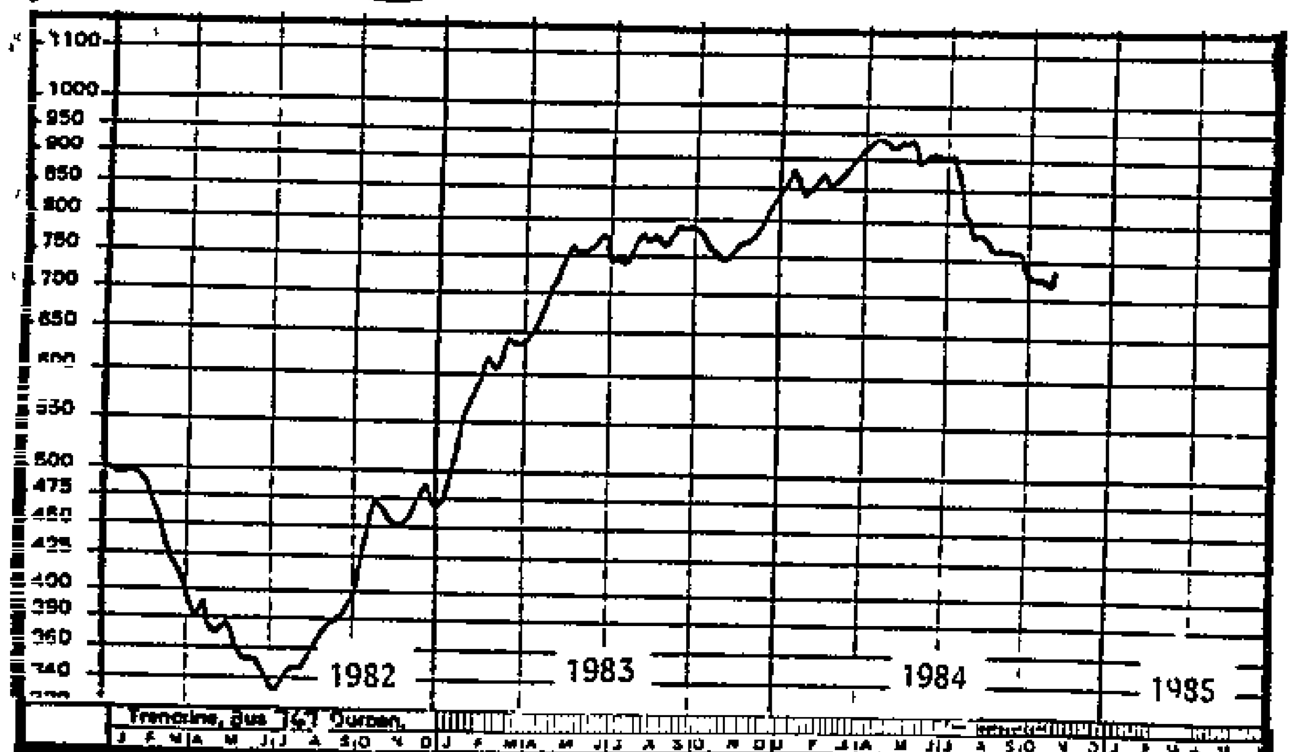
Mr Savage's outlook was not altogether bleak.

'We expect the beginning of an upswing about August next year We expect interest rates to start dropping in February — by how much is anybody's guess — and a recovery should follow about six months later

'We've found that upswings usually happen sooner than you expect them'

Building industry facing toughest time in 50 years

32 Star 2/11/84



The JSE's building and construction index shows how the market has anticipated the current earnings deterioration of this sector

By Peter Farley

The building and construction industry has entered its most severe recessionary phase of the past 50 years, though the indications are that it could be as short as it is sharp

Results of the listed companies operating in this sector have, until now, been pretty mixed But virtually all the chief executives agree that the next six months will produce a number of casualties

Barlow Rand Industries' chairman, Mr John Maree, whose responsibilities include Federated-Blaikie, Robor and Plascon-Evans, says that at best his group companies can be expected to stand still in the six months to next March 31.

Though he will not be drawn on specific forecasts, it would be no surprise to see earnings fall up to 20 percent in some areas.

Boumat's chairman, Mr Irvine Brittan, whose company has just reported a 50 percent drop in earnings for the half year to end-September, is already forecasting a decline for the full year to almost a third of the previous year

But, in common with others in the industry, his comments suggest the beginnings of an improvement towards the end of 1985's second quarter.

Mr Brittan is planning to pay 38c a share to shareholders for the year to end-March, although expecting the company to earn only 31c The implications are that Boumat should earn sufficient next year to offset the current imbalance

ANTICIPATED

The stock exchange appears to have anticipated the trend, to a great extent, with the JSE actuaries building and construction index falling from a peak of 1 056,1 in May this year to 736,4 at yesterday's close.

A further decline in this sector's share prices can be expected in the coming months, though some stocks must be getting near the bottom if directors' forecasts are to be believed.

Federated has already slumped from a year's high of 560c to 250c, Goldstein has fallen to 130c from 350c, Boumat to 475c from 620c, Group 5 to 300c from 575c and LTA to 315c from 590c

Even those companies which have done well so far have not been exempt from the bearish winds which have swept through the sector.

Both Murray & Roberts and PPC, which reported 20 percent plus earnings gains, have seen their respective share prices eroded from 1620c to 1300c and from 850c to 650c.

For different reasons these two companies have weathered the downturn better, M & R because of its spread of activities and PPC because of the careful pricing structure still adopted in the cement industry.

Nevertheless, some interesting trends have been developing The most unusual while activity has slumped badly in the biggest market — the PWV region — coastal business has held up reasonably well

Therefore companies which have a relatively balanced geographic exposure have generally done better than those confined to the Reef

Much of this has been due to the better rainfall in those regions, but with the economic factors now biting more severely the weather has become less of a common denominator

The greatest fear in the industry now is the looming holiday period. With the signs becoming more bearish by the day, there are growing indications that Christmas shutdowns will be extended

EXTRA HOLIDAY

Early reports indicate some firms have already decided to take an extra week or two at the beginning of December, while some suppliers have already been notified of extended closures by customers, that will mean them not re-opening until early February.

On a different tack, it already seems pretty certain that some motor manufacturers who have already closed may remain that way until after Christmas

If this situation spreads in the building industry, the ripple effects on otherwise stable firms could be enormous

This is particularly so for firms with a public as well as industry profile which have to remain open — and incur full overheads — during December and January

Despite this general gloomy prognosis it is surprising to find pockets of confidence in the industry.

Certainly government cutbacks and deferrals of capital projects are going to continue, but there is a growing feeling that demand will begin to revive some time around Easter

NEW BREED

The Barlow Rand operations, in particular, are gearing up for this eventuality, both in terms of concentrating on current rationalisation programmes and the upgrading of facilities to meet increased demand.

Whatever the outcome, there is little doubt that the next upswing will see a new breed of companies in this sector of industry, which will be better equipped to face future economic difficulties.

The industry is also going to be smaller, with only the most efficient surviving the existing phase Whether this will see the disappearance of any listed companies remains to be seen, but there is also likely to be more absorption of the smaller operations into the Barlows, LTAs and M & Rs of this world

Bifsa president calls for boost in low-cost housing

By Frank Jeans

The building industry is facing a tough 1985 during which there is likely to be a dry-up of funds for that vital sector — low-cost housing

Calling on the government to recognise the link between housing, urban stability and strategic defence and ensure a constant flow of money to these areas, Mr Andrew Stewart, new president of the Building Industries Federation (Bifsa), says

"Developers and contractors face a gloomy year ahead and, when coupled with the poor economic predictions, it seems highly unlikely that massive amounts of money will be invested in mass housing."

Mr Stewart, who was elected president at the recent Bifsa congress in Kimberley, believes that while the Government has reiterated its stance on supplying infrastructural developments for low-cost housing needs, the private sector has not really become actively involved in this particular industry

Mr Stewart says the "erratic peaks and troughs" caused by government spending money then saving to meet budget, causes a "terrific amount of damage" because skilled people leave the industry and seldom, if ever, return.

In a year in which the cost factor will be of even greater importance, the Bifsa president urges the industry to end its present state of fragmentation

"Greater unity among all disciplines would substantially reduce costs and lead to greater efficiency and improved productivity," he says

More effective communication, too, between architect, builder, foreman and labourer would also be a boon to the industry because cost rises of building would be contained and wastage eliminated

With the likelihood of some contractors facing the risk of "going to the wall", Mr Stewart has no doubt that companies should opt for smaller, shorter duration contracts "free from excessive financial burdens".

Mr Andrew Stewart (above), a director of Murray and Roberts (Natal), is the new Bifsa President and (below), Mr Peter Jacobsen, executive chairman of LTA Construction, is one of two vice-presidents.

Argus 23/11/84 (32)

5-year low for civil engineering business

THE civil engineering business continues in the doldrums, with the flow of new contracts well down in number and value from the relatively good level of the first quarter of this year

"Activity in the industry at the moment is considered to be at its lowest level in the past five years," says the latest review by the SA Federation of Civil Engineering Contractors

"The better intake of work at the beginning of the year has not been maintained and the tempo of construction this year has continued to decline"

Present employment is estimated at between 90 000 and 95 000 compared with more than 120 000 in 1982

New contracts for civil work with a total value of R105-million were recorded by the federation last month, mostly for road works in the Transvaal

The value of new contracts has dropped steadily from R430-million in the first quarter to R400-million in the second quarter and R360-million in the September quarter

"We thought civil works were picking up again at the beginning of the year but the bottom fell out of the market after the March Budget," said the federation's director, Mr Kees Legaay, today

Black contractors want larger slice of township pie

32

E. Post 22/12/84

Business Editor

BLACK building contractors have mobilised forces under a newly-formed association and are pitching for a larger slice of the burgeoning home-building market in Port Elizabeth's black residential areas

Mr Sydney Nomoyi, a member of the East Cape Allied Black Builders Association (Ecabba), told BUSINESS POST this week he and his colleagues were poised to graduate from a recently established training course for black contractors at the Emthonjeni Training School

The association also enjoys the support and patronage of the Urban Foundation, and, says Mr Nomoyi, acts as a "watchdog" to ensure that home builders are guaranteed a fair deal from members

"We are due to graduate from a six-month training course offered by Emthonjeni to equip us with all the skills necessary for contracting, and can now offer home builders a guarantee of reliability," said Mr Nomoyi

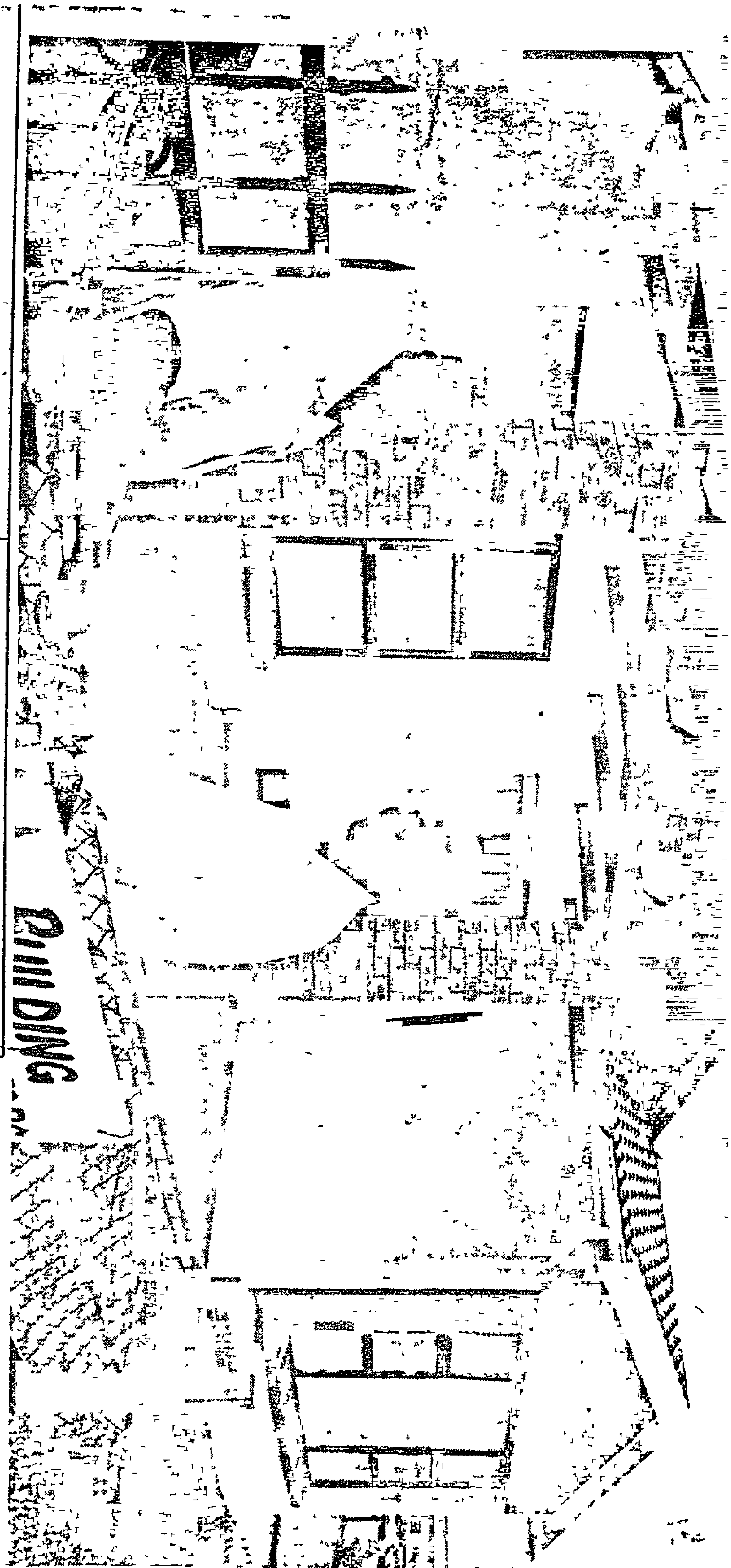
"In the past black home builders were understandably reluctant to employ black contractors because many burned their fingers by getting unscrupulous builders to do their work

"This situation has now been remedied by the formation of the association and the skills training from Emthonjeni

"We believe black home builders should be made aware of this and begin using their own people to do their work for them"

An example of the abilities of members of Ecabba, said Mr Nomoyi, was the house in Ntshekisa Street just completed by himself and partner Mr Richmond Vantyi, the association's chairman

"We take particular care to spell out clearly to prospective home builders what the implications of the proposals are, precisely how big the house will be, and what the final bill will be"



Mr SYDNEY NOMOYI (left) hands the keys of the house he has just built together with his partner Mr Richmond Vantyi, to owner Mr V MAQULA.

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AREA A: Alberton, Bellville, Benoni, Boksburg, Brakpan, Delmas, Durban, Germiston, Goodwood, Inanda, Johannesburg, Kempton Park, Krugersdorp, Nigel, Pinetown, Pretoria, Randburg, Randfontein, Roodepoort, Springs, Simon's Town, The Cape, Vanderbijlpark, Vereeniging, Wonderboom and Wynberg,and the municipal area of Port Elizabeth;

AREA B: Kuils River, Oberholzer, Paarl, Sasolburg, Somerset West, Stellenbosch, Strand and Port Elizabeth excluding the municipal area of Port Elizabeth;

AREA C: Bloemfontein, Kimberley, Klerksdorp, Odendaalsrus,Uitenhage, Virginia, Welkom, Wellington, Westonaria, and Worcester, and the municipal areas of East London, Pietermaritzburg, Potchefstroom and Witbank;

AREA D: Caledon, George, Hankey, Heidelberg(Cape) Humansdorp, Knysna, Mossel Bay, Riversdale and Swellendam, the municipal area of Kroonstad and the Magisterial Area ofEast London, excluding the municipal area of East London;

AREA E: All other areas not included in the definitions of Area A,Area B,Area C and Area Dexcluding the Magisterial District of Walvis Bay;

1985

Construction – General

Business Day

Rand Mail

16/1/85

Recession demolishes builders

By MERVYN HARRIS
Property Editor

THE deepening recession in the building industry is taking its toll of construction and development companies which are going under at the rate of several a week.

Record high interest rates are the crucial factor distinguishing the current recession from previous downturns, says to Mr Lou Davis, the executive director of the Building Industries Federation (Bifsa).

"The high rates do not make it worthwhile for builders who depend greatly on cash flow to borrow money to survive."

Home builders have been especially hard-hit, but the crunch has also come for tender companies such as Fleet Construction and developers like Miodownik. Both companies have been placed in provisional liquidation

The demise of Miodownik, which was founded in the Great Depression of the 1930s and would have celebrated its 50th anniversary this year, ends a chapter in the development of Johannesburg

Buildings erected by the company in Johannesburg include the circular Ponte apartment block in Berea, the President Hotel, the city's first five-star hotel, and numerous blocks of flats in Hillbrow.

The company was founded by Mr J Miodownik who came to South Africa in 1929 from what was then Palestine where he built the Mograbi Theatre, Tel Aviv, still regarded as one of the city's landmarks.

His son, Mr Max Miodownik, took control of the company in 1957 after his father died He immigrated to Israel in 1970, but returned 10 years later to run the company with two other directors, Mr I Block and Mr C Reid

The company was doing well until a year ago when work started drying up. "We have gone through many crises in the past," a sad Mr Miodownik told Business Day.

"But the current recession has been more prolonged, with high interest rates the major problem You cannot borrow money to try and survive because you cannot earn the money to repay the high interest rates"

Another factor hitting the industry is low productivity Mr Miodownik believes foremen and artisans today do not have the qualities of their predecessors.

"The white artisans of yesteryear were creative, reliable and took a pride in their work. This is not the case with the new groups which have entered the industry.

"I believe this is a transitional period in the industry, but it has hit productivity."

The problems faced by Miodownik — lack of work and high interest rates — are hurdles other companies will have to overcome in the coming weeks and months.

Cost of housing could be reduced

—by—
Sue Leeman,
Pretoria Bureau

From September 1 there will be a new set of national building standards which will allow the use of a wide variety of materials and methods in buildings and which could lead to cheaper housing

At the same time the many different regulations now applied by individual local authorities will be abolished and one streamlined set of basic building requirements will apply throughout the country

The long-awaited regulations, published in the Government Gazette yesterday, will allow far more diversity in building — provided certain basic requiremrnts are met.

Timber-framed homes and the use of steel-reinforced concrete in particular are expected to become widespread once the new regulations take effect.

URGENT

The need for a new set of national regulations was first highlighted in 1977 after the Government recognised the urgent need to provide cost-effective housing for the country's growing population

By 1982 a set of proposed regulations had been drawn up but they foundered in the face of widespread criticism, particularly from local authorities

The South African Bureau of Standards was asked to re-evaluate the proposals in conjunction with local authorites and the building industry

Head of the bureau's Building Science and Regulations Division, Mr Dick Watkins, said the regulations published yesterday were more flexible and simpler than those applied until now.

"We have merely laid down what we call functional regulations There is no restriction on materials or building methods — a manufacturer just has to prove that his product does the job"

Mr Watkins added that the new regulations also allowed for the use of modular units These have the same basic measurements and therefore fit togeth-

Bifsa sees 15 percent rise for basic building costs

W/E ARGUS 2/2/85

(32)

Property Editor

BASIC building costs, which influence market costs in the property field, are heading for an annual escalation figure of about 15 percent, says the Building Industries Federation

"The public will have to brace itself against an increase in the second half of the year, particularly in the light of rising costs of raw material components," says the executive director, Mr Lou Davis

However, builders could be forced to absorb more and more of their rising costs because of tough economic conditions

This is already shown by fierce tendering for work, where the difference in tender prices is sometimes hundreds instead of thousands of rands

High interest rates are limiting the amount of house building, a pattern likely to continue for the rest of the year

Builders in the additions and alterations market might benefit from the downturn in home building since home owners were likely to keep their homes rather than sell in a depressed market

BLACK HOUSING FM 1/3/85

Profits are needed

(32)

Bureaucratic red tape is often cited as the reason for construction companies fighting shy of black housing projects. Some stalwarts who braved the difficulties subsequently withdrew in frustration over delays in getting the necessary approvals, confusion over title and the lack of mortgage finance.

Mountain ... only 'profit' can involve the private sector

An application by Amalgamated Construction (AC) to involve itself in the provision of mass housing for blacks in Natal, however, indicates things could be changing.

Consultant Alan Mountain tells the *FM* that both the KwaZulu government and the Department of Co-operation and Development have "bent over backwards" to ensure that AC obtains the rights to develop 165 ha of State-owned land at Umlazi.

Mountain says after completing the necessary spade work, a detailed proposal was put to government on December 23 last year. By January 3 AC had an affirmative answer.

In broad outline the scheme involves the provision of some 2 000 housing units for individual buyers and employees who can acquire soft loans through their employer's pension funds. The homes will be offered for sale on 99-year leasehold and a variety of styles will be available to suit individual tastes and pockets. AC envisages spending some R30m on the project.

Profit motive

Naturally they hope to make a profit on sales of the units, which will retail from R9 000 to R18 000 each. Mountain makes the point that no private enterprise concern is a charitable institution and the only way the private sector can be successfully involved in black housing is through the profit motive.

Employers, quite correctly, are looking at mobilising their pension fund resources to assist employees in obtaining homes. But Sanlam's pension manager in Natal, Dave Geary, cautions against making a direct investment in housing portfolios because of the impact on fund returns.

For example, a direct housing portfolio investment of R500 000 with employee bonds available at 10% and assuming a 25-year bond term, will yield a maturity value of R5,4m. Conversely a 16% yield on a back-to-back prescribed investment over the same term would result in a maturity value of R20,7m.

"The implication for the fund is a loss in interest over the term of R15m which means that direct portfolio investments leave the employer with an open-ended liability as far as the fund is concerned."

The answer, he believes, is to classify investments in housing authorities, such as administration boards and municipalities, as prescribed investments. Such investments would be included in the 53% of a fund's assets which must be placed in prescribed investments.

While the State appears to be making some progress as a facilitator of housing in terms of land and infrastructure, legislation to streamline the financial aspects of home provision still lags.

Perhaps Parliament will take note.

Heunis ... destroying hopeful illusions

BLUE CIRCLE

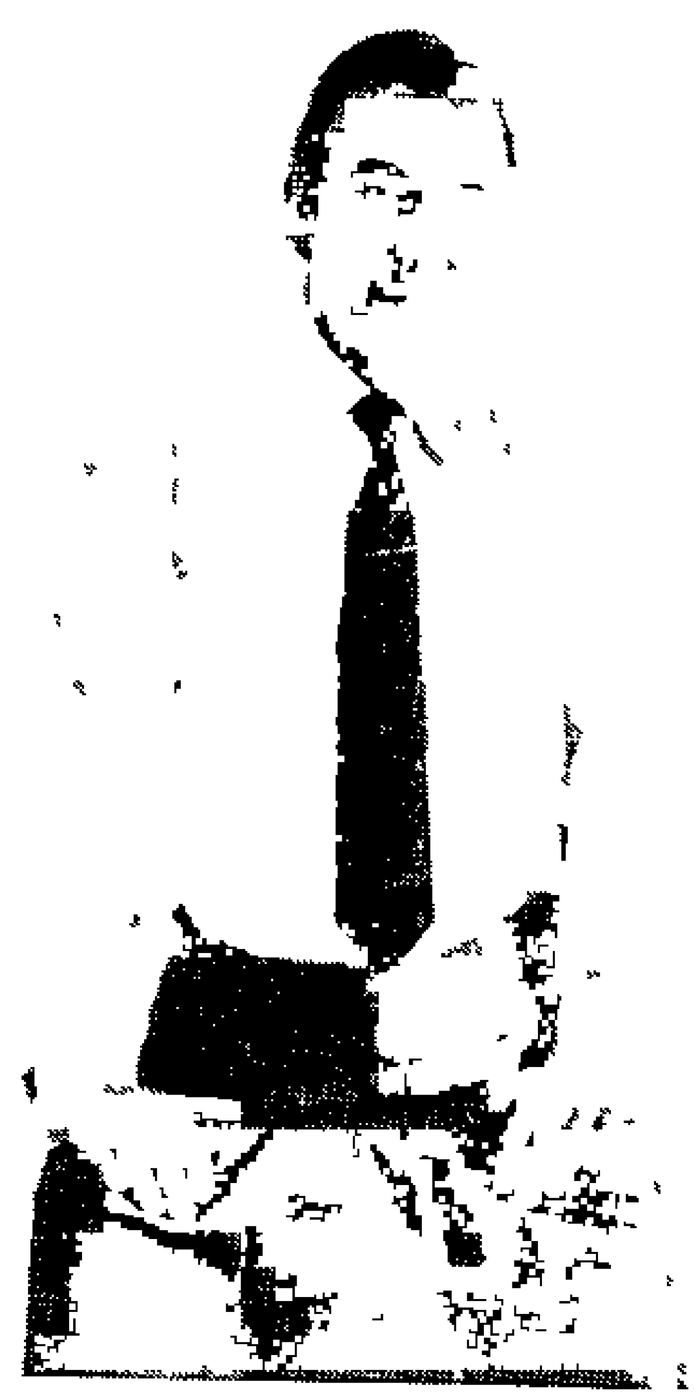
Concrete gains

Blue Circle's decision to concentrate future operations in cement has been justified by the figures. A reduced exposure to the engineering sector should mean a stronger position for the group throughout the recession and in the next upturn. The share holds sound long-term possibilities.

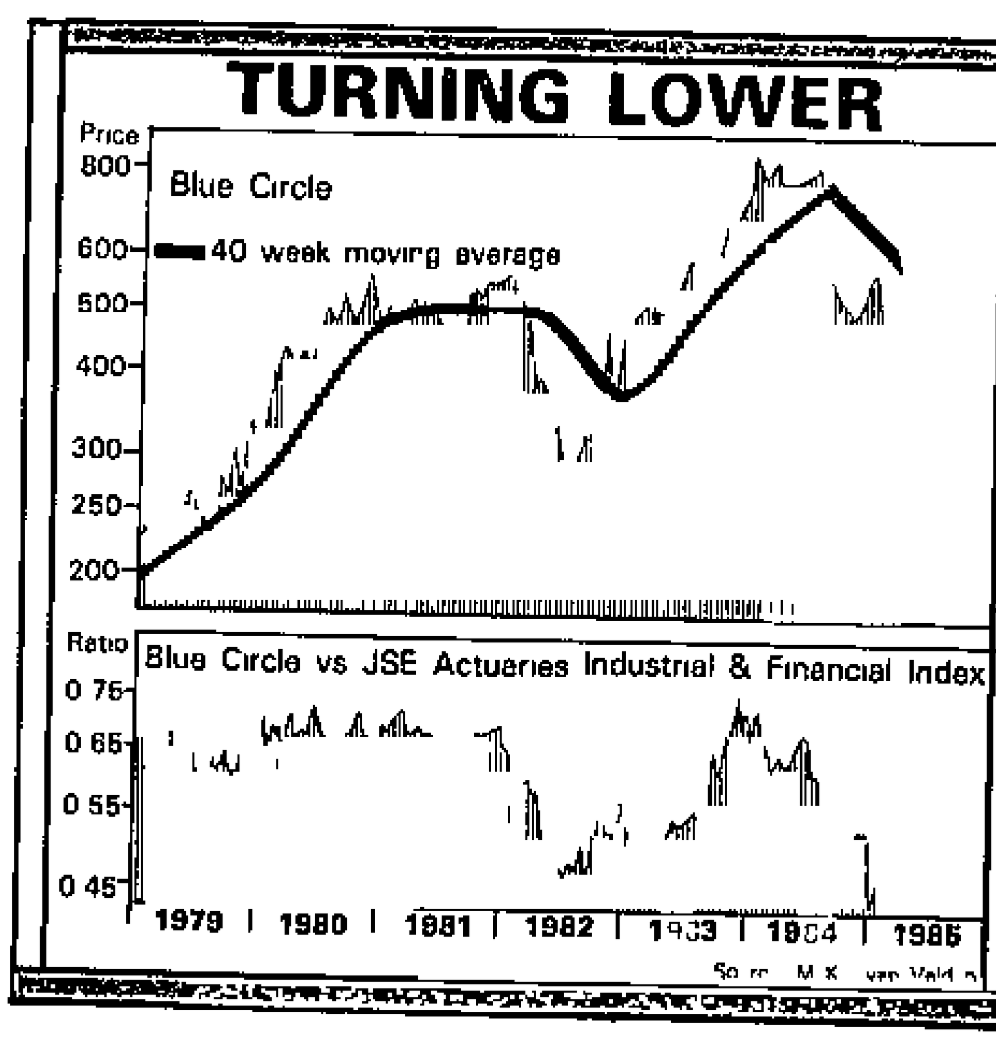
As shown by latest results from such companies as Group Five and LTA, prospects are deteriorating for building and civil engineering groups It follows that these sectors' major suppliers are likely to be dragged downwards too But a notable exception, so far at least, has been cement producer Blue Circle, whose earnings rebounded strongly after the group's asset base was restructured last year

The restructuring relieved the group of its struggling engineering trading division, and profits for the year to end-November promptly recovered smartly, with earnings a share rising to 81,6c from 53,4c However, given the uncertain economic outlook, the directors pegged the dividend at 38,5c, thereby lifting cover to 2,1 from the previous year's abnormally low level of 1,4

Among other changes last year, the group bought a 45% stake in Darling & Hodgson's (D & H) materials division In return, D & H acquired 8,7% of Blue Circle, which issued 2m new ordinary shares This diluted Blue Circle Industries UK's control to 50,3% of issued share capital from 55,1%



Financial director Morrison ... firmer foundations secured



However, D & H continued accumulating Blue Circle shares during the year, and its stake now stands at more than 30%

When Blue Circle bought D & H's materials division — which supplies raw materials to the ready-mixed concrete industry — management said the intention was to gain "an investment in a wider spread of operations in the concrete industry" Financial director Angus Morrison tells me that the division's performance has "exceeded the group's expectations at the time of its acquisition," and he is confident that this will continue in the future

The group's other major change seemed to be prompted by the poor performance of the engineering trading activities Blue Circle realised that 1984 would be an extremely tough year and decided to concentrate its future activities in the cement industry

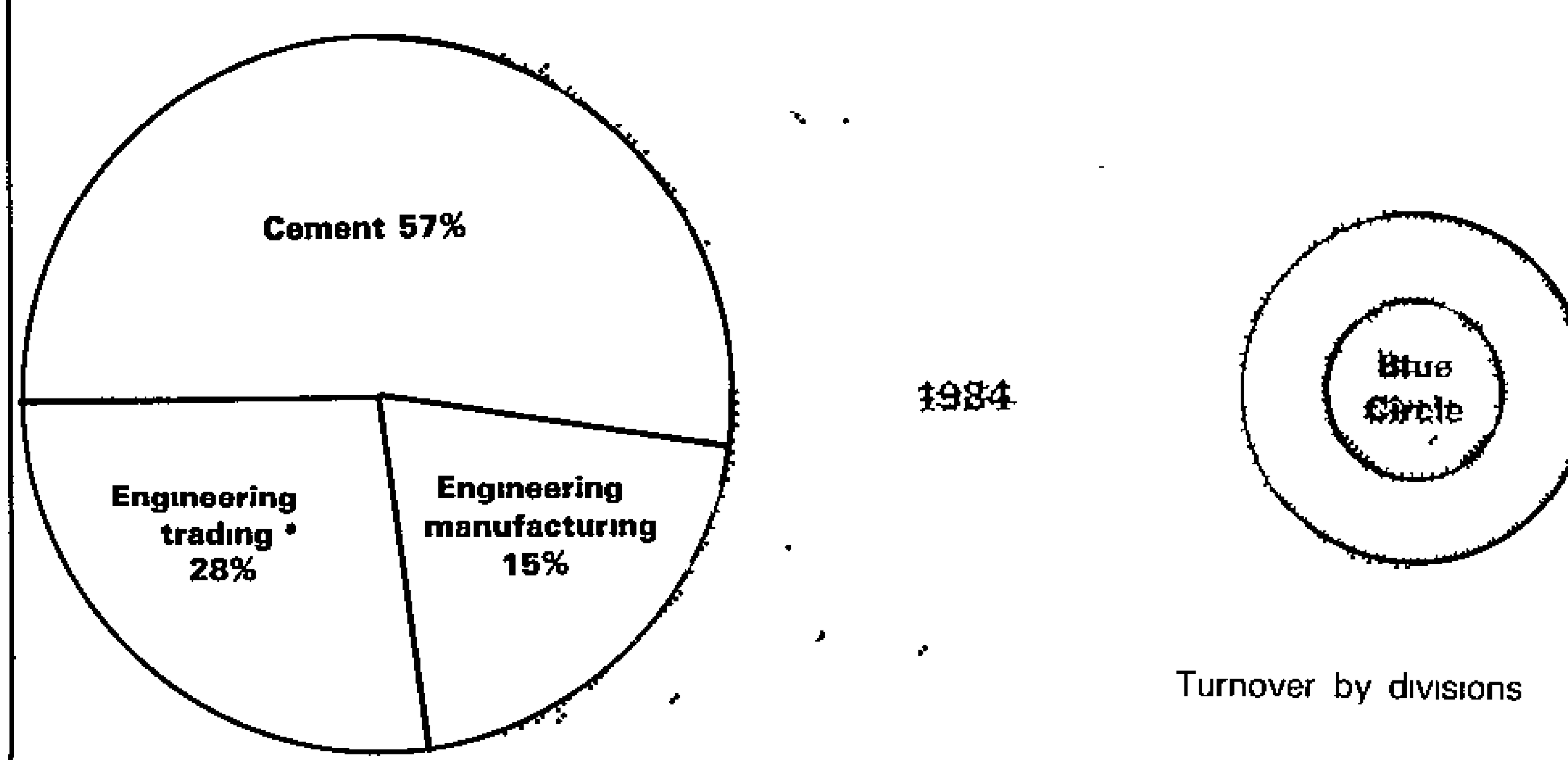
As a result, all companies in that division have been disposed of, barring a part of Hubert Davies, which distributes earthmoving and mining equipment The group relinquished various Hubert Davies franchises during the year, which sharply reduced this company's activities During 1983, Hubert Davies suffered huge losses as demand for its products fell With mining companies currently benefiting from the sliding rand, this could stimulate mining equipment sales

Another reason for Blue Circle's decision to rid itself of the engineering trading operations seemed to be the poor returns the group was generating on its investment In 1983, gross assets employed for the group were R329m, of which R123m, or 37%, were derived from engineering trading This compares with cement-related assets of R169m, or 51% And, while the non-cement activities were making money, there was no way that they could be compared to the profitability in cement

The engineering trading investment generated R170m in turnover, or 57% of the group's total sales Pre-interest profits, however, were only R3,2m, which represented 11% of the group's total In contrast, cement turnover totalled R99m and this division contributed R23m or 77% of pre-

32

BLUE CIRCLE'S PIE



* A portion of engineering trading turnover is represented by various operations which were sold during the year

interest profit

This is why Blue Circle's turnover declined sharply last year when profitability turned upwards The figures produced so far clearly justify management's decision to concentrate future operations in cement By reducing exposure to the engineering industry, the group will be in a stronger position to ride out this economic downturn, while concentrating on improving productivity in the cement operations

Cement is always a capital-intensive business, and the group is about to benefit from capital invested over the past few years. Chairman Trevor Coulson says the No 6 kiln at Lichtenburg "is due to start production in April, 1985 " This brings the total plant capacity to 2,5 Mt a year When the new capacity comes on stream, Coulson says that "Lichtenburg will become the largest cement plant in both the southern hemisphere and within the (UK-based) Blue Circle Industries "

Blue Circle holds roughly a 20% market share throughout the country It sells cement mainly in parts of the Orange Free State, Natal and Transvaal. Aside from the Lichtenburg plant, it owns a small, 20 000 t a year OFS facility, which makes only white cement

Morrison explains that before the No 6 kiln comes into operation, Lichtenburg had "wet" capacity of 500 000 t, with the remainder being manufactured by the more modern and efficient "dry" method Dry kilns are far more efficient and profitable than wet kilns because they allow significant savings of coal and electricity "The dry production method results in a cost savings of R4-R5/t," Morrison tells me

With cement at present selling for roughly R65/t, this represents a significant cost saving for the group Morrison notes that all SA cement producers sell at basically the same price However, producers must operate their plants at "over 70% capacity to break even " Lichtenburg is currently operating at roughly 80% of dry capacity, while its wet facilities are expected to remain idle Most of the production costs incurred in making cement are fixed, so Blue Circle's profits on cement should remain healthy, provided that the slowdown in building does not depress demand too much

The most significant element in the cost of cement to consumers is transport Apart from production costs, prices of cement to end-users are based on the cost of transporting cement from the Lichtenburg factory to other parts of the country In some cases, this can increase the cost to consumers by more than 50%

Given the long lead times required to bring new cement plant on stream, the group is already preparing for its next expansion, although the timing is not yet decided It is prospecting near Mafikeng, in Bophuthatswana, to evaluate the possibility of building its next cement plant in the area Morrison notes that as limestone is the basic ingredient in cement, producers invariably locate kilns near large limestone deposits And, because Lichtenburg is drawing huge tonnages of limestone from Bophuthatswana, it would be logical to build the next plant at the source

Present strictures on public-sector spending aside, Morrison believes that government will inevitably have to spend millions of rands in future on upgrading SA's deteriorating road system He cites the Durban-Johannesburg motorway as a prime example

Blue Circle's balance sheet for November 30 shows that liquidity improved significantly, with cash holdings rising to R88m from R61m the previous year Stock levels at year-end fell to R30m from R78m, while debtors declined to R30m from R48m Creditors decreased to R31m from R50m A payment of R60m — related to the No 6 kiln — is to be made in March, drawn entirely from the cash pile

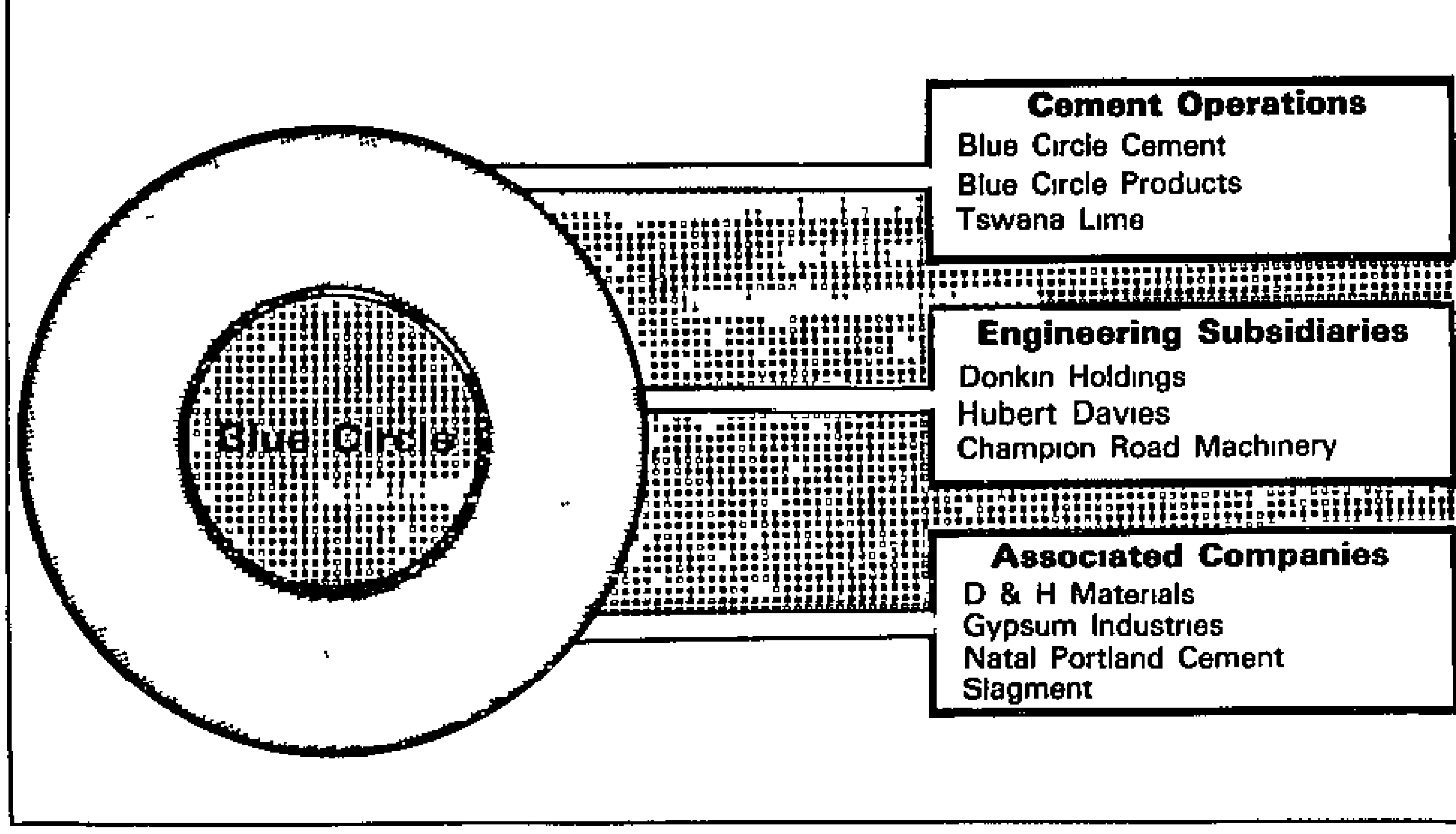
Last year's performance was clouded by foreign exchange losses of R7,2m These liabilities stood at $35m at the beginning of the year, but the figure had been reduced to $20m in December This amount has now been fully covered forward, so the forex problems should not continue

Looking further ahead, the important point is that the group has moved firmly to concentrate its activities on those which it knows best, and are most profitable On that basis, its medium- to long-term outlook has brightened considerably

At 470c, the share yields 8,2% Investors are taking a cautious view of the group considering that its price is close to its yearly low In the short term, the question is whether record interest rates will depress demand for all building materials This could cause an oversupply of cement and force production volumes close to, or below, break-even point

For the time being, however, the group's customers seem to have enough work on hand to keep the Lichtenburg facility operating at satisfactory levels When conditions improve, Blue Circle's profits should improve accordingly In my view, the share should be watched for long-term buying opportunities, but there is little need to rush to buy yet *Stephen Richter*

BLUE CIRCLE'S ACTIVITIES



RDM 11/3/85 (VB)

Bifsa: Probe by board welcome

(32)

BIFSA executive director, Mr Lou Davis, has welcomed a Competitions Board inquiry into tendering restrictions, embargoes and alleged retrictive practices by the federation.

In a statement issued in Johannesburg at the weekend, Mr Davis said he believed the allegations levelled against Bifsa would not stand up to the "spotlight of independent inquiry".

"It is patently clear, too, that the need for equitable and fair tendering conditions are of vital concern to builders in this industry and, without such conditions, the industry would face a morass of confusion when bids were opened."

It was essential for developers and builders to start any contract on a basis of mutual understanding.

"These conditions do increase that understanding and cut through the mass of potential red-tape and legalese."

Mr Davis discounted allegations that Bifsa was imposing unfair restrictions on its members.

Equitable tendering conditions formed a vital basis for members and the conditions acted as a bench-mark on which to compare prices. — Sapa.

ARGUS 15/3/85 (32)

Building industry facing hard times — research bureau

By DEREK TOMMEY
Financial Editor

THE building industry is facing hard times with profits expected to fall and bankruptcies and unemployment to increase, says the Bureau for Economic Research at the University of Stellenbosch.

It reports in its latest building survey that the industry is despondent about current and expected business conditions. The lack of demand is the main problem.

The perennial shortage of labour has eased and building materials are freely available. Competition in tendering has become fiercer while the rise in building costs has eased.

SHARP DECLINE

A sharp decline in building activity is expected in 1985 with the smaller to medium-sized companies suffering the most. But even the bigger concerns will be caught in a cost squeeze and profits will suffer.

Bankruptcies will increases as will unemployment.

The bureau says its original forecast of a 9 percent drop in fixed investment in non-residential buildings this year might have been too optimistic. Although the projects in the pipeline will probably prevent the decline from being too sharp, the recession in the building industry could last longer than originally foreseen.

It expects the recession and the continued high level of inflation to affect disposable income. This and increasing job uncertainty will prevent people moving around, leading to a decline in the demand for housing.

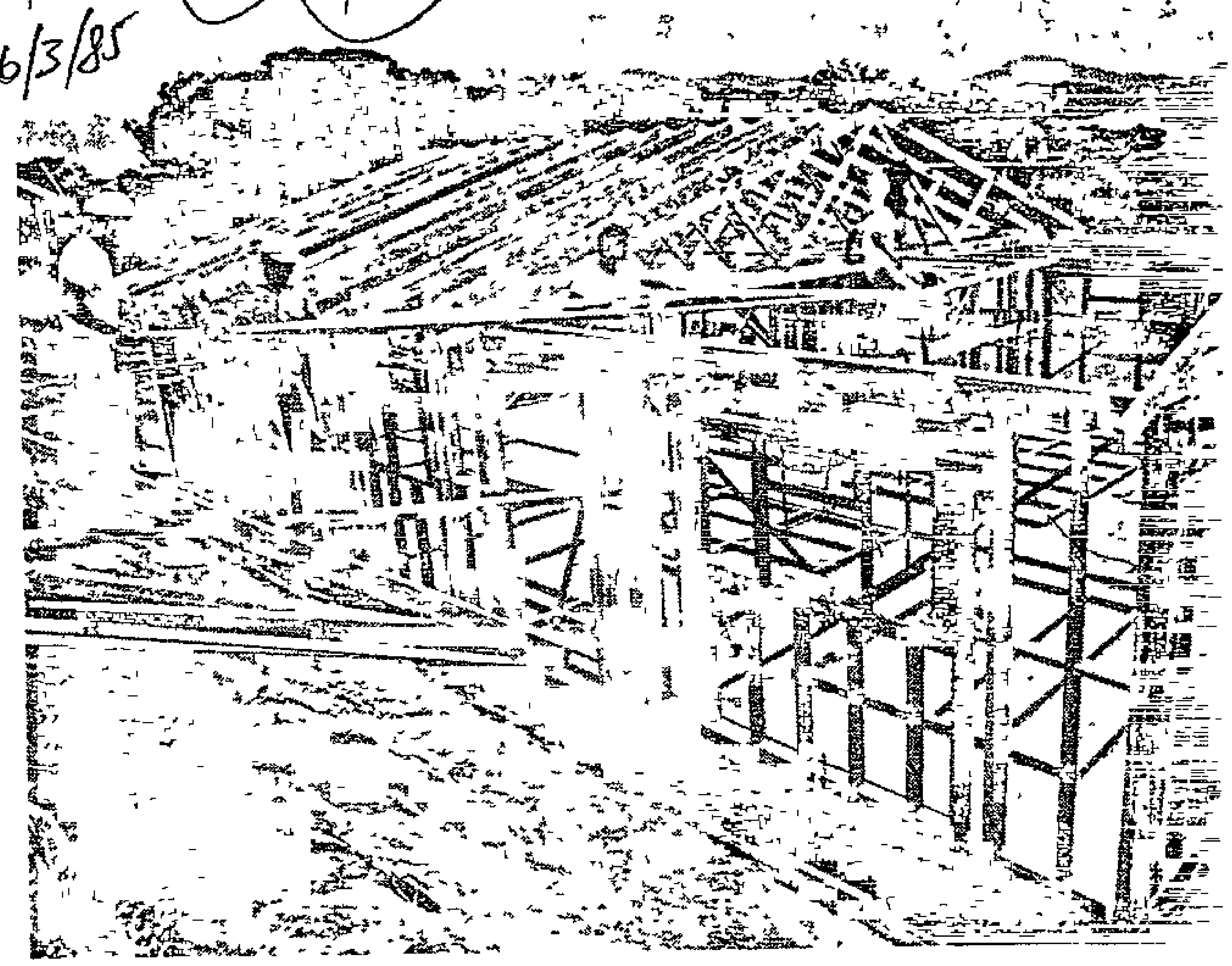
This should lead to less being invested in new housing. However, building costs are expected to continue to increase — though at a slower rate than last year — and make it more difficult for individuals to afford houses.

The building societies are still experiencing cash flow problems. Mortgage rates are under pressure again and a further rise in the rate on loans of less than R60 000 is possible.

It would not be surprising if the expected 13 percent decline in fixed investment in private housing this year were exceeded.

Major drive to promote timber houses

w/e Argus 32
16/3/85



Workers scramble over the rapidly rising wood frame house — [illegible] they started on the walls.

By IRVING STEYN
Weekend Argus Reporter

SOUTH Africa's timber industry is preparing to launch a campaign to promote timber frame housing — approved by the Government last week — which the manufacturers believe will revolutionise the home building industry.

They believe the answer to the chronic housing shortage lies in timber and that it could eventually replace conventional brick housing in popularity.

The South African Lumber Millers' Association (Salma) is injecting R1,5-million into the campaign, which precedes the implementation of new national building regulations on September 1

The regulations, published in the Government Gazette last week, place no prohibition, as in the past, on types of building material provided they comply with standards laid down by the South African Bureau of Standards (SABS)

Specific provision is made for timber frame houses, but local authorities are empowered to turn down any plans — and not just for timber — if they think the building will disfigure the area or detrimentally affect the value of neighbouring properties

A spokesman for Salma, Dr Apies du Toit, said the campaign was aimed at the man in the street

"We want him to make wood his No 1 priority when he considers building material It has many advantages"

Appealing

These included

- Timber frame houses were aesthetically appealing
- Timber was durable and flexible and had natural insulation properties
- Timber was economical, required less maintenance and provided more floor space

Dr du Toit said timber played a major part in housing in the northern hempisphere — 92 percent of all homes in the United States were built from wood

The local timber industry had an overproduction at the moment because of the economic climate

However, this was not the reason behind the campaign. South Africa could provide for any amount of timber frame houses in the foreseeable future

Salma s campaign in the Western Cape centres on a wood frame home being constructed in Fish Hoek

The builder, Mr Peter Bance, was this week preparing to tile the roof, a mere three weeks after laying the initial concrete slab

Carpeting

The 152sg m house has three bedrooms, two bathrooms, a television room, double garage, sunken lounge, spacious kitchen, built-in cupboards all round and wall-to-wall carpeting throughout

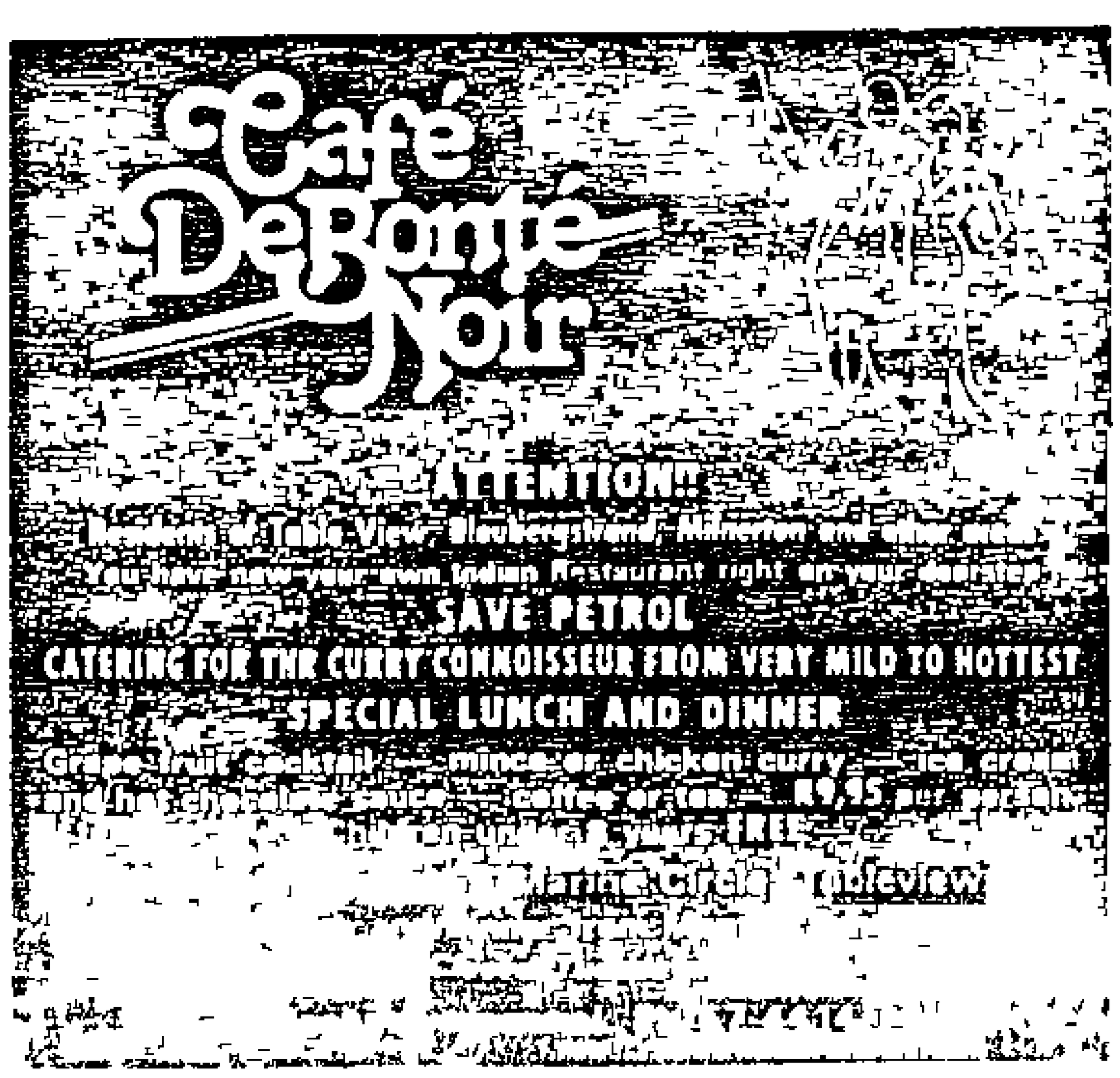
The [illegible]

Builder Peter Bance is framed in the window of the wood frame house he is building in Fish Hoek.

will have a brick veneer outside will be R54 000 The same home in brick would [illegible] about R80 000 Mr [illegible]

[illegible] six months to build, it took six weeks

All sectors of the population will be approached in the Salma campaign



...or drive to promote ...er ...es

W/E Argus 16/3/85

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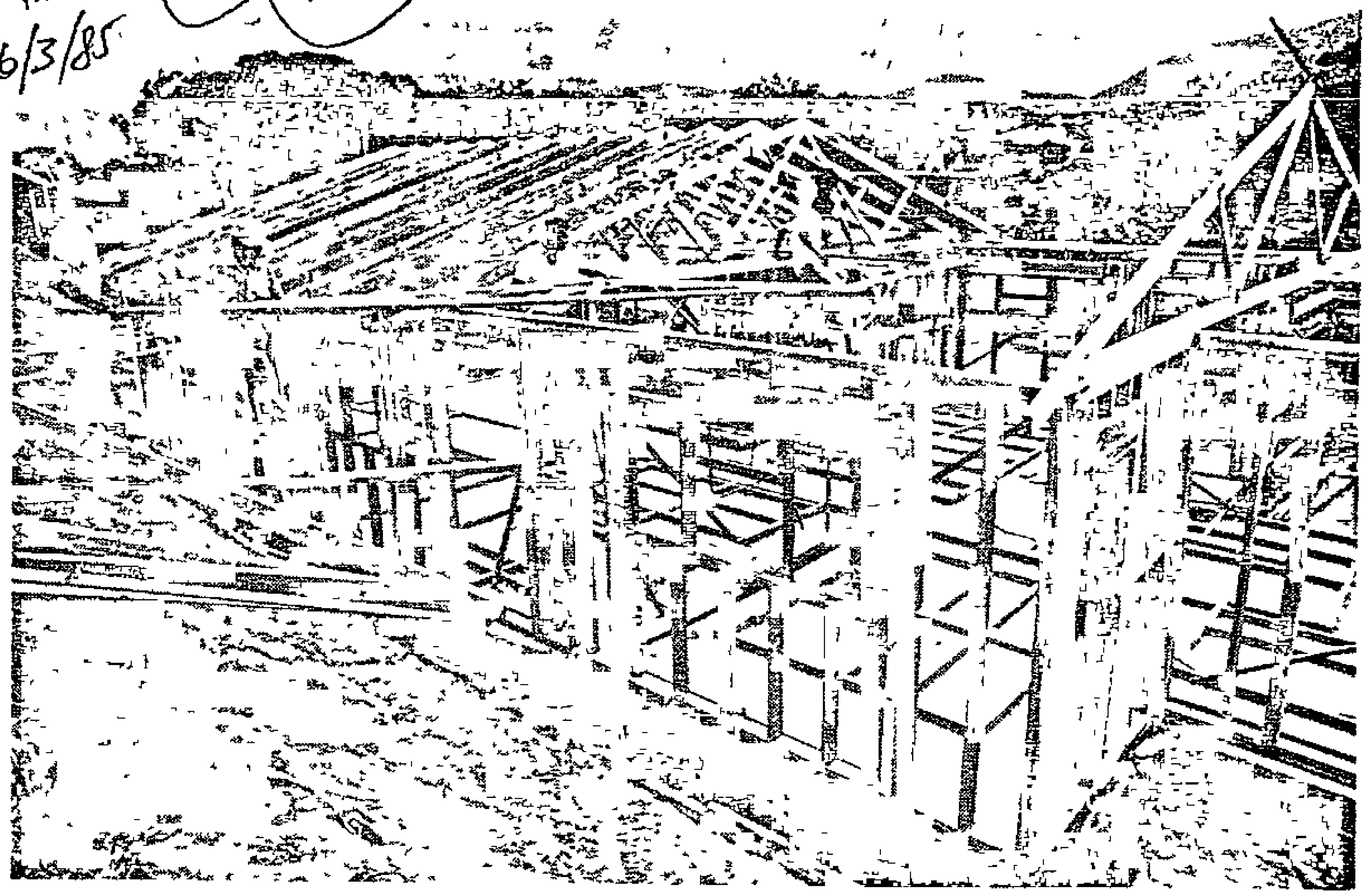

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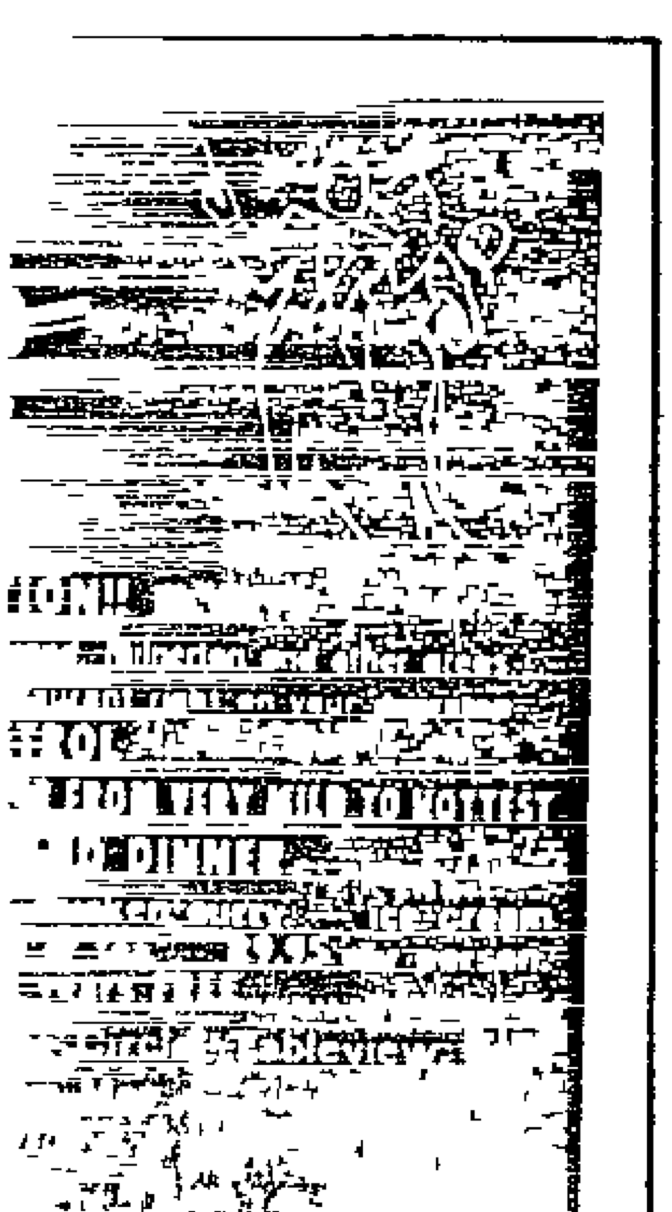

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The cost of the finished ...uct which will have a brick veneer outside, will be R54 000 The same home in brick would cost about R80 000, Mr Bance said.

And instead of taking six months to build, it took six weeks

All sectors of the population will ... approached in the Salma campaign

Builder Peter Bance is framed in the window of the wood frame house he is building in Fish Hoek.

Widow of hero sells his medal

Weekend Argus Foreign Service

LONDON — An army bomb hero's George Cross, auctioned "with great reluctance" by his widow to raise money for the family, has fetched a record R44 500

It was bought by the National Army Museum in Chelsea

The medal was awarded posthumously to Sergeant Michael Willetts, 27, who, while serving with the Parachute Regiment in Belfast in May 1971, screened civilians with his body during a terrorist bomb attack

Only hours before the sale Sergeant Willett's parents appealed to their daughter-in-law Sandra not to sell the medal

Mrs Arnie Willetts, of ...in-Ashfield Not... ...

Big rise in civil engineering work

(32) Star 18/3/85

Financial Staff

An increase in the intake of new civil engineering work occurred in February, the SA Federation of Civil Engineering Contractors (Safcec) announced

A total of 90 contracts with a combined value of R148 million was recorded, representing a big improvement on January

However Safcec points out that the majority of the contracts related to tenders which had already closed during 1984 and therefore were "not yet an indication of the amount of new work to be put out to contract by clients in 1985".

WATER SCHEMES

Road construction contracts totalled R85 million and accounted for the lion's share of new work These include widening and improvement of 13km of the Johannesburg eastern bypass between the Modderfontein and Rivonia interchanges for the National Transport Commission under a R21 million, 18-month contract

Water schemes include a 22-month contract in the Ciskei for the construction of the R15,2 million Binfield Park Dam, near Alice

Safcec adds that it recorded five new contracts for the construction of microwave towers last month, involving nine towers in the Orange Free State and seven in the Cape Province at a total cost of R5,6 million.

Higher house subsidy boost for builders

ARGUS 26/3/85

(32)

By TOM HOOD, Property Editor

THE ailing house-building industry is expected to receive a shot in the arm and many more young people will be able to buy a house as a result of the Government raising the bond subsidy for first-time home buyers from April 1

Effectively, a new home owner will pay about 13 percent on his bond if he borrows R40 000 The normal building society rate is 19,5 percent

This means his Government subsidy will rise to R215 from R130 a month for five years, saving him R12 900 over the five years

It also means someone earning R1 436 a month will qualify instead of the minimum R2 153 previously, Mr Bill Rawson, a Cape Town estate agent, estimates

"This will bring new houses within the reach of a lot more people and encourage builders to start building again In the present market, it has become more expensive to build than to buy an existing house"

The subsidy escapes the new perks tax and applies only to buyers who receive no other subsidy There is also no higher income limit or colour bar

ONLY ON NEW HOUSES

The subsidy is paid only on new houses or flats that have not previously been occupied and the applicant must not have owhed a house or flat before

The subsidy is paid on normal bonds obtained from buuildings societies, some of whom give priority to first-time buyers when cash for home loans is scarce

The increase in bond subsidies to 33,3 from 20 percent was announced in the House of Assembly by the Minister of the Budget, Mr Eli Louw

The subsidies, which started in March 1983, are for bonds up to R40 000 where the house price is not more than R50 000 The cost of the plot is excluded

About 320 houses being built this year at Edgemead and Northpine by Garden Cities will all go to first-time buyers, says Mr Selwyn Myers, managing director

"We have a waiting list of more than 3 500 people and the higher subsidy will enable many more people to acquire a home If mortgage rates come down the benefit will be even greater

"We are under tremendous pressure and we have decided to keep on building as long as we can"

Mr Willem de Klerk, chief executive of Multibou, says the higher subsidy will give a boost to property builders and house builders "The problem has been building a house to qualify for the subsidy and it will now be easier"

CHANCE OF A MYSTERY

Sandton City Cosmetics

said he could not make policy state-

shop, to be held from May

FARM BOEREWORS

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BRIEFING

RDM 3/4/85

Price increase shock for building industry

AGAINST a background of a mountain of 65-million stockpiled bricks, a closed plant and retrenchments, the major brick producer Corobrik Natal yesterday announced an average 12,5% price increase on all types of bricks

It is the third rise within 12 months Prices went up in April last year by 7,75% and in October by 9%, giving a compounded hike, with yesterday's rise, of 32%

Plaster bricks, formerly known as commons, will now cost R169,02 for 1 000 delivered in Durban, or nearly 17c a brick.

32

Home building drops by R150-million in one year

(32) Star 4/4/85

Pretoria Bureau

Home construction contractors, who were handling work to the value of R684 million in October 1983, had only R533 million worth of work in progress last October — a drop of 22 percent due to the economic recesssion.

Figures released by Central Statistical Services in Pretoria yesterday show just how hard the home building industry is being hit by South Africa's ailing economy

Despite regular increases in building costs, the total value of work being undertaken by building concerns continued to drop.

In a mere three months, between July and October last year, the value of home contracts under construction dropped from R540 million to the October low of R533 million.

And the outlook for future work is not bright, as indicated by the fact that in July last year home builders had only R61 million worth of work waiting to be started in contrast to the previous October when contracts valued at R105 million were in the pipeline

Other sectors of the building industry are also beginning to suffer and many other contractors are finding that the amount of incoming work is dwindling

Earlier this week *The Star* reported that thousands of construction workers are losing their jobs and many companies are going under as the recession bites harder

According to *The South African Builder* magazine the entire industry, including brick manufacturers, construction companies, glass manufacturers and sub-contractors, is experiencing a slump.

The brick industry alone was reported to be running at 25 percent of capacity.

70-million unsold bricks pile up in Cape

W/t Argus 6/4/85 (32)

By TOM HOOD
Property Editor

A SURPLUS of unsold bricks in the Western Cape has grown to a mountain of 70-million — enough to build about 1 400 houses

"This is the highest figure ever recorded here," says Mr Graham Bounds, local managing director of Corobrik, the country's largest brick producer

The company announced country-wide price increases related to costs this week which could add about 6 percent to Cape prices Corobrik is the trendsetter and in normal times other companies bring their prices into line

But builders in the Cape will not pay any more becauce of intense competition and price-cutting by brickmakers

"The list prices of bricks bear no resemblance to prices being charged Shopping around is the order of the day, from the smallest to the largest builders," says Mr Bounds

DISCOUNTS

Builders, accustomed to waiting months for deliveries of face bricks a short time ago, are promised immediate delivery almost everywhere and say prices have never been as competitive as now

They are also able to negotiate discounts — something unheard of in the past — of around 5 to 7,5 percent

Discounts of more than 40 percent have been given for certain types of face bricks, builders getting them for R150 a 1 000 against the list price of R260

"We have been offered ROKs (common bricks) at R94 a 1 000, the price ruling two years ago, says Mr Dave Horwitz, managing director of Condecor

"Prices of ROK's are generally around R112 against R130 at the end of last year, with face bricks costing R160 against R220 last year"

But he forecast the surplus is temporary and prices could shoot up again by the end of the year

BONANZA

Many Cape brickfields start to close down in June for the winter and this could halve production

An added bonanza for builders is a tremendous improvement in quality of bricks and breakages accounting for only 4 percent of deliveries compared with breakages of around 8 percent in the past

The Building Industries Federation is looking into conditions of sale by brick companies which say builders must accept up to 10 percent of breakages.

"If you buy 100 loaves of bread you expect to get 100, not 90," said a builder "We want the brick firms also to give us what we pay for"

The present surplus is the result of a huge downturn in home building shortly after brick companies completed multi-million-rand extensions

Corobrik has alrady closed three Cape factories, lowering production to 190-million bricks a year from its capacity of 260-million

Embattled builders look

to black housing relief

(32) S. Times 5/5/85

Black housing — beset with problems for home builders

By Kerry Clarke

THE building industry, facing a substantial drop in demand for white housing, has been urged to look at the black market as a possible lucrative alternative.

The National Association of Home Builders (NAHB) says members are showing increasing interest in the black market

But NAHB chairman Riley Schachat says it should be tackled with caution

Companies in the black housing market warn that sound financial backing is essential to avoid cash-flow problems

Barely dented

The market looks tempting for builders The shortfall in black housing, according to a conservative Government estimate, is 170 000 units, excluding the national states Builders are barely denting the shortage

Gough Cooper and Schachat Cullum between them provide fewer than 1 000 houses a year to black buyers

However, one of the major problems facing builders is the serious shortage of serviced land If a builder provides the services he has to spend between R2 500 and R10 000 on each stand before he can start laying bricks The outlay can put a serious strain on a small builder's cash flow

The high cost of establishing services, registering leaseholds and bonds and working through the mountain of paperwork precludes large companies from offering low-priced housing

Optimistic

They are selling only to the middle- and upper-income groups — Schachat's cheapest home for blacks costs R30 000, and Gough Cooper's cheapest is R23 000, excluding land

Matthew Nell, general manager of the Family Housing Association, an Urban Foundation housing utility company, estimates that big builders and the building society development corporation providing houses from R25 000 up wards, are catering for only 5% of black home buyers He adds that this is an optimistic estimate

Alex Rabie, marketing director of Gough Cooper's black housing division, says "The private sector cannot be seen as the answer to the shortage — many people have to be helped by the Government"

Rob Crockett, executive director of Schachat Holdings, identifies another major problem in the black housing market. There are no established routines to follow and attitudes and procedures which affect the home builder operating in the black townships change constantly

Schachat has put executives to work at clerical jobs in an attempt to avoid administrative delays

Bond delays

Some builders report long delays in bond registrations Schachat has appointed drivers to take buyers to attorneys' offices to sign bond documents

Mr Crockett says many clients find it difficult to reach an attorney's office and a bond registration can be delayed for several weeks.

Mr Rabie says "Without detailed knowledge of the steps to follow, the documentation required and the people involved, it is difficult to build houses for blacks"

Mr Nell suggests that developers get together and make suggestions to amend legislation affecting the administration of leasehold

Land is also a problem, say builders Although there is sufficient stock on the East and West Rand for the time being, there will be a serious shortage if township boundaries are not extended

Small parcels

Land is scarce in Soweto, and Mr Rabie believes densities there should be increased There is no provision for high-rise developments. However, he acknowledges that such developments could be difficult as the concept of sectional title is foreign to black buyers.

Mr Nell agrees that land is tight in Soweto and most of it is in small parcels which have been rezoned

He says high rise is not a proposition while land prices are set far below the market level

"People develop high rise to make good use of expensive land If all land costs are uniform, as in Soweto, there is an economic disincentive to develop high rise

Builders expect cost increases

Star 13/5/85 (32)

By Frank Jeans

While the present free flow of building materials could help to ease the building industry's productivity problem, the advantage will be offset by the inevitable price rises in materials

"One of the main reasons for these constant increases is the fact that there is insufficient competition in the market," says Mr Andy Shoredits, immediate past president of the Pretoria Master Builders Association

Writing in the latest issue of SA Builder, official journal of the Building Industries Federation, Mr Shoredits urges participation by major investors and financial houses in the supply of the builder's products.

"Monopolies will not help the industry

"The entry of big business to boost manufacture of materials would not only spark competition in the market but would give a good return on investment," he says

Recession continues to affect civil engineering

(32)

Star 13/5/85

By Frank Jeans

The recession continues to have a serious effect on the construction industry, with civil engineering work plummeting to only 75 new contracts last month, with a total value of R70 million

Reporting on the sluggishness in the industry, the South African Federation of Civil Engineering Contractors says the value of new contracts so far this year is R350 million compared with R580 million for the same time last year.

Conditions would be even more depressed but for the R400 million national roads programme which is at present bringing relief, with a steady stream of tenders planned up to June

Road contracts accounted for R45 million or 65 percent of the total contract value during April.

The Transvaal Provincial Administration awarded the construction of the Greylingstad bypass at R8,9 million, while another Transvaal contract of R2,8 million was for a section of provincial road near Boksburg

The economic crunch is also seen in the latest building statistics for the Johannesburg area and underlines the troubles facing the home-building sector badly hit by falling orders

There were 39 new houses started last month compared with 78 for the fourth month last year, a clear indication of prevailing tight money conditions and high interest rates facing the buying public

The total value of building work started in April in the municipal area was more than R25 million as against R29 million for the same month in 1984

The drop in value is even more significant when the rise in building costs is taken into consideration.

Engineers fire at Govt policy on a broad front

E. Post 18/5/85

(32)

Business Editor

GOVERNMENT policy came under fire across a broad front at a meeting in Port Elizabeth this week of the Eastern Cape branch of the SA Association of Consulting Engineers

Issues raised at the meeting included

- Concern that the evident relaxation of influx control threatens to place a heavy burden on existing housing and social infrastructures in the Eastern Cape and elsewhere in the country
- The "stop-go" approach to capital expenditure by the public sector
- The tardy implementation of a declared policy of "privatisation"

Emphasising that the association had no political views on the issue, a statement from the president, Mr J A de Wet warned "if insufficient housing or serviced plots are not made available at an early stage, the "Crossroads situation" is likely to develop all over South Africa adjacent to the larger centres

"Money has been provided for the Orange River Canal scheme, in order to provide more work opportunities in the Eastern Cape area

"A figure of 30 000 new jobs has been mentioned, which is a sound investment in the long term, but it seems likely that people in the area will still tend to move to the towns long before the benefit of such a scheme has filtered through to the general economy

"It is therefore clear that some of the money allocated for long term projects will have to be redirected towards providing adequate housing or serviced plots near the existing towns"

Association director Mr Colin Spence added in a further statement that official policy was having an "extremely debilitating effect on some sectors of private enterprise in this country"

The first policy problem, said Mr Spence, was the "stop-go' approach by the public sector to capital works as a means of balancing the national Budget

This aggravated the impact of the economic recession, he said, and could damage the private sector construction industry beyond the point where it could make a "proper contribution towards the development of the national infrastructure when the economy next moves into a phase of expansion"

"The second aspect which is giving cause for concern is in relation to the central Government's declared policy of privatisation

"As far as the consulting engineering profession is concerned, this policy has not yet filtered down to the lower levels of the public sector bureaucracy, or, alternatively, is being deliberately ignored by the various Government departments involved

"There are strong signs that not only is there no transfer of work to the private sector but these public sector authorities are busy expanding their in-house capabilities for carrying out the planning, design, and construction of capital works," said Mr Spence

The association issued an appeal to the public service to reduce its participation in these fields "in order that a strong and healthy private enterprise construction industry can be preserved and encouraged to be ready for the next upsurge in the economy which will surely follow the present recession"

LAC attempt to halt the sale of building sites

32

NM 23/5/85

Mercury Reporter

THE North Durban Local Affairs Committee has called for a joint meeting with the Durban City Council's Management and Health and Housing committees in an attempt to stop the sale of council-owned land to private utility building companies

LAC members claimed yesterday that houses built in Durban for Indians by some private companies were over-priced and were beyond the reach of the average man

They claimed houses at Castle Hill Newlands West, built by Bestconstructo on land obtained from the City Council, were sold for between R62 000 and R85 000

'The prices were ridiculous and we want the council to stop any further sale of land to utility companies without looking at the cost structure of their houses,' said LAC chairman, Mr Krish Raidoo

He said there were more than 5 000 council-owned sites available for development by private companies

'We don't want them released until we are assured what each home will cost,' said Mr Raidoo, adding that people in the middle income group with monthly earnings of between R800 and R1 500 were badly in need of houses

He said the houses built by Bestconstructo were for people with earnings of between R2 000 and R4 000

LAC member Mr A P Singh said Isipingo, Marburg and Pietermaritzburg municipalities had provided homes for Indians similar to those at Castle Hill for almost half the price

'The prices are between R30 000 and R45 000 and I think it will be wise to consult the town clerks of the three local authorities,' he said

Another LAC member, Mr Ashwin Mohanlall, said the houses at Castle Hill were definitely 'overpriced'

Better or similar-type houses in white areas which had been built by private utility companies were cheaper, he said

Mr Raidoo said that from experience in the building trade he was convinced private utility companies were making big profits because the average building cost of a 120 m² house — like those at Castle Hill — would be about R35 000

A spokesman for Bestconstructo said that escalation compounded by other financial factors had forced the company to sell the houses at Castle Hill for between R62 000 and R85 000

Cape Times 28/6/85

32

LTA prepares for tough year ahead

From WINNIE GRAHAM
Transvaal Bureau

JOHANNESBURG — The profits of the LTA group, involved in virtually all sectors of the construction industry, dropped from more than R7,5m in 1983/84, to a mere R165 000 in the year ending March 31, 1985

The chairman, Dr Zac de Beer, has announced that the LTA board has agreed to pass the 1985 dividend The dividend per ordinary share last year was 35c

He said in his annual report there were a number of reasons for the company's "very disappointing" performance

The hoped-for arbitration award regarding a railway electrification report failed to materialize and settlement of claims on the Soweto contract continued to be delayed

Because of these contracts, he said, the company's borrowings had risen to unprecedented levels with a predictable impact on the income statement.

"Heavy losses were sustained in certain subsidiaries," he said

"These are now being reduced to small and prospectively profitable operations"

The deep recession had taken its toll, he said

LTA's order book stood at R949m on March 31, 1985, but fell to R885m by the same date in 1985 and had since declined by a further R60m

Dr De Beer said in easier conditions a debt-equity ratio of up to 40 60 seemed sensible

He pointed out the construction industry usually took longer than the rest of the economy to recover from the recession

"We must therefore expect the current year will be worse for our industry than the one under review and one cannot be sanguine even about the prospects for 1986/87," he said

The consolidated balance sheet shows LTA closed the financial year with a bank overdraft of more than R22m, compared with R2m the previous year

LTA lost R7,4m on discontinued operations, a situation which arose from two disaster contracts

"However, an assumption as to claims likely to be paid has had to be made in assessing the valuation of these contracts, and in recognition of this and possible legal costs, we have had to transfer temporarily to non-distributable reserve, a sum of R5m," he said

The year ended with an operating profit of R8,1m before taxation (compared with R28,7m for the previous year)

Waltons v... slower div...

WALTONS which lifted dividends for the year to February by 22 percent — expects "at least to keep pace with inflation as far as our shareholders are concerned" in the current year, the chairman, Mr J M Parrington, said at the general meeting yesterday

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Brick and Clay bite the dust

32

Construction

BRICK & CLAY used to be Nó 2 in the Western Cape With an annual production of over 100 million bricks B&C were exceeded only by Corobrik Now Lucem's venture into brick-making has gone as sour as their venture into computers Lucem Holdings MD, Rob Paul, says, 'the sale of B&C still has to be consummated', but the new purchasers are already in possession and production

The Brick and Clay operation has been winding downhill since it sold its only tunnel kiln in Paarl to Corobrik a couple of years ago The Durbanville operation ceased in March with the quarry reverting to the council and the machinery to the new buyer, Hans Klauver B&C Killarney has run out of clay and has now ceased production The only operational brick-field left in B&C was Philadelphia, strategically placed for the new development on the Atlantis/ Cape Town axis

Even better managed brick-fields have found the going tough over the last year, 'but that's the best time to buy a brickyard' says Klauver Five years ago, after the 1976-'78 slump, he bought J&J Bricks in Malmesbury and turned it from a fair-weather only — maker to a 30-million-a-year brickyard Klauver is now hoping to increase Philadelphia production to 3 million a month and is confident he can sell them all even on the presently slack building market

Brickmakers in the Western Cape now have an estimated stockpile of 75 million bricks, little more than a month's supply in better times, closer three months' supply on present building activity Financing the stockpile is costing them R75 000 a month so most makers are hoping that the falling interest rates may indicate the building slump has bottomed out Corobrik claim a stockpile of 40 million with 10% of their production now in their maxi-brick 'Sales have doubled each month', says marketing manager Bruce Sprake, 'it's now a million maxi's a month' Maxi's are also being produced in the Eastern Cape and Sprake says they now have their first order for them in a face-brick specification

With the wet months most open ground clampmakers are now idle and even Crammix have taken the slump as an opportunity to close down one of their two tunnel kilns for annual maintenance

Another brick-making casualty last year was Coroc Brick and Mining near Mitchells Plain which went into liquidation with a R1-million worth of new silica brick equipment A new consortium is investigating an offer of compromise which may see Coroc producing bricks once building activity comes to life again

Printing the ad Rand

PRINTED press is still the chosen medium for promoting business equipment The AdIndex figures for advertising in 1984 show that over 80% of all measured business advertising was in printed press with less than 20% in television Of the R11-million spent last year on business equipment, R9-million was spent on press advertising

Computer advertising is the fastest growing item of business promotion Over the last four years total expenditure on computer advertising has increased 475%, up from R1,7-million in 1981 to R8-million last year Last year there was a rash of old comedians, rugby players, and sundry pets on television all demonstrating their facility with computers yet for every rand spent on the 'box' by computers, nearly R7 was spent on the printed image Total press advertising of computers has increased 400% since (although the fall-off probably also measures the promotion of more traditional equipment in a modern computer mode)

Business equipment promotion now accounts advertising (R140-million) or even the motor industry (R86-million)

With a smaller budget and an ever louder promotional environment business equipment advertisers are having to show more care on reaching their target market

SELLING THE BUSINESS MACHINE

Source AdIndex, courtesy BEA	1983 (R000's)			1984 (R000's)		
	Press	TV	Total	Press	TV	Total
Cash registers	205	—	205	259	—	259
Calculators and Accounting Machines	397	155	552	291	—	—
Copiers	752	481	1 233	1 069	740	1 809
Computers	5 400	670	6 070	6 860	1 166	8 026
Typewriters	476	281	757	544	238	782
Word Processors	144	—	144	50	—	50

GROWTH IN COMPUTER ADVERTISERS

Year	No of Advertisers	Press	TV	Total
1981	56	1 691	—	1 691
1982	109	3 237	90	3 327
1983	174	5 400	670	6 070
1984	145	6 860	1 166	8 026

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Building companies merged into Group 5

CAPC Tim 3/7/85 (32)

GROUP Five, one of the top construction groups in the country, has launched a new division placing all its building companies under one umbrella

Involved in the changes will be the group's three regional urban building companies — Combrink Construction in the Transvaal, Stevenson Construction in Natal and R H Morris in the Cape — and the three CMGM building companies, which operate mainly in the rural areas

All these companies will in future be known as Group Five Building, while retaining in varying degrees the existing company name For example, Group Five Building-R H Morris

Mr Monty Collie, managing director of Group Five Building, says the changes are part of a long-term strategy decided upon some years ago when the group was looking at the expansion of its operations

"At that time our building activities were mostly confined to low-cost housing and some industrial work undertaken by the CMGM building companies around the country," he says

"But with the merger of the D & H Construction companies into Group Five at the beginning of 1984, we acquired at a stroke three major urban building companies

"These companies, coupled with our existing capabilities, made us an important national force in the building industry, with the ability to tackle in-house virtually any project of whatever size or complexity"

The new division will start off in a fairly strong position, with most companies having pretty satisfactory order books, in view of current conditions in the industry

R H Morris, for instance, is busy on the R32,5-million contract for Escom's Western Cape regional headquarters at Bellville, and is making good progress on a contract worth R11,5 million for the new education faculty building on the middle campus of the University of Cape Town

Also at UCT, the company is building a new zoology building and has a third contract for refurbishing work The combined value of its work at the university is about R20 million

Group Five Building Cape Districts — formerly CMGM Building (Cape) — is also looking healthy Under new managing director Mr Peter Kay, a Capetonian who has spent the past five years in the Transvaal with CMGM Building, the company has already filled its projected turnover figure for 1985

Its largest current project is at Bredasdorp, where it has a R10,8-million contract for the provision of site housing, stores and other services for a major client

It has a R5-million contract for the provision of hostel accommodation and a canteen at the University of the Western Cape, now nearing completion, and a R5,5-million contract for the construction of the six-storey G J Lamprecht Medical Centre at George, a development that will also feature shops and offices

And at Deal Party Estate, PE, where the comany built a 14-bin silo complex and works tower for Sasko, it is now building a seven-storey flour mill, including workshops, a canteen and administrative offices for the same client

Mr Monty Collie, managing director of Group Five Building

Taking the country as a whole, Collie continues, Group Five Building has work worth about R200 million on its books

"Of course, it is profit, not turnover, that really counts, and frankly no one is making large profits in present conditions But I am confident this venture will be a success and Group Five Building has a very bright future indeed"

Boost in June contracts but . . .

Civil engineering work down 28%

(32) R. Day 23/7/85

MERVYN HARRIS

THE value of civil engineering contracts awarded in June was the highest since September.

Total value of contracts for the first half of the year was, however, almost 28% lower than during the same period last year.

Latest figures recorded by the South African Federation of Civil Engineering Contractors (Safcec) show that the 95 contracts worth R162m awarded in June lifted the total for the first six months of the year to R585m compared with R830m in the first half of 1984

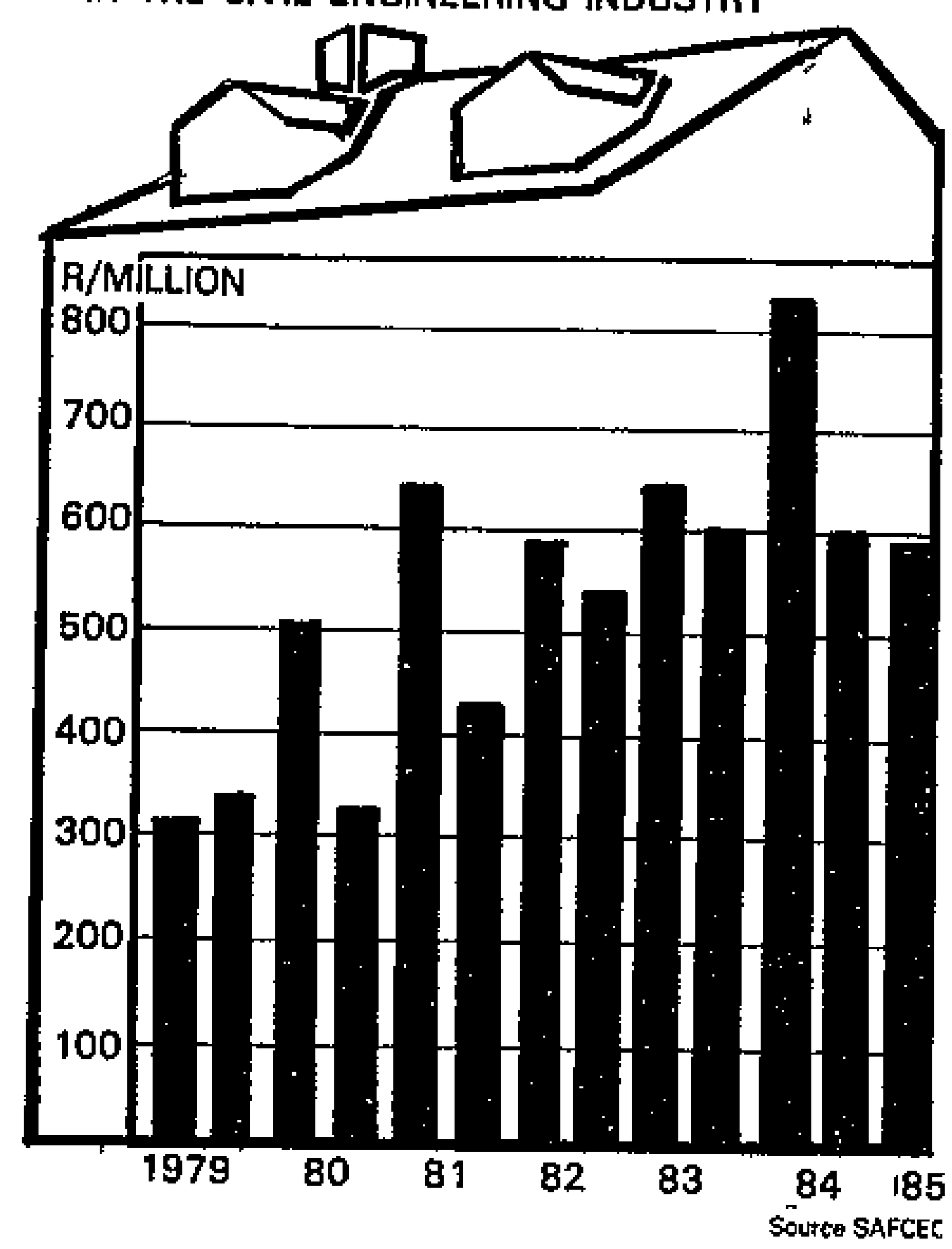
Safcec executive director Kees Lagaay says the half yearly contract award figures, recorded in current prices, have remained virtually stagnant since 1981.

"It is clear that, when adjusted for inflation, there has been a continuous downward trend in the industry's intake of new work in real terms since 1981-82

"Order books are poorly filled with no signs of an early general improvement in the prevailing sluggish tempo of construction. Although the National Transport Commission programme of major national road contracts is most welcome, it will not be sufficient to lift the industry out of the recession"

The award of the first major contract of the current NTC programme helped boost the value of the June awards The R19,4m contract for the Middelburg by-pass went to Stocks Roads

HALF YEARLY CONSTRUCTION AWARDS IN THE CIVIL ENGINEERING INDUSTRY



Other major awards in June included the contract for the reconstruction of the Bailey-Penhoek Pass-Jamestown trunk road, in the Eastern Cape, which will be undertaken by LTA Construction for R21,6m

Although Safcec is not notified of all contracts awarded, the figures are estimated to cover about two-thirds of all civil engineering work

Edited by Alison Goldberg

3/7/85

LTA Doval sold to gain Aussie contracts

32 B. Davy

ALISON GOLDBERG

IN A bid to capture Australian government contracts next time round, LTA Construction has sold off more then 50% of its wholly-owned civil engineering subsidiary in Brisbane

The move follows the loss by LTA Doval Construction of two separate contracts totalling A$11m on Brisbane's new international airport — a direct result of the June ban on bids for federal projects by majority-owned SA firms

The majority share of LTA Doval, explains LTA Construction deputy chairman Mike Ridley, has been sold to an Australian firm of accountants in trust with irrevocable instructions to on-sell to Australians.

All was not lost however. LTA Doval did manage to hang on to a contact it won before the ban This was a A$12m paving contract for the same airport

And after resubmitting its two previous tenders for the airport following the sale of the company, LTA Doval came third both times in the tendering process.

The company which now employs a staff of roughly 100, was bought as a shell in August 1984, and started to win government work in December Its only South African employee — though not for long once his new citizenship comes through — is Peter Owen, who heads up the company

According to Ridley, LTA was going to sell at least 40 percent of LTA Doval in the next two years anyway.

"We wanted to do so once the company got into its stride Even at this point, the company will have to win more contracts — both private and government — before it is saleable"

 (32) B. Day 21/8/85

Civil work at low ebb

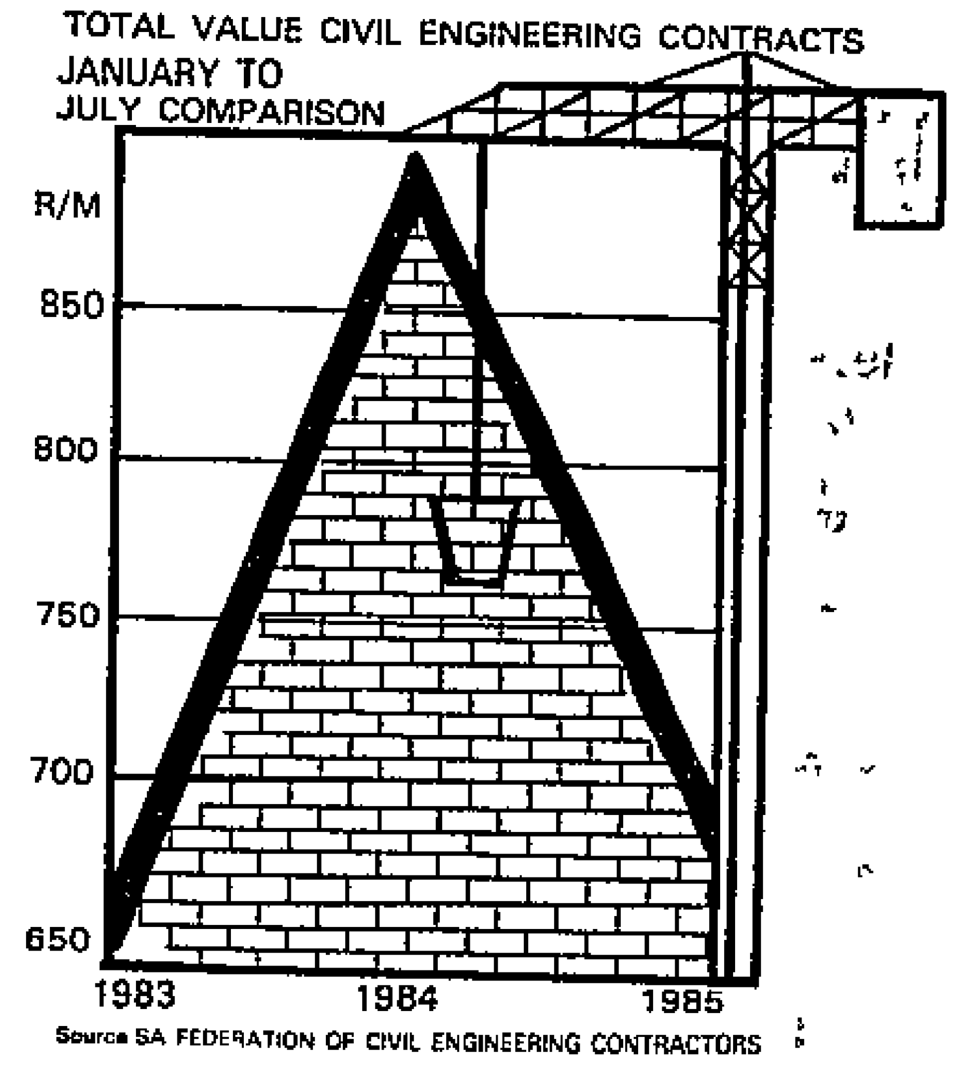
Industrial Staff and Sapa.

THE upsurge in civil engineering contracts in August will not be enough to counter a low average for the first half of this year.

July was a particularly bad month for civil engineers, with only one major contract being awarded, says the Federation of Civil Engineering Contractors (Safcec).

The combined value of 85 contracts reported was only R75m, compared with the low average monthly figure of R100m in the first half of the year.

The total of new contracts reported to Safcec in the first seven months of the year stood at R690m, compared with R890m for the same period last year.



Source SA FEDERATION OF CIVIL ENGINEERING CONTRACTORS

Big chains seen as discounters

Industrial Staff

FIERCE competition between chain stores has forced many conventional retailers to become discounters, says the head of a large discount operation.

Retailers have had to shave costs in order to compete with the discounters, says Game president Alec Hurter He believes the changing identities are confusing consumers who still expect discounters to offer better prices.

Many suppliers have beer knocked out of business, he adds, restricting the range of products for sale

Code could revolutionise construction industry

New building rules should help solve housing shortage

29/8/85 STAR 32

By Sue Leeman, Pretoria Bureau

South Africa's construction industry is expected to be revolutionised by the new national building regulations which come into effect on Sunday

The new rules will legalise unconventional building systems and allow more flexibility in design, construction and materials

This move away from the "masonry only" approach could go a long way to helping the country meet its growing housing needs more cheaply and quicker

Wood, steel-reinforced concrete as well as modular materials are expected to become more popular

Architects and builders believe innovative designs will now be the name of the building game

The new standards will also simplify the whole building procedure The welter of different regulations which apply in different areas will be effectively done away with and one streamlined set of basic requirements will be the norm

It is hoped this will help rationalise construction requirements and reduce building costs

Mr Dick Watkins, who heads the building regulations and codes division of the South African Bureau of Standards said the regulations opened new vistas for those with a taste for the unusual

He said the standards, which apply to buildings of all types, have only a minimum number of pre-requisites governing such factors as strength and durability

Homeowners in particular would be able to use a wide variety of materials and methods provided the basic standards were met

Local authorities, which until now have been notoriously hesitant to approve unusual homes, will in effect only be able to reject plans on aesthetic grounds

The new rules have become a reality after an uncertain passage through bureaucratic channels

The proposed regulations drawn up by the SABS were six years in the making, being referred to local authorities and the building industry for comment

There was significant criticism, much of it coming from the municipalities of Cape Town and Durban, both of which had reservations

The regulations were then re-evaluated and eventually appeared in the Government Gazette earlier this year

There has been criticism that the new rules ignore one area — facilities for the handicapped However, the rules have been hailed in many quarters as at least a partial answer to the housing shortage, particularly in less-privileged communities

Director of the Witwatersrand branch of the Master Builders Association, Mr Basie Pretorius, said the alternatives now allowed would assist the general building public

(32) B. Day

Construction profits crumble

10/9/85

● M&R . favoured

● Grinaker favoured

PRISCILLA WHYTE

FINANCIAL results from construction groups have been mediocre to poor and analysts say institutions are only taking a three-year view on these shares, with Murray & Roberts (M&R) and Grinaker the favoured shares.

The directors of these companies are far from optimistic about immediate prospects. The squeeze on operating profit margins is the major worry

M&R is due to report final results next week and at the half-way stage management cautioned· "There will be a reduction of the order of 30% in attributable earnings for the full financial year"

Grinaker recently reported a 15% fall in earnings a share to 38,7c, with the annual dividend payout cut to 18c (20c) in the year to June Operating profit margins slipped to 5,9% (7,2%)

The directors said "Recent tender awards have brought the order books of most divisions to levels comparable with those of last year, but margins remain unsatisfactorily low.

"Efforts will be made throughout the group to improve or at least maintain earnings, but until there is an upturn in the economy, this will remain a formidable challenge"

LTA for the year to March only managed to produce an attributable profit of R1,1m (R6,8m) and turn in earnings a share of 8c (52c) The dividend was passed

While orders on hand at the year-end were valued at R885,3m (R949,1m), management's major concern was profitability.

Chairman Zac de Beer said in the annual report "Perhaps more serious than the falling volume of work is the severe pressure on margins, which always occurs in recessionary periods and is extreme at present"

Gencor's Darling & Hodgson's profits for the half-year to June were hammered Earnings a share collapsed to 6c (45c) and the interim dividend was passed Operating margins tumbled to 4,3% (7,4%)

The other Gencor construction company, Group Five, suffered a similar fate for the half-year to June, with earnings a share plummeting 78% to 7,1c The interim dividend was passed. Operating margins were sliver thin at 1% (2,9%)

S M Goldstein for the year to June posted a loss a share of 31,3c (profit 52,1c). The dividend was cancelled. Operating margins crumbled to 0,02% (4,4%).

The construction industry lags behind any upturn in the general economy and industry sources say the worst of the recession has not yet been seen

Reprieve for Prieska

ROY BENNETTS

PRIESKA Copper Mines, the unlisted mine controlled by Anglovaal, has a new lease on life

Chairman David Crowe says in the annual report that the mine will continue operations, despite the fact that the outlook for copper and zinc, in dollar and sterling terms, is less than encouraging.

Prieska was expected to cease mining operations in the current year, but due to a significant increase in the rand price for copper and zinc during the latter part of 1984, the company has decided to continue production until the middle of 1986

Crowe says that the world stocks of both metals are relatively low, with very little chance of a significant change in the near-term.

Consumption of the metals is seen as declining in most countries, against a background of low-level economic growth.

Following the rand price increases, Prieska has been able to reduce its pay limit to the extent where it became payable to reclaim substantial tonnages of lower-grade ore areas previously considered unpayable

Crowe says management is considering various methods of turning its residual assets to account when the company ceases its mining operations.

Operating profits for the year to end-June increased to a record R70,1m from R35,8m in the previous year, with revenue rising to R140,6m (R98,9m).

Taxed profits climbed 50% to R34,1m (R22,8m) and earnings a share increased to 63c (42c).

The company declared a final dividend of 30c (15c) for a total of 60c (25c)

W/E ARGUS 14/9/85 32

Job boom predicted

TOM HOOD, Property Editor

HALF a million new jobs will be created in the building and civil engineering industries through the scrapping of influx control and the need to house more people near South African cities.

This is the belief of Dr Llewellyn Lewis, an executive member of the Institute for Housing

He estimated the Government will have to spend about R200-million a year on infrastructure development alone

New money

"This will be new money and it will have a tremendous effect on the economy," he said today

"When influx control is abolished you will have the pressure of people coming into controlled squatting areas They will need at least rudimentary services with sewerage, water and basic gravel roads

"A vital factor is that spending money at this level is not inflationary It relies on local labour and the people who benefit are at the lowest level of employment

"They have no propensity to save — only to spend"

Some people estimated that as the money is spent the multiplying factor for the economy would be about three times in total

A lot of attitudes will have to change, he said Although the institute had never played the role of a pressure group, it planned to hold a three-day congress in Durban during November where ideas about the effects of ending influx control could be discussed

Scrapping laws will boost SA

The moral and ethical implications would be examined by Dr J Kritzinger of the missionary science research centre at the University of Pretoria, a colleague of Dr Willem Nicol, who has been urging the repeal of influx control for many years

The social implications of controlled squatting will be another controversial topic with Dr Andries Oosthuizen, a member of the President's Council, as main speaker

The Minister of Co-operation, Development and Education, Dr Gerrit Viljoen, will open the session while Mr Jan Steyn of the Urban Foundation will be a keynote speaker

"Housing, like education, is a political issue and we trust a number of topics at the congress will contribute to the reform debate in South Africa," says the institute's president, Mr Daan Roelvert

Civil-engineering rates not inflationary — MD

(32) B. Day 7/10/85

ALAN PEAT

THE heavy-construction industry cannot accept that its activities are inflationary, according to Horst Kohlberg, LTA Earthworks MD and chairman of Rand Roads.

"We are quoting lower rates today than we were seven years ago, despite the dramatic increase in costs. "The bill rate we are quoting in tenders has not increased *pro rata* to that of the cunsumer-price-index factor or inflation indices," he said.

On Kohlberg's reckoning, unit rates tendered today — for roads and other heavy civil-engineering projects — have decreased in real monetary terms from 1970.

"The rates for activities not largely material-orientated have increased in that period by between 70% and 80% At the same time, fuel and oil costs increased by about 340%, and salaries and wages went up by about 300%.

"And, most importantly, the cost of heavy-duty-capital equipment, most of it imported, has rocketed by about 1 000%-1 200%."

According to Kohlberg the rand/dollar exchange rate has had a detrimental effect on capital-equipment costs.

"But in spare parts, for example, we have records to prove that costs have increased far beyond the effect of the deteriorating exchange rate."

The industry has reacted to the recessionary conditions by improving efficiency and absorbing costs, said Kohlberg

"The talk of declining productivity is not entirely true. This is generally considered to be related only to labour, but productivity in this highly capital-intensive industry must be measured against the use of capital, capital equipment and labour. By employing these better we are actually being more productive."

Economic downturn is crippling the country's construction industry

Productivity paradox

(32) STAR

The South African construction industry, struggling under the severest recession ever, faces a staggering R3 billion loss over the next five years, if the Government persists in holding back vital volumes of work.

This was said by Mr Ed Wilson, managing director of Group Five company, CMGM (North) at the opening of a new pumping station at Galeshewe, near Kimberley by Mr Piet Badenhorst, Deputy Minister of Constitutional Development and Planning

"I urge the Government not to regard this problem as something that can be shelved or left to find its own solution," said Mr Wilson, whose company built the station

"If something is not done now to improve the situation, then the loss of essential personnel, the selling off of plant and equipment, indeed the weakening of the operational core of some of the country's major contractors, must inevitably follow

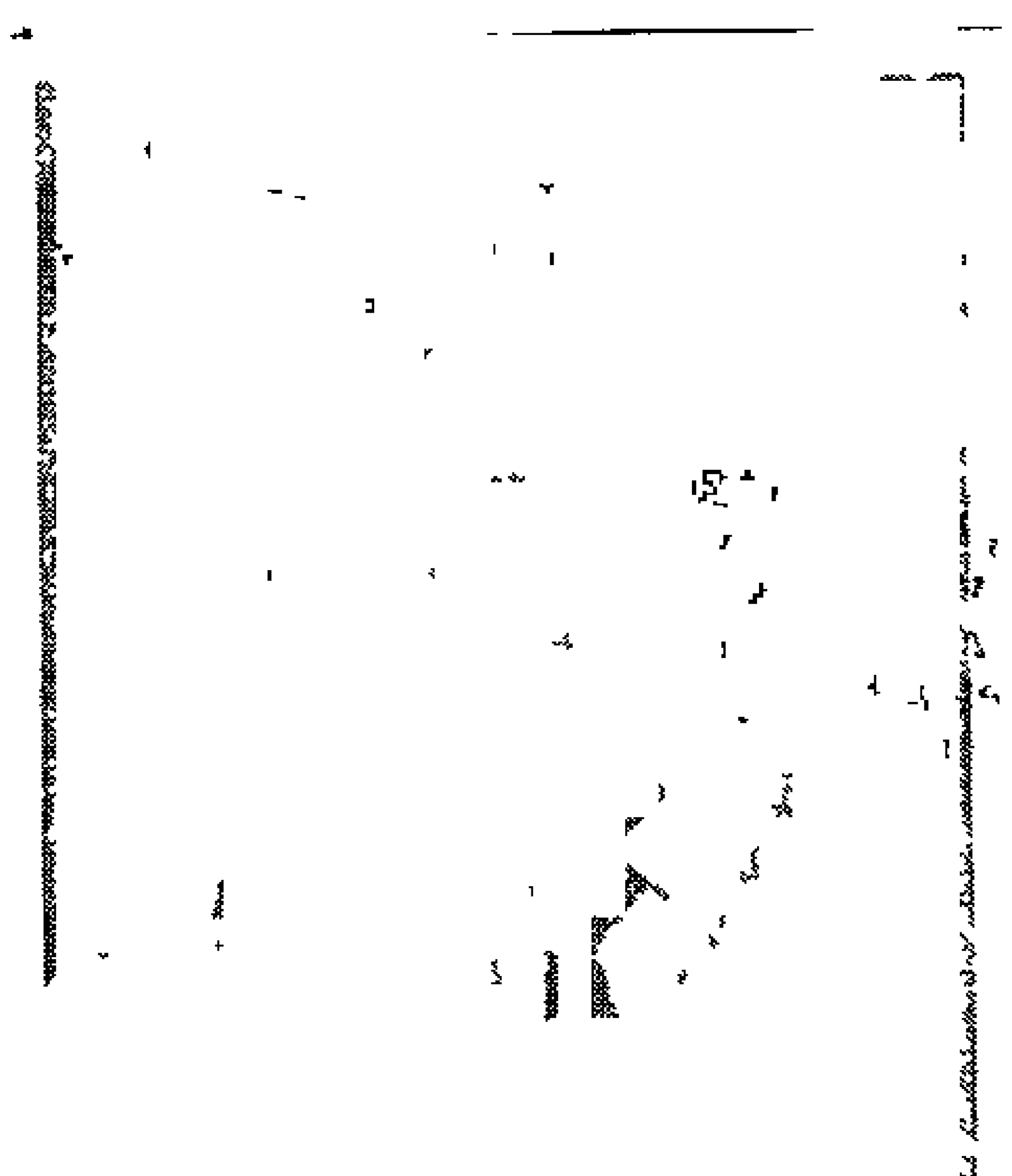
"Even in a recession, can we afford to see our construction industry crippled in this way?"

The shortage of work has already forced many closures, while the companies that remained are showing big drops in profits On top of this was the continuing menace of retrenchment of highly qualified people

"Replacing them will be difficult and expensive," said Mr Wilson "Without them, construction companies will have difficulty in being fully operational to take advantage of the upturn when it comes"

The remedy, Mr Wilson believes, lies in forward planning and making use of a downturn to get certain essential infrastructural work done when there is more construction capacity available and prices are keener.

This would have two inestimable advantages Firstly, it would provide work for many unskilled people coming on to the market for the first time and secondly, it would keep the construction industry viable and healthy and avoid "a great deal of misery for trained people who depend on it for their livelihood".



Ed Wilson — Can the country afford a crippled construction industry?

By Frank Jeans

How many bricks can a "brickie" lay in a day? It's a simple question in which lies the crux of a major problem in the construction industry today — low productivity levels

At a recent symposium in Pretoria organised by the National Productivity Institute, industry leaders looked at programmes aimed at overcoming the chronic output situation which, along with the effects of the present recession, is "crippling South African construction" and which affects everyone who wants a new house or wants to expand a business

Labour productivity over the entire spectrum of building and construction has improved by a meagre 2,25 percent a year since 1978 and when capital productivity is also taken into account the overall rate goes into decline

Indeed, the output rate for civil engineering in the private sector has been falling by two percent a year

This particular situation, however, should be seen against the dramatic workforce fluctuations in the "civils" sector which only aggravate the productivity problem

In 1973, the labour force in civil engineering was 95 000, while by 1976, the figure was 135 000 Recessionary effects have now brought the numbers back down to 90 000 and employment rates are still heading down

There was consensus among speakers at the symposium that responsibility for productivity lies with line management and as Dr Zach de Beer, chairman of LTA pointed out in his opening address "Motivation matters more than muscle"

Problem areas

Pinpointing problem areas on site and the implementation of a poductivity programme at a University of the North contract, Mr R Basson, contracts manager of Murray & Roberts Engineering (Tvl and OFS) said "We soon found out that there were tremendous differences in the daily production between bricklayers

"The figures varied from as low as 150 bricks a day to plus minus 400 bricks a day

"We further discovered that some of the higher paid bricklayers were also

P.T.O.

(d) Does this house have a kitchen ?

~~YES~~	NO

(e) Does this house belong to you ?

(Tick one only)

(i)	Yes, I own it	
(ii)	No, I rent the house from the local Bantu Administration Board/City Council/ Department of Community Development	X
(iii)	No , I rent rooms from the Bantu Administration Board	
(iv)	No, I rent from a landlord	
(v)	Other (Specify)	

Questions 11 to 17 to b

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23/9/85

responsible for the lowest daily production."

Mr Basson's team also revealed that there was very little forward planning of the labour force which, after completing an activity, would "come to a standstill before being told where to go next"

When they did eventually reach the next work station, however, there were no materials pre-stacked and the workers had the wrong tools and equipment.

"In some cases, we could only succeed with new equipment by totally removing all the old stuff from the site," said Mr Basson

"Once the workers realised that the new techniques worked not only faster and easier but with better financial results, they went 'boots and all' for the new system"

The results? A well-motivated workforce on site because of a change in the attitude of the supervision

"Previously, workers were ordered from the top only and were not motivated by this action Some of these orders now originate from within the labour force itself," said Mr Basson

Mr HJ Goodman, head of the productivity department of Group Five company, CMGM, referred to the attitude of several workers towards their jobs, their superiors and their work method

"To the workers a job was just a job as long as they received their wages at the end of the fortnight," he said.

"We began a course aimed at increasing the understanding, especially among the economically unsophisticated, of how a business operates

"People are told what they can do to help the company to do well

"So far, the feedback from sites has been positive and awareness of job continuity and opportunities for advancement has increased"

Also on the "brickie" beat, Mr Goodman told delegates that a test was conducted to establish whether a man could lay 4 000 bricks a day

"At his first attempt, a selected bricklayer laid 4 064 bricks in 10 hours 11 minutes.

"The staff of a large site then decided to attempt to break this record At his first attempt, the contender laid 4 077 bricks in 8 hours 38 minutes"

Credit crisis hits building industry

Smaller building contractors, already reeling because of the lack of work, are now facing a credit crisis.

Certain major suppliers are not prepared to give more than a week's credit, according to a buyer for a major construction company. In the last year the credit period for smaller contractors has dropped from three months to seven days, he said.

This is happening against the background of the cost of some building materials having risen to more than 10 percent above the inflation rate.

Smaller building contractors are so desperate for business that they cut quotes to below cost, and find they cannot complete the project. With few credit facilities, many go bankrupt, said the buyer.

Mr Nick Schoonbee, credit manager of a major building supplier, said his company ran up to 13 credit checks on new applicants a day — and found 9 percent to be not worth the risk.

At R25 a credit rating, the firm spends up to R325 a day simply determining to whom they can safely sell goods.

32

In its annual report the Building Industries Federation of South Africa (Bifsa), takes issue with wholesale building material suppliers. It points out that material prices have increased by an annual average of 2,6 percent faster than the inflation rate in recent years.

STAR

These increases are a "clear indication of the monopolistic character of the building materials market in South Africa", says the report.

"It has become of cardinal importance that urgent steps be taken to reduce the gap between the inflation rate and building material price increases," it continues.

Bifsa estimates that building material prices will increase by 16 percent this year, and by 14 percent in 1986.

11/10/85

Industry sources speculate that the slump will only bottom out "this time next year". The outlook for the industry was "pretty grim", said one.

32

BIFSA

Cracks in the cartel

The Building Industries' Federation's (Bifsa) restrictions on tendering procedures — which have forced its members to toe the line over the years — are to be outlawed from May 2 next year

In terms of the latest Competition Board recommendations, which have been accepted by government, the building industries federation will thereafter be barred from enforcing certain rules According to the SA Property Owners Association (Sapoa), these rules effectively give Bifsa the power to

- ☐ Expel members for tendering in competition with non-members,
- ☐ Force members to use prescribed Bifsa tendering conditions,
- ☐ Insist that members embargo a particular project if *Bifsa* feels the developer is trying to breach its standard contract documentation, and
- ☐ Refuse to allow builder-members to use time-saving as an incentive to obtain contracts

Recommendations

Once the recommendations come into force, builders who fail to comply will fall foul of the Maintenance and Promotion of Competition Act which provides for fines of up to R100 000 or imprisonment of up to five years

But there is a provision for exemptions And, although Bifsa executive director Lou Davis refuses to comment, there seems little doubt that his federation will seek to make use of it before May 2

In terms of the recommendations, however, exemptions would be permitted on a temporary basis only Competition Board director Nic Vermeulen explains that since some practices have been in force for many years, it may be difficult to outlaw them overnight

"It is not our intention to cause chaos in the market and we will consider well-motivated applications for exemption, although there is no certainty that they will be granted," he says "We will certainly not be overgenerous in the granting of exemptions "

Sapoa, for one, will be seeking to ensure that the promise is kept The association has long criticised Bifsa's rules as inflationary and contrary to free market principles

Only last week, Sapoa delivered a strongly-worded memorandum to the Competition Board calling again for a clampdown on Bifsa's restrictions Executive director Peter Erasmus tells the *FM* that Sapoa is particularly incensed by the rule which embargoes Bifsa members from dealing with certain developers He considers this rule the "most pernicious practice currently employed in the industry "

As Sapoa explains it "Bifsa, through its constituent members, the master builders' associations, has adopted the practice of threatening to embargo a particular tender should it feel that the standard contract documentation rule is being breached, or that non-members are being invited to tender in competition with members

"The threat of having no Bifsa members tendering — or withdrawing tenders — is so great that owners are forced to comply with these rules This association is of the opinion that the practice constitutes a boycott in its worst form and should be stopped immediately "

Effectively, this means that non-members never get a chance to tender New entrants to the market have no choice but to become members of Bifsa for fear of being locked out of the tendering process And existing members must remain for the same reason

Sapoa says that although the embargo claim may be denied, it can produce evidence to support its case But it says there have been few *recent* cases because "as has been explained, the mere threat of embargoes has meant that they have actually not been put to very much use lately Furthermore, the embargo threats are invariably conveyed by telephone which makes proof more difficult "

As for Bifsa's insistence on standard documentation, Sapoa says it is not against the idea in principle However, it sees it as essential to allow variations which could be incorporated in an addendum to make alterations readily distinguishable to all parties

And Bifsa's view on it all? None As usual, it is not talking ■

'PARLIAMENT' MEETS

Bookings for next week's Sapoa conference in Durban are healthy despite the parlous state of the property market

But then again, it could be that more property people than usual are looking for the kind of guidance which the Sapoa get-together invariably provides

They may not get definitive answers, of course, but they can at least join in the inevitable soul searching and tea-time tips on how to ride out the recession

As far as the formal proceedings are concerned, guest speaker Barney Horowitz's talk on comparative perspectives of property investment in SA and the US should be one of the highlights For the enlightenment of newcomers, Horowitz is the former CE of Pioneer Holdings (since converted by Sage into the Pioneer Trust) and is now based in the US where he acts as a private investment consultant

As usual, however, the business and technical workshops are likely to produce the nitty-gritty on the major problems currently being encountered in the specialist sectors

Of those sessions, the future of the construction industry has attracted the most bookings — even though Sapoa is basically an association of developers and property investors

The convention will be held at the Elangeni Hotel from October 15-17

DUTCH EMBASSY

Who pays?

The Dutch government opened a legal Pandora's box when it refused to hand a portion of its former Pretoria embassy back to landlords Nedbank after the lease expired on September 30

Apart from the thorny questions of international law that still need to be settled, it landed Nedbank in a situation in which it could have been sued by tenants who were supposed to move in on October 1

In terms of the original lease, the Dutch government rented the first and second floors for its embassy When the lease expired, it vacated the first floor and a portion of the second floor — but not the portion occupied by political fugitive Klaas de Jonge De Jonge, of course, is wanted by the SAP for questioning on a number of security-related charges

Despite numerous requests, the Dutch government has consistently refused to vacate because, by going, it would have left De Jonge without a diplomatic haven

Nedbank then had a problem The new tenants could not continue operating in their old premises, which they were obliged to hand back to their former landlords on September 30

Had Nedbank not found a short-term solution to the problem that met with their approval the new tenants could have found themselves in the street and would, no doubt, have had more than adequate grounds to claim substantial damages from the bank

Goodwill prevailed on both sides, however An interim agreement was negotiated and the new tenants are now housed in temporary premises on the first floor

At one stage it was thought they would be housed there until October 8, when, the SA government said, the diplomatic immunity of the building would be lifted

But last weekend's announcement that the immunity would be extended until the problems had been ironed out has given the matter a new twist

Had the case gone to court — and that possibility has not yet been ruled out — Nedbank could have counter-claimed that it could not possibly have lived up to its contractual obligations because of circumstances beyond its control

Since there has been no cut-off date established for the extended immunity, the new tenants may well have to put up with their temporary premises for some time yet And although it is clearly not Nedbank's fault, that could well lead to claims for inconvenience suffered and the additional expenses involved in a double-move ■

CAPE FARMS

Sour plums

Rich tax-avoidance potential, the promise of fine capital growth and a stylish retirement environment have traditionally made farms in the western Cape an attractive investment That tradition is now wearing a bit thin

Broker David Annenberg, for one, describes the market as "uncertain" and says inquiries largely relate to smallholdings The problem is that there is a good deal more stock than purchasers Annenberg feels the scenario is similar to the rest of the property industry — not good

The relatively cheap Philadelphia area is attracting most demand, he says, and this is coming mainly from those who can't find anywhere else to keep horses at a reasonable price Also, there is always interest in wine farms — but for the moment, not many sales

Things could improve now that KWV quotas have been freed from individual firms and can be traded at whatever price the market will bear

Annenberg is convinced, however, that there will always be potential among buyers who want to escape the metropole — to keep animals or merely to gain more *lebensraum* However, he says tax come-ons are no longer as appealing as they used to be, possibly because many businessmen are no longer making enough to worry about them

Western Cape Estate Agency MD Schalk Rabie says buyers are always available for profitable farms Profitability, of course, depends largely on interest rates And now that rates are declining, prices of the better units can be expected to rise

Size is not the factor it once was, according to Rabie It is possible these days, he holds, to make a good living on no more than 10 ha

"Tomatoes planted as a supplement to export grapes, for example, are worth R20 000/ha — and much of this is profit, depending on efficiency Thanks to radical advances in irrigation methods, wine grapes can also be profitable on less land, but they still require at least 30 ha," Rabie maintains

New diversifications such as mohair production are also creating keener interest in western Cape farms

Buyers are now lured by the prospect of good investment returns rather than straight tax breaks

Ballpark prices for good farm land in the region are R20 000/haR30 000/ha, a 50 ha export-grape farm with no buildings should go for R1m Prices of the status estates obviously reflect a lot more than building costs and farming economics Rabie cites a prestige, 46 ha Wellington farm which fetched about R4m 18 months ago, just as the buyers' market was developing

David Strauss, Boland Bank's group property manager, says there has been a 40%-50% decline in prices since then And he is concerned that price recovery will not improve for some time after any general uplift in the economy

For all that, he feels prices are holding up remarkably well, given the unrest and its depressing effect on the western Cape Indeed, he feels asking levels are still too high for the market Strauss remains adamant, however, that tax benefits provided by farming are as big a carrot as ever ■

PROPERTY CHARTER

The Chartered Accountants (SA) Medical Aid Fund (CAMAF) has bought new headquarter premises from Kirchmann-Hurry Construction on the north-western corner of Republic Road and Hendrik Verwoerd Drive in Randburg

The property is believed to have changed hands for around R1,8m

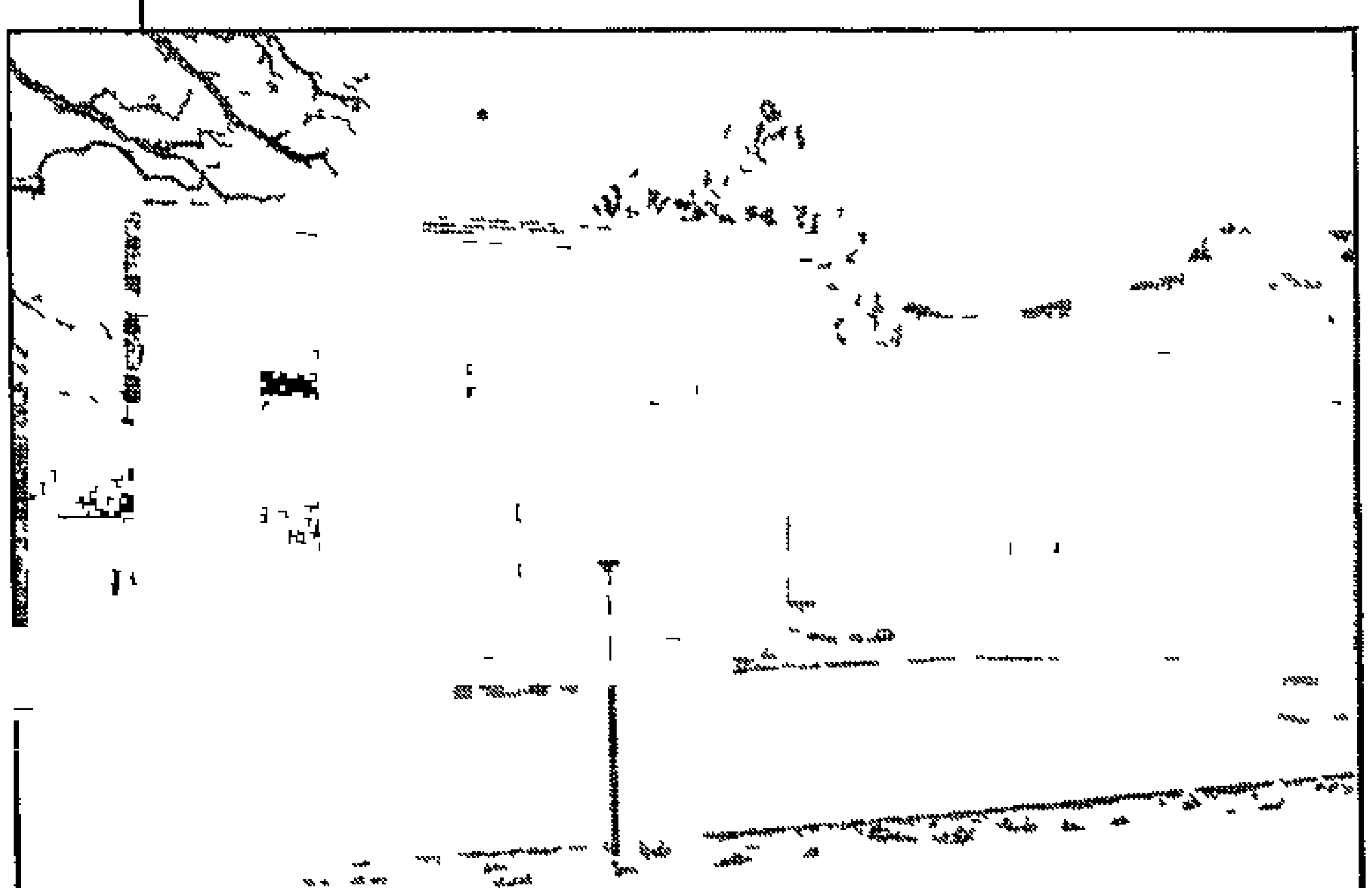
The building will accommodate CAMAF's administration staff and new computer installation which together will occupy about half the 1 750 m² rentable area CAMAF hopes to sublet the balance and is on the lookout for tenants to fill the voids

The sale was negotiated by the investment sales division of J H Isaacs

CAMAF's Malcolm Button explains that the rationale has been to stabilise rental payments while offering enough space for future growth

He adds that the offer of a good quality building, at a good price and which is well situated in relation to likely future developments in the Randburg CBD, made the investment an attractive one

The contract includes an undertaking by Kirchmann-Hurry to underwrite CAMAF's liability for the remaining term of the lease over its present Johannesburg CBD premises



CAMAF's new headquarters . . . an attractive investment

OFFICE VOIDS

Stateside story

South African landlords hurting under the keen rentals and incentives they are having to negotiate with prospective tenants, can take some comfort from the US

In overbuilt Denver, some owners are offering 18-24 months free rental on five-year leases And in Houston, most tenants are renegotiating leases at as little as 75% of what they paid a year ago

Other incentives on offer are generous improvement allowances, relocation-cost reimbursements and even equity participation

And although the national office vacancy average is 16,4%, other cities have even higher space overhangs

In Denver Fort Worth, New Orleans and San Diego, vacancy rates are at, or above 20%

Yet publicly, developers are sticking to their guns and quoting hefty rates for office space Officially the national average monthly rental for offices is $19,24/m² (around R50/m²) — up 39% since 1980

But that is based on *quoted* rates which are invariably used by developers to bolster their applications for financing Actual rents are invariably lower Also, of course, the artificially depressed rand makes the South African comparison purely academic ■

SA needs another 1 816 engineers

Science Reporter

Despite the economic downturn South Africa's chronic shortage of engineers has increased beyond all expectations

There are now 1 816 engineering posts vacant throughout the country — 162 more than predicted in a painstaking survey by the Federated Society of Professional Engineers (FSPE) last year

The greatest shortage is among electrical and electronic engineers The survey predicted a shortage of 533 in this field, but the actual shortage is 663

The president of the FSPE, Mr Douglas Mills, has commented "We have been saying for several years that the demand for technically qualified people is significantly higher than the supply Latest figures show clearly that even in a time of economic stress, the demand is still there

24/10/85

"We are extremely worried about what will happen in any economic upturn

STAR

"School leavers this year must seriously think of careers in engineering and technology By the time their training is complete, the demand for their services is likely to be high "

September contracts pull in R180m

32

Civil engineers see jobs decline

SEVERAL medium-to-large road schemes, as well as a major dam job, pushed the total value of 95 contracts recorded by the SA Federation of Civil Engineering Contractors to R180m last month.

Total value of new work during the first three quarters of 1985 was, however, about 10% below that of the corresponding period last year.

The biggest road scheme in September was the 12km Grahamstown bypass — worth R23,2m — awarded by the National Transport Commission to Concor Construction.

Clifford Harris will undertake the R14,3m contract for the reconstruction of the provincial truck road between Rooi Els and Botrivier in the Western Cape.

Natal Provincial Administration awarded construction of 18km of the dual-carriageway national road between Umgababa and Scottburgh to Savage & Lovemore — a Group Five company — for R10,5m, for completion in 23 months.

Basil Read will handle the construction of 16km of R61 road in Transkei under a R12,4m, 30-month contract.

LTA Construction will build the Arabie dam, 30km north of Marble Hall, in the Transvaal, in 22 months for a contract price of R20,8m. — Sapa.

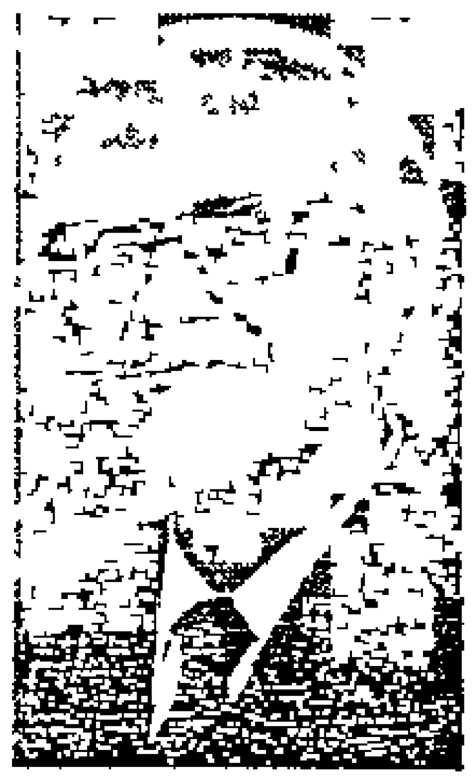
Privatisation could benefit construction industry by R1-bn

(32) Star 15/11/85

By Frank Jeans

While the Government is firmly committed to a policy of privatisation, the transition could be far from easy so far as the construction industry is concerned

Although an estimated R1 billion worth of work could be transferred from public sector units to private contractors, a major question remains — how will State departmental staff fare in the switch over?



Con Roux

The implementation of privatisation was the topic at a lunch organised by the South African Association Consulting Engineers and at which leaders in construction and related industries looked at the snags and hassles which lie ahead

With more than 30 percent of the white population of South Africa employed by the State, Mr Con Roux, past president of the SA Federation of Civil Engineering Contractors, suggested ways to accommodate the human factor.

"Part of the obligation facing private contractors would be to take over existing public staff for minimum periods," he said.

"This should not be difficult because there are some excellent staff available in the public sector. Many other aspects, however, would need detailed attention with regard to pensions and housing arrangements."

Early Retirement

Mr Roux believes another method of achieving a mutually satisfactory transfer of people would be the early retirement of public sector workers, followed by their re-employment by private business.

On the other hand, housing loans and other fringe benefits could be a problem, but more than likely there could be compensation by way of the private contractor's pay and conditions of employment.

"It is recognised that privatisation cannot take place overnight but what is required now is a clear-cut commitment, accompanied by an embargo on the purchase of new plant and the replacement of public service staff," said Mr Roux

And how to switch the workload?

Mr Roux believes this could be done through contractors being invited to tender competitively for the outstanding work already in public sector hands

Construction plant, too, at present owned by the State construction departments, could be sold off to the highest bidder

Consulting engineer, Dr A Keeve Steyn, said the State President should appoint a "middle man" (preferably from the private sector) to co-ordinate the change-over

Sats viewpoint

Mr M Myburgh, chief civil engineer of South African Transport Services, said there was willingness by public service management to "move in the right direction" but this was not helped forward by "unfair criticism of State efficiency which was counter-productive, if not insulting"

"The most important needs of the country are now job opportunities and capital for growth Can these be adquately met by private enterprise? If not, socialism will become unavoidable," he said.

While admitting there were too many Government employees — the Johannesburg City Engineer's Department has already cut its staff by 30 percent — the City Engineer, Mr George Grant said "in-house" departmental work by South African cities compared favourably with private consultants and contractors in productivity.

"There is clearly a real need to retain a large measure of 'in-house' capability in the municipal sector," said Mr Grant.

Pointing out that there can be little advantage in converting Government monopoly into private monopoly, Mr Colin Spence, director of SAACE, said that while many services, including design and construction of new works could justifiably be carried out by the private sector rather than public enterprise, a substantial measure of "in-house" public sector capacity would have to be retained "to do the less popular and less rewarding jobs".

R22-m boost for Ovcon

W/Transvaal 23/11/85

32

Property Editor

BUILDING contracts worth more than R22 million have been notched up by Ovcon for next year

The company, which has felt the recession as severely as other contractors, is very well placed at the moment, says Mr Jan Kaminski, joint managing director

'In recent weeks, he says, the company has

- Negotiated a R10 million office and parking block contract in Cape Town,
- Come in as lowest tenderers on a R6 million Government contract, and
- Made the lowest bid for a R6 million service building for an insurance company

BUS DAY 2/12/85 (32)

Boom times forecast

ALAN PEAT

MANUFACTURED homes are likely to be an area of enormous future development, according to CI Industries, who make these under the name Parkhomes.

"With the high price of traditional building and the lack of money among buyers, manufactured housing is bound to grow," says CI marketing manager Theo Wiggil

He expects this type of housing site to attract newly-weds, retired and middle-aged people

He says the budgets of newly-weds would be better matched to the R30 000 to R60 000 price levels

"They escape the high land cost of traditional home plots," says Wiggil "Long-term leases with annual increases linked to the consumer price index is the best way for the owners of sites to set up their operations."

CI is directly and indirectly involved in five Parkhome sites in Natal and Johannesburg.

The caravan market has dropped by 25% despite its attraction as an inexpensive holiday alternative, says Wiggil

He sees growth in the use of caravans as alternative homes as virtually negligible

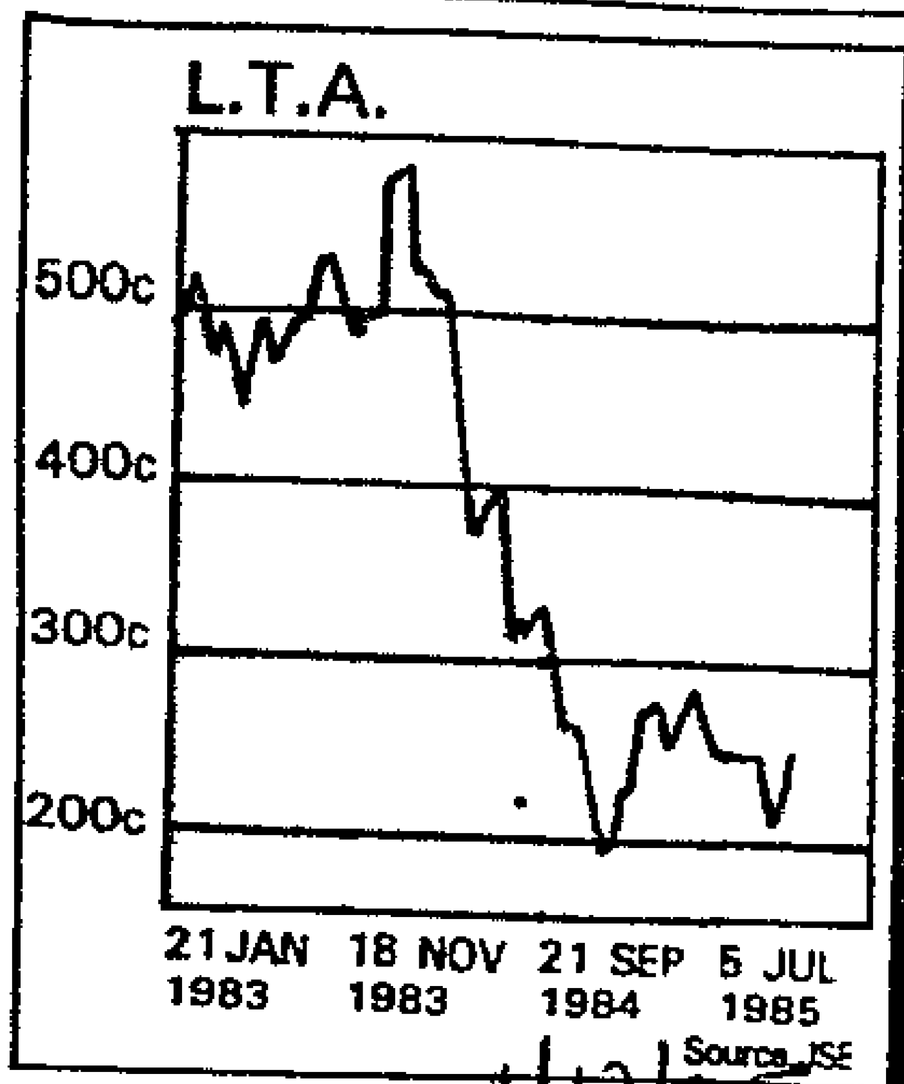
But he does not consider the fall in the market size to be too bad

In 1982, about 10 500 units were sold, valued from a R10 000 a unit average, at about R105m, 1983 saw a rise to 11 000 units (R110m), 1984 10 000 (R100m) with this year's sales expected to be 7 500, valued at R75m

The market for on-site temporary residences in the building and construction sector is virtually dead, says Wiggil

"This has been the position for so long now that people in the market, such as ourselves, are really having to hang on, waiting for the change

"I expect to see the beginning of an upturn in the market at about the end of 1986 — establishing an advance guard for 1987."



4/12/85

LTA posts a loss of R4,8m

MERVYN HARRIS

LTA plunged into the red in the six months to September to post an attributable loss of R4,8m, against a R3,1m attributable profit for the same period last year.

Most of the damage was caused by a setback in its Australian operations because of anti-SA restrictions which forbid the award of Federal construction contracts to SA-controlled companies

Two important contracts which were about to be awarded to the group were deferred and again put up for tender, but LTA was unable to bid.

Chairman Zac de Beer and MD Colin Wood say the loss of this work and other anti-SA restrictions have given the group no option but to withdraw from Australia as soon as existing responsibilities have been discharged

Earnings attributable to shareholders from continued operations slumped from R3m to R249 000 which, the directors say, are in line with expectations.

Trading conditions were difficult with fierce competition in the industry

● To Page 2

BUS. DAY

Australian setback hurts LTA

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reducing margins to levels that are almost uneconomical.

Although the construction industry's prospects are not good, management believes the results in the second half of the financial year should show no further deterioration

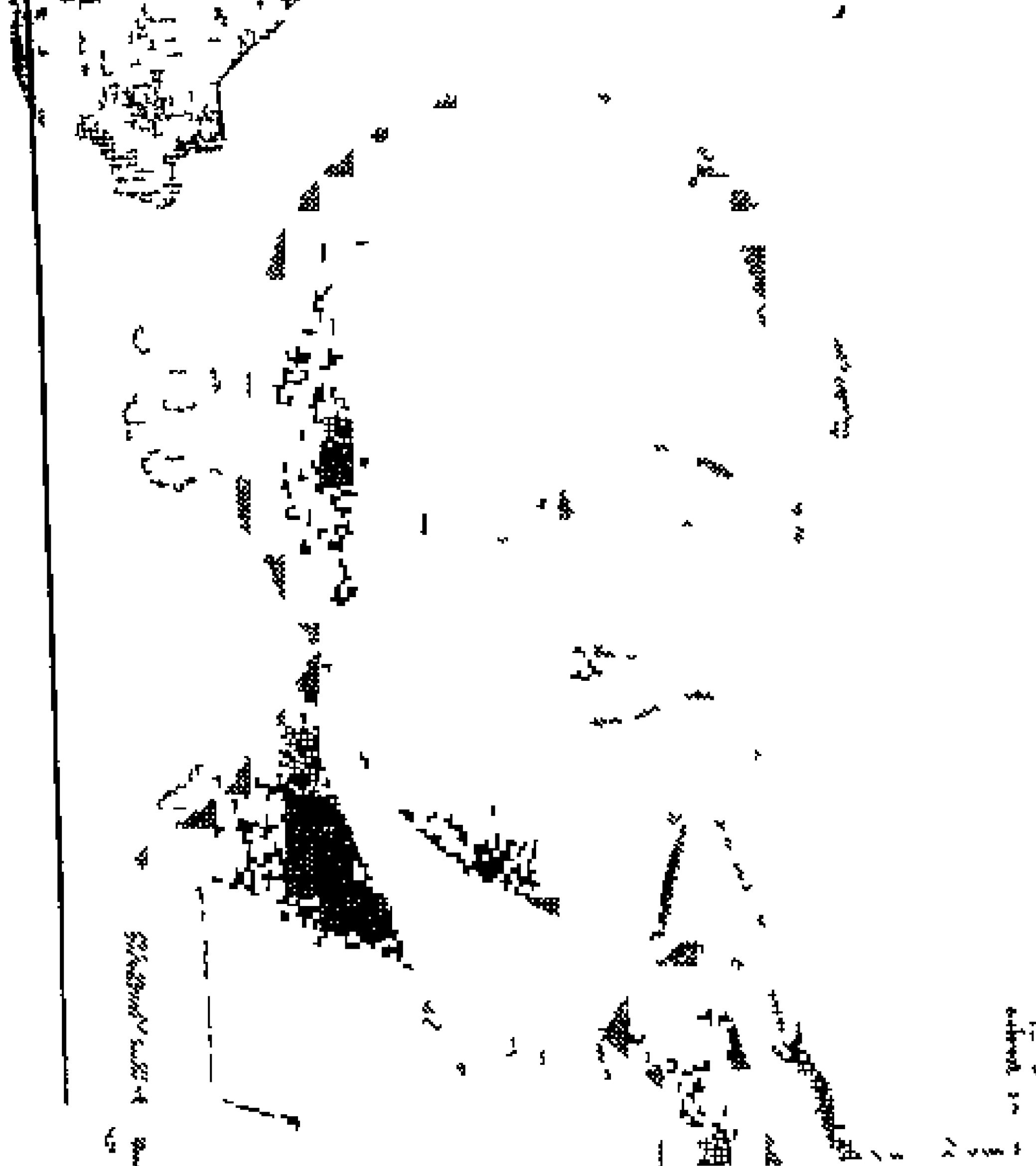
However, there is more bad news for shareholders as the directors say the issues related to the Soweto contract are unlikely to be resolved by negotiation.

The recovery of the substantial amounts due to the group will have to be sought through the legal process, which is expected to be protracted.

It's make or break for civil engineering

STAR 9/12/85 32

By Frank Jeans



Peter Clogg of Group Five

The road-building business has been the star performer in an otherwise troubled civil engineering industry which has seen work values plunge to crisis levels

And the question which remains as construction men wind down for the Christmas break is will the multi-million toll road programme virtually be the survival factor again in the coming year?

There are other imponderables, of course, which add up to make-or-break times for the industry, and one man who has no doubt where the remedies lie is Mr Peter Clogg, newly appointed chief executive of Sandton-based construction company Group Five.

He might well ask can South Africa's overseas loans be rolled over on satisfactory terms, and does the Government plan to stimulate the economy in the coming year? Indeed, is South Africa entering an era of siege economy?

"If the answers to all or most of these questions are favourable, we can take heart for we will be on the way up," says Mr Clogg "If not, we will have a lot of serious thinking to do"

"The construction industry in common with other sectors of the economy, has gone through a difficult period, with salary cuts, lost bonuses, and widespread retrenchments the order of the day

"This has hit our labour particulalry hard, and companies have had the sad task of laying off some workers who have served them faithfully for 10 years or more Without work for them there simply has been no alternative"

Mr Clogg sees little likelihood of an improvement in 1986 unless there is good news from government on measures to get the economy moving

"Their ability to recognises genuine grievances and meet these in a positive manner through consultation and joint action will be a critical factor," he says

Livewire operator

Contracts for civil work have shown some improvement without reaching normal levels of activity after a very tough patch, and building needs a revival of private sector activity to attain satisfactory levels next year

The GF chief believes the roads programme, especially toll roads, probably holds the key to real progress in the next year or two, and a great deal depends on the Government's handling of this issue

Mr Clogg takes over the Group Five top spot officially on January 1, and he will be responsible for the day-to-day running of all the group's operational companies

Mr John Hodgson remains chairman of Group Five

Port Elizabeth-born Mr Clogg brings to the job a reputation as a livewire operator who is one of the country's progressive contractors

As one of his managers once ruefully remarked "He knows more about my contracts than I do myself, and that can be unsettling"

Unsettling or not, Mr Clogg is a man who believes in leading by example, and his style has earned him the loyalty of his construction teams

He is the 'C' in CMGM, of which he was managing director at the time of the Iscor No 3 steelworks contract at Newcastle which led to that company eventually being one of the founding companies of Group Five in 1974

In the big league

Since then he has continued to play a leading role in Group Fives fortunes as a member of the board and as head of its construction division

He was closely involved in negotiations with Darling and Hodgson during the Magnum raid on Group Five shares in late 1983

D and H now have a 65,5 percent shareholding in Group Five

The organisation started 1984 under the new arrangement by adding D and H's entire construction division to its existing family

This included, notably its urban building companies, Combrink Construction, Stevenson Construction and RH Morris and road builders, Savage and Lovemore and D & H Construction (Transvaal)

While Group Five in recent years has found itself in the big league of South African construction companies, its progress was marred by tragedy last December when its then chairman, Mr Sandy Jamieson, one of the most highly respected engineers in the business, died suddenly

Sandy's close friend and colleague, Peter Clogg however, is now the man at the helm of Group Five — a man well equipped to handle his most challenging assignment and the big contracts which must undoubtedly come his way

M & R to train jobless in Natal

BUS DAY 11/12/85

CLAIRE PICKARD-CAMBRIDGE

MURRAY & ROBERTS (Natal) will be training 11 000 unemployed people in skills like carpentry, bricklaying, steel-fixing, plastering and welding before the end of March

The company will be taking the lead in this ambitious project to train the unemployed — a task which has been taken on by several M&R Group companies

It forms part of a broader scheme by the Department of Manpower to step up training of the unemployed by granting an allowance to those companies tackling the new schemes

M&R started training in September, after discussions with the Department of Manpower, which is providing R22 a day for each trainee

M&R MD Andrew Stewart said "We have been the forerunner of training in the Natal area and have training facilities and experienced instructors which are now under-utilised So we have agreed to provide facilities, materials, instructors, machinery and a daily meal for trainees"

Each course participant is given a small wage and reimbursed for transport costs Overalls, tools and equipment are supplied by the company

All courses last three weeks and candidates must prove they are unemployed The selection of applicants is being handled by the Development Boards in various areas

M&R said demand for training at its school in Prospecton, Durban, had been so great that another school had already been opened in Richards Bay Others were planned for the Maritzburg and South Coast areas More than 2 000 people would undergo training simultaneously

The company said that, although participants were not guaranteed employment at the end of their three-week course, they would be provided with a marketable skill, and would be issued with certificates at the end of the course.

There would be one instructor for every 12 trainees

Hard-pressed builders say now's the time to build

Building costs could rocket after recession

(32)

STAR 12/12/85

By Frank Jeans

When the recession (with its keen tendering in the building industry) is over, building costs will go through the roof Now has never been a better time to build

That's the message from the local industry as it ends another tough year of shrinking profit margins and work scarcity

With the inflation rate tipped to go as high as 20 percent in 1986, a dramatic rise in costs seems inevitable at the slightest sign of economic recovery

"Today's value of domestic investment capital will by then be needlessly lost unless used immediately for building," says Mr Lou Davis, executive director of the Building Industries Federation (Bifsa)

Bullish forecasts for the industry in the last quarter of this year did not materialise. Instead, there has been retrenchment — the result of order books declines.

"With the increasing loss of investor confidence, both locally and abroad, there was little evidence of new building work," says Mr Davis

"It is in that scenario that investing entrepreneurs would be well advised to take advantage now of the low tender prices and lower cost of building resources"

The Bifsa director emphasised that general workers and lesser-skilled operatives took the full brunt of the jobs lay-off.

But there is still moderate demand for well-skilled artisans ("the nucleus around which a well organised and quality-conscious industry will have to be redeveloped")

"Given the spark, the building industry can again create vast work opportunities, accommodation for the masses and what is of particular importance — the capital infrastructure necessary to produce more goods for South Africa's export drive," says Mr Davis

Lou Davis, executive director of Bifsa (left) and Peter Kett, commercial director of Blue Circle Cement

Cement . . .

The cement industry, which has put millions into plant expansion, is not likely to see good returns on its investment in the coming year, with demand sluggish in line with the lack of building and construction work.

And with rail tariffs going up again from January 1 and Escom announcing a 21 percent rise in electricity prices up to this time next year, it would appear that a further cement rise must follow

The average cement price went up by about 12 percent from the beginning of this month, it was said that this increase did not take into account future rail charge increases in which event, "another price review might be necessary"

"Three months ago the cement industry generally foresaw 1986 as being about the same as this year — plus-minus 1 to 2 percent," says Mr Peter Kett, commercial manager of Blue Circle Cement

"Today, people are a little more pessimistic and probably see the industry doing well if it manages to match 1985"

It should also be remembered that as in all in other sectors, much depends on the chances of economic recovery and that building and construction tend to lag some months behind the other business barometers

The impact of high financing costs is particularly severe these days for the capital-intensive cement industry Although the major producers have brought on stream new plant (Pretoria Portland's Dwaalboom, Anglo Alpha's Ulco, and Blue Circle's Lichtenburg) they have also mothballed older, less efficient and energy-using kilns

. . . and bricks

Endorsing the "build now" philosophy are the brick men, who say this is the time to negotiate new contracts while there is "unprecedented price flexibility" in the market

It is impossible to predict with any degree of confidence the rand exchange rate and import controls which affect the cost of imported machinery and spares and other production runs and thus, the price of bricks However, Corobrik, South Africa's major producer will be sticking to its quarterly price review policy next year

Mr Keith Nurcombe, marketing manager of Toncoro, the holding company of Corobrik, says "We can expect price increases at greater intervals

"We do not raise prices across the board, but look at each factory and product separately In certain cases, we may even expect price drops"

Emphasising that it is still a buyer's market, Mr Nurcombe sees this situation continuing for at least the first half of 1986

"Corobrik welcomes competition, and the highly competitive nature of the brick industry means that there is far more price negotiation going on, particularly for the bigger contracts," he says.

Certainly, the lid has been on the building industry too long, and pressure is building up in the form of mass housing requirements and a backlog of Government infrastructural work

BER sees little activity for six months

Bus DAY 18/12/85

Builders braced for a year of survival

32

CHERILYN IRETON

PRIVATE investment in housing is likely to tumble 16,8%, or R126m, next year

The building industry is expected to lag behind the expected 3% growth in gross domestic product with total fixed investment falling 5% on the R2,1bn spent this year.

Bureau for Economic Research economist Tertius Beyers says it will be at least another six months before the industry shows signs of recovery.

Acknowleging that they had not yet reached the end of the slump, industry leaders have warned that 1986 would be a survival year, with only the public sector injecting more cash into building projects.

State-backed bodies are likely to channel most investment into the residential market, where spending is expected to rise from R180m to R200m as government increases spending on low-core housing.

Government and semi-government organisations are also likely to be called upon to fund infrastructure projects needed to support any new housing developments However, most of the R200m is expected to be directed to black housing projects which will include the upgrading of areas such as Alexandra, Sandton

Beyers believes public corporations such as Escom will be forced to reduce investment in building during the next year by a further R10m to R220m. This drop reflects the difficulties being experienced in attracting overseas capital and investment

The decline also indicates that key projects like Koeberg, which have attracted vast investment in the past few years, have come to an end, he adds.

Private sector spending on non-residential building is expected to fall by at least R15m as a result of the oversupply of office space. Spending in this sector is not likely to pick up before the end of 1987 when the glut of office premises should be wiped out

Despite this, the BER predicts investment in this sector to top R550m However, most will probably come from the mining sector, which has fared well over the past year.

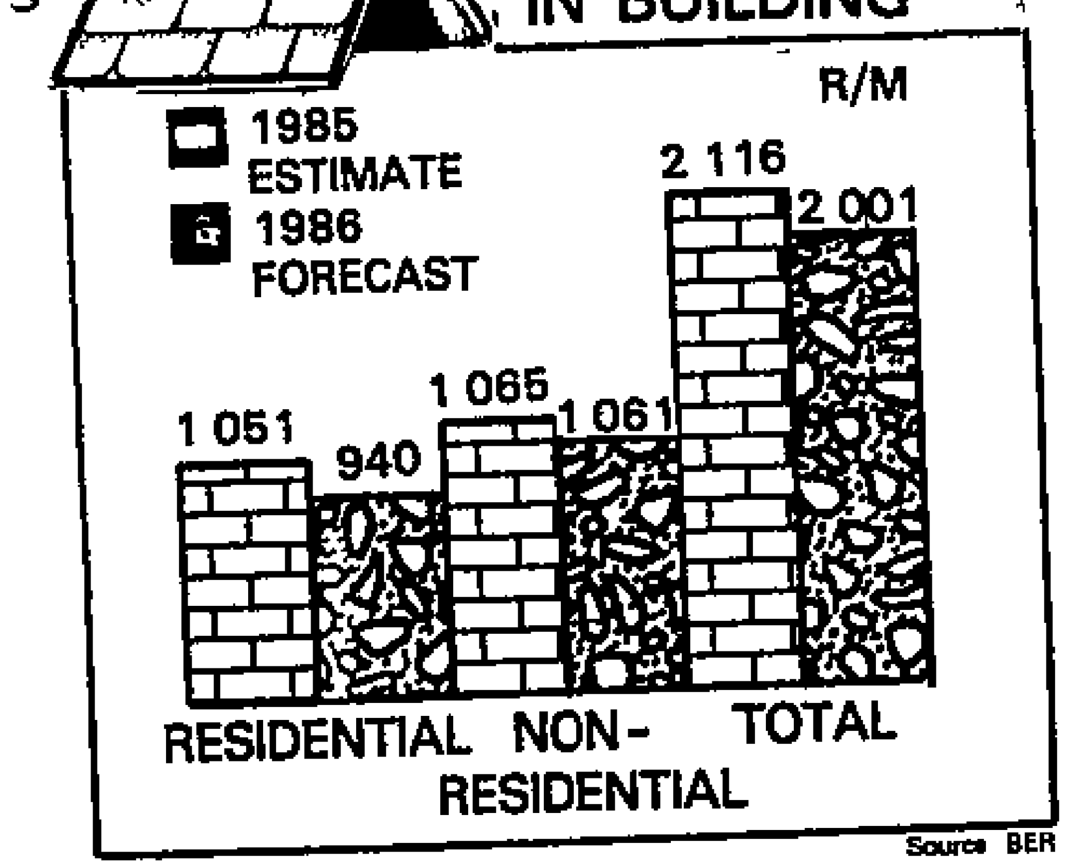
New mining developments are expected to attract substantial investment and should provide Transvaal-based contractors with welcome opportunities.

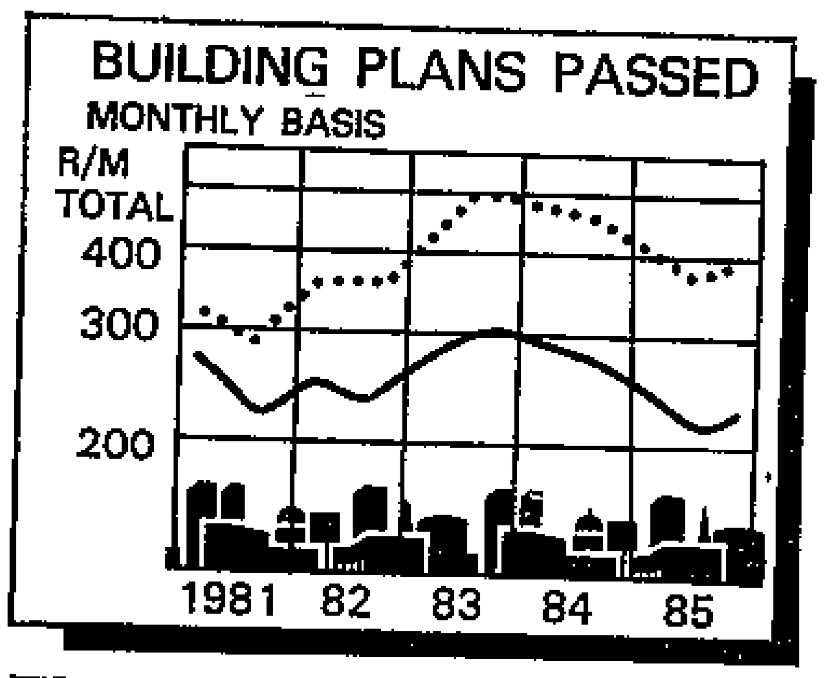
Beyers forecasts an overall decline in investment for 1986, led by a drop of spending in the first six months after which there will be a slight improvement.

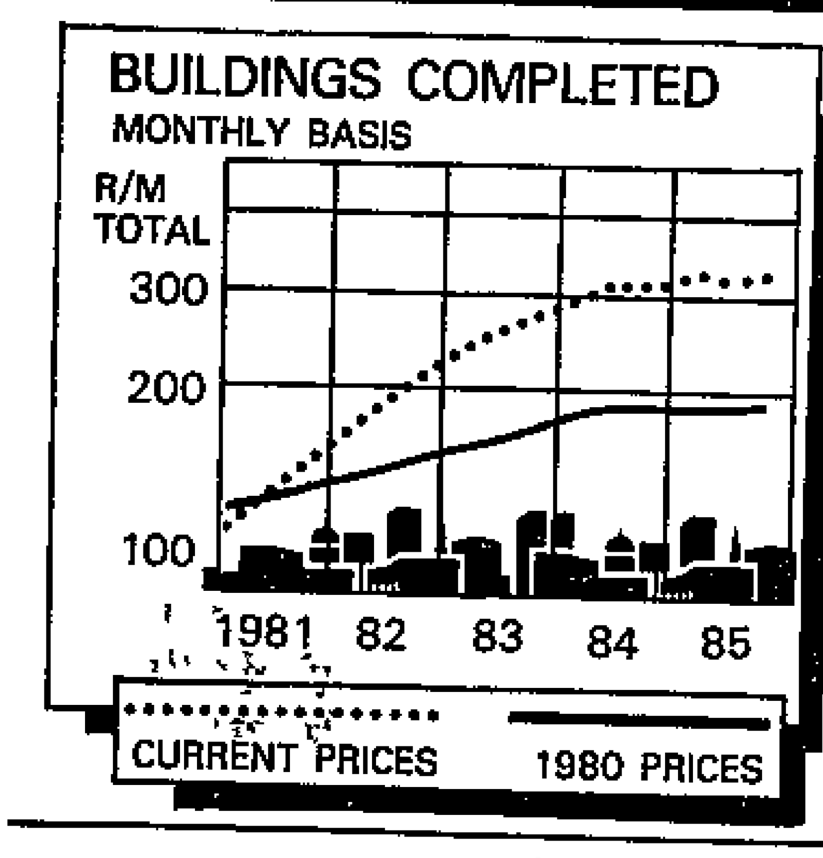
Beyers believes that building material and labour costs will rise, forcing contractors to cut profit margins even further to keep prices down. Material costs will increase by between 13% and 14%, while a 10% jump in labour costs is forecast.

In preparation for an upswing in the economy, huge government and private sector training programmes are concentrating on upgrading workers' skills

FIXED INVESTMENT IN BUILDING







BUS. DAY/ 27/12/85

Value of plans drops to R4,012bn

32

ANDRE VAN ZYL

FOR the first time in recent years, the value of buildings completed is catching up to the value of building plans passed as financial expectations drop, latest figures released by Central Statistical Services show

The value of building plans passed for the period October to December 1985 dropped 19,4% to R4,012bn from the figure for the same period last year, while the value of buildings completed rose 7% to R3,200bn at current prices

Discounted to 1980 prices, the value of plans passed show a drop of 20,4% to R2,292bn, while the value of buildings completed show a fall of 0,1% to R1,842bn

The tendency is most noticeable in residential building, where contracts completed are barely being matched by new plans. Plans passed dropped 33,1% to R1,577bn at current prices and buildings completed fell by 8,3% to R1,564bn

The value of non-residential plans passed dropped by 16% to R1,221bn, while non-residential buildings completed rose 30,2% to R831,4m

Similarly, alterations and additions planned rose by only 3,9%, but projects completed rose by 24,5% to R804,5m

Metkor should be able to maintain earnings in 1986 — Muller

BUS. DAY 31/12/85

32

PRISCILLA WHYTE

BY REDUCING operating expenses and overheads, Metkor should be able to maintain earnings in 1986, says chairman Tom Muller in the annual report Metkor is the pyramid of engineering group Dorbyl

Earnings before extraordinary items declined to R6,22m (R23,66m) in 1985

Muller expects demand to be down and profit margins to be under pressure in 1986

Commenting on the results to end-September, he explains that difficulties were experienced in the engineering industry. There was a drastic fall-off in demand from the motor industry

Building activity declined and South African Transport Services' cut-back on capital expenditure had a negative impact on subsidiaries servicing these industries.

Many companies in the group were forced to cut the number of working days, "which has resulted in an increase in the under-recovery of fixed costs" This, together with lower margins, eroded operating income

Turnover increased to R1,653bn (R1,544bn) because of acquisitions Stewarts & Lloyds (S&L) became a wholly-owned subsidiary Reunert sold its investments in Barlows Engineering and Barlows Railway and Engineering Products

Tubemakers, a subsidiary of S&I bought Woltube from Hunt Leuchars & Hepburn

	1981	1982	1983	1984	1985
Turnover (Rm). .	1 239m	1 506m	1 569	1 544	1 653
Operating income (Rm)	90,7	99,7	106,9	84,5	46,0
Taxed profit (Rm). . .	64,5	71,4	69,9	52,3	31,1
Earnings (c)............ ..	28,64	29,17	29,64	21,80	5,70
Dividends (c) . .	6,25	7,25	7,25	7,25	3,00

BUS DAY 31/12/85

32

Engineering outlook complex

FRED STIGLINGH

ENGINEERING's future depends on basic things the gold price, improved performance on the export market and good summer rains

Of course, it is not all that simple, and those in the know will be quick to point out underlying factors such as education, outdated manufacturing methods, and lack of government incentives

Difficulties in the metal and engineering industries go back to 1982, when setbacks were suffered as a result of the poor gold price and drought.

Overvalued rand

The rand was overvalued and the industry encountered intense competition from imported goods. The engineering industry — heavily involved in long-term capital projects — was at a competitive disadvantage.

In 1984 the rand came down and concern that inflation would take off led to severe financial and monetary restraints

Organisations such as Escom had to tighten up.

Badly hit were general engineering, consumer durables — such as white goods, motor parts — foundry and heavy engineering sectors.

More than 10 000 workers were laid off this year alone

Contracting sectors, their fortunes determined by the building industry, also became casualties.

Meanwhile, despite what some see as traditional apathy within the engineering fraternity, there has been some activity on the upgrading and export front.

President of the SA Institute of Mechanical Engineers (Saime), Roy Marcus, saw the need for a clear-cut industrial strategy to offer government.

He promptly changed the role of Saime from an institute admitting individuals only to one embracing a company affiliate scheme for working closely with industry. The purpose is to home in on specific areas which need to be rectified in the short term.

The strategy would probably consist of pumping money into one or two selected industries, chosen with the needs of world markets in mind.

Thinking is along the line of short-term emergency measures to capitalise on exports and create jobs.

Exporting engineering goods is expensive and difficult and the feeling in the industry is that government should improve exporting incentives on the marketing side

At the moment the benefit comes through the Income Tax Act and through a double deduction of marketing expenses, but companies would like to see cash reimbursements for proved expenses.

Exprosa

November this year saw the launch of Exprosa, an umbrella organisation aimed at multiplying exports of capital goods and technical expertise

Exprosa developed from the export subcommittee of the Techno-Economic Society of SA and has won the backing of the Board of Trade and Industries and the Department of Trade and Industries

Initial effort will go into South American countries and the Far East, and the idea is to become involved as consortium members.

Experience has shown that products developed in SA for local conditions, especially those which require little maintenance, are accepted in developing countries and others like Australia and Canada

On a more concrete level, the announcement that project planning on the Mossel Bay oil scheme is to begin next year has boosted engineering morale to a degree.

The scheme will provide millions of man-hours of work for engineers It is estimated the fabrication of an offshore production platform alone will provide an estimated 4-million man-hours of work spanning two years.

Iscor estimates the total project will consume up to 100 000 tons of steel.

Ironically — even though SA industry is in a recession — it will have to import engineering skills to meet the project demands